

Scrutiny Committee – 2nd February 2010

9. Revenue Budget 2010/11 - Medium Term Financial Plan and Revised Capital Programme

Executive Portfolio Holder: Robin Munday, Finance and Support Services
Strategic Director: Phil Dolan, Chief Executive
Assistant Director: Donna Parham, Assistant Director – Finance and Corporate Services
Service Manager: Amanda Card, Finance Manager
Lead Officer: Jayne Beevor, Principal Accountant- Revenue Budgets, Amanda Card, Finance Manager
Contact Details: donna.parham@southsomerset.gov.uk or (01935) 462225

Purpose of Report

1. To advise members of the proposed 2010/11 Revenue Budget, Medium Term Financial Plan (MTFP) and revised Capital Programme that will go to District Executive to seek approval to be recommended to full Council. Please refer to the District Executive agenda for the appendices to this report.

Action Required

2. That the Scrutiny Committee:
 - (a) note the current position
 - (b) comment to District Executive on the recommendations, position and process as outlined.

Public Interest

3. This report sets out the budget for South Somerset District Council for 2010/11 and the estimated budgets for the following four years. This includes setting Council Tax increases and estimates for pay and price inflation. It also asks members to approve capital schemes for funding in 2010/11.

Recommendations

4. That the District Executive recommends to full Council the following:-
 - (a) approval of the overall Revenue Budget for 2010/11 of **£20,310,100** and the General Account Summary as shown at Appendix A and note future year projections;
 - (b) approval of the detailed budgets for the four Area Committees and the District Executive as shown at Appendix B;
 - (c) approval of an increase in the Council Tax of 2.0% for South Somerset District Council, which will result in a Band D charge of **£150.74**;
 - (d) approval of the additional expenditure for inescapable bids as shown in Appendix C;
 - (e) note the growth bids as shown in Appendix D and approve the funding of £173,000 for Sort It+ pending a business case that will be brought forward to District Executive in March 2010;

- (f) approval of the efficiency savings - Appendix F, additional income-Appendix. G and other savings as shown in Appendix H;
- (g) approve the once-off items of expenditure as shown in Appendix I;
- (h) note the current position and future estimation of reserves and balances as shown in paragraphs 54 to 57;
- (i) note that there is no provision for a District Executive contingency in 2010/11 but that a carry forward of 2009/10 provision of up to £67,000 can be made;
- (j) approval of the revised Capital Programme as shown in Appendix K;
- (k) approval of the new schemes to be included in the Capital Programme as shown in Appendix L;
- (l) note the proposed funding of the Capital Programme as shown in paragraph 75.
- (m) note the detailed Capital Investment appraisal forms for new schemes, as shown at Appendix M;
- (n) approve £69,000 for the revised scheme for Birchfield Recreation Park can commence as soon as SSDC receives sufficient capital receipts to finance the project;
- (o) approve that no allocation of funds are made to the Sports Zone Reserve in 2010/11 as outlined in paragraph 76.

Background

5. In October 2009 and January 2010, the District Executive received reports on the draft 2010/11 budgets, Medium Term Financial Strategy and Medium Term Financial Plan that were subject to:
 - final comments from Scrutiny Committee;
 - further review of inescapable and growth bids;
 - inclusion of further savings;
 - any final adjustments to projected budgets.
6. The District Executive has delegated authority to manage and monitor the approved budget once it has been approved by Council.
7. This report sets out the final proposals to be agreed by District Executive prior to submission to Council on 25th February 2010.

Revenue Budget 2010/11

8. Appendix A shows the General Revenue Budget Summary for 2010/11, which totals £20,310,100. Appendix B provides the detailed budgets for the four Area Committees and the District Executive. Once approved by full Council, these

represent the financial plans that the Executive will manage under their delegated authority and monitor in accordance with the Financial Procedure Rules.

9. A Scrutiny Task and Finish Group reviewed the initial revenue budget inescapables on 15th October 2009. Their comments were reviewed by District Executive in January 2009 – those comments are attached at Appendix P. Scrutiny Committee reviewed the process and progress of the MTFP and the capital programme in September 2009 and the January 2010 (the minutes are attached at Appendix O and Q). Final comments on this final report will be sought on the 2nd February 2010.

Medium Term Financial Strategy

10. The Medium Term Financial Strategy (MTFS) outlines how the Medium Term Financial Plan (MTFP) i.e. the budget will be delivered over the medium to long-term. The MTFP at South Somerset spans three years with a further two years added to show the likely longer-term scenario beyond the current Corporate Plan. The Medium Term Financial Strategy links the resources required to deliver the Corporate Plan and the Council's strategies. The major strategies linking to the MTFS are:

- Access Strategy
- Economic Development Strategy
- Tourism Strategy
- Climate Change strategy
- Parking Strategy
- Housing and accommodation Strategy
- Homelessness Temporary Accommodation Strategy
- Gypsy and Travellers Accommodation Strategy
- Private Sector Housing Strategy
- Sports and Active Leisure Strategy
- Young Peoples Strategy
- Play Strategy
- ICT Strategy
- Capital Strategy and asset Management Plan
- Cash Collection Strategy
- HR and Workforce Planning Strategy
- Procurement Strategy

11. Of those strategies the three major ones that are linked to the MTFS in terms of delivering those resources are:

- HR and Workforce Planning strategy
- Procurement Strategy
- Capital Strategy and Asset Management Plan

12. The Council's 'Framework for Change' provides overall clarity in terms of the strategic direction of the organisation, its dominant ethos and developing corporate culture.

