

CABINET - 19 JANUARY 2011

GENERAL FUND BUDGET 2011/12 – PROGRESS REPORT

PRINCIPAL SCRUTINY COMMITTEE

24 JANUARY 2011

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

[CAB2087](#): Council Tax Base 2011/12, 8 December 2010

[CAB2078](#): General Fund Budget Consultation 2011/12, 10 November 2010

[CAB2069](#): Adoption of the Winchester District Sustainable Community Strategy 2010 - 2020, 13 October 2010

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

[CAB2056](#): Capital Strategy and Programme 2010/11 – 2013/14, 13 October 2010

[CAB2057](#): General Fund Revenue Budget – Revised Estimate 2010/11, 15 September 2010

EXECUTIVE SUMMARY:

This report presents an update on the General Fund Revenue Budget and the comments received as a result of the consultation on budget options.

Consultations have been carried out with the four scrutiny panels, Principal Scrutiny Committee, the Town Forum, parish council chairmen, the business community, and our partners in the Local Strategic Partnership.

The final budget proposals will be presented to Cabinet in February.

RECOMMENDATIONS:

To Cabinet:

That Cabinet notes the update on the forecast budget position and considers the results of consultations as part of its deliberation of the budget.

To Principal Scrutiny Committee:

That Principal Scrutiny Committee considers any further proposals it wishes to make to Cabinet.

CABINET19 JANUARY 2011PRINCIPAL SCRUTINY COMMITTEE24 JANUARY 2011GENERAL FUND BUDGET 2011/12 – PROGRESS REPORTREPORT OF HEAD OF FINANCE1 Introduction

- 1.1 Report [CAB2078](#) (November 2010) identified a significant forecast budget gap of £1.5 million, and presented initial budget options for consultation alongside the consultation on the emerging Change Plans to support the delivery of the Winchester District Sustainable Community Strategy.
- 1.2 The Government has now announced the provisional grant settlement and the consultation on budget options is complete.
- 1.3 The forecast shortfall has been updated and amounts to £1,769k in 2011/12 (see Appendix A). However there remain a number of items that have yet to be finalised including:
  - Waste management contract – a joint working approach with East Hants has been approved with tenders received to incorporate Refuse, Recycling, Garden Waste, Street Cleaning, Grounds Maintenance etc, with a new contract to start from 1 October 2011. The tenders received have now been evaluated and the results will be reported to the next meeting of the EHDC/WCC Joint Environmental Services Committee on 31 January 2011 who have the delegated authority to let the contract provided it is within the previously agreed budget. It will then be possible to confirm any further budget savings achieved as a result of the procurement process (see CAB2082 elsewhere on this agenda).
  - South Downs National Park income - From 1 April 2011, the South Downs National Park Authority (SDNPA) will become the all-purpose planning authority for the designated area. The Council has agreed to enter into an agency agreement (under Section 101 of the Local Government Act 1972) with the SDNPA to continue to provide a number of planning functions. The agreement will initially cover the three years from 2011/12 to 2013/14 with a break clause allowing dissolution of the agreement at the end of each year. The SDNPA will make a net contribution towards the cost of this service, with the intention to cover the full costs in year one with efficiency reductions and harmonisation of this contribution across all local authorities in 2012/13 and 2013/14.

- New Homes Bonus – Any expenditure implications associated with this income.
- Full implications of the Localism bill – further exploratory work will need to be undertaken in 2011/12 and any implications identified in the 2012/13 budget round.
- Localising Planning fees – the effect on income of changes to the regulations.
- Capital programme – the revenue implications of the final capital programme.

## 2 Revenue Support Grant – Provisional 2011/12 and 2012/13 Settlements

2.1 On 13<sup>th</sup> December the Secretary of State for Communities and Local Government announced a two-year settlement for local government, covering 2011-12 and 2012-13; and launched a consultation on the proposed settlement ending on Monday 17 January. The provisional settlement includes allocations of formula grant and other Government grants to local government for each of the next two years.

