MILTON KEYNES COUNCIL

23 FEBRUARY 2010

BUDGET REPORT 2010/11 (ITEM 4)

ADDITIONAL PAPERS

CABINET RESOLUTION: BUDGET REPORT 2010/11

RESOLVED –

REVENUE BUDGET

1. That it be recommended to Council that Council Tax for 2010/11 be set at a 1.5% increase, viz. 32p per week, or £16.64 per year for a Band D tax payer, as a consequence of which Milton Keynes Council tax overall is estimated to be £54 per year lower than the national average.

2. That, in so doing, the new investment of £7.9 million which has been achieved in Council services be noted, such as:

   - Improved School Standards;
   - Children's Social Workers;
   - Environment;
   - Waste Procurement;
   - Community Well Being
   - Older People;
   - Physical Disability;
   - Learning Disability;
   - Mental Health;
   - Plusbus.

3. That it be noted that £10.3 million of savings had been achieved without affecting front line services.

4. That, in so doing, the following proposals of the Labour Party be accepted and funded within the budget, as follows:

   (a) an extension of the concessionary fare scheme for young people from 1 January 2011 so as to include bus users between the ages of 16 and a day below their 17th birthday as of right;

   (b) the re-instatement of the planned 4% expenditure savings for organisations under the community and third sector, arts and heritage heads of the budget;

   (c) a review of the personal fees and charges to confirm that they accord with the projected rate of inflation and do not withdraw previously agreed discounts;

   (d) that an element of the Parish Deprivation Fund be set aside to enable parishes prioritised within the Neighbour Regeneration Strategy to play a full part in ensuring their residents' engagement in regeneration plans;

   (e) the re-instatement of the Library Book Funds to its current level;

(f) the re-instatement of the grant to the Youth Housing Network at its current level.

5. That the technical recommendations of the Corporate Director - Finance and Risk Management be endorsed for consideration by the Council, as follows:

(a) that the directorate estimates and estimates for the General Finance Account items, based on an indicative minimum Council Tax increase of 1.5% be approved, taking into account the comments arising from scrutiny of the budget by the Budget Review Group on 2 February 2010.

(b) that it be noted that the budget is a financial exposition of the priorities set out within the Corporate Plan and the Directorate Service Plans.

(c) that it be noted that, in line with the requirements of the Local Government Act 2003, the Corporate Director - Finance and Risk Management (subject to a minimum Council Tax increase of 1.5% as outlined above), is of the view that:

(i) The General Fund balances of £7.053m and the level of reserves, particularly in relation to capital, are adequate to meet the Council's financial needs for 2010/11. This view takes account of the reserves included in the Council's latest audited Accounts as at 31 March 2009 and, the movements of those reserves since that date, which have been tracked through the monthly Budget Monitoring Reports. The projections in the Housing Revenue Account (HRA) balance to maintain the balance at £4.729m by 31 March 2010 are also considered to be adequate at this point in time but will need to continue to be reviewed in the light of the challenges facing the HRA.

(ii) The General Fund estimates are sufficiently robust to set a balanced budget for 2010/11. This takes into account the adequacy of the level of balances and reserves outlined above and the assurance gained from the comparisons of the 2009/10 budget with the projected spend identified in the December 2009 (Period 9) Budget Monitoring Report which shows an underspend of £4.179m against the agreed budget for 2009/10. The Corporate Director - Finance and Risk Management's view also takes into account the issues raised in the Audit Commission's most recent Annual Letter.

(d) that it be noted that at its meeting on the 26 January 2010, the Cabinet agreed its Council Tax Base for the 2010/11 financial year in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992.

(e) that the policy requiring the Corporate Director - Finance and Risk Management to seek to mitigate the impact of significant changes to either resources, such as Formula Grant changes, or expenditure requirements be continued.

(f) that the summary of the HRA Budget and Rent Setting report agreed by Cabinet on 26 January 2010 be noted.

(g) that the approach of using reserves to manage emerging risks and liabilities and to use one-off monies released from the review of reserves and other funding sources to support the capital programme or other one-off expenditure, be continued.