13. In addition to the above, SSDC has a Value For Money Strategy (VFM) which pulls together the activities that directly deliver VFM to the Medium Term Financial Strategy.

14. The Authority also has a Carbon Management Plan that focuses on the practicalities of reducing the carbon footprint of the organisation over the next five years. That plan is fully integrated with the Medium Term Financial Plan (MTFP) in relation to financing.

Where are we now?

15. Currently the MTFP shows a projected budget gap for each year of the plan. The figures include all estimates for pay awards, council tax, government grant, and inflation. Therefore the main drive is to find savings within the plan to ensure the on-going financing of the Corporate Plan and key strategies.
16. Some instability has been introduced through the economic downturn. Interest rates have reduced drastically, land charge searches, building control and car park income has reduced. Homelessness and housing benefit enquiries have increased. In addition to this central government borrowing has increased dramatically and eventually public services will have to be cut to bring central borrowing down to a manageable level. This therefore puts at risk future income levels through Revenue Support Grant to the Council in the near future.

What are the Outcomes we need to Achieve?

17. The Council needs to deliver a balanced budget each year over the term of the plan. A balanced budget means that balances or reserves are not used to meet on-going expenditure commitments.
18. The Council also needs to achieve as much stability as possible for both service delivery and staff in planning the moving of resources (both money and people) to areas of agreed priority.
19. SSDC also needs to continue the drive to make services as efficient as possible and this will be key to providing the public with:
 - Reducing inputs of resources whilst maintaining the same (or in some cases enhanced) levels of service delivery;
 - Improving the level of service delivery whilst maintaining the same level of resources input;
 - Improving the level of service delivery by a higher proportion than an increase in the level of resources input i.e. investing for results.
20. In addition the authority will need to continue to add value in procuring goods and services and manage its assets effectively.

How will we get there?

21. Some of the Council's strategies form the blueprint of how this will be done. The fundamental areas to deliver these and the key actions are:

Corporate Plan

To deliver through the Well Managed services theme:-

- Increase Value for Money (VFM) total net value of ongoing cash-releasing VFM gains that have impacted since the start of the 2008-09 financial year.
- Increase VFM savings gained through enhanced joint working by an additional 0.5%.

Workforce Planning Strategy

- Reduction in workforce of 100 posts over four years.

Procurement Strategy

- 10% efficiency savings achieved through smarter procurement activity in 09/10.

Capital Strategy and Asset Management Plan

- Carry out a rolling review of the property portfolio, a property category at a time, to identify any surplus or underused property and recommend appropriate action. Each property to be formally reviewed at least biennially via this process;
- Monitor progress on corporate and service targets for reduction in energy consumption in local authority buildings;
- Continue to maximise occupancy of vacant office space by working with partner organisations

VFM Strategy

- “Lean Team” to programme reviews for 2009/10 and beyond and add targets to the MTFP;
- Managers to achieve at least an annual 3% efficiency targets;
- Streamline senior team proposals to members for approval in 2009/10. Streamline further within a further 36 months.

What Assumptions are made in principal to the Plan for the next five years?

22. There are some principals that underpin the plan. These are as follows:
- (a) SSDC will achieve a balanced budget each year without the use of balances for ongoing expenditure;
 - (b) That capital resources can be financed through savings or through an additional 2% in council tax – this remains the only way to give stability and continuity to a sound capital programme to deliver the Corporate Plan and key strategies;
 - (c) That SSDC will remain within any government capping levels;
 - (d) In agreeing new Capital Schemes the revenue implications will be fully costed and added to the MTFP;

- (e) Pay inflation is linked in budgeting terms to the expected increase in Retail Price Index (RPI) inflation;
- (f) Supplies and Services inflation is linked to expected Retail Price Index Excluding Mortgages (RPIX) inflation;
- (g) All new and revised strategies must review the focus on current activities to realign resources. In exceptional cases where there are additional resource requirements these will be fully costed and added to the MTFP.
- (h) Smarter and better targeted partnerships to reduce the overall level of corporate financial partnership support with little or no reduction in outcomes;
- (i) In terms of financing the plan:

Increases from central government in Revenue Support Grant is either linked to the Comprehensive Spending Review (CSR) reported estimates or is estimated at no growth for the foreseeable future.

