



Report to: Cabinet

Subject: Draft Budget and Service Plan Priorities to be Subject to Scrutiny Committee Consultation

Date: 14 January 2010

Author: Senior Management Team on behalf of Leader of the Council

1. PURPOSE OF THE REPORT

This report details the likely General Fund base budget for 2010/11 based on provisional settlement figures, the likely position in respect of capital financing, and assumed changes to the base budget in respect of inflation, pay award etc.

The severe economic pressures that the authority is facing make this a challenging budget round. There is no potential for growth in the revenue budget, and only minor sums are available for new capital schemes. There are however capital resources available for Public Realms works, totalling £550,000 pa for five years, which were negotiated as part of the LSVT of housing stock. Public Realms works will be procured by Gedling Homes for the benefit of the community and do not feature directly in the Council's budgets.

The specific aims of the report are to identify Members' expectations in respect of revenue and capital budgets and to seek comment on performance related matters for the year 2010/11 for forwarding on to Policy Review Scrutiny Committee for comment. Once the Draft Budget and Service Plan proposals have been agreed there will be combined to form the Council Plan.

2. BACKGROUND

The Constitution of the Council details the Budget and Policy Framework Procedural rules. Section 2 1(c) concerns budget and performance plans. The specific requirement in part (i) is as follows:

"In early September of each financial year the Executive shall invite the Policy Review Scrutiny Committee to give views on priorities and suggestions for growth".

In addition there is a requirement that “in each financial year, the Executive shall present a draft Budget and Performance Plan to the Scrutiny Committee for comment”.

This report ensures these requirements have been met for the 2010/11 budget process.

3. GENERAL FUND BUDGET 2010/11

The Council's overarching Financial Strategy sets out the framework for overall financial control and administration for the Council. It also details how individual items such as Central Government Funding, Taxation levels, Resource Development Bids Scoring Methodology etc. impact on the annual budget and this has been taken into account in presenting this annual budget and Medium Term Financial Plan (MTFP) Summary.

In respect of Central Government Funding, the provisional Local Government Finance Settlement for 2010/11 is proposed to be £9,253,407 which represents an additional cash allocation of £146,500 or 1.6%. The settlement is in line with that announced as part of the Comprehensive Spending review 2007 which provided indicative figures for the 3 year period 2008/09 to 2010/11. There are currently no indicative Settlement figures available for 2011/12 and beyond, but due to the severe economic conditions currently being experienced cuts in grant are anticipated and reflected in the MTFP calculations.

3.1 Base Budget 2010/11

In developing a budget proposal, assumptions on the core budget have to be made and the various assumptions in respect of inflation and technical changes are shown at Appendix 1. These have been included in both the annual base budget and MTFP calculations. The latest available estimate of the base budget for 2010/11 is £15,149,700, see table below. **Central support adjustments have yet to be calculated so Portfolio totals are subject to change.**

Portfolio	Original Budget 2009/10 £	Base Budget 2010/11 £	Variance £	Major Reason for Variance
Leader	2,340,300	2,324,800	(15,500)	Frozen Posts/Efficiency
Safe & Sustainable Neighbourhoods	2,585,000	2,509,700	(75,300)	Frozen Posts/Efficiency
Customer & Member Services	374,500	478,500	104,000	GTP staff transfers, transfer of Communications from Strategic Planning, Procurement Efficiencies.
Development & Enterprise	521,100	588,400	67,300	Building Control Deficit
Direct Services	5,147,800	5,024,300	(123,500)	Staff/fleet efficiencies offset by increased car park budget
Strategic Planning	499,800	241,000	(258,800)	Transfer Communications to C&MS, additional Planning Delivery Grant, Frozen Posts/Efficiency
Leisure & Wellbeing	3,020,800	2,951,500	(69,300)	Frozen posts, fuel and depreciation offset by reduced income
Finance	1,081,500	1,031,500	(50,000)	Business Process Efficiencies/Deletion of one off ATMP budget bid offset by increased Concessionary Fares
Base Budget 2010/11 excluding income inflation	15,570,800	15,149,700	(421,100)	

3.2 Budget Pressures and Efficiency Savings

As Members are aware the economic downturn is continuing to place significant pressure on the Council's financial position in terms of increased running costs and reduced income levels from fees and charges and investment interest. The impacts of these budget pressures are reflected in the base budget. It is difficult to predict when the situation will improve but the MTFP assumes a gradual recovery beginning in 2012/13.

