

Committee: Finance & Administration

Agenda Item

Date: 27 January 2011

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Title: 2011/12 Budget
Finance & Administration Committee
budgets

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Item for decision

Summary

1. The Committee is requested to approve its 2011/12 revenue budget, which shall be subject to final determination by the Council on 24 February.
2. All committees' budgets will be collated and reviewed by this Committee on 8 February ahead of final determination.
3. Care has been taken to ensure that budgets reflect contractual commitments to staff, suppliers and service users. The budget includes realistic estimates of non-contractual expenditure required to deliver existing levels of service. Income budgets have been based upon realistic estimates of activity levels and the fees & charges considered earlier by this Committee.
4. Significant matters specific to this Committee's budget are detailed below.

Recommendations

5. The Committee is recommended to approve its 2011/12 revenue budget as set out in Appendix A.

Financial Implications

6. The budget proposed for the Committee is affordable within the context of the Council's General Fund budget as a whole and the Medium Term Financial Strategy.

Background Papers

7. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

[Medium Term Financial Strategy](#) approved by Full Council 18 February 2010

[MTFS update report](#) to Finance & Administration Committee 16 September 2010

[2011/12 Budget Strategy report](#) to Finance & Administration Committee 16 September 2010

Budget Working Papers

Impact

Communication/Consultation	Public consultation was carried out in the Autumn. There was a majority of responses in favour of reducing several of the Committee's budgets including Democratic Representation, Committee Administration, Customer Services Centre and Revenues Administration. This has been interpreted as a comment on perceived bureaucracy in general rather than any specific dissatisfaction with the service and therefore no reduction in service is proposed. Efficiency savings have been identified in all service areas where possible.
Community Safety	No specific implications.
Equalities	No specific implications.
Health and Safety	No specific implications.
Human Rights/Legal Implications	No specific implications.
Sustainability	No specific implications.
Ward-specific impacts	No specific implications.
Workforce/Workplace	No specific implications.

Finance & Administration Committee budget – significant issues

8. The budget does not include any significant cuts or new investment in services to the public. However in recognition of public consultation results (summarised above) and the financial climate generally, officers have made concerted efforts to identify efficiency savings across the range of corporate and support services. Some of these arise as a consequence of the proposed Revenues & Benefits partnership. Changes in the level of Government funding support for Benefits and the clarified legal position regarding land charges have increased the budgeted income levels. The net reduction in the Committee's budgets from 2010/11 to 2011/12 is £412,000. Details of the significant adjustments are given below.

Benefits Administration – budget reduction (additional income) £109,000

9. The Government provides a grant to pay for the administration of Housing & Council Benefits. The amount is reducing from an estimated £373,000 in 2010/11 to £336,000 in 2011/12. However, the amount built into the base budget in 2010/11 is only £227,000, so the 2011/12 amount of £336,000 enables an increase in the budgeted income.

Business Improvement & Performance Team – budget reduction £33,000

10. One member of staff shall be on maternity leave for much of 2011 and another member of staff has been seconded to another role within the Council. The posts are not being backfilled while they are temporarily vacant. This reduces the Team's capacity to undertake service efficiency reviews although to a large extent this work is being led by the Corporate Team (see below).

Central Services – budget increase of £18,000

11. This budget covers the costs of running the mailroom and printroom. Some scanning-related activity is being transferred from the ICT and planning services which gives rise to an increase in the Central Services budget of £33,000 (there are equivalent reductions in the ICT and planning budgets).
12. Efficiency savings of £17,000 are to be made across a range of mailroom and printroom budget headings.

Conducting Elections – budget increase £78,000

13. The Council is required to budget for the cost of the 2011 District Elections in 2011/12. The balance on the Elections Reserve of £60,000 will be used to fund most of this cost.

Corporate Management – budget reduction of £70,000

14. This budget covers the cost of the Strategic Management Board, direct administrative support and corporate costs such as external audit fees and the staff pay award.
15. A £94,000 saving has been achieved by deleting a Director post as part of the management restructure previously agreed by Members.
16. A £50,000 saving arises from modifying the assumption regarding the staff pay award. The previous budget was for £80,000 which assumed a 1% pay award for all staff. There is as yet no information available about what, if any, pay award will be made. The Government's 2010 Budget announcements indicated a policy of limiting public sector pay rises to £250 for people with a salary of up to £21,000. Although it is not known if this will be implemented in local government, it seems sensible to budget on this basis which in UDC gives rise to a cost of £30,000.

17. A Corporate Team has been established to manage delivery of the Strategic Solutions Workstreams and savings programmes. The Team comprises three existing Council staff who have been seconded from their substantive posts. It is currently intended that the Team will be in place until the end of September 2011. The cost of the team for six months is £76,000 and has been built into the Corporate Management Budget.