Council Tax is linked to expected Retail Price Index excluding mortgages (RPIX) inflation;

What is the Mechanism for Adding Expenditure to the MTFP

23. Other than the increases outlined above the following shows the mechanism for adding to the MTFP:
- An additional requirement as an inescapable commitment meeting one of the following criteria:
 - Legislative changes e.g. climate change levy;
 - Growth in the community eg. increase in number of dwellings serviced by refuse collection;
 - Income budgets not able to increase by inflation eg. car park fees reviewed every two years;
 - Other potential changes eg. contract re-tendering;
 - Where members have already agreed additional costs through the approval of the corporate plan or a specific strategy.
 - An additional investment made to drive efficiency and/or performance to deliver efficiency savings;
 - A growth bid can be made to improve service delivery but must be linked to the Corporate Plan and service plans. Each growth bid will be scored to ensure that those with highest priority are financed.

Contingencies, Balances, and Reserves

24. District Executive will set aside a budgeted amount annually to cover any contingencies that may arise during the financial year. This sum will be agreed on an annual basis.

25. A regular review of financial risks to assess the optimum levels of balances and reserves will be reported to members every six months. This ensures that the authority has sufficient funds to meet its key financial risks.

Public/Stakeholder Consultation

26. Members will receive regular reports as the budget progresses. In addition Scrutiny Committee will be consulted during the process and a commission requested to look at detailed bids.
27. In recent years public and stakeholder consultation has mainly taken place through Simalto. It is recommended that for the next two years that consultation take place through the Citizen's Panel formed in June 2009.

Reviewing the Strategy

28. This strategy will naturally span the life of the current Corporate Plan but will be reviewed annually to take into account changes within and external to the organisation. In more uncertain times the strategy will be reviewed more frequently.
29. The medium term financial plan outlines the financial needs and requirements over the next five years including the delivery of the Corporate Plan. The strategy is to deliver a balanced budget each year over the term of the plan. A balanced budget means that balances or reserves are not used to meet on-going expenditure commitments.

Local Government Financial Settlement

30. The provisional figures for Formula Grant were announced on 24th January 2008 for 2009/10 and 2010/11. The final figure for 2010/11 was received on the 20th January 2010 confirming an increase of 1.3% amounting to additional funding of £143,532. Currently the Comprehensive Spending Review, which sets the grant settlements for local government, has been delayed pending the election likely to be in May 2010. At present the MTFP shows no growth for the next three years but a cut in grant is also possible and a high risk for the budget in future years.
31. Specific grants will be received of £404,000 for the extended countrywide concessionary fare scheme and £52,000 for homelessness.
32. The Government introduced Area Based Grant (ABG) in 2008/09. This removes the ringfencing on some specific grants. South Somerset District Council will receive £75,000 for cohesion next year.

Council Tax

33. Assumptions made are that Council tax will increase in line with inflation and 2.0% has been planned for 2010/11.
34. Council tax has been estimated to increase by 2% per annum for inflation for 2011/12 and 2012/13.

Medium Term Financial Plan (MTFP)

35. The table below summarises the MTFP projections, showing future commitments over the current year's base budget.

| | 2010/11 £'000 | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Base Budget | 19,885.0 | 20,310.0 | 20,402.3 | 20,726.7 | 21,062.1 |
| Price Inflation @ 2% to 2013/14 | 206.6 | 210.7 | 214.9 | 219.2 | 223.6 |
| Pay Inflation @ 1% until 2013/14 (note figures include pension increases and increments) | 202.2 | 476.0 | 396.0 | 460.7 | 637.9 |
| Inescapable bids (Appx.C) | 1,115.5 | 1,089.9 | 928.7 | 933.3 | 718.0 |
| Risks currently included within balances | - | 400.0 | 400.0 | 400.0 | 400.0 |
| Revenue Implications of Capital | 94.9 | 110.4 | 129.8 | 20.0 | 25.0 |
| Growth Bids (Appx.D) | 168.0 | 30.0 | 70.0 | 30.0 | 70.0 |
| Increase in LSP expenditure | 3.5 | - | - | - | - |
| Efficiency Savings (Appx. F) | (1,495.2) | (372.5) | 0.0 | 0.0 | 0.0 |
| Increased Income (Appx.G) | (146.5) | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Savings (Appx. H) | (119.3) | 0.0 | 0.0 | 0.0 | 0.0 |
| Contribution to Balances | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Once-off Expenditure (Appx.I) | 395.4 | (461.3) | - | - | - |
| Total Budget Requirement | 20,310.1 | 21,793.2 | 22,541.7 | 22,789.9 | 23,136.6 |

The resources available to fund these proposals are as follows:

| | 2010/11 £'000 | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 |
|---|------------------|------------------|------------------|------------------|------------------|
| Formula Grant 1.3% for 2010/11 and no growth thereafter | 11,127.7 | 11,127.7 | 11,127.7 | 11,127.7 | 11,127.7 |
| Council Tax 2% increase p.a. until 2014/15 | 9,000.6 | 9,226.7 | 9,551.0 | 9,886.5 | 10,333.8 |
| Deficit on Collection Fund | - | - | - | - | - |
| Second Homes Income to LSP | 48.0 | 48.0 | 48.0 | 48.0 | 48.0 |
| Use of Revenue Balances | 133.8 | - | - | - | - |
| Total Income Available | 20,310.1 | 20,402.4 | 20,726.7 | 21,062.2 | 21,509.5 |
| Net savings required | 0.0 | 1,390.8 | 1,815.0 | 1,727.7 | 1,627.1 |

36. Budget savings have required the completion of impact statements, which include the effects on the Corporate Plan, partnerships, social (impact on diversity and equality), and economic impact. These statements then require the input of both the Director and Portfolio Holder with responsibility for that service area.
37. A benchmarking exercise has taken place to compare car parking charges with our neighbouring authorities. The results from the survey have been attached at Appendix R. It has been considered and agreed that no increase will be made at present because of the impact the recession is having on the public and local businesses.