Significant ongoing budget pressures include:

- Reduced income from Car Park Charging resulting in a net budget increase of £486,000;
- Further reductions in income from Leisure Centres and Development Control/Building Control fees of £218,000 and £100,000 respectively (variance from original budget 2009/10);
- Increased Concessionary Fares £192,000;
- Impact of Notts County Council budget decisions mainly in respect of waste services £80,000;

- Service demands arising from increasing number of households and ageing population £100,000 in 2012/13 rising to £600,000 in 2014/15.

Areas of significant reduced costs include the impact of the pay award reducing from an estimated 2.5% to 0.5% totalling £268,000.

In order to mitigate increasing costs the base budget and MTFP include efficiency savings in terms of cash limited supplies and services budgets of £95,000 per annum, and other cashable budget reducing efficiency gains totalling £430,000 as detailed in the table below:

	2010/11 £	Note
Gedling Transformation Programme	(200,000)	Cumulative Total - savings expected to total £335,000 net by 2014/15
Staff Terms and Conditions	(65,000)	Full year effect
Housing Needs Prevention Work	(25,000)	
Asset Management	(22,000)	
Business Process Improvements (BPI)	(83,000)	
Procurement – supplies and services contract negotiations	(35,000)	
Total	(430,000)	

In addition, payroll reductions of £345,000 have been included in the 2010/11 base budget (£245,000 included in 2009/10 base), with the assumption that these budgets will return to normal levels by 2014/15 in line with the anticipated economic recovery.

Efficiency work undertaken on the Council Tax Single Person Discount Review has generated £26,000 (included in the BPI figure above) through increasing the Tax base which improves the Council's Collectable Debit.

3.3 Income Inflation

The base budget at paragraph 3.1 excludes income inflation. The MTFP includes income inflation at 2% on discretionary income (excluding leisure DNA), which equates to £59,700, and the increase per Portfolio is shown in the table below. Each additional 1% increase will raise a further £30,000 and increases at 3% are also shown.

It is suggested that the Portfolio Holder agrees individual charges with the relevant Head of Service, with discretion to vary the % increase, as long as the overall cash amount for that Portfolio is raised.

Portfolio	Discretionary Income £	1% increase £	2% increase £	3% increase £
Leader	(3,100)	0	(100)	(100)
Safe & Sustainable Neighbourhoods	(151,500)	(1,500)	(3,000)	(4,500)
Development & Enterprise	(104,100)	(1,000)	(2,100)	(3,100)
Direct Services	(742,200)	(7,400)	(14,800)	(22,300)
Leisure & Wellbeing	(1,985,300)	(19,900)	(39,700)	(59,600)
Total	(2,986,200)	(29,800)	(59,700)	(89,600)

3.4 **Resource Developments 2010/11**

Following discussions with the Leader the Resource Developments for Capital detailed below are recommended to Cabinet for approval. These represent schemes scoring 25 points and above using the Council's approved methodology. In light of the overall financial position and the need to reduce net revenue expenditure significantly in order to achieve a balanced budget over time, there are no Revenue Resource Developments included in the budget proposal for 2010/11 and the MTFP, at paragraph 4 below, also assumes no future ongoing revenue development bids. However, following the demise of the Greater Nottingham Partnership from 31 March 2010, which delivered some economic development initiatives on behalf of the Council, and the need to progress the Arnold Town Master Plan and to respond to the downturn in the economy, resources have been allocated from these budget areas to develop and implement a directly managed economic development resource on an initial two year period.

Capital Resource Developments 2010/11 (25 points and above)

Ref	DESCRIPTION	2010/11 Net Capital Bid	2011/12 Net Capital Bid	2012/13 Net Capital Bid	TOTAL SCORE
		£	£	£	
CSC1	Strategic Property Purchase	500,000	0	0	45
	TOTAL BIDS 25 POINTS AND ABOVE	500,000	0	0	

The full summary of Capital development bid scores is attached at Appendix 2 for information.