(h) that Council be recommended to agree:

(i) that the following calculation of the Council's budget requirement in terms of its gross revenue and income including transactions on the Housing Revenue Account as required by Section 32 of the Local Government Finance Act 1992 be agreed:

CALCULATIONS UNDER SECTION 32 OF THE LOCAL GOVERNMENT FINANCE ACT 1992		
		£m
(a)	Aggregate of amounts which the Council estimates for the items set out in Section 32(2) a) to e) of the Local Government Finance Act 1992.	561.448
(b)	Aggregate of amounts which the Council estimates for the items set out in Section 32(3) a) to c) of the Local Government Finance Act 1992.	367.014
(c)	Aggregate of amounts which the Council estimates for the items set out in Section 32(4), being the amount by which the sum aggregated at (a) above exceeds the aggregate of (b) above.	194.434

(ii) that the following amounts be calculated by the Council for 2010/11 in accordance with Section 33 of the Local Government Finance Act 1992:

- **£194.434m,** being the amount calculated under Section 32(4) of the 1992 Act as the Council's budget requirement for 2010/11.

- **£103.616m,** being the aggregate of the sums which the Council estimates will be payable for 2010/11 into its General Fund in respect of redistributed NNDR, Revenue Support and Area Based Grant increased by the amount the Council estimates will be transferred from its Collection Fund to its General Fund pursuant to the Local Authorities (Funds) (England) Regulations under Section 97(3) of the Local Government Finance Act 1988 made on 21 January 2010.

- **£90.818m**, being the amount at (a) above less the amount at (b) above, all divided by the amount which has been calculated by the Council as its Council Tax Base for 2010/11, in accordance with Section 33(1) of the 1992 Act, as the basic amount of the Council Tax for 2010/11.

(iii) that the following amounts be calculated by the Council for 2010/11 in accordance with Section 36 of the Local Government Finance Act 1992:

VALUATION BANDS							
A £	B £	C £	D £	E £	F £	G £	H £
740.53	863.96	987.38	1,110.80	1,357.64	1,604.49	1,851.33	2,221.60

Being the amounts given by multiplying the agreed Council Tax Base for 2010/11 (81,759.38 Band D equivalent properties) which, in the proportion set out in Section 5(1) of the 1992 Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the 1992 Act, as the amounts to be taken into account for 2010/11 in respect of categories of dwellings listed in different valuation bands.

(iv) That it be noted that the Thames Valley Police Authority, in accordance with Section 40 of the Local Government Act 1992, has stated the following amounts of precepts issued to the Council for 2010/11:

VALUATION BANDS							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
102.87	120.01	137.16	154.3	188.59	222.88	257.17	308.6

(v) That it be noted that the Buckinghamshire and Milton Keynes Fire Authority, in accordance with Section 40 of the Local Government Act 1992, has stated the following amounts of precepts issued to the Council for 2010/11:

VALUATION BANDS							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
39.42	45.99	52.56	59.13	72.27	85.41	98.55	118.26

CAPITAL PROGRAMME

6. That the Capital Programme and funding thereof be endorsed for recommendation to Council, as set out in **Annex G** of the officer report and the table below:

Funding for Capital Programme 2010/11

Funding Source	**£m**
Government supported borrowing allocations (SCE (R))	20.411
Capital receipts	2.419
Major Repairs Reserve	4.897
Other government grants	37.161
Third party contributions	5.743
Revenue contributions	3.002
Prudential borrowing	5.822
Sub-total	**79.458**
Applied to 2009-10 overspends	(3.355)
Funding available for programme	**76.103**

TREASURY MANAGEMENT

7. That the Treasury Management Strategy and Policy Statement for 2010/11 – 2012/13 be endorsed for recommendation to Council, as set out in **Annex M** of the officer report.

PRUDENTIAL INDICATORS

8. That the prudential indicators for Capital Expenditure and the Capital Financing Requirement, the Authorised Limit and Operational Boundary for External Debt, the Affordability Prudential indicators and the Treasury Management Prudential Indicators for the years 2010/11 to 2013/14 as set out in Section 8 and **Annex M** be endorsed for Council approval.

9. That the Council be recommended that the authorised limit for external debt of £415m agreed above for 2010/11 will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.

10. That the following technical comments by the Corporate Director – Finance and Risk Management in respect of funding and the process of the Capital Programme and Treasury Management be noted:

    (a) that this programme takes no account of the one-off funds that are likely to be available as additional funding to the programme from 2010/11 onwards, as it is prudent not to anticipate resources until they are clearly achievable and that if funding is not secured this will be funded from slippage and addressed through the development of the 2011/12 Capital Programme.