Efficiency Statements

38. From 2008/09 the Department for Communities & Local Government required all Councils to achieve cashable efficiency targets as part of the Local Authority Agreement (LAA) target National Indicator 179. SSDC must produce 3% savings in efficiency plus ½% from working in partnership with our Somerset neighbours. All efficiency savings are used to balance the overall Medium Term Financial Plan and assist with the movement of resources to priority service areas.
39. The table below details the Government & Somerset Partnership targets & estimated efficiencies for each year:

| Financial Year | Target £'000 | SSDC Actual/ Estimate £'000 |
|-----------------------|-------------------------|--|
| 2008/09 | 1,056 | 1,121 |
| 2009/10 | 1,087 | 1,344 |
| 2010/11 | 1,116 | 1,495 |
| Total | 3,259 | 3,960 |

40. The table shows that SSDC is achieving its delivery of efficiency savings and if planned savings are carried out successfully this council will have exceeded its target by the end of 2010/11 by £701k.

Growth Bids

41. Each year most growth is funded through the movement of resources within each service. Where this cannot be achieved bids are made and funding is moved from non-priority areas to fund these. A scoring methodology has been adopted to prioritise the bids mainly around the impact on delivery of Corporate Plan themes and target areas and is included at Appendix E.
42. The bid to roll out Sort It+ has decreased to £173,000 for South Somerset. The Somerset Waste Partnership has been working to find further funding to enable all partners to move to Sort It+. The allocation of £173,000 has been added to the budget pending a detailed business case that will be presented to District Executive in March 2010.

Links to Key Partnerships

43. Within the MTFP outlined above revenue partnership funding has been included within the following areas:

| | 2010/11 £'000 | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Somerset Waste Partnership | 3,627.2 | 3,699.7 | 3,773.7 | 3,849.2 | 3,926.2 |
| South West Audit Partnership | 159.6 | 162.8 | 166.1 | 169.4 | 172.8 |
| Local Strategic Partnership | 48.0 | 48.0 | 48.0 | 48.0 | 48.0 |
| Yeovil Vision | - | - | - | - | - |
| Community Safety South Somerset Area Action Panels | - | - | - | - | - |
| Mendip and South Somerset Community Safety Partnership | - | - | - | - | - |
| Somerset Strategic Partnership | - | - | - | - | - |
| Total Revenue Partnership Funding | 3,834.8 | 3,910.5 | 3,987.8 | 4,066.6 | 4,147.0 |

Partnership with East Devon District Council

44. A report presented earlier in this agenda outlined further details of a partnership with East Devon District Council. Savings from a joint management structure are expected to release between £1.2 million and £2.1 million in joint savings. Of these savings £96,141 will be delivered from 1st April 2010 with opportunities for the joint filling of vacancies following as they arise. Savings of £0.3 million in total have been added to the MTFP for 2010/11 and an additional £0.3 million for 2011/12. The assumption is that the joint structure will be in place part way through the 2010/11 financial year and therefore fully in place for 2011/12.
45. The partnership will need funding for some consultancy support and also any redundancies that may occur. Therefore within the budget for 2010/11 the expected savings will be used for once off costs in this case redundancy. A bid is being made to RIEP for assistance with other costs. The savings have then been fed through the MTFP as permanent savings from 2011/12. This minimises the risk of delays in the restructure as well as utilising some of the savings to implement the changes. It also ensures that if members do not wish to proceed with the partnership SSDC still has achieved a balanced budget for 2010/11.
46. The impact of members not agreeing to the partnership would mean that the budget set changes to the following:

| | 2010/11 £'000 | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Base Budget | 19,885.0 | 20,310.0 | 20,402.3 | 20,726.7 | 21,062.1 |
| Price Inflation @ 2% to 2013/14 | 206.6 | 210.7 | 214.9 | 219.2 | 223.6 |
| Pay Inflation @ 1% until 2013/14 (note figures include pension increases and increments) | 202.2 | 476.0 | 396.0 | 460.7 | 637.9 |

| | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Inescapable bids (Appx.C) | 1,115.5 | 1,089.9 | 928.7 | 933.3 | 718.0 |
| Risks currently included within balances | - | 400.0 | 400.0 | 400.0 | 400.0 |
| Revenue Implications of Capital | 94.9 | 110.4 | 129.8 | 20.0 | 25.0 |
| Growth Bids (Appx.D) | 168.0 | 30.0 | 70.0 | 30.0 | 70.0 |
| Increase in LSP expenditure | 3.5 | - | - | - | - |
| Efficiency Savings (Appx. F) | (1,167.7) | (45.0) | 0.0 | 0.0 | 0.0 |
| Increased Income (Appx.G) | (146.5) | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Savings (Appx. H) | (119.3) | 0.0 | 0.0 | 0.0 | 0.0 |
| Contribution to Balances | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Once-off Expenditure (Appx.I) | 67.9 | (133.8) | - | - | - |
| Total Budget Requirement | 20,310.1 | 22,448.2 | 22,541.7 | 22,789.9 | 23,136.6 |