3.5 **Capital Programme Financing 2010/11-2014/15**

The MTFP, at paragraph 4 below, incorporates the revenue effects of a significantly reduced capital programme, assuming only £150,000 of resource development bids per annum. The restricted capital programme results from lower capital receipts being available which has resulted in additional prudential borrowing being required to fund the basic programme, the revenue effects of which are incorporated in the MTFP.

The proposed General Fund Capital Programme, attached at Appendix 3, includes the development bids scoring 25 points and over for 2010/11, replacement equipment and vehicles and ongoing budgets e.g. Renovation Grants and Asset Management Fund which is used to maintain the Council's assets to a safe and usable standard. Appendix 3 also identifies the borrowing and capital receipt generation required to balance the financing of the future programme.

The level of borrowing for both base and anticipated growth requirements included in the estimates is an average of £1.4 million per annum over the 5 year planning cycle of the MTFP. This level of borrowing has been assessed in accordance with the Prudential Code and is judged to be within prudent limits and affordable in terms of revenue consequences of the borrowing, i.e. interest and set aside of principal, subject to a balanced revenue budget being achieved as detailed in paragraph 4 below. A report on the Prudential Code Indicators will be submitted to Council in February 2010.

External funding continues to be important in the funding of capital expenditure. Grants and Contributions for 2010/11 are expected to be £2,007,000. This includes a grant from East Midlands Development Agency of £850,000 in respect of Strategic Property Purchase, LAA reward grant of £325,000, Regional Housing Board (RHB) Renewal Grant of £505,000 and Disabled Facilities Grant of £327,000. The RHB Renewal and the Disabled Facilities Grants are expected to continue at a similar level in 2011/12.

Public Realms Works

Proposals for the Public Realms Works, currently under negotiation with Gedling Homes, are detailed in Appendix 4 for Members consideration. Public Realms works will be procured by Gedling Homes for the benefit of the community and the capital costs do not feature directly in the Council's budgets. The ongoing revenue implications of the proposed schemes total £7,000 pa and this has been included in the Council's base budget for 2010/11.

4. MEDIUM TERM FINANCIAL PLAN SUMMARY 2010/11 – 2014/15

4.1 The table below presents the latest MTFP and incorporates income inflation (excluding DNA) assumed at 2%, Council Tax increase assumed at 2% 2010/11, and the impact of budget pressures, efficiency savings and the impact of resource developments as detailed in paragraphs 3.2 and 3.4 and 3.5 above.

4.2 The projected level of General Fund balance is also given, together with the minimum “desirable” balance based on 7.5% of total expenditure. It can be seen that on the current assumptions significant sums will be required to be transferred from balances each year, leaving the General Fund balance to be below the minimum level from 2013/14.

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £
Projected Budget assuming 2% income inflation	15,090,000	15,214,800	15,384,600	16,107,600	16,912,900
Use of Balances in above	(278,300)	(509,600)	(585,700)	(1,163,400)	(1,772,000)
Projected year-end GF Balances	3,103,000	2,593,300	2,007,600	844,300	(927,800)
Minimum Balance	1,131,800	1,141,100	1,153,800	1,208,100	1,268,500
(Surplus)/Deficit	(1,971,200)	(1,452,200)	(853,800)	363,800	2,196,300

4.3 The table above shows that, unless corrective action is taken, there would be a general trend of using General Fund balances to support ongoing expenditure. This is not a sustainable position, and would be the result of an imbalance between day-to-day income and expenditure. This imbalance can only be resolved by one or more of the following actions:

- Increasing fees and charges above 2%
- Introducing new fees and charges
- Increasing Council Tax by more than 2%
- Adjustment to Service Provision
- Generating further efficiency savings which result in actual budget reductions

Some specific ideas for resolving the budget imbalance are detailed at paragraph 4.5 below for consideration.

4.5 Budget Reduction Proposals

In order to achieve a sustainable budget position in the future it will be necessary to secure further budget reductions/efficiencies in excess of £350,000 per annum, over and above those already included in the base budget, as detailed in paragraph 3.2 above.

A list of possibilities for budget reductions, which are considered to have a limited impact on service delivery, is detailed below for Members' consideration.

