

## RESOURCE PLANNING WORKING GROUP

10<sup>th</sup> SEPTEMBER 2009

ITEM NO 7

PORTFOLIO HOLDER : Cllr E Woodburn  
LEAD OFFICER : Fergus McMorrow, Acting Chief Executive  
LEAD OFFICER : Julie Crellin, Head of Finance and MIS

### BUDGET OPTIONS 2010/11

#### Summary

This report covers four areas of budget development, an initial overview of pressures and savings; income generation review; possible SIMALTO budget consultation questions; confirmation of RPWG timetable.

#### Recommendations

Members are asked to:-

1. Note the initial pressures and savings templates (Part II P001 to P008 and S001 to S006) which indicate potential budget pressures of £270,497 for 2010/11, falling to £174,628 in 2012/13 and savings of £ 242,338 for 2010/11 rising to £367,173 in 2012/13. Members' views are sought at this early stage with regard to these templates.
2. Confirm the proposal for income review at a cost of no more than £10,000 and that this will be funded from surplus income generated during the year. Budget monitoring to the end of July indicated good income performance, in general, across income generating services, and to draw down on earmarked reserves at this stage in the year would be premature.
3. Comment upon the draft budget consultation questions and offer recommendations for their improvement. This is set out in Appendix B (Part II).

4. Confirm the commencement of the budget build for 2010/11 in relation to current services assuming a 1% pay settlement in 2010/11 and no inflationary increases to non-pay budgets, other than those with a contractual requirement, and a global 1% provision will be set aside to fund this.
5. Confirm the RPWG timetable and key agenda items as set out in Table 2 (section 4.3) and the (provisional) additional meeting date of 25<sup>th</sup> November.

## **1 REVENUE BUDGET 2010/11+**

- 1.1 At its meeting of 3<sup>rd</sup> July, RPWG confirmed, in broad outline, meeting agendas to develop the budget proposal for 2010/11. In accordance with those plans, this report provides Members with an initial overview of the Revenue Budget for 2010/11 and a first impression of pressures and savings, focusing on items whose value is over £5,000. This early planning gives an indication of the budget issues we are likely to consider as we finalise the budget and corporate plan proposal in December.
- 1.2 Table 1 over the page summarises the Revenue Budget pressures and savings received to date, which will be further developed at the next meeting on 1<sup>st</sup> October. This will also be reflected where appropriate, in the Head of Service presentations to RPWG at its meeting of 19<sup>th</sup> November as part of Service Planning. Appendix A (Part II – as these are preliminary, draft items for consideration) provides supporting information for each of these items at this early stage.
- 1.3 It is important to remember that this search for savings and efficiencies is set against a backdrop of the current budget for 2009/10 where £1.914 million pressures were identified (of which £786,000 related to Treasury Management) and savings of £1.635million were found by Services. We are probably at a point where the search for savings whilst at the same time minimising any impact on services is becoming difficult to achieve. The revision of the Corporate Plan and an emphasis on priority lead budgeting will provide a mechanism to do this better. This will, however, present its own challenges, particularly as the local government financial settlement from central government for 2011/12 onwards is unknown, but, given the national economic context, will involved reductions in funding.
- 1.4 Bids for capital funding will be presented to RPWG at the meeting of 1<sup>st</sup> and 28<sup>th</sup> October, but the initial templates suggest a potential bid for capital resources

linked to the shared service (revenues and benefits) proposal which is subject to further development.

**Table 1 – Summary Savings/Pressures Compared to Revenue Budget 2009/10**

Ref	Description	Links to Capital?	2010/11 £	2011/12 £	2012/13 £
	<b>Pressures</b>				
P001	Treasury Management	N	75,000	75,000	75,000
P002	RBS Shared Services (redundancy)	Y	119,000	0	0
P003	Cash Receipting – PCI 'hosted' services	N	28,866	28,866	28,866
P004	Lighting Contract – Street Scene	N	15,000	17,000	19,000
P005	Electricity Contract – Street Scene	N	8,000	8,500	9,000
P006	CCTV running costs - Street Scene	N	10,000	13,000	16,000
P007	Play and Teen Spaces – Street Scene	N	8,922	9,192	9,462
P008	Cultural Services – NCL inflation	N	5,709	11,476	17,300
			<b>270,497</b>	<b>163,034</b>	<b>174,628</b>
	<b>Savings</b>				
S001	PFI Annual Revenue Contribution	Long term Y	22,673	22,673	22,673
S002	Corporate Insurance Contract	N	130,000	130,000	130,000
S003	RBS Shared Services	Y	56,000	175,000	175,000
S004	Cash Receipting – PCI 'hosted' services	N	23,500	23,500	23,500
S005	Refuse Services	N	6,000	6,000	6,000
S006	Environmental Cleansing	N	4,165	10,000	10,000
			<b>242,338</b>	<b>367,173</b>	<b>367,173</b>

- 1.5 The pay settlement for 2009/10 will impact upon budget planning assumptions. If the pay rise is secured at 1% for 2009/10, this will result in a saving to the base budget of around £130,000. This will be offset by increases to the employer's superannuation contribution rate which were not factored in to the base budget planning assumptions for 2009/10 of around £50,000. The net impact of this is a reduction in the base budget for 2009/10 of £80,000 and this reduces, favourably, the starting point for expenditure budget assumptions for 2010/11.
- 1.6 The Bank of England's latest Inflation Report published in August provides a useful insight into its views on the prospects for the UK economy. In summary, their outlook for growth is that the pace of contraction in GDP will lessen and a positive growth regained early in 2010. However, the rate of growth is predicted to be slow and protracted – as with other industrialised economies. The same low prediction is forecast for inflation. The report concluded that heavy price cutting,

and high and rising surplus capacity in the manufacturing sector are set to place further downward pressures on prices. The Bank forecast the Consumer Price Index below 1% in the autumn and below 2% over a two year horizon.