    (b) that the Council will create and maintain, as the cornerstones for effective treasury management

        (i) a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and

        (ii) suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

    (c) That the Council nominates its Overview and Scrutiny Management Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

11. That, having regard to the future, officers be instructed to develop a workforce strategy that will effect further staff reductions with particular regard to tiers of middle management, subject to the preservation of front line services, performance management, regular reporting and the approval of the Cabinet at every relevant stage of the process.

12. That officers be thanked for their efforts in assisting the development of the proposed budget.

COUNCIL MEETING

23 FEBRUARY 2010

AMENDMENTS

Item 4(a) – Budget Report 2010/11

Amendment from Councillor D McCall:

“That the following wording be added to Clause 1 of the recommendation:

‘and that the Council notes the damage caused to Milton Keynes highways during the severe winter we have had this year, and the potholes in our roads that this has caused, and also notes residents' desire that action be taken immediately to resolve this problem, and therefore resolves to increase Council Tax by an additional 0.5%, approximately 10p per week, to add an additional £445,000 to the budget specifically to put this damage right without delay.’"

The recommendation as amended would read:

1. That it be recommended to Council that Council Tax for 2010/11 be set at a 1.5% increase, viz. 32p per week, or £16.64 per year for a Band D tax payer, as a consequence of which Milton Keynes Council Tax overall is estimated to be £54 per year lower than the national average, and that the Council notes the damage caused to Milton Keynes highways during the severe winter we have had this year, and the potholes in our roads that this has caused, and also notes residents' desire that action be taken immediately to resolve this problem, and therefore resolves to increase Council Tax by an additional 0.5%, approximately 10p per week, to add an additional £445,000 to the budget specifically to put this damage right without delay.

MILTON KEYNES COUNCIL

TUESDAY 23 FEBRUARY 2010

ADJUSTED BUDGET PAPERS RELATING TO AMENDMENT TO BE MOVED BY COUNCILLOR D McCALL

TABLES AND ANNEX IN BUDGET REPORT 23 FEBRUARY THAT WILL BE IMPACTED IF 2% COUNCIL TAX INCREASE IS APPROVED:

- **Appendix 1** - Council Recommendations 1.8 to 1.13
- **Appendix 2 -** Table 1 Budget Funding Options, on page 18 has been updated
- **Appendix 3 -**Table 5 2010/11 Council Tax to be raised, on page 23 has been updated
- **Appendix 4 -** Table 6 Investment Proposals Summary, on page 25 has been updated
- **Appendix 5 -** Table 7 Savings / Income Proposals 2010/11, on page 26 has been updated
- **Appendix 6 -** Table 8 Commissioning / Efficiency Proposals, on page 27 has been updated
- **Appendix 7 –** Revised ANNEX B
- **Appendix 8 –** revised ANNEX J (Table 1 Environment Directorate only)

Revised Council Recommendations 1.8 to 1.13

1.8 That the following calculation of the Council's budget requirement in terms of its gross revenue and income including transactions on the Housing Revenue Account as required by Section 32 of the Local Government Finance Act 1992 be agreed:

CALCULATIONS UNDER SECTION 32 OF THE LOCAL GOVERNMENT FINANCE ACT 1992		
		£m
a)	Aggregate of amounts which the Council estimates for the items set out in Section 32(2) a) to e) of the Local Government Finance Act 1992.	569.144
b)	Aggregate of amounts which the Council estimates for the items set out in Section 32(3) a) to c) of the Local Government Finance Act 1992.	374.262
c)	Aggregate of amounts which the Council estimates for the items set out in Section 32(4), being the amount by which the sum aggregated at (a) above exceeds the aggregate of (b) above.	194.881

1.9 That the following amounts be calculated by the Council for 2010/11 in accordance with Section 33 of the Local Government Finance Act 1992:

(a) **£194.881m,** being the amount calculated under Section 32(4) of the 1992 Act as the Council's budget requirement for 2010/11.

(b) **£103.616m,** being the aggregate of the sums which the Council estimates will be payable for 2010/11 into its General Fund in respect of redistributed NNDR, Revenue Support and Area Based Grant increased by the amount the Council estimates will be transferred from its Collection Fund to its General Fund pursuant to the Local Authorities (Funds) (England) Regulations under Section 97(3) of the Local Government Finance Act 1988 made on 21 January 2010.