The resources available to fund these proposals are as follows:

| | 2010/11 £'000 | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 |
|---|------------------|------------------|------------------|------------------|------------------|
| Formula Grant 1.3% for 2010/11 and no growth thereafter | 11,127.7 | 11,127.7 | 11,127.7 | 11,127.7 | 11,127.7 |
| Council Tax 2% increase p.a. until 2014/15 | 9,000.6 | 9,226.7 | 9,551.0 | 9,886.5 | 10,333.8 |
| Deficit on Collection Fund | - | - | - | - | - |
| Second Homes Income to LSP | 48.0 | 48.0 | 48.0 | 48.0 | 48.0 |
| Use of Revenue Balances | 133.8 | - | - | - | - |
| Total Income Available | 20,310.1 | 20,402.3 | 20,726.7 | 21,062.2 | 21,509.4 |
| Net savings required | 0.0 | 2,045.9 | 1,815.0 | 1,727.7 | 1,627.2 |

47. The figures show the impact will be an increase in the savings target for 2011/12 from £1.4 million to £2.0 million.

Links to Major Strategies

48. The revenue funding for strategies is mainly included within base budgets further funding has been agreed for the following:

| | 2010/11 £'000 | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 |
|---|------------------|------------------|------------------|------------------|------------------|
| Workforce Planning Strategy | - | - | - | - | - |
| Capital Strategy | 0.2 | - | - | - | - |
| Total Revenue for Strategy Funding | 0.2 | - | - | - | - |

49. Capital funding included for major strategies is as follows:

| | 2010/11 £'000 | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 |
|---|------------------|------------------|------------------|------------------|------------------|
| Housing Strategy- social housing | 1,687 | 803 | 661 | 600 | - |
| Housing Strategy – private sector | 450 | 260 | 260 | - | - |
| Car Parking Strategy | 531 | 225 | - | - | - |
| ICT Strategy | 445 | 300 | 318 | 82 | - |
| Carbon Strategy | 83 | - | - | - | - |
| Total Capital for Strategy Funding | 3,196 | 1,588 | 1,239 | 682 | - |

Public and Stakeholder Consultation

50. The Corporate Plan has been revised in 2008/09 and has been compiled through public and stakeholder consultation. It has taken into account feedback from our partners, communities, area committees, and forums. It gathers targets from the Sustainable Community Strategy, LAA, National Indicators and local indicators into one document. The plan will cover the next three years.
51. In addition public consultation has taken place through SSDC's Citizen's Panel. The consultation took the form of a questionnaire and asked the panel to review and place in order of importance some of the key target areas within the Corporate Plan. This has been used to amend some of the target areas within the "Our Targets" insert for 2011/12. The results of the consultation are attached at Appendix J.
52. In addition the panel members were asked about the levels of Council Tax increases that would be acceptable. The results were as follows:
- 0% increase – 4%
 - 1% increase – 29%
 - 2% increase – 22%
 - 3% increase – 19%
 - 4% increase – 21%
53. SSDC has also carried out local budgetary participation within Area Forums. The Area Forums give the public a real say in spending within their areas. A budget of £40,000 has been delegated to each area to enable a local approach to local needs. The forums enable the public to improve services within their local area. Examples of improvements for 2009/10 were:
- Area West – Equipment for sports clubs & village halls, and bus shelters in Ilminster.
 - Area South – Tree planting & employment of an assistant ranger, funding for Yeovil crime reduction team, and adding enhanced services to assist daytime usage at the Octagon.
 - Area North – Bulb planting, raising of awareness of, and access to financial & welfare services.

- Area East – Support of volunteers for rights of way improvement, contribution to a programme to establish community car schemes, and help for Parishes to progress affordable housing for local people.

Revenue Balances and Contingency & Reserves

54. In addition to the funds available for the Revenue Budget, the Council has certain balances and reserves, and a Contingency Fund to meet exceptional or unforeseen events. The Financial Strategy is to retain sufficient general balances to meet its major financial risks. Risks were reviewed in January 2010 once the budget figures had been completed, and general balance should be a minimum of £2,087,342 by the start of the new financial year. The current estimate of revenue balances by the year-end is £2,273,000 ensuring that balances are more than sufficient next year. The key risks that have been taken into consideration are:

- Sustainability of Base Budget
- Reduced Income
- Reduced Investment Income
- Civil Emergencies
- Litigation
- Medium Term Financial Plan
- Assets and Property
- Bad debts
- Housing Benefits subsidy
- Additional use of capital funds
- Revised government grant in 2010/11
- Bank failure

