

CABINET

15 September 2010

PRINCIPAL SCRUTINY COMMITTEE

20 September 2010

GENERAL FUND BUDGET – REVISED ESTIMATE 2010/11

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

[CAB1964: Budget and Council Tax 2010/11, 3 February 2010](#)

[CAB2014:](#) Revenue Outturn 2009/10, 9 June 2010

[CAB2038:](#) Financial Strategy 2011/12 to 2014/15, 9 July 2010

EXECUTIVE SUMMARY:

As a consequence of the cuts in grants announced by the Government in June, the Financial Strategy, approved in July, identified the need for the immediate review of the Council's General Fund budget. Following a detailed review a General Fund Revised Estimate for 2010/11 is now presented for approval. The Housing Revenue Account has also been reviewed and is being considered elsewhere on this agenda.

The Comprehensive Spending Review (CSR) to be announced on 20 October is expected to bring more clarity on the likely financial challenges for next year and in the medium term, and it is proposed to await these announcements before presenting the budget options for 2011/12. This report will, therefore, be brought to Cabinet in November (and not October as previously planned).

The Original Budget Estimate for 2010/11 included some stretching targets for employee cost savings which have not been proportionately achieved in the first part of the year. These assumptions have been retained in the Revised Estimate. The need to accelerate the employee cost savings to achieve a balanced budget means that the likelihood of redundancies has increased. An amount of £100k redundancy budget is therefore proposed, to be funded from the Major Investment Reserve.

The total forecast adverse variances amount to £1.205m and is therefore referred to Council and Principal Scrutiny Committee for their consideration.

RECOMMENDATIONS:

To Cabinet:

1. That it be recommended to Council that the Revised Estimate for 2010/11, be approved.

To Principal Scrutiny Committee:

2. That the Principal Scrutiny Committee considers whether the matter should be called in, or whether it wishes to make any comments to the Cabinet or the Council on the General Fund Revised Estimate for 2010/11.

CABINET15 September 2010PRINCIPAL SCRUTINY COMMITTEE20 September 2010GENERAL FUND BUDGET – REVISED ESTIMATE 2010/11REPORT OF HEAD OF FINANCE1 Background

- 1.1 The General Fund Budget for 2010/11 was approved by the Council in February 2010. In July, the Council approved the carry forward of one-off unspent revenue budgets totalling £585k from 2009/10, and during the year there have been a further five supplementary revenue approvals adding a further £196k net one-off expenditure to this year's budget.
- 1.2 In July, the Financial Strategy identified the grants that had been withdrawn this year by the Government having significant impact on the Council's budgets and creating the need for urgent review.
- 1.3 Additionally, in year budget monitoring is providing early indications of a potential overspend against the budget for the full year, as identified in the risk assessment that supported the budget.
- 1.4 A detailed review of the current year's budgets has been completed and a revised plan to keep the budget in balance for the year is included in this paper.
- 1.5 The Government's Comprehensive Spending Review, to be announced in October, is expected to have significant implications on the Council's future finances. For this reason it has been decided to await these announcements before presenting the budget options for 2011/12 and for the medium term financial planning period.

2 The Budget Context

- 2.1 The new Government's Emergency Budget, announced in June, has had an immediate impact on the Council's finances for this year;
 - a) An increase in VAT to 20% from January 2011 will reduce the amount of car parking income that the Council retains, and

b) the following grants have been lost:

	Amount in 2010/11	Consequence
Housing & Planning Delivery grant	£250,000	Direct loss of baseline income
Local Authority Business Growth Incentive	£74,000	Direct loss of baseline funding
Swimming grants	£68,000	Direct loss of income offset by withdrawal of service*
Performance Reward Grant	£249,274	Not included in the Original Estimates but some partnership activities were relying on this.

* In July Cabinet approved a one month extension of free swimming for those aged 16 and under, funded by external contributions and internal virement.

- 2.2 The forecast Land Charges fee income for the year has reduced by £98k. Reasons include a slower market recovery and the abolition of the HIPS scheme by the Government. In addition, the Government has recently revoked regulations which allowed councils to charge a personal search fee to inspect the register - due to a conflict with EU law. Licensing income has reduced slightly partly due to a reduction in the number of large scale open air events.
- 2.3 When the budget was approved in February there were a significant number of budget risks/ uncertainties identified. Budget monitoring in the year to date has identified the need to revise some specific budgets, detailed below.
- 2.4 The combined effect of all of the foregoing on the Council's annual budget, which is largely contractually committed, and with only half of the year remaining for any actions to be effected, means inevitably that there are limited options for presenting a Revised Balanced Budget.