(c) **£91.266m**, being the amount at (a) above less the amount at (b) above, all divided by the amount which has been calculated by the Council as its Council Tax Base for 2010/11, in accordance with Section 33(1) of the 1992 Act, as the basic amount of the Council Tax for 2010/11.

1.10 That the following amounts be calculated by the Council for 2010/11 in accordance with Section 36 of the Local Government Finance Act 1992:

VALUATION BANDS							
A £	B £	C £	D £	E £	F £	G £	H £
744.18	868.21	992.24	1,116.27	1364.33	1612.39	1860.45	2232.54

Being the amounts given by multiplying the amount at 1.4 above by the number which, in the proportion set out in Section 5(1) of the 1992 Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the

Council, in accordance with Section 36(1) of the 1992 Act, as the amounts to be taken into account for 2010/11 in respect of categories of dwellings listed in different valuation bands.

1.11 That it be noted that the Thames Valley Police Authority, in accordance with section 40 of the Local Government Act 1992, has stated the following amounts of precepts issued to the Council for 2010/11 (subject to confirmation following the meeting of the Police Authority on 19 February 2010):

VALUATION BANDS							
A £	B £	C £	D £	E £	F £	G £	H £
102.87	120.01	137.16	154.3	188.59	222.88	257.17	308.6

1.12 That it be noted that the Buckinghamshire and Milton Keynes Fire Authority, in accordance with section 40 of the Local Government Act 1992, has stated the following amounts of precepts issued to the Council for 2010/11:

VALUATION BANDS							
A £	B £	C £	D £	E £	F £	G £	H £
39.42	45.99	52.56	59.13	72.27	85.41	98.55	118.26

1.13 That as a result of items 1.10, 1.11, and 1.12 above, the amounts of Council Tax shown in Schedule C to **Annex O** be set, in accordance with Section 30(2) of the Local Government Act 1992, for each of the categories of dwelling shown in the Schedule.

APPENDIX 2

Table 1 (Page 18) – Budget Funding Options 2010/11

	Assuming 2% CT Increase £m
Gross Expenditure	574.23
Gross income	(361.44)
Net Service Budgets	**212.79**
Debt Financing /Asset rentals & HRA Recharges	(14.19)
Sources of Funding	(194.20)
BASE BUDGET SHORTFALL	**4.40**
Savings Proposals (paragraph 6.45 – 6.54)	(10.30)
Available funds to meet pressures	(5.9)
Pressures (Annex J)	5.9
(Surplus)/ Shortfall in Funds after meeting Pressures	**0.00**

Table 5 (Page 23): 2010/11 Council Tax to be raised

	£m
Net Expenditure requirements	194.882
Less: Government Support	(102.939)
Less: Collection Fund Surplus taken to fund one-off items	(0.677)
Milton Keynes Demand on Collection Fund	**91.266**
Thames Valley Police Authority Precept	12.616
Buckinghamshire and Milton Keynes Fire Authority	4.834
Town and Parish Councils	4.850
Total Amount to be raised from Council Tax	**113.566**
No. of Band D Equivalent Properties	**81,759.38**
Band D Elements of Council Tax	**£**
Milton Keynes Council	1,116.27
Thames Valley Police Authority	154.30
Buckinghamshire and Milton Keynes Fire Authority	59.13
Town and Parish Councils, on average	59.32
Total	**1.389.02**

To Note: Thames Valley Police Authority has now confirmed its 2010/11 precept requirement on Friday 19 February 2010. The agreed increase is 2.0% and is shown within this table.

APPENDIX 4

Table 6 (Page 25): Investment Proposals 2010/11

DIRECTORATE	2010/11 Unavoidable Expenditure	2010/11 One-off Expenditure
Finance and Risk Management	0.073	0.297
Environment	1.725	1.334
Strategy & Partnership	0.267	0.284
Community Wellbeing	2.252	0.250
Children and Young People's Services	1.641	0.320
TOTAL INVESTMENT PROPOSALS	**5.958**	**2.485**

Table 7 (Page 26): Savings/Income Proposals 2010/11

SAVINGS CATEGORY	£m
Commissioning & Efficiency	5.427
Using Alternative Funding	2.599
Service Re-design	1.820
Charges to Users	0.450
TOTAL Savings Proposals 2010/11	**10.296**