Proposed Budget Reductions

	2010/11 £
Reduce Voluntary Contribution to MRP	40,000
Reduce or Remove Contribution to Insurance Provision	20,000
Increase Council Tax Court Fees Recovery	53,000
Remove winter park patrolling	17,000
Earlier Closure of Cemeteries	15,000
Leisure DNA Marketing	10,000
Transfer of Resources from Building Control to Renovation Grants and subsequent Capitalisation of all Renovation Grants Salaries	160,000
Discontinue A-Z of Services	15,000
Gedling Colliery Contribution (delay 2 years)	40,000
TOTAL	370,000

Members may wish to consider further reductions to enable investment in priority areas.

5. PERFORMANCE INDICATORS AND WIDER PERFORMANCE MATTERS

Last year, the Council completed a fundamental review of its performance management arrangements, introducing a range of improvements including a new service planning process and the bringing on line of the new Covalent performance management system. The changes addressed areas for improvement set out in the 2008 CPA report and ensure the Council remains at the forefront in its approach to managing performance.

The Service Planning element is now built around the five Community Strategy priority themes and the Transformation of the Borough Council. For each theme, a range of objectives are set out, against which Priority Actions and Performance Measures proposed. This forms the top of a “golden thread” which then cascades to department, section and individual level plans. Once these actions and measures are agreed, progress towards them will be managed through the Covalent system.

Senior Management Team has begun its annual service plan review with a review of Objectives for each of the priority themes. Proposed objectives are attached at Appendix 5. Priority actions are currently being reviewed, with a view to their consideration by Cabinet in February as part of the overall Council Plan. The appropriateness of performance measures is also considered at this time, but targets are reviewed and set after year-end, once the full year’s performance can be reviewed and included for members’ consideration in the year-end performance report.

6. RECOMMENDATION

Cabinet are requested to:

- (a) Approve the above budget information for forwarding to Policy Review Scrutiny Committee for consultation.
- (b) Approve a 2% income inflation increase for the individual portfolios as shown in the table at paragraph 3.3.
- (c) Comment on other aspects of the budget and service plan as appropriate.

BASE BUDGET ASSUMPTIONS 2010/11

1. Central Government Funding

The provisional Local Government Finance Settlement for 2010/11 shows an additional cash allocation of £146,500 or 1.6%. In addition to this specific government departments have announced other revenue monies that are to be made available. In all cases these amounts are provisional and/or represent Officers best assessments of likely resource to be allocated to this Council.

2. Major Budget Indices

i. Pay

An estimated pay award of 0.5% has been included in the 2010/11 base budget which equates to £63,300. In the MTFP, 0.5% has been included for 2011/12, 1% for 2012/13 and 2013/14, and 2% for 2014/15 to reflect the anticipated timing of the economic recovery and it's impact on pay settlements.

ii. Pensions

During 2007/08 the pension fund Actuary completed a tri-annual review of the pension fund, resulting in the employer's contribution rate of 17.6%, which applies for the 3 years 2008/09-2010/11. The MTFP does not assume any further increases in employer contribution rates.

iii. Inflation

In the majority of cases budgets have been capped to the previous year's level. Inflation has only been applied to supplies and services budgets where there is a contractual obligation to do so.

iv. Fees and charges

Discretionary fees and charges have been increased by 2% in 2010/11 although specific charges will be at the discretion of individual portfolio holders provided that the overall level of increase is achieved. Changes in expected volumes of customers, both upwards and downward have also been anticipated, again in line with market expectations.

GENERAL FUND CAPITAL RESOURCE DEVELOPMENT BIDS 2010/11
SCORE PRIORITISED

Ref	DEPARTMENT	2010/11 Net Capital Bid	2011/12 Net Capital Bid	2012/13 Net Capital Bid	TOTAL SCORE
		£	£	£	
CSC1	Strategic Property Purchase	500,000	0	0	45
	TOTAL BIDS 25 POINTS AND ABOVE	500,000	0	0	
DSC2	Allotment Hard Surface Improvements	50,000	50,000	0	14
LC10	Burton Road Recreational Facility	0	136,700	100,000	10
LC23	Extension of CCTV	30,000	0	0	9
LC12	Arnot Hill Park Entrance	20,000	20,000	0	9
LC4	Haywood Road Refurbishment	45,000	45,000	0	3
	TOTAL BIDS 25 POINTS AND BELOW	145,000	251,700	100,000	
	TOTAL GENERAL FUND CAPITAL BIDS	645,000	251,700	100,000	

Appendix 3 (i)