- 1.7 The Head of Finance and MIS considers that if we assume a 1.5% increase in pay and prices at one extreme and at the other, a pay rise of 0.5% and a prices (and fee income freeze) at 2009/10 base for budget planning purposes, this is a prudent range within which to plan. Taking a middle ground, could build into the base budget, 1% provision for pay rises only and hold a 1% provision for inflation centrally – which would be used for specific contractual related increases, and do not allocate inflation for any other non-pay budgets.
- 1.8 Increasing the salaries budget to fund 1% inflation increase would result in a pressure of around £100,000 (the pay bill is approx £10million for the Council, including funded posts). This would yield around £150,000 of savings in relation to the original planning assumptions for 2010/11. If the Pay and Grading Review is not accepted and the current pay grades remain, the cost of incremental increases across the authority (excluding posts funded externally) is estimated to be £40,000 and this represents a budget pressure for 2010/11. However, if the Pay and Grading Review is implemented in 2009/10, the back-dating to 1<sup>st</sup> April 2008 will be funded from a provision set aside and the incremental awards for 2010/11 can be funded from the JE permanent budget currently within Policy and Performance.
- 1.9 Holding a 1% provision for all other inflationary increases (and we exclude the activity funded by grant, the bulk of which relates to Housing Benefit and Council Tax subsidies). – on the assumption that grant income will increase in line with inflation), then we would need to set aside around another £110k for non-pay budgets.
- 1.10 RPWG is asked to consider, therefore, for planning purposes, the increase for inflation to be set at 1% for 2010/11 for planning purposes – and this equates to a provision of between £220K to £300k maximum (which would accommodate other items i.e. as we have some contractual commitments for which a particular indexation at a point in time applies). The broad implication of this, is that if we can operate within this and achieve Gershon savings of 4% (i.e. around £494k) the budget gap for 2010/11 will be kept to a minimum. This would provide planning time for preparing for 2011/12.
- 1.11 The report to RPWG at its meeting on 1<sup>st</sup> October will confirm the existing funding estimates and therefore, the potential funding gap between where we are now,

known pressures, likely savings and probable funding. Government will also be assuming 4% savings from efficiencies for 2010/11 as part of the budget settlement. It is important, to consider the funding of the Council Budget for 2010/11 – and government has indicated now the provisional settlement for 2010/11, but not beyond this date. 2010/11 is the last year of the current Comprehensive Spending Review and grants such as the Area Based Grant cannot be presumed beyond this period. The Council Tax increase in 2009/10 was 4.5% increase, and as RPWG is aware, every 1% of CT increase generates only £37,000 of income for the Council. In the light of downward inflationary pressures, an increase of 4.5% for 2010/11 may be difficult to sustain, and RPWG must bear in mind that, if so, this would account for around £130,000 less funding than previously considered possible.

## **2 INCOME REVIEW**

- 2.1 At the 3<sup>rd</sup> July meeting, RPWG agreed in principle, to an in-depth review of income generation as this had not been undertaken by the authority for some time. The review would be undertaken using external experts in this field, and RPWG asked for the terms of reference to be reported back.
- 2.2 The Head of Finance and MIS and the Acting Chief Executive have spoken to an advisory company who have significant practical experience of working with (district) councils in this field. They have worked with Councils such as Kings Lynn and West Norfolk Borough Council, Mid Beds District Council and Tameside Metropolitan Borough Council. The terms of reference for this initial overview review are set out as follows. They are able to meet these objectives, which would be presented in a report to RPWG for the meeting of 25<sup>th</sup> November:-
- Audit of income data and benchmarking analysis with other appropriate District Councils to provide baseline for measurement and appraisal
  - An objective review of the income generation performance against these benchmarks
  - An overview of the scale of improvement potential in income generation, providing options for the Council to consider in focusing efforts to increase revenues. Implementation would require further work but it would provide an indication of areas of potential income generation.

- 2.3 The cost of this review would be not more than £10,000 and this work could commence immediately after RPWG confirmation of this broad scope. The Acting Head of Leisure and Environment and the Head of Finance and MIS will lead on behalf of the Authority, but it other Service areas e.g. Development Operations and Legal Services for example, would be involved in the review.
- 2.4 The Head of Finance and MIS is of the opinion that this review can be funded from surplus income generated during the year. Budget monitoring to end of July indicated good income performance, in general, across income generating services, and to draw down on earmarked reserves at this stage in the year would be premature. This would continue to be monitored throughout the year and if required, a draw down request would be made.