3 Proposed Budget Revisions

- 3.1 The total forecast adverse variances to the Budget amount to £1,205k, as detailed below:

REVISED ESTIMATE 2010/11	<u>£'000</u>
<u>Adverse variances</u>	
- Reductions to Income	
Lower Car parking income than budgeted (including additional VAT of £28k)	205
Lower Rental income (mainly Avalon House)	266
Government withdrawal of Housing & Planning Delivery Grant	250
Planning fees lower – reflecting slower market recovery	132
Land Charges and licensing fees - see para 2.2 above.	98
- Increases to Expenditure	
Higher vacant property rates	62
Recharges to HRA reduced	50
Car park - increased costs for pay by phone and chip and pin	25
- Interest & investment income (lower average bank rate)	43
- Reductions to Funding	
Local Authority Business Growth Incentive	74
Total	1,205

- 3.2 It is proposed to balance this by increases to income of £308k, reductions to expenditure of £887k, and additional Funding of £10k, as detailed below:

REVISED ESTIMATE 2010/11	<u>£'000</u>
<u>Favourable variances</u>	
- Increases to Income	
Benefits Income and Benefits Admin. grant increased	152
Materials recycling income	76
Car Parking charges - package of changes	57
Various other increases £10k and under	23
Total Increases to Income	<u>308</u>
- Reductions to Expenditure	
Release of Insurance provision	185
Concessionary Travel	161
Employee cost savings	81
Release of Pay award provision	70
Energy budget reductions	53
Release of uncommitted economic development budget	25
Design statement support - release of uncommitted budget	19
Lower building maintenance costs	18

REVISED ESTIMATE 2010/11	<u>£'000</u>
Revenues - reduced Court costs, advertising, bank fees, legal costs and prosecution costs	14
Landscape - contractors	12
Member allowances lower (smaller Cabinet)	11
Professional services budget reduction	10
Legal practising certificate - savings	10
Partial release of unused IMT backscanning budget	10
Numerous other budget releases (individually below £10k)	68
Minimum Revenue Provision - lower	12
- Release of savings contingency (see para 5 below)	128
Total reductions to expenditure	887
- Increase to Funding	10
Total	1,205

4 Employee costs

- 4.1 Employee costs represent some 45% of the Council's expenditure. The Original Budget includes an ongoing assumption that the Flexible Resource Management (FRM) savings from the active management of vacancies arising will continue to deliver savings to the level achieved in 2009/10 (£354k). In addition, further employee savings are planned to be achieved through Shared Services (£80k) and Organisational Development (£250k).
- 4.2 These assumptions have been retained in the Revised Estimate although achievement is dependent on a higher proportion of the savings to be achieved in the remainder of the year, than in the year to date.

5 Savings Contingency

- 5.1 The risks associated with the achievement of the budgeted savings were recognised when the budget was set and a savings contingency of £128k representing 10% of the assumed savings was allowed for. This has now been fully released in the Revised Estimate.
- 5.2 Therefore, this Revised Estimate will need to be supported by detailed delivery plans to ensure all of the savings and income targets assumed are achieved, and to allow early intervention where there is adverse slippage against the plan. The monthly financial monitoring procedures in place will support this.

6 Redundancy provision

- 6.1 The Original Estimate identified that achieving the reductions necessary may incur one-off costs which would be a priority call on the Major Investment Reserve (MIR). The need to accelerate the employee cost savings to keep the budget in balance means that the likelihood of redundancies has increased. An amount of £100k redundancy budget is therefore included in this Revised Estimate, to be funded from the MIR. Separate financial

approvals will be required on a case by case basis as part of the redundancy procedures.

7 Winchester Town Account (Appendix B)

- 7.1 The Revised Estimate for the Winchester Town Account is provided at Appendix B.
- 7.2 This reflects the Outturn position for 2009/10 which produced a closing balance on the account of £10k in credit as opposed to a budgeted deficit of £36k. Unspent budgets carried forward to 2010/11 amounted to £24k.
- 7.3 This produces an improved forecast reserve balance of £22k at 31 March 2011 compared with an Original Estimate of a zero balance.