The settlement was worse than was assumed in the baseline forecasts, with a reduction in RSG and NNDR of £2.531m in 2011/12 and a further reduction of £0.395m in 2012/13. This is after adjustment for the transfer of the concessionary fare scheme to the County Council and the set up of the South Downs National Park (*see below*).

2.2 The administration of the Concessionary Travel scheme will transfer to the County Council from April 2011. The details of the transfer of funding were included in the settlement, resulting in the removal £1.205m of formula grant for the City Council from 2011/12 onwards. The baseline expenditure budget for Concessionary Travel was £1.070m creating a budget shortfall of £0.135m as a result of the transfer.

2.3 The adjustment to RSG for the costs of establishing the South Downs National Park Authority has removed formula grant directly from only those local authorities within the SDNP area, based on population, resulting in a formula grant reduction for Winchester of £0.408m pa. This is a change from the approach applied to the set up of previous national park authorities where the costs have been “top-sliced” from the national pot.

2.4 The Provisional Settlement figures are as follows:

	2010/11	2011/12	Change (fav) / adverse	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>%</u>
Revenue Support Grant	889	1,057	( 168)	(19%)
NNDR	6,124	3,425	2,699	44%
Total	7,013	4,482	2,531	36%

### 3 New Homes Bonus (see PHD320)

- 3.1 The Coalition Government has published a [consultation document](#) on its proposed 'New Homes Bonus'. The Bonus would replace the previous 'Housing and Planning Delivery Grant' which the Government feels was ineffective and complicated. It feels that the New Homes Bonus would be more effective in encouraging local authorities to deliver increased levels of housing development.
- 3.2 The Government proposes that the New Homes Bonus is calculated on the basis of the increase in new homes on an annual basis, with information derived from Council Tax returns. The Bonus would be paid for the coming financial year (2011/12) and for a further 5 years subsequently. There would be enhancements for affordable housing provision and gypsy and traveller pitches, and for bringing long-term empty homes into use (or a reduction in Bonus where there was an increase in empty homes).
- 3.3 The Government has indicated that it has set aside £200m nationally to fund the scheme in 2011/12 and £250m per annum for the next 3 years, with future years funding uncertain at this stage. However, the cost of the scheme is likely to be in excess of £1bn per annum by year 6, with the shortfall expected to be top sliced from the formula grant distribution. This means that whilst the first year's bonus is likely to be received in full, any future year's bonus will be netted off with the reduction in formula grant distribution and will depend on how many new homes the City Council has compared to the national average. i.e. > average means a net benefit, < average means a net reduction.

### 4 Consultation on Budget Options

- 4.1 Consultations have been carried out with the four scrutiny panels, Principal Scrutiny Committee, the Town Forum, parish councils, the business community, and our partners in the Local Strategic Partnership.

Comments received to date are summarised below.

#### 4.2 [Social Issues Scrutiny Panel](#) (11 November 2010)

The panel raised concerns about the possibility to delete the posts of Acceptable Behaviour Coordinator and Community Safety Data Analyst. It was agreed that both roles made a significant impact to the work of the Winchester District Community Safety Partnership.

The Social Issues Scrutiny Panel resolved:

1. That Cabinet have regard to the concerns of the Panel of the possibility (under Budget Option 1 – Community Safety) to delete the posts of Acceptable Behaviour Coordinator and Community Safety Data Analyst, and note that, if the retention of the posts could not be achieved via budget growth items, negotiations should take place

between the City Council and the County Council, via the Winchester District Community Safety Partnership, as to how the roles of the posts could continue to be delivered.

2. That the remainder of the General Fund Budget Options related to the Active Communities outcome section of Appendix B to the Report, be noted.

#### 4.3 [Environment Scrutiny Panel \(17 November 2010\)](#)

The Panel raised concerns regarding the introduction of a fee for a householder pre-planning application service, but noted that this mirrored a central Government movement towards tax payers paying more at the point of service delivery and that it was unlikely to deter applicants from contacting the Council.