Council Tax Benefits – budget increase of £153,000

Housing Benefits – budget reduction of £7,000

18. These budgets contain the approximately £18 million of expenditure on benefits and the Government grant funding for these. The budgets have been recalibrated to assume a modest growth in caseload, taxbase and rent levels but also a more realistic assessment of Government grant receivable, equivalent to approx 98% of the expenditure on average. Account has been taken of the trends and performance in 2010/11, and some allowance has been made to reflect the risk of temporary fluctuations in performance in a year which is expected to see the service transfer to the new partnership with Harlow. The detailed sums are reproduced below so that Members can get a feel for the sums involved.

£000	2010/11 budgeted expenditure	2010/11 budgeted Govt funding	2010/11 budgeted net cost	2011/12 budgeted expenditure	2011/12 budgeted Govt funding	2011/12 budgeted net cost
Council Tax Benefits	3,917	3,918	-1	4,049	3,896	153
Rent Rebates	6,288	6,154	134	6,374	6,278	96
Rent Allowances	7,275	7,152	123	7,744	7,589	155
Sub Total	17,480	17,224	256	18,167	17,763	404
		(98.5%)			(97.8%)	
Other items (net)			(47)			(49)
TOTAL BUDGET			209			355

Customer Services Centre – budget reduction - £27,000

19. This reduction is to be achieved by not renewing the contracts of temporary staff. The saving is predicated on the basis that some customer enquiries relating to Revenues & Benefits will be dealt with by the new partnership with Harlow.

Democratic Representation – budget reduction - £17,000

20. This budget covers the cost of Members and Committees. Reductions in budgets are proposed to reflect the trend in levels of expenditure, which gives rise to a reduction of £7,000 for Members Expenses, £6,000 for subscriptions and small adjustments totalling £4,000 over various budget heads.

Financial Services – budget reduction - £12,000

21. The budget includes investments totalling £92,000, comprising the Procurement Manager (£44,000), technical accountancy (£31,000) and purchase of support from other councils and specialists (£17,000). This investment has been funded by reductions elsewhere in the Finance service budget totalling £92,000, comprising accountancy salary savings (£59,000), withdrawal from the Braintree Procurement Hub (£25,000) and miscellaneous savings over various budget heads (£8,000).

22. Contractual indexation on bank charges, treasury management advice and insurance policies adds £15,000 to the budget in 2011/12. A saving of £13,000 arises from a review of insurance cover and policy excess levels. Other miscellaneous savings of £14,000 give rise to a net saving of £12,000 overall.

Information & Communications Technology (ICT) – budget reduction - £112,000

23. The corporate scanning project comes to an end in 2011/12 and this gives rise to removal of one-off budgets totalling £35,000.

24. Activity with a budgeted value of £22,000 is transferring to the Central Services budget area as noted above.

25. A net reduction in the ICT budget of £26,000 arises from the secondment of a member of staff into the Corporate Team.

26. Other net savings of £29,000 have been identified through renegotiation and rationalisation of costs relating to telephones & communications, and software support.

Internal Audit – budget reduction - £16,000

27. A member of staff retires from the Council in early 2011 and the opportunity is therefore being taken to realise an efficiency saving. The intention is to reduce the establishment of the internal audit team by 0.5 FTE. Opportunities for joint working with other Councils are to be investigated.

Land Charges – budget reduction - £148,000

28. Due to national legal challenges and the resultant significant uncertainty, the 2010/11 budget assumed that land charges may have to be discontinued and amounts received refunded to customers. The legal position was resolved in the Summer of 2010 with the result that land charges may continue to be collected and retained. This enables a budgeted income of £160,000 to be reinstated. Additional costs of £12,000 arise, relating to increases in software costs and fees payable to the County Council.

Legal Services – budget reduction - £23,000

29. A saving has been made by an employee reducing their hours following return from maternity leave.

Local Taxation – budget reduction - £20,000

Non-Domestic Rates – budget reduction - £3,000

30. These budgets capture the recovery of court costs from debtors who fail to keep their accounts up to date. The budgeted income levels have been increased to reflect current and estimated future trends in the level of income.

Offices – budget reduction - £55,000

31. A saving of £31,000 has been made in the amount of business rates payable on the SW Offices, following an appeal and review initiated by officers.

32. A saving of £22,000 arises following the sale of the Dunmow office.

Resources Administration – budget increase - £15,000

33. The budget includes investment of £25,000 into resources for training and quality control of benefits in line with the identified priority of improving accuracy levels. This in turn should help to minimise any penalties that may arise as a result of errors detected during the external audit process. Savings of £12,000 have been made across various budget heads for supplies & services.