55. General Fund Balances represent accumulated revenue surpluses. Within the total, however, are amounts that have been earmarked by the District Executive for specific purposes. The table below shows the current position on the General Fund Balance compared to that previously reported:

| As at 01/04/09 £000 | General Fund Balances | Movement | Estimated As at 01/04/10 £000 |
|---------------------------|---|----------|-------------------------------------|
| 2,714 | Balance at 01.04.09 | | 2,714 |
| | Less: | | |
| | Use of Balances in 2009/10 | 407 | 407 |
| (288) | Carry forwards to services 2009/10 | 0 | (288) |
| | 2009/10 budget once off use of balances | (7) | (7) |
| | 2010/11 budget once off use of balances: | (134) | (134) |
| | Earmarked for specific purposes: | | |
| | • allocated to Committees: | | |
| (74) | - Area East | 3 | (71) |
| (58) | - Area West | 10 | (48) |
| (57) | - Area North | 4 | (53) |
| (7) | • IT Replacement Committed Balance | 0 | (7) |

| | | | |
|--------------|--|-------|--------------|
| (42) | • Economic Development Balance | 0 | (42) |
| | Estimated overspend on Revenue Budget 2009/10 | (198) | (198) |
| 2,188 | Estimated Unallocated General Fund Balance at 31 March 2010 | | 2,273 |

56. Reserves are amounts that have been set aside from annual revenue budgets to meet specific known events that will happen in the future. An example of such a reserve is the amount set aside annually to meet the cost of the SSDC elections that occur every four years. The full list of specific usable reserves and the current balance on each is shown below: -

| Reserve | Current Balance As at 31st December 2009 £'000 |
|--|--|
| Capital | |
| Usable Capital Receipts | 34,157 |
| Capital Reserve | 1,465 |
| Revenue | |
| Crematorium Reserve | 301 |
| CAMEO Reserve | 135 |
| Voluntary Redundancy/Early Retirement Reserve | 1,091 |
| Treasury Management Reserve | 500 |
| Local Authority Business Grant Incentive (LABGI) Reserve | 157 |
| Planning Delivery Reserve | 144 |
| Yeovil Athletic Track Sinking Fund | 103 |
| Local Development Framework (LDF) Reserve | 56 |
| Election Reserve | 54 |
| Save to Earn Reserve | 50 |
| Town Centre Management Reserve | 35 |
| Historic Buildings Reserve | 35 |
| Bristol to Weymouth Rail Reserve | 34 |
| Insurance Fund | 29 |
| Corporate Grants Reserve | 24 |
| Yeovil Vision | 17 |
| Risk Management Reserve | 12 |
| Equipment Replacement Reserve | 8 |
| Replacement of CCTV Reserve | 7 |
| CFIRs II Economic Development Reserve | 6 |
| Total | 38,420 |

57. A review of balances and reserves and the likely three-year forward prediction has been made. The levels of balances will continually be reviewed and additions from in year savings may be made to ensure they remain at the required level. The levels expected are shown below:

| Year | Non-Earmarked Balances at Year End £'000 | Reserves at Year End £'000 |
|-------------|---|---------------------------------------|
| 2009/10 | 2,273 | 31,192 |
| 2010/11 | 2,087 | 27,529 |
| 2011/12 | 2,087 | 32,471 |
| 2012/13 | 2,087 | 30,817 |

Robustness of 2010/11 Revenue Budget

58. Under Section 25 of the Local Government Act 2003 the S151 officer is required to report to Council on the robustness of the estimates made for the purpose of calculations of the budget and the adequacy of the proposed financial reserves.
59. The formulation of the budget has allowed for best estimates of inflation and commitments necessary to maintain service levels. With demand-led budgets this inevitably entails a degree of judgement.
60. There has been a significant degree of scrutiny of the proposed budgets and savings for 2010/11 by:
- The Finance team
 - Management Board
 - Portfolio Holders
 - A Scrutiny Task and Finish Group
 - Scrutiny Committee
61. These examinations of the budgets have led to refinements and provide considerable assurance about the robustness of the estimates.
62. There remains however some key risks inherent in the 2010/11 Revenue Budget since the budget is a financial plan based on assumptions. The continued current economic downturn, interest rates, and issues within the banking sector have placed further strain on the budget assumptions made for 2010/11 this time last year. The financial implications in 2009/10 were eased by the authority receiving £1.24 million (£681k in VAT and £563k in interest) from a claim for return of VAT.
63. The current key risks will be managed by the individual officers as shown in italics below:
- (a) Income from Land Charges search fees has improved in 2009/10 and was 23% higher at the end of December than over the same period in 2008/9. The number of searches has risen by 6% when comparing the two periods but has still not recovered to 2007/8 levels. As a result staff have been redeployed and savings made on salary costs. From January 2010, following changes to the legislation, personal search fees increase from £11 to £22. Any developments concerning the supply of information under Environmental Information Regulations will be closely monitored. (*Assistant Director – Legal and Corporate Services*)
- (b) The Icelandic issue in 2008/09 has shown Local Authorities very clearly the risk to the principal sums lent to banks and other organisations. Protection of principal continues to be our primary concern. The Finance team continues to take regular advice from its treasury advisors Arlingclose and are monitoring the situation closely. Cipfa has amended the Code of Practice to reflect this and South Somerset will comply with revised best practice in 2010/11. A loss of £3,000,000 principal would mean a budget reduction of £15,000 through loss of interest. (*Assistant Director – Finance and Corporate Services*)