The Panel also discussed the possible introduction of fees for the collection of green waste. Although some Members raised concerns at this proposal, it was suggested that the Council should make it clearer how peoples' Council Tax was spent. Others raised concerns that any proposals should include reduced costs for disadvantaged groups.

In response to concerns, the Assistant Director (High Quality Environment) explained that the proposed deletion of the Sustainability Officer post was part of a shift towards the Council commissioning this type of work from the voluntary sector and others.

It was also explained that the proposed reduction in the hours of the Drainage Engineer would result in that work being undertaken by other officers.

The Environment Scrutiny Panel resolved:

That it be highlighted to Cabinet that, whilst the Panel recognised the current constraints that faced the Council, it raised concerns over the proposals to introduce fees for green waste collection (in how it could affect disadvantaged groups) and the possible loss of expertise to the Council regarding the deletion of the Sustainability Officer post and the reorganisation of the Drainage Engineer's post.

#### 4.4 [Local Economy Scrutiny Panel \(16 November 2010\)](#)

In response to questions, the Assistant Director (Economic Prosperity) advised that all of the Council's activities in support of the local economy were discretionary. Councillor Hiscock confirmed that the Council would seek to continue to support all those activities, although he could not guarantee the same levels of funding would be available.

Some Members expressed concern about the impact of the proposed introduction of Sunday car parking charges on local businesses and retailers.

Councillor Hiscock highlighted that Winchester was currently the only place in a benchmarking group of similar towns that did not charge for parking on Sundays. He highlighted that the impact of the VAT increase meant that parking charges would have to increase and the alternative would be to increase charges during the week. The Assistant Director (Economic Prosperity) supported the comments made that research had indicated that the proposed Sunday charges would not affect shoppers' decisions to visit Winchester.

The Assistant Director provided more detail to the Panel on the proposed budget options relating to the Prosperous Economy Strategic Outcome, as summarised in Appendix C of the Report. She advised that it had been estimated that the introduction of charging for entry to museums would result in a drop in visitors of between 30 to 50%. The proposals assumed school visits would continue to be free. Councillor Hiscock highlighted that one option would be to close the City's Westgate Museum, but make it available for private lettings and special heritage events.

The Assistant Director reported that she envisaged more savings than those currently detailed would be achievable over time under the Tourism budget heading, through shared service workings and the possible increase of private sector contributions. In addition, possible redesign options for the Tourist Information Centre would be forthcoming at a future stage.

One Member highlighted the proposal to reduce the Council grant to the Theatre Royal by £50,000 from 2013/14, as mentioned in Report SO122 and the potentially significant detrimental effect this could have on the Theatre - and consequentially the economic prosperity of Winchester. Councillor Hiscock agreed that the importance of the Theatre in terms of the local economy was recognised in discussions on this matter.

The Local Economy Scrutiny Panel resolved:

1. That reports be brought back to the Panel monitoring the effect of the proposed changes to car parking charges.
2. That the remaining General Fund Budget Options related to the Economic Prosperity outcome section of Appendix C to the Report, be noted.

#### 4.5 [Resources Scrutiny Panel \(22 November 2010\)](#)

The Panel gave consideration to the future of the Cash Office, including whether the Council should continue to provide a cash office service. The Panel noted that if the Cash Office was closed, the space could be refurbished and possibly let to an external client to generate income. The service could be transferred to the Customer Service Centre, but other options included the possibility of an external provider of the service, such as a Bank or the Post Office. However, this would generate a cost in fees for undertaking the transactions on behalf of the Council. It was also commented that the service was used by elderly Council House tenants to pay rent and Council Tax. Following debate, the Panel supported further consideration of

the options in moving towards cash-less payment and it was agreed to bring a business case for the Cash Office back to the Panel for further consideration, and that the conclusions of the Post Office Services Informal Scrutiny Group also be taken into account.

With regard to IMT Equipment, Councillor Learney explained that the upgrading of IT equipment would only be carried out where it seemed sensible, for example to generate savings, as in the case of introducing thin client instead of individual PCs. The use of revenue contributions to capital was preferred over leasing, as the latter would tie the Authority to particular computer systems and version upgrades, when flexibility was required when considering shared services with Test Valley Borough Council.