### **3 BUDGET CONSULTATION – SIMALTO**

- 3.1 At its meeting of 27<sup>th</sup> July, RPWG agreed to undertake structured budget consultation with the public which would support/dovetail the consultation to commence regarding the new Corporate Plan. The timetable for the development of the Corporate Plan is set out elsewhere on the agenda.
- 3.2 After consideration of the consultation options, and the statutory/performance context of community involvement in decision making, RPWG decided to undertake structured SIMALTO budget consultation for 2010/11. From the options of web/workshops/door-door consultations, RPWG decided that web consultation would be less likely to yield a comprehensive response and that door-door consultation would be preferable. RPWG agreed, however, that we could use the Copeland Website to invite views on the specific budget proposal in January, mindful of the findings of the consultation undertaken in the autumn.
- 3.3 Using SIMALTO will require a media launch before it is introduced, to ensure the public are aware of the desire to engage formally, and are prepared for the 'knock on the door' but at this stage, with a provisional mid-October date in mind, the grid of questions needs to be developed. The final confirmation of the grid is scheduled for the next meeting of RPWG on 1<sup>st</sup> October. The intention would be to receive a presentation of the results either at the 19<sup>th</sup> November meeting, or a special meeting before 30<sup>th</sup> November.
- 3.4 The areas for potential questions (and SIMALTO recommend no more than 20 questions, both offering opportunities for investment of new, or probably diverted resources, and reductions in budget) for RPWG to consider and comment on are

set out in Appendix B. This is very much *work in progress at this stage*, and reflects a number of options and choices, some directly linked to the findings of the place survey.

- 3.5 The results of the SIMALTO exercise would serve to evidence, or indeed test, the Corporate Plan consultation exercise which will occur in October. It is envisaged the refinement of the SIMALTO questions will be conducted iteratively (probably via e-mail) so the version presented at the next meeting of RPWG can be agreed as presented and the budget planning timetables maintained.

#### **4 BUDGET PREPARATION PROCESS**

- 4.1 After this meeting, Managers will be asked to review their budgets on TASK (taking the 2009/10 as the base budget for starting purposes) and commence the budget build. Managers will be reminded of the need to work within existing budgets and to not expect any increase to accommodate pressures.
- 4.2 The practical guidance issued last year in relation to budget build would be reissued and training sessions, where required would be provided. Staffing budgets will be agreed between Services and Accountancy and by 31<sup>st</sup> October the revenue budget 2010/11 prior to specific changes either to accommodate pressures elsewhere or to reflect the emerging Corporate Plan should be constructed in draft form, with the pay and prices assumptions as indicated above.
- 4.3 Managers will be asked to complete bids for the capital programme for the meetings of 1<sup>st</sup> October and 28<sup>th</sup> October and the templates considered at last month's meeting in relation to 2009/10 new starts will be used again.
- 4.4 The updated timetable for the RPWG meetings and the main agenda items are set out in Table 2 and RPWG is asked to confirm this.

**Table 2 – Revised RPWG Meeting Agendas**

<b>Date of Meeting</b>	<b>Principal Agenda Items</b>
OCTOBER 1 <sup>ST</sup>	Refining options and implications for 2010/11 – revised planning targets agreed. Further or updated savings and pressures templates submitted Presentation of initial bids for new capital schemes for three year period. Agree format of presentations from Heads of Service regarding Revenue and Capital Budget Proposals for November 19 <sup>th</sup> meetings.
OCTOBER 28 <sup>TH</sup>	Revenue Budget 2010/11+ - finalise high level savings and pressure options. Capital Programme 2010/11 + - initial proposals. Review reserves (in light of completed Audit of Accounts 2008/09) and amount to be set aside in Risk Based Reserves. Agree order of presentations for November 19 <sup>th</sup> meeting.
NOVEMBER 19 <sup>TH</sup>	Propose full day of RPWG – Heads of Service Budget Proposals for 2010/11 to provide for a balanced budget for 2010/11.
<i>November 25<sup>th</sup> (10.15)</i>	New meeting date to receive SIMALTO and Income Review results
DECEMBER 10 <sup>TH</sup>	Draft Revenue budget proposals reviewed in readiness for 7 <sup>th</sup> January meeting Draft Capital Programme 2010/11+ Draft Corporate Plan 2010 – 2015 Vision presented.
JANUARY 7 <sup>TH</sup>	Agree budget proposal for public consultation for 2010/11.
JANUARY 28 <sup>TH</sup>	Agree budget proposal for recommendation to Executive (Special Executive meets on February 16 <sup>th</sup> ). Commence discussion of draft Service Plans with Portfolio Holders, which will reflect budget proposals.
FEBRUARY 25 <sup>TH</sup>	Review of Budget Planning 2010/11 – continue to develop budget proposals for 2011/12+

**Appendices – PART II (not for publication)**

Appendix A – Draft Savings and Pressures Templates S001 – S006 and P001 – P008.

Appendix B – Draft (Version 1) SIMALTO Questions Grid

**3<sup>rd</sup> September 2009**