OTHER CONSIDERATIONS:

8 SUSTAINABLE COMMUNITY STRATEGY (RELEVANCE TO):

- 8.1 Preparation of the budget had regard to the corporate business plan and Sustainable Community Strategy. Monitoring of income and expenditure and review of the final position is an intrinsic part of measuring whether the Strategy's objectives have been achieved.

9 RESOURCE IMPLICATIONS:

- 9.1 As outlined in the paper.

10 RISK

- 10.1 The risk of a revenue budget overspend is covered by Strategic Risk SR009 and is mitigated by actions included in the Financial Services Business Plan including annually updating the Financial Strategy and ensuring that appropriate monitoring and reporting procedures are in place for the Council to manage performance against budgets effectively.
- 10.2 A risk assessment was contained in the budget setting report for 2010/11 (CAB1964, 3 February 2010 refers) together with the mitigating actions which have supported this review.
- 10.3 The Council maintains a General Fund working balance of £2m which is considered to be appropriate.

BACKGROUND DOCUMENTS:

Working papers held within the Finance Division

APPENDICES:

Appendix A: General Fund Revised Budget 2010/11

Appendix B: Winchester Town Account Revised Estimate 2010/11

GENERAL FUND - REVISED ESTIMATE FOR 2010/11

	FULL YEAR		
	Working Budget	Changes adverse/ (favourable)	Revised Estimate
	£000	£000	£000
<u>Expenditure</u>			
Employees	14,506	(179)	14,327
Premises	4,538	(199)	4,339
Transport	590	(1)	589
Supplies & Services	4,692	(97)	4,595
Third Party Payments	8,313	(213)	8,099
Transfer Payments	29,363		29,363
Depreciation & Impairment Losses	3,921		3,921
<u>Income</u>			
External Income	(44,611)	644	(43,968)
Net Support Services / Internal Income	(1,888)	50	(1,838)
Net cost of services	19,423	5	19,428
<u>Less:</u>			
Reversal of Capital Financing	(3,921)		(3,921)
Net Interest & Investment income receivable	(247)	43	(204)
<u>Plus:</u>			
Minimum Revenue Provision	51	(12)	39
<u>Appropriations:</u>			
Transfers (from) Major Investment Reserve	(713)	(100)	(813)
Transfers (from) Earmarked Reserves	(559)		(559)
Transfers to Winchester Town Reserve	22		22
Net budget requirement	14,056	(64)	13,992
<u>Funded by:</u>			
Council Tax	(6,886)		(6,886)
Collection Fund transfer	(38)		(38)
Other Government Grants	(119)	64	(55)
Revenue Support Grant & Non-domestic rates redistribution	(7,013)		(7,013)
Forecast available funding	(14,056)	64	(13,992)
(Headroom) / shortfall	0	(0)	(0)

WINCHESTER TOWN ACCOUNT- 2010/11 REVISED ESTIMATE

	2009/10 Outturn	2010/11 Original Budget	2010/11 Revised Budget	B/Fwd from 2009/10
	£	£	£	£
<u>Expenditure</u>				
Recreation Grounds & Open Spaces	566,667	553,962	553,962	
Grants	36,888	41,813	51,813	10,000
Public Conveniences (Contribution)	40,000	50,000	50,000	
Community Wardens (Contribution)	45,000	45,000	45,000	
Cemeteries	45,346	39,686	44,686	5,000
Footway Lighting	41,662	26,401	26,401	
Maintenance Work to Council Owned Bridges	21,392	15,000	23,608	8,608
Theatre Royal (Contribution)	20,000	20,000	20,000	
Christmas Lights	10,104	14,936	14,936	
Bus Shelter Cleaning & Maintenance	16,663	10,970	10,970	
Town Forum Support	4,840	5,595	5,595	
Grit Bins		4,000	4,000	
Urban Neighbourhood Plans		1,500	1,500	
Allotments	(1,633)	(1,018)	(1,018)	
Support Costs to Council Owned Bridges	5,937			
Total Expenditure	852,865	827,845	851,453	23,608
<u>Income</u>				
Proceeds of Council Tax	(807,857)	(863,506)	(863,506)	
Interest on Balances	(548)	0	0	
Total Income	(808,405)	(863,506)	(863,506)	
<u>Reserves</u>				
(Surplus added to Reserves) / Deficit taken from Reserves	44,460	(35,661)	(12,053)	23,608
Opening Fund Balance (at 1st April)	(54,773)	35,661	(10,313)	(45,974)
Closing Fund Balance (carried forward)	(10,313)	(0)	(22,366)	(22,366)