In considering the wider budget options, consideration was also given to Car Parking Charges and Park and Ride. Debate took place on the proposed increase in car park charges at Bishops Waltham, where a Member explained that the price rise represented a 60% increase, which was not offset by the provision of Park and Ride, as was the case in Winchester, and could have a detrimental effect on traders. Councillor Learney responded that should planning permission be granted for the proposed new Sainsbury's supermarket in Bishops Waltham, it would be appropriate to review traffic and parking arrangements in the village.

In respect of Food Waste Collection, Councillor Learney commented that there were a number of potential issues to address, such as the control of vermin, but the scheme had worked well at Eastleigh Borough Council and there was a clear political wish to see if its introduction was achievable.

In further consideration of options, Councillor Learney commented that the budget options for Corporate Support could result in a reduction of service levels to Councillors, to protect services to the public. Under Consultancy Expenditure, the use of external expertise would only be used where necessary and that savings under Recruitment reflected reduced recruitment as fewer staff are leaving and the use of the *1Team* approach. The Chief Executive explained that the Corporate Training Budget would, in future, be used for more general skills. Councillor Learney added that staff would be recruited having a much wider skills set, which would reduce the training cost of professional development. Training would be undertaken onsite where possible and the opportunity to continue to share training with other organisations would be sought. With regard to procurement, the Chief Executive stated that although the Council did not have a dedicated procurement team, there was a degree of aggregation, with most small scale procurement being undertaken by local teams, but it being centralised when required.

The Resources Scrutiny Panel resolved:

1. That the General Fund Budget Options related to the Efficient and Effective Council outcome section of Appendix E to the Report, be noted.



2. That a Business Case for the future of the Cash Office be brought back to the Panel for further consideration, and that the conclusions of the Post Office Services Informal Scrutiny Group also be taken into account.

#### 4.6 [Principal Scrutiny Committee \(15 November 2010\)](#)

The Head of Finance explained that the baseline to the budget did not yet reflect the reduction to the Revenue Support Grant (RSG) from the potential transfer of the concessionary travel scheme to the County Council on 1 April 2010. The current assumption was a neutral impact on the budget. In the event that any of the Council's own contributions to the costs were not included in the RSG reduction, there would be an associated net gain to the base budget, but there was also the possibility of the contrary, resulting in a net loss.

During further discussion, the Chief Executive also explained that the budget options referred to in the Report showed corresponding impacts to the Council's services. The detailed changes to staffing were separately outlined in exempt reports to the Personnel Committee.

The Assistant Director (High Quality Environment) responded to questions on proposals for Domestic Garden Waste Collection. With regard to the predicted levels of income from the scheme to the Council, it was recognised that there was a risk and officers would have to carefully market the initiative to residents, noting that this service had previously been free. Councillor Bell drew attention to similar schemes in neighbouring areas for which their take-up by residents was not reflective of whether the service was previously charged for or not.

Councillor Bell also responded to discussion on proposals to charge householders for pre-application planning advice and the Committee's comments that the amount of potential income from these proposals was possibly over estimated. A Member considered that commercial interests were generally less likely to request advice due to their professional knowledge. Councillor Bell undertook to supply the Committee, outside of the meeting, with the amount of income received last year from this service. Some Members expressed concern about extending the charge to individual householders.

At conclusion of debate, the Committee made no specific recommendations on prioritisation of the budget options.

The Principal Scrutiny Committee resolved:

That Cabinet have regard to the comments raised by the Committee with regard to Domestic Garden Waste Collection and Householder Pre-Application Planning advice.

#### 4.7 Winchester Town Forum (24 November 2010)

The Forum supported a growth item of £2,000 in the 2011/12 budget to maintain and stock extra Grit Bins. There was also support for £10,000 to be provided in 2011/2012 to investigate the introduction of 20mph Speed Limits.