APPENDIX 6

Table 8 (Page 27): Commissioning/Efficiency Proposals

£m	Description
0.637	Additional income through procurement of MRF contract
0.462	Contractual inflation reduction in respect of Adult Social Services
0.304	Residual savings in respect of Middleton Home
0.230	Restructure of existing refuse and street cleansing contract
0.228	One-off savings in respect of MK Theatre
0.217	End of requirement to fund temporary coachway
0.200	Red uction in contribution to insurance reserve, reflecting improved risk profile
0.200	Efficiency savings from increased use of foster placements
0.297	Removal of unfilled posts
0.183	Efficiency savings across Strategy & Partnerships directorate
0.170	Reduction in provision for court costs and bank charges
0.100	Restructuring of care options within Extracare housing
0.567	Other, including 4% efficiencies on contracts with third sector providers **£39k**; ending of certain "added years" pension payments **£68k**; saving negotiated on NSL parking contract **£50k**; bringing Libraries book purchasing in-house **£50k**.
1.307	Service realignments – identified by directorates
0.325	Service realignments – still to be identified
5.427	**Total savings – Commissioning & Efficiency**

REPLACEMENT OF ANNEX B
SUMMARY OF 2010/11 GENERAL FUND BUDGETS

	Gross Expenditure £	Gross Income £	Net Income £
Children and Young People's Services	263,151,324	(204,862,177)	58,289,147
Community Wellbeing	86,755,545	(18,570,479)	68,185,066
Environment	67,532,692	(21,600,282)	45,932,410
Strategy and Partnerships	6,139,733	(1,873,682)	4,266,051
Finance and Risk Management	152,043,712	(121,781,998)	30,261,714
Chief Executive's	260,876	0	260,876
	575,883,882	(368,688,618)	207,195,264
General Finance Account			
One- offs funded from Collection Fund surplus			677,000
Sustainability Items			1,200,000
Levies			438,622
Debt Financing			19,869,702
Asset Management			(28,925,326)
Recharges to HRA			(5,573,823)
			194,881,439
Funded from:			
Revenue Support Grant			(11,068,593)
Redistribution of Business Rates			(76,225,105)
Area Based Grants			(15,645,198)
			(102,938,896)
Collection Fund Surplus			(677,000)
Council tax [@ 2% CT Increase]			(91,265,543)
			(194,881,439)

APPENDIX 8

SUMMARY OVERVIEW INVESTMENT PROPOSALS (REPLACEMENT OF ANNEX J)

Directorate	2010/11 Unavoidable Pressures £m	2010/11 One-off Expenditure £m
Finance and Risk Management	**0.073**	**0.297**
Environment	**1.725**	**1.334**
Strategy & Partnerships	**0.267**	**0.284**
Community Well Being	**2.252**	**0.250**
Children and Young Peoples Services	**1.641**	**0.320**
TOTAL INVESTMENT PROPOSALS	**5.958**	**2.485**

Table 1 – Resourcing our Priorities Investment Proposals

ENVIRONMENT DIRECTORATE

Ref	SUMMARY OF PROPOSAL		£000's 2010/11	£000's 2010/11 One-off
B008	**Planning –** Reduction in Income due to current economic climate on Land Charges & Development Control, we have anticipated slight recovery starting in 2011/12. LLPG function	**U** **U**	 **15**	**270**
B009	**2nd Crematorium** – costs for leasing & prudential borrowing of Crem2 which will be offset by increased income(shown in efficiency savings)	**U**	**32**	
B010	**Coroner -** Additional staff costs for transfer of staff from TVP – net of parachute payment from TVP.	**U**	**15**	
B011	**Carbon Reduction Commitment** –Potential liability of CRC penalties, and LSP contribution to Climate Change.	**U**	**20**	
B012	**Waste Procurement Projects –** Proposal for new Waste procurement project, introduction of Organics Food Waste which is anticipated to have reduction in landfill disposal and increased recycling (2013/14 £120k costs associated with 4th CA Site)	**U**	**1,162**	**520**
B013	**Waste Disposal Contracts –** Anticipated growth in street cleaning, refuse collection and disposal contracts based on MK population growth.	**U**		**258**
B014	**Landfill –** increased liability for landfill tax and LATS	**U**	**(359)**	
B015 **added**	**Concessionary Fares** – Forecast change in Demographic will result in increased journeys along with increase in up-take of concessionary fares. **Conc Fares Pilot Scheme –** extend to Young People	**U**	**158**	 **66**
B017	**Coachway –** CCTV of car park, cleansing & maintenance of new car park.	**U**	**35**	
B018	**Landscape Contracts** – we have anticipated 0.98% increase in our Landscape work and growth in play areas.	**U**	**30**	
B019	**St Mary Magdalene Tower –**Legal obligation to maintain building **(£30k 2011/12 one-off)**	**U**		**20**
B022	**Road Safety Grant** – increase in grant income	**U**	**(17)**	
B023	**Parking Income** – removal of 2.5% income inflation as current income is below budget.	**U**	**211**	
B025	**Street Lighting** – removal of standard utility inflation as not part of standard buildings energy contracts.	**U**	**(100)**	
added	**Transport –** Additional PlusBus Service	**U**	**80**	
added	**Responsive maintenance -** cost of meeting proposed capitalisation of saving from revenue in 2010/11			**200**
added	**Highways -** Additional funding to address damage to highways during severe winter	**U**	**445**	
	ENV SUMMARY PRESSURES		**1,725**	**1,334**
	MTFP 2010/11 **Unavoidable** **One-off**			 **1,725** **1,334**