GENERAL FUND CAPITAL ESTIMATE 2010/11-2014/15

	2010/11	2011/12	2012/13	2013/14	2014/15
	£	£	£	£	£
<u>ESTIMATED PROGRAMME</u>					
Ongoing Schemes	1,155,100	1,155,100	1,155,100	1,155,100	1,155,100
Strategic Property Purchase – Dev Bid 2010/11	1,350,000	-	-	-	-
Replacement Vehicles	625,000	898,000	949,000	765,000	765,000
Replacement Equipment	52,000	150,000	150,000	150,000	150,000
Asset Management Fund	200,000	200,000	200,000	200,000	200,000
Schemes Deferred from 2009/10	437,300	-	-	-	-
Future Resource Development Bids	-	150,000	150,000	150,000	150,000
Acquisition of Cemetery Land	-	-	350,000	-	-
TOTAL EXPENDITURE	3,819,400	2,553,100	2,954,100	2,420,100	2,420,100
<u>ESTIMATED FINANCING AVAILABLE</u>					
Usable Capital Receipts B/fwd	(109,800)	-	-	-	-
In year usable receipts	(355,000)	(347,000)	(339,000)	(336,000)	(336,000)
Borrowing	(1,347,600)	(1,374,100)	(1,783,100)	(1,252,100)	(1,252,100)
<u>Grants & Contributions</u>					
Disabled Facilities Grant	(327,000)	(327,000)	(327,000)	(327,000)	(327,000)
Regional Housing Board - Renewal Grants	(505,000)	(505,000)	(505,000)	(505,000)	(505,000)
LAA Reward Grant	(325,000)				
East Midlands Development Agency	(850,000)				
TOTAL AVAILABLE FINANCING	(3,819,400)	(2,553,100)	(2,954,100)	(2,420,100)	(2,420,100)

Appendix 3 (ii)

DRAFT CAPITAL PROGRAMME 2010/11-2012/13

SCHEME DESCRIPTION	Ref	CAPITAL BUDGET REQUIREMENT		
		2010/11	2011/12	2012/2013
		£	£	£
<u>DIRECT SERVICES</u>				
Replacement of Mowers and Strimmers	DSC5	27,000	0	0
Upgrade Vehicle Wash Tank	DSC6	25,000	0	0
Safety Surface Renewal	Ongoing	26,000	26,000	26,000
Replacement Vehicles		625,000	898,000	949,000
Total Direct Services		703,000	924,000	975,000
<u>LEISURE SERVICES</u>				
Cemetery Land Purchase		0	0	350,000
Salop Street Youth Facility	Slip 08/09 09/10	65,000	0	0
Reinstate King George V Arnold	Slip 08/09 09/10	22,300	0	0
Total Leisure Services		87,300	0	350,000
<u>PLANNING AND ENVIRONMENT</u>				
Relocation of Shopmobility	Slip 07/08	50,000	0	0
Total Planning and Environment		50,000	0	0
<u>CORPORATE SERVICES</u>				
Aid to Parishes	Ongoing	57,100	57,100	57,100
Customer Relationships Management System	05/06/Slip 07/08	250,000	0	0
Strategic Property Purchase	CSC1	1,350,000		
Asset Management Fund	2008/09	200,000	200,000	200,000
Strategic Land Sales	Slip 08/09 09/10	50,000	0	0
Total Corporate Services		1,857,100	257,100	257,100
<u>HOUSING GENERAL FUND</u>				
Private Sector Improvement Grants	Ongoing	1,072,000	1,072,000	1,072,000
Total Housing General Fund		1,072,000	1,072,000	1,072,000
Future Equipment Replacement			150,000	150,000
Future Service Development Bids			150,000	150,000
TOTAL CAPITAL PROGRAMME		3,819,400	2,553,100	2,954,100