- (c) Housing Benefit Subsidy is administered on behalf of Central Government by SSDC and a grant reimburses for expenditure incurred. Approximately £45.2m in benefit is paid out and the grant normally accounts for 100% of this, however adjustments reducing the grant are made for local authority errors. To minimise any reductions the budget is closely monitored throughout the year. *(Assistant Director – Finance and Corporate Services)*
- (d) Planning income has been affected by the economic downturn and following a “lean review” staffing levels will be reduced to reflect, not only more efficient methods of work practice, but also the reduction in income. A 1% drop in income amounts to £11,900. *(Assistant Director - Economy)*
- (e) Building Control income continues to be affected by the downturn and during 2009/10 the under achieving income budget is being managed through vacancies. For 2010/11 the income and salaries budgets will be reduced by £107k. This reduction will be found through the deletion of vacant posts. *(Assistant Director - Environment)*
- (f) A pay budget has been set for just 1% cost of living allowance for staff. This is considered as a realistic inflationary increase given the governments intentions to minimise pay increases within the public sector. A further 1% would increase pay costs by approximately £162k. *(Chief Executive)*
- (g) A capital receipt has been put aside for interest however only part of the receipt has been received so far. Interest is being paid on the remainder but it remains a risk that the receipt may not be received. *(Assistant Director – Finance and Corporate Services)*
- (h) Car parking income has decreased by a further £120,000 against budget in 2009/10. The budget has been realigned for 2010/11 to account for the reduction in usage. The risk will be if retail sales do not improve then car park usage will also decline. *(Assistant Director - Environment)*
- (i) Government changes to Formula Grant – it is possible that local government will bear the brunt of any savings required to bring public borrowing back to a manageable level. The impact over the term of the plan of a 5% cut in Formula Grant over each year of the plan beyond 2010/11 is:

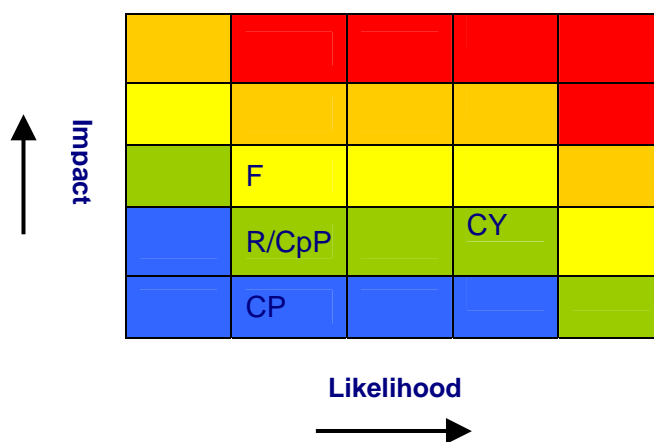
| Year | 2010/11 £'000 | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 |
|-----------------------------|------------------|------------------|------------------|------------------|
| Additional Shortfall | (556.4) | (528.6) | (502.1) | (477.0) |

- (j) There is also a risk that the current CSR settlement for 2010/11 will change if the government decided that public borrowing needed swifter action. If SSDC had to contain a 5% reduction this would result in further savings in 2010/11 of £693k. *(Assistant Director – Finance and Corporate Services)*

64. In conclusion the process for the formulation of budgets, together with the level of challenge and sensitivity analysis undertaken provides a reasonable assurance of the robustness of the budget as presented.

65. The level of the Council’s reserves and balances have been reviewed in light of the risks outlined above and are currently predicted to remain at the required level.

Risk Matrix



Key

| Categories | Colours (for further detail please refer to Risk management strategy) |
|--|---|
| CpP = Corporate Plan Priorities | Red = High impact and high probability |
| F = Financial | Orange = Major impact and major probability |
| CP = Community Priorities | Yellow = Moderate impact and moderate probability |
| R = Reputational risk | Green = Minor impact and minor probability |
| CY = Capacity | Blue = Insignificant impact and insignificant probability |

Band D Equivalent Council Tax

66. The MTFP has been prepared on the basis of a Council Tax increase of 2.0% per annum over the 2009/10 levels and that the number of properties will increase by 220.29. This means that the Band D Council Tax charge will be £150.74 (an increase of £2.96 per annum or 5.7 pence per week).
67. As billing authority, SSDC has to calculate a basic level of tax based on its own spending plans, to which is added the precepts from Somerset County Council, Devon and Somerset Fire Authority, Avon and Somerset Police Authority and any town/parish council.
68. The actual total of Council Tax for South Somerset residents will be calculated once all precepting authorities have notified SSDC of their proposals. The total Council Tax will be approved at full Council on 25th February 2010.
69. In 2003, SSDC reduced the discount for Council Tax on second homes to 10% and agreed that the additional income be allocated to the Local Strategic Partnership (LSP) – South Somerset Together. This means that £48,000 will be allocated from SSDC along with any amount allocated by Somerset County Council (which will be confirmed once their budget is approved).