MILTON KEYNES COUNCIL

BUDGET REPORT 2010/11

CHANGES IN REPORTS

ORIGINAL PUBLISHED WEDNESDAY 17 FEBRUARY 2010
REVISED REPORT SENT OUT BY COURIER FRIDAY 19 / MONDAY 22 FEBRUARY 2010

The following Changes have can be seen between these two reports, following discussions at Cabinet on Tuesday 16 February 2010.

PARAGRAPH / REFERENCE DOCUMENT	DETAILS OF CHANGES	REASON FOR CHANGE
1.18	**Years 2010/11 to 2013/14 was changed to read 2010/11 to 2012/13. Annex M2 was replaced with Annex M.**	Typing error in 1st draft
1.19	**Authorised limit for external debt changed from £415m to £420m**	Typing error in 1st draft
Cabinet Members & Comments	**Cabinet recommendations were added as approved at Cabinet Meeting on Tuesday 16th February 2010**	As per 16/02 Cabinet Resolution
6.30	**Table 5 – outstanding information was added following agreement from Policy & Fire Authority**	Information now confirmed
6.41	**Table 6 One-off expenditure increased from £2.419m to £2.485m**	As per 16/02 Cabinet Resolution
6.67	**Table 17 – Community Wellbeing One-off Proposals reduced from £500k to £250k**	Late changes agreed
6.74	**Table 20 – Children and Young People's One-off Proposals. £250k included for BSF programme**	Late changes agreed
6.82	**Table 23 – Environment one-off proposals added £66k for Concessionary Fares Pilot Scheme**	As per 16/02 Cabinet Resolution
ANNEX K	**Annex K – changes to One-off expenditure proposals. To reflect changes in ENV, CYPS & CWB directorates**	As per 16/02 Cabinet Resolution
ANNEX J	**Annex J – changes to summary table to reflect the changes to One-off expenditure**	As per 16/02 Cabinet Resolution
ANNEX H	**Annex H1 – additional ACE Fees and Charges were included with**	Additional information provided
ANNEX M	**Amended number format which was incorrect in earlier draft.**	Typing error in 1st draft

In addition to the above, there were some minor grammatical changes which were corrected in the revised report.

Tim Hannam / Claire Shepherd

Minutes of the meeting of the BUDGET REVIEW GROUP held on MONDAY 2 FEBRUARY 2010 at 5.30 pm.

Present: Councillor A Morris (Chair)
Councillors Burke, Edwards, Tallack and Tunney

Officers: T Hannam (Corporate Director Finance), C Shepherd (MTFP Project Lead), J Moffoot (Assistant Director Democratic Services) and F Bower (Overview and Scrutiny Officer)

Also Present: Councillors Crooks, A Geary, Hopkins and Miles and one member of the public.

BRG 30 DISCLOSURES OF INTEREST

Cllr Crooks declared a personal interest in respect of Item 4, as he was a Trustee of the Local Government Pension Fund.

BRG 31 MINUTES

RESOLVED –

That the minutes of the meeting held on 11 January 2010 be agreed and signed by the Chair as a correct record.

BRG32 BUDGET 2010/11

The Corporate Director Finance and Risk Management gave a report on the proposals for the Council's budget, which was to be considered by Cabinet on 16 February.

