

**Report to the Finance and Performance
Management Cabinet Committee**



**Epping Forest
District Council**

Report Reference: FCC-018-2009/10

Date of meeting: 14 December 2009

Portfolio: Finance and Economic Development.

Subject: Draft General Fund Budget Summary (inc. CSB and DDF lists)

Responsible Officer: Bob Palmer (01992 564279)

Democratic Services Officer: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

- (1) To amend the budget guidelines previously set down:
 - (a) the guideline for CSB net expenditure for 2010/11 be reduced to £18M from £18.3M;**
 - (b) the guideline for DDF net expenditure for 2010/11 be increased to £1.3M from £0.8M;**
 - (c) that balances continue to be aligned to the Council's net budget requirement and be allowed to fall no lower than 25% of the net budget requirement; and**
 - (d) that the District Council Tax be increased by no more than 2.5%; and****
- (2) That the items shown on Appendices 2 and 3 are included in the revenue budgets for 2010/11, subject to any additional late growth bids or additional savings being necessary.**

Executive Summary:

This report sets out the current position on the General Fund budget and details the significant changes both from the original estimates for 2009/10 and also from the Financial Issues Paper.

The revised estimates for 2009/10 show an under spend and consequently a higher balance on the General Fund Reserve. There is also a reduction in the use of the General Fund Reserve in 2010/11.

Whilst the CSB guideline can be revised downwards, additional DDF expenditure has been identified. Again there is some off-setting between years as the DDF figure used in the Financial Issues Paper for 2009/10 was £1.5M, which has reduced to £1M.

Reasons for Proposed Decisions:

The amendments to the budget guidelines are recommended to allow for necessary growth and changes to services.

Other Options for Action:

Members could decide not to approve the amended guidelines and instead specify which growth items they would like removed from the lists. Alternatively, Members could approve the growth lists and instruct Directors to identify savings elsewhere in their budgets.

Report:

1. This report gives the first oversight of the draft General Fund budget for 2010/11. The individual Directorate budgets will be considered in detail at the Finance & Performance Management Scrutiny Panel on Tuesday 12 January 2010. The budget setting process will conclude by the following timetable:

Finance & Performance Management Scrutiny Panel	12 January 2010
Finance & Performance Management Cabinet Committee	25 January 2010
Overview and Scrutiny Committee	28 January 2010
Cabinet	1 February 2010
Council	16 February 2010

2. The draft budget summary for 2010/11 is shown at Appendix 1 and shows that the CSB (including growth) currently totals £17.9M and the DDF £1.3M. This Committee considered the Financial Issues Paper on 5 October 2009 and set out guidelines at that time for CSB of £18.3M and DDF of £0.8M.

Draft Local Government Finance Settlement

3. The Government have indicated that the draft figures previously advised are unlikely to be amended. To remind Members of the three-year settlement and the background to it the information below has been repeated from the 2009/10 Council Tax setting report.

4. After one two-year settlement under the new four block system, the Department for Communities and Local Government (DCLG) announced a consultation to “update and fine tune” the model to produce a three-year settlement. Unfortunately the fine-tuning has resulted in some substantial movements in the Council’s relative position. The table below sets out the Council’s amounts in each of the four blocks for the five years of data now available. The Relative Needs Amount (what the Government believes the Council needs to spend) has increased by £7,000 for 2010/11 whilst the Relative Resource Amount (a negative amount to reflect the ability to raise income from Council Tax) has reduced by £140,000. To add to this improvement of £147,000 there is also an increase in the Central Allocation of £37,000. However, this is then reduced by a change in the net Floor Damping position of £137,000 to leave a net increase on 2009/10 of £47,000.

	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Relative Needs Amount	5.728	5.742	5.455	5.457	5.464
Relative Resource Amount	-4.465	-4.724	-5.228	-5.096	-4.956
Central Allocation	7.854	8.332	8.793	8.834	8.871
Floor Damping	-0.490	-0.189	0.302	0.173	0.036
Formula Grant	8.627	9.161	9.322	9.368	9.415

5. The draft figures shown above were a poor settlement for the Council and give grant increases of only 1% (against the adjusted 07/08 figure) for 2008/09 and only 0.5% for 2009/10 and 2010/11. This seems odd given the sizeable grant increase seen under this system for 2006/07 and 2007/08.

	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Formula Grant (adjusted)	8.627	9.161 (9.229)	9.322	9.368	9.415
Increase £	0.711	0.534	0.093	0.046	0.047
Increase %	9.0%	6.2%	1.0%	0.5%	0.5%

6. The introduction of the four block system saw the Council change from receiving floor support of £412,000 to losing £490,000 to support the floor for others. It had been hoped that the move away from the floor would last longer than two years. However, the benefit of the previous large increase has not been lost, as this has provided the base that the floor increase of 1% has been added to.

7. Whilst the Government has decided not to change the block grant allocations there is currently a consultation underway to consider changing the special grant allocations for concessionary fares. A report is being drafted for Cabinet on 21 December, but it is worth noting at this stage that the re-allocation proposed by the consultation would remove £137,000 of the £247,000 that had previously been allocated to the Council.

Areas of Uncertainty

8. Having mentioned the potential problem with the loss of concessionary fares grant there are two other significant uncertainties worth highlighting at this time. Firstly, the Government is still involved in a dialogue with the Local Government Association (LGA) about the accounting treatment for impairments on investments. The Government previously mandated the deferral of impairments to 2010/11, apparently to allow for a clearer picture to emerge on the level of recoveries. The LGA has made representations to Government that the deferral should continue as the ultimate position remains far from clear. In the event that a further deferral is not given, the LGA have asked for authorities to be allowed to charge a portion of the impairment to the HRA or be able to apply for capitalisation directions in 2010/11.