Estimates for Future Years Band D Council Tax

70. The current estimate within the Medium Term Financial Plan and Medium Term Financial Strategy is that Council Tax levels will remain in line with inflation estimated at 2% per annum over the next three years.

Capital Programme 2010/11 to 2014/15

71. A revised capital strategy was agreed at full Council in December 2009. The strategy assumes that the capital programme will be financed through additional interest earned over budget as well as releasing new receipts to fund capital schemes. This new strategy enables SSDC to be more proactive in dealing with the difficulties and unpredictability of funding that is likely to occur over the next few years.
72. The planned net capital spend in 2010/11 amounts to £7,116,000; this is net of external grants totalling £1,615,000 so that the gross spend is £8,731,000. Full details of the revised Capital Programme are shown in Appendix K; new schemes are shown in bold type, with previously approved schemes in ordinary type. A summary of recommended schemes is included at Appendix L and the scoring of all bids at Appendix N. Attached at Appendix M are the Capital Investment Appraisal forms for all 2010/11 new schemes.
73. The District Executive considered the resources available and the various capital bids at its meeting on 7th January 2010 and Scrutiny Committee on the 5th January 2010. Since then and in fact on the 20th January the project for Birchfield Recreational Park has received further match funding which has increased its score. As members have not been given sufficient time to agree whether this scheme should replace one of the others it is recommended that as soon as sufficient capital receipts are received the scheme can commence. The details of this can be reported through quarterly monitoring in 2010/11.
74. The comments of the Scrutiny Committee are included in Appendix O.

Funding the Capital Programme

75. The table below shows how the overall Capital Programme will be financed:-

| | 2010/11 £'000 | 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Direct Capital Grants | 1,279 | 279 | 68 | 76 | 70 |
| Disabled Facilities Grant | 336 | 336 | 336 | - | - |
| Regional Housing Grant | 448 | - | - | - | - |
| Useable Capital Receipts | 6,668 | 1,712 | 698 | 61 | (16) |
| Total Financing | 8,731 | 2,327 | 1,102 | 137 | 54 |

76. District Executive approved the setting up of a reserve for a future Sports Zone but no allocation will be made however from 2010/11 resources and members will be asked to review the allocation at budget setting for 2011/12. This is due to slippage in the project and the need to review suitable sites.

Impact of the Capital Programme on Prudential Indicators

77. The impact of the new capital schemes approved within the capital programme on the average Band D household is as follows:

| Prudential Indicator 11 | 2010/11 | 2011/12 | 2012/13 |
|--------------------------------|----------------|----------------|----------------|
| | £ | £ | £ |
| Decrease in Council Tax Band D | 0.20 | 0.29 | 0.28 |

78. Capital spend at SSDC is largely financed from additional receipts so the figures shown above actually show the possible decreases in council tax if all capital receipts were invested rather than used for capital expenditure.

Corporate Priority Implications

79. The budget is aligned to the Corporate Plan in terms of funding the plan for 2010/11 and beyond. Budget consultation was used to influence the level of targets within the Corporate Plan insert.

Carbon Emissions & Adapting to Climate Change Implications (NI188)

80. The budget is aligned to the Carbon Reduction Strategy and new capital projects to deliver the strategy are included in the Capital programme.

Equality and Diversity Implications

81. All savings plans had to include a statement of the impact on diversity and equality. A summary of this will be presented to the Equalities panel early in the new financial year.

APPENDICES:- Please refer to the District Executive agenda for the appendices to this report.

| | | |
|------------|---|---|
| Appendix A | - | Revenue Budget Summary 2010/11 |
| Appendix B | - | Area Committees & District Executive detailed budgets 2010/11 |
| Appendix C | - | Inescapable Commitments |
| Appendix D | - | Growth Bids |
| Appendix E | - | Assessment of Growth Bids |
| Appendix F | - | Efficiency Savings |
| Appendix G | - | Additional Income |
| Appendix H | - | Other Savings |
| Appendix I | - | Once-Off bids |
| Appendix J | - | Budget Consultation |
| Appendix K | - | Revised Capital Programme |
| Appendix L | - | Proposed Capital Bids |
| Appendix M | - | Capital Investment Appraisals for new schemes |
| Appendix N | - | Capital Bid Scoring |
| Appendix O | - | Scrutiny Committee – October 2009 |
| Appendix P | - | Scrutiny Task and Finish Group notes - Oct 2009 |
| Appendix Q | - | Scrutiny Committee - Jan 2010 |
| Appendix R | - | Car Parking Bench Marking |

Background Papers:

District Executive Reports - February 2009
- October 2009
- January 2010

Scrutiny Task and Finish Group - October 2009

Scrutiny Committee Reports - October 2009
- January 2010
- February 2010

Council Reports February 2009

Capital Strategy
District executive December 2009
Council December 2009