The Review Group noted the following additional information:

- The figures in the proposals had not been changed greatly since information had last been circulated to Members.
- There would be further changes up to 5 February.
- Cabinet Members had asked officers to model a 1.5% increase in Council Tax, as this was considered the most likely acceptable figure
- The money agreed with the Citizens' Advisory Group on Transport would be increased by an additional £19,000 in line with the percentage rise in Council Tax.

During discussion, the following issues were highlighted:

<u>General Budget issues</u>

- The Building Schools for the Future money was no longer included. There was uncertainty about this funding; it might not continue. It might be possible to recover £1.5 million from the contractor for the faulty school build programme. If this did happen, the money would be ring-fenced for the Building Schools for the Future reserves.

- The Council would find it hard to balance the budget. £2.9 million had been taken out of reserves to balance the previous year's budget, and the increase in Government money had been used up. In the current year, there was a £4.8 million deficit in the budget, whereas if all the proposed savings had been implemented, there would be a £663,000 surplus.

- Necessary savings had not been achieved in the current year and it was clear that there were more to be found. Savings in the current year were around 6%, with 15% expected over the medium term. Some potential savings were not politically acceptable. The aim was to gain efficiency savings while preserving front line services. Many back-office services were in the lowest quartile of cost.

  In relation to the wisdom of capitalisation, it was reported that the figures were based on capitalisation of 15% of the cost of projects. In some councils this was as high as 20%, so this Council's approach was relatively cautious. The Housing Plan Delivery and Growth Fund enabled a period where services could be restructured and possibly some posts removed. There were only three revenue capital contribution items in the budget, towards which £1 million a year should be contributed.

- Slippage in the Capital Programme was of concern. It was important that the Council invested in capital projects, as this produced revenue benefit. The new Capital Programme arrangements were that Members made the decision that money would be allocated to a project, and then the detailed business case was produced before spend approval was granted. This was then monitored. It could take 6-8 months to ascertain whether a project met Members' requirements. It should be possible to deliver 90% of the Capital Programme.

- The Council had the opportunity to restructure when it had surpluses. This opportunity had now passed, and the budget for the next years would now be more difficult.

- There was a plan to set aside £1 million to enable prudential borrowing. This was to happen over time, year by year. The decision had to be made whether to feed the money directly into the capital budget or to allow it to build up into a large enough amount to do more good.

- There was a concern over the affordability of fees and charges. There was a wish to extend the concessionary fares for young people. This could be phased in over three years but would cost money. The transport budget would be provided.

Workforce Issues

- It was important that the project to reduce workforce costs should not lack ambition. Only savings that could be delivered should be included in the budget proposals. 70 posts were included, though detailed discussion was not appropriate at this point as redundancies might be required. The Corporate Leadership Team did not lack ambition for this project, whose medium to long term objective was to achieve a good outcome with less cost. This would include work on business transformation.

- The plan to re-engineer middle management posts had not been carried out. The re-engineering of posts would now include the whole range of employees, from Directors downwards.

- The Council spent about £80 million on staff. The average total cost of one employee was £36,000. The cost of 70 posts would be around £2.5 or £2.6 million.

- Members had not yet received an answer on the number of people employed by the Council. However the final budget information would include a list of all posts on a full time equivalent basis. Commissioning was a larger cost.

- Head count was a key cost element. It was difficult to have confidence in budget figures or to plan savings while this was not known.

  It was likely that the Local Government Pension Scheme would be changed, but this would not impact on liabilities already incurred. Both the major national parties say that they will honour these.

- Workforce spending was not monitored closely enough, and spending on consultants and agency staff was considered excessive. Consultant fees were mostly for capital projects and had dropped between 2008/09 and 2009/10. The Director of Children's Services needed to be able to spend on consultants and some temporary and agency staff to restructure and ensure delivery of the Children's Agenda. Directorates were being encouraged to deliver efficiency savings that did not impact on services.

- It was suggested that, in 1997, the Council had just 17 heads of service. It now had nearly double the number of officers at the top management levels, and the Borough's population, upon which the revenue grant was based, had not risen by the same proportion. 80% of the Council's spending was on wages.

  In response, it was stated that the staff budget of £80 million was just under a third of the variable budget. It was essential to appoint good people, then fewer were needed.