Following debate, the Forum did not support making savings from the Neighbourhood Wardens budget. It was noted that the possible saving related to the synergies that could be obtained from the Wardens undertaking multi-purpose tasks rather than a reduction in their core functions.

The Corporate Director (Operations) clarified that the Forum could choose to allocate additional funding to Community Grants from within the available budget, should it wish to do so. There was also no opportunity for secretarial support to be provided to the Safer Neighbourhood Panels, which remained a Police led function.

It was also agreed that information on the charges and revenue income for allotments be provided to all Forum members.

The Winchester Town Forum resolved:

That Cabinet be informed that the Winchester Town Forum supports the growth bids (as set out in appendix 2 of Report WTF148), but does not support the possible saving of £20,000 to £60,000 for Neighbourhood Wardens.

#### 4.8 Parish Consultation (9 December 2010)

Neighbourhood Wardens – There was no support for extending the work of the Neighbourhood Wardens from the Winchester Town area into the rural areas, as it was thought that the parishes could themselves undertake the work envisaged.

Hampshire Home Choice Partnership – There was a need to advertise the availability of housing to local people on the housing register at the earliest opportunity to allow them time to consider their options before the offer was made to the next person on the waiting list.

Museums – The possibility of sharing the provision of the Museums service with other councils was being explored. It was also suggested that an increased contribution could be made from the Winchester Town Forum towards the Museums.

Green waste collection – The proposal to introduce a cost per household of £25 per bag per annum was supported. It was stated that green waste collection was of less importance to rural areas, where many properties had the opportunity to home compost. As the generation of green waste was reduced during the winter, it was suggested that consideration also be given to seasonal collection.

Planning Management – In considering “a more targeted approach to dealing with enforcement cases” it was requested that discussions take place with the parishes to identify how priorities could be defined.

Cash Office – Parish representatives were asked to give consideration to the possible closure of the cash office. The alternatives included payment at a bank, post office or a payment machine. A detailed report on the options would be produced and the views of the parishes would then be sought.

Additional suggestions were made to reduce the number of City Councillors and to save on Members' Allowances. It was noted that the Independent Remuneration Panel would shortly be reporting its recommendations on Members' Allowances and it would be a decision of all Councillors to accept its recommendations. Savings to be gained from a reduction in the number of City Councillors could only take place following a review by the Boundary Commission.

It was also suggested that a joint procurement service could be investigated in cases when Parishes were required to purchase professional advice, in order that cost savings might be achieved. The possibility of joint working between parishes could also be explored, particularly if economies of scale could be potentially reduced if the responsibility for delivery at the local level was devolved from the City to each individual parish.

In general discussion, a number of parish representatives commented that Parish Councillors were volunteers and that they were not supportive of undertaking work on behalf of the City Council on reduced resources.

#### 4.9 Business Community consultation (16 December 2010)

Following a presentation from the Council's Leader, delegates took part in a workshop to prioritise areas of spend in relation to businesses requirements of the Council. The key points coming out of this session were;

- planning timescales are thought to constrain development, and therefore economic growth
- Councils should lead the Big Society
- transport infrastructure is a key issue to help businesses across the District
- high speed broadband is essential for businesses to grow, but can be a barrier especially in rural areas
- continue to support creative industries as one of our five key sectors, which in turn is a big 'pull' for tourists

## 5 Summary

- 5.1 The above proposals are currently being considered as part of the Cabinet's deliberations on the budget proposals to be brought forward in February.

OTHER CONSIDERATIONS:6 SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO):

- 6.1 In order that limited resources are matched most appropriately to the Council's priorities the budget options should be considered in the context of the Winchester District Sustainable Community Strategy and the draft Change Plans.

7 RESOURCE IMPLICATIONS:

- 7.1 As set out in the report.

8 RISK/UNCERTAINTY/SENSITIVITY

- 8.1 The budget for next year and the forward projections will be influenced significantly by various factors that cannot be quantified or assessed fully at this stage; some external and outside of the control of the Council; and others that relate to factors and aspirations within the Council's control.

BACKGROUND DOCUMENTS:

Working papers held in the Finance and other teams.