Appendix 4

Proposals for Public Realms Works in Priority Order

Scheme Title	Reference	Description of works	Ward	GBC Score	GH Score	Net Cost
Newstead	HS1	Comprehensive regeneration, lead by consultants	Newstead	44		70,000
Burton Rd Combined Bid	BJ1	Improvements to the children's play facilities, provision of a footpath and improvements to the car park.	Gedling	43		141,900
Phoenix Estate	NT2	Improvements to address parking problems, remedial works to footpaths and measures to improve safety.	Phoenix	34		100,000
Killisick	NT1	Provision of play equipment for teenagers, i.e. outdoor gym.	Killisick	29		100,000
Phoenix Play Area	LS4	Replace and enhance the existing children's play facilities for the under 10's 25,000	Phoenix	27		120,000
KGV Carlton	LS3	Replace and enhance the existing children's play facilities for the under 10's	Carlton Hill	25		120,000
Skate Park	LS2	Extend and enhance the existing skate park facilities.	Kingswell	23		15,000
Play Equipment	DS7	Replacement of 6 items of play equipment in 5 GBC play areas	Several	21		32,300
			Total			699,200

Council Headline Priorities and Actions – Departmental Plans 2010-2011

Community Strategy Theme: A place of safe and strong communities	
Outcome: A friendly place where people make a positive contribution to and feel part of their local community, respect and support each other, and take responsibility for their own actions. Where they feel safe in their homes and on the streets at any time of the day and night.	
Objectives	
1	<i>Improve community cohesion</i>
2	<i>Reduce recorded crime and fear of crime</i>
3	<i>Reduce anti-social behaviour</i>
4	<i>Reduce levels of deprivation in priority neighbourhoods</i>

Community Strategy Theme: A place where people are treated fairly and have the opportunity to get involved	
Outcome: A place where everybody has an equal chance to realise their potential and enjoy the lifestyle they want. Where the needs of the villages and suburban neighbourhoods with regard to public transport, local jobs, access to services and housing are met. Where people can be confident that the organisations on which they rely for essential services, will meet their needs and respond to their preferences in designing and delivering those services.	
Objectives	
1	<i>Minimise incidence of homelessness in the Borough</i>
2	<i>Increase local involvement in decision making and strengthen links with parishes</i>
3	<i>Improve equality of opportunity in terms of service delivery and employment</i>

Community Strategy Theme: A place where we can take care of our environment

Outcome: A place that achieves a balance between the natural and built environment and makes people feel good about their surroundings. A place with clean streets, well maintained open spaces and well managed countryside, where we take steps to preserve the environment for present and future generations. A place where there is a variety of distinctive and attractive buildings, that are of high quality and reflect the character of the local area.

Objectives

1	<i>Improve the quality and appearance of public spaces</i>
2	<i>Increase recycling and reduce residual waste</i>
3	<i>Reduce the impact of climate change</i>
4	<i>Ensure the Borough secures the sustainable development it needs, where it wants it, consistent with the Sustainable Community Strategy</i>

Community Strategy Theme: A place where people can lead a healthy and active lifestyle

Outcome: A place where people have the opportunity to enjoy a healthy lifestyle. A place where people can be physically and socially active, have good range of accessible health, recreational and leisure facilities and where there is a balanced mix of decent housing meeting the needs of the population.

Objectives

1	<i>Increase participation in sport and exercise</i>
2	<i>Increase engagement in the Arts</i>
3	<i>Ensure housing supply meets demand, overall and by type and tenure</i>
4	<i>Improve quality of housing</i>

Community Strategy Theme: A place that contributes to a vibrant and prosperous Greater Nottingham

Outcome: A place that attracts investment, to create a variety of convenient facilities for essential services and shopping, cultural and social activities and also to provide business opportunities and local jobs. A place where people of all ages can have access to good quality education and training in order to gain the skills which will give them the best possible employment prospects and support the economy of Greater Nottingham.

Objectives

1	<i>Reduce unemployment and worklessness</i>
2	<i>Raise local skills levels</i>
3	<i>Regenerate town and neighbourhood shopping centres</i>
4	<i>Co-ordinated strategic planning and delivery across conurbation to attract investment and secure local infrastructure efficiently and effectively.</i>
5	<i>Stimulate enterprise and the right conditions for business</i>

Operational vision and strategy: Gedling as a top performing Council

Outcome: A Council that wants to be the best, in the eyes of its customers and its staff. A Council that continually seeks out new ways of working to improve customer and staff satisfaction and to provide better value for money.

Objectives

1	<i>Improve efficiency and value for money</i>
2	<i>Maintain high standard of communication</i>
3	<i>Continue to be a good employer, an employer of choice</i>
4	<i>Improve the customer experience of dealing with the Council</i>
5	<i>Develop capacity and profile of elected members</i>