- Workforce efficiencies and whether work was carried out in house or not was a valid concern, and whether outcomes were still what service users needed.

Section 106 and Tariff money

Every item in the Capital Programme had been examined by officers to find out whether any Section 106 money might be obtainable. In addition, Directors had been asked what upcoming projects might attract Section 106 money. Section 106 arrangements were to be changed in line with other councils, which awarded the money on the basis of their whole area, rather than by ward, as Milton Keynes did. Some Section 106 money was specific to developments, but policies could be written so that it was applied more generally than it currently was.

- It would be important to retain transparency in the Section 106 process, so that money gained for a specific project was used for that.
- The Capital Programme, Section 106 money and Growth Area Funding needed co-ordination. The Planning Obligations Document could be more flexible. This should be negotiated by local Members, not officers. It should never be necessary to hand Section 106 money back because it had not been used.
- The Finance and Environment Directorates should review how planning documents were written. Local people needed Borough-wide facilities.
- Some newer areas did not receive the Section 106 money due to them.
- Section 106 money could be a way of making unpalatable schemes less so for local people, whereas Tariff money paid for infrastructure across the Borough.
- The advantage of Tariff money was that it was spent on Council Priorities.
- Tariff money was a good source of forward funding.
- Overview and Scrutiny Management Committee should be asked to investigate these issues initially before deciding whether to refer them to a Select Committee. There were elements that made them suitable for several Select Committees.

Officers were thanked for the work they had done to provide the information to Members.

RESOLVED –

1. That Overview and Scrutiny Management Committee be requested to investigate the organisation and management of capital funding, including Section 106 money and Growth Area Funds.
2. That workforce issues be considered by this Review Group at its first meeting in the new Council year.

BRG33 **MEDIUM TERM FINANCIAL PLAN (MTFP) 2011/12 TO 2013/14**

The Review Group received a report from the Corporate Director Finance and Risk Management on the MTFP forecast 2011/12 to 2013/14 and noted the following additional information:

- Inflation of goods and services was forecast at 2.5%, though it might be possible to bear down on some.
- Sustainability items included the pension fund, waste project and revenue contribution to capital.
- Directorate growth pressures would not be accepted without justification.
- The net savings and efficiencies required should be achievable, in the context of efficiency savings in the current year.
- Although Revenue Support Grant increases and decreases had been modelled, it was likely to remain the same.

During discussion, the following issues were highlighted:

- Revenue Support Grant would depend on which party was in power nationally.
- The Council would have to do more than slight trimming of its budget. This was why the Value for Money project looked ahead beyond the next year. Transformation could take several years.
- The country could suffer a ‘double dip’ recession and inflation.
- How the Government was solving economic problems would be important. It was possible that Council Tax receipts would fall, if people were out of work and on benefits.
- The Council would have to reduce the price of buying in services. This would depend upon inflation, staff costs and the Revenue Support Grant.

  The Assistant Director Democratic Services advised that this was the last opportunity in the current year for the Review Group to comment on the budget. It would have an opportunity until the autumn of 2010, when it would work in detail on the following year’s budget, to look at other issues such as MTFP and Value for Money. Manifestos after the elections and budget monitoring reports could inform this work.

  The Review Group commented on its work to date and potential future work, and the following points were made:

- Reports received had been educational, but it would have been better if work had started earlier in the year.
- Monitoring should be carried out to ensure that a balanced budget would be delivered at the end of the next council year.

- The understanding gained by the Review Group would help Groups to reach a negotiated agreement.
- This year's Budget Review Group had brought out more information than Overview and Scrutiny bodies had done in the past. The stresses and strains on the Council in setting a budget were better understood.
- In looking at the budget at a whole, rather than parts in isolation, the Review Group had understood better that spending in one area meant cuts in another. This sort of understanding led to the Council controlling the budget, rather than the other way round.
- The Review Group should consider procurement, tenders, contracts and estates, through the Asset Management Plan.
- Directorates had a tendency to propose savings to satisfy the Finance Department, for example charging for bulky waste, which was known to be unacceptable politically. Members should see these options too, even if they did not agree with them, but this should be done earlier, outside the political process.
- The good and bad points of these more extreme options and their costs should also be examined.
- Members should focus early on the painful choices that would have to be made eventually.

RESOLVED –

That the report be noted.

THE CHAIR CLOSED THE MEETING AT 7.42 PM