34. At this stage no saving has been assumed in 2011/12 for the proposed Revenues & Benefits partnership with Harlow.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
In general, actual events may differ from the assumptions and estimates used to produce the draft budget, which will lead to variances from the budget.	2 (some risk that variances will occur requiring action to be taken)	3 (potential impact which could adversely affect the council's financial position if not managed)	Budget monitoring and corrective action taken as necessary.
Revenues & Benefits – implementing the partnership in 2011/12 could result in unbudgeted costs and/or fluctuations in performance that have financial consequences. Conversely, a smooth and successful implementation could result in a net saving being realised before the end of the financial year. Some support service budgets are predicated on the assumption that the partnership will go ahead in October.	3 (probable that some variances will arise)	3 (sums involved potentially significant due to the complexity of the project)	Project management and oversight by Joint Committee
Corporate Management – if the national local government pay award differs from the assumed level, there will be a budget variance.	3 (a strong chance that the pay award will differ, or there will be no award at all)	2 (in view of current climate unlikely to be significant unbudgeted costs)	Tolerate the risk but keep abreast of status of pay negotiations
Corporate Management – external audit fees – the budget assumes a 5% saving in line with the Audit Commission's proposed scale of fees. However the actual fee payable is subject to locally determined factors.	2 (possible that the local auditor will determine that a different level of fee is applicable based upon their risk assessment)	2 (existing budgeted fee already above average so unlikely to see significant increases beyond that)	Oversight by Performance Select Committee

Risk	Likelihood	Impact	Mitigating actions
Democratic Representation – in 2011 a Cabinet style of governance is to be implemented. A new system of Members allowances will be adopted. The frequency and volume of committee meetings will change.	2 (possible changes in the total level of allowances & expenses payable)	1 (the objective of cost neutrality or better has been identified)	Independent Remuneration Panel
Financial Services – Insurance - It is assumed that the 2011/12 renewal (w.e.f. 1 October) will achieve a cost neutral outcome i.e. any inflationary uplift will be offset by negotiated reductions and/or risk transfer to the Council.	2 (a cost neutral outcome may not be possible)	2 (there may be a modest cost increase although the nature of the long term agreement should keep this to a minimum)	Liaison with Zurich
Financial Services. There is a dependency on external support in some areas e.g. systems support, asset management. The arrangements may come to an end if there are problems within partner organisations	2 (inherent risk in partnership working)	2 (alternatives would need to be sought that have additional cost and/or some activity would have to be scaled down)	Relationship management
Information Technology – IT contractual indexation assumed at 3%. Actual increases will vary depending on RPI and contract terms.	3 (Inflation levels fluctuate)	2 (extra indexation over 3% should not be significant)	Supplier management
Land Searches - It is assumed that search fees will continue to be received at the same rate. The government has promised further guidance on what can and cannot be charged for which may reduce income and the assumption also depends heavily upon the strength of the housing market.	3 (further Government guidance expected)	2 (following substantial clarification in 2010 further changes unlikely to have a material impact)	Tolerate the risk and keep abreast of developments

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

APPENDIX A

FINANCE & ADMINISTRATION COMMITTEE BUDGETS

£000	2009/10 Actual	2010/11 Original Budget (restated)	2010/11 Current Budget	2010/11 Forecast Outturn	2011/12 Original Budget	Original Budget increase / decrease (-)	Comments
Benefit Administration	-250	-227	-227	-282	-336	-109	Government grant cut, but higher than budgeted sum
Business Improvement & Performance Team	0	200	200	170	167	-33	2 posts temporarily vacant not being filled
Central Services	289	174	174	168	192	18	Scanning costs transferring here from ICT budget
Committee Administration	88	108	108	103	106	-2	
Communications	145	161	163	148	156	-5	
Conducting Elections	0	2	2	1	80	78	Cost of 2011 District election
Corporate Management	1,009	954	992	959	884	-70	Director saving / pay award saving / costs of Corp Team
Council Tax Benefits	-89	7	7	81	160	153	Revised estimate of net expenditure
Customer Services Centre	350	306	319	299	279	-27	Staff saving from not renewing temp contracts
Democratic Representation	360	367	367	357	350	-17	Reductions in expenses, subscriptions and misc budgets
Electoral Registration	99	98	97	94	93	-5	
Enforcement	171	167	167	166	171	4	
Financial Services	888	940	1,024	1,007	928	-12	Insurance contract saving
Housing Benefits	167	202	202	215	195	-7	
Human Resources	124	202	199	189	193	-9	
Information Technology	701	927	1,017	966	815	-112	End of scanning project / various efficiency savings
Internal Audit	114	117	117	118	101	-16	Efficiency saving - reduced hours
Land Charges	-87	113	113	-41	-35	-148	Land charges income can now be retained
Legal Services	137	145	145	125	122	-23	Efficiency saving - reduced hours
Local Tax Collection	-163	-118	-118	-118	-138	-20	Amended to reflect current and predicted trend
Non Domestic Rates	-94	-93	-93	-93	-96	-3	
Office Services	374	367	368	308	312	-55	Dunmow saving / cleaning contract / NNDR saving
Resources Miscellaneous	-56	-52	-52	-59	-59	-7	
Revenues Administration	898	864	865	900	879	15	Extra resources for benefits training and quality control
Committee Total	5,175	5,931	6,156	5,781	5,519	-412	