9. The likely impairment that this Council will have to account for is £700,000. As the investment balances were generated partly from the sale of HRA assets and the HRA receives approximately two thirds of interest earned it would be logical for the HRA to share the impairment charge. Given the ongoing uncertainty around the ultimate level of the impairment, the year in which it will have to be accounted for and the funds it can be charged to no allowance for the impairment has been made in these figures.

10. The other area of uncertainty is a more positive one as it relates to higher levels of income from recycling credits. At the time of the Financial Issues Paper the new service had only just commenced and no data was available to base any recalculation on. Data for September and October has now been reviewed with the Director of Environment and Street Scene and the estimates for both 2009/10 and 2010/11 have been amended for the increased levels of recycling seen under the new service. The figures included for 2010/11 are based on achieving 55% recycling and will be revisited again once the data for November is available as it would be imprudent to build expectations any higher on a very limited set of data.

Revised Estimate 2009/10

11. The Revised Estimate for 2009/10 shows a closing CSB figure of £17,901,000 which is £114,000 lower than shown in the Original Estimates. This is due to a reduction of £110,000 in the net CSB growth in the year, as the opening CSB figure has changed very little. The most significant movements are in the Corporate Support Services and Environment and Street Scene Directorates. Income in Corporate Support has been

increased by £70,000, £50,000 due to the MOT centre and £20,000 due to industrial estate rents. The net reduction in Environment and Street Scene arises from the changes to the Waste Management Service and a re-allocation of CCTV costs. The original estimates allowed for a net increase in Waste Management costs of £150,000 but an increase in recycling credit income has reduced this to £135,000. CSB growth of £18,000 had been allowed for CCTV replacement and maintenance but, after adjusting for an appropriate re-allocation to the HRA, net growth reduces by £13,000.

12. DDF spending in 2009/10 has reduced from the original estimate of £1.3M to a revised figure of £1M, despite the addition of £0.2M of items brought forward from 2008/09. This means there has been a net reduction of £0.5M, which is partially due to the re-profiling of projects to subsequent periods and partly due to changes to the programme. Changes to the programme include an additional £40,000 of licensing income, a reduction of £33,000 in energy costs, £100,000 returned to the fund as it was no longer required for land drainage, £43,000 of additional benefit administration subsidy, and unbudgeted grants of £72,000 (Local Authority Business Growth Incentives) and £63,000 (Housing and Planning Delivery Grant). The main areas of slippage include £50,000 of building maintenance, £70,000 of consultancy for North Weald Airfield, £32,000 for Public Relations and £100,000 for the Local Development Framework.

CSB Growth

13. The CSB growth list at Appendix 2 details net CSB growth on the revised estimates for 2009/10 of £489,000 and net savings for 2010/11 of £206,000. These figures are included in the General Fund position shown on Appendix 1 with a CSB total of £17.9M. As the guideline for CSB for 2010/11 was £18.3M, the draft budget currently achieves this target.

14. The movement between the original and revised CSB growth lists is £110,000 and the major differences are set out in paragraph 11 above.

15. The Financial Issues Paper included net CSB growth of £102,000 for 2010/11; this has now reduced to a net saving of £206,000. The key items in the reduction of £308,000 are shown below:

	£'000
• Net reduction in costs of waste service	226
• Saving to General Fund on closure of parking shop	24
• Energy savings from maintenance works	20
• Increase in income from personal searches	17

16. Whilst the reductions in CSB shown at this stage are greater than had been anticipated, the savings reviews previously requested by this Committee should still continue to help ease the budget pressure in subsequent years. A key area of uncertainty highlighted in the Financial Issues Paper was the future level of block grant and the flow of economic data since September has not eased concerns about the length of the recession and the overall state of the public finances.

DDF Expenditure

17. The DDF list at Appendix 3 details items totalling £1.3M, which are included in the General Fund position shown on Appendix 1. The guideline for DDF for 2010/11 was set at £0.8M anticipating net expenditure in 2009/10 of £1.5M. However, as part of the budget process the DDF programme has been re-examined and many items have now been re-profiled and a number of items added. This has reduced the estimated level of expenditure in 2009/10 by £0.5M but these, and some other changes, have resulted in the estimated level of DDF expenditure in 2010/11 increasing by £0.5M.

18. Given the potential need to charge investment impairments to the DDF and the substantial existing programme any further DDF schemes will need to be carefully scrutinised. It is likely that over the course of the Medium Term Financial Strategy the DDF will need support from the General Fund Reserve.

Resource Implications:

The report details proposed growth items and potential savings; the implications are set out above and will vary depending on the course of action decided by Members.

Legal and Governance Implications:

None.

Safer, Cleaner, Greener Implications:

Items related to the Safer, Cleaner, Greener initiative are included in the report.

Consultation Undertaken:

None.

Background Papers:

Financial Issues Paper – see agenda of 5 October 2009

Draft Growth List – see agenda of 23 November 2009

Impact Assessments:

Risk Management

The report sets out some of the key areas of financial risk to the authority. At this time the Council is well placed to meet such challenges, although if the savings opportunities highlighted are not actively pursued there will be a need in the medium term to identify substantial alternative savings.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A