CIPFA – Guidance note on Local Authority Reserves and Balances

<http://www.cipfa.org.uk/pt/download/laap55.pdf>

Local Government Finance Settlement

<http://www.local.communities.gov.uk/finance/1112/grant.htm>

## Appendix A

GENERAL FUND REVENUE BASELINE PROJECTIONS 2011/12 - 2014/15						
	See Note	2011/12 CAB2078 £000	2011/12 Forecast £000	2012/13 Forecast £000	2013/14 Forecast £000	2014/15 Forecast £000
Net Cost of Services b/f		18,175	18,175	17,936	17,831	18,389
One-off budgets & Stepped Growth / Savings		(14)	(14)	(239)	(13)	10
Contractual commitments	1	300	300	361	371	382
<b>Employee</b>	2	290	240	200	200	200
<b>Asset Management Plans</b>		174	218	(476)		
<b>Transfer of Concessionary Travel</b>		-	(1,070)			
<b>Benefits Subsidy</b>		-	(27)	49		
VAT increase	3	115	115			
<b>Net Cost of Services</b>	4	<b>19,040</b>	<b>17,936</b>	<b>17,831</b>	<b>18,389</b>	<b>18,982</b>
<u>Less:</u>						
Reversal of Capital Financing		(3,921)	(3,921)	(3,921)	(3,921)	(3,921)
Interest & Investment income (net)	5	(187)	(187)	(325)	(521)	(690)
<u>Plus:</u>						
<b>Minimum Revenue Provision</b>	6	<b>125</b>	<b>70</b>	<b>195</b>	<b>195</b>	<b>195</b>
Voluntary Revenue Provision	6			80	80	80
<b>Appropriations:</b>						
Transfers to or (from) Major Investment Reserve		(20)	(20)	0	0	0
Transfers to or (from) Earmarked Reserves		(22)	(22)	(22)	(22)	(22)
Transfers to or (from) Winchester Town Reserve		38	38	9	8	(12)
<b>Forecast net budget requirement</b>		<b>15,053</b>	<b>13,894</b>	<b>13,848</b>	<b>14,209</b>	<b>14,612</b>
<b>Funded by:</b>						
<b>Council Tax</b>	7	<b>6,886</b>	<b>6,922</b>	<b>6,922</b>	<b>6,922</b>	<b>6,922</b>
Council Tax Freeze Funding	8	172	173	173	173	173
<b>New Homes Bonus</b>		-	<b>495</b>	<b>632</b>	<b>632</b>	<b>632</b>
<b>Affordable Housing Bonus</b>		-	<b>53</b>	<b>53</b>	<b>53</b>	<b>53</b>
Other Government Grants						
Revenue Support Grant & Non-domestic rates redistribution	9	6,522	4,482	4,087	3,981	3,852
<b>Forecast available funding</b>		<b>13,580</b>	<b>12,125</b>	<b>11,867</b>	<b>11,761</b>	<b>11,632</b>
			<b>-16.3%</b>	<b>-23.7%</b>	<b>-25.7%</b>	<b>-28%</b>
<b>(Headroom) / shortfall</b>		<b>1,473</b>	<b>1,769</b>	<b>1,981</b>	<b>2,448</b>	<b>2,980</b>
<b>Collection Fund (surplus) / deficit</b>						

Notes:

- (1) Contract inflation assumed at 4% pa  
(2) Includes Increments and Employers NI rise of 1% (and assumes no increase to Employer's pension contribution rates)
- (3) VAT rise from 17.5% to 20% in January 2011 resulting in loss of car parking income  
(4) Does not reflect South Downs National Park Agency income or Localising Planning Fees  
(5) Average interest rate on investments 1.80% 3.00% 4.00%  
(6) Reflects the current Capital Programme  
(7) At 2011/12 Council Tax base levels  
(8) Funding of 2.5% for 2011/12 was announced in the CSR to local authorities which freeze Council Tax  
(9) Reflects the latest consultation announcements, including removal of Concessionary Travel and South Downs National Park Funding