

Executive Committee

No Specific Ward Relevance

28th October 2009

BUDGET PREPARATION GUIDELINES and TIMETABLE - 2009/10 INITIAL ESTIMATES AND PROJECTIONS FOR 2011/12 and 2012/13

(Report of the Head of Head of Financial, Revenues and Benefits Services)

1. **Summary of Proposals**

The report presents to Members recommended guidelines for the preparation of the 2010/11 estimates and the projections for 2011/12 and 2012/13 for endorsement prior to their issue to budget holders.

2. **Recommendations**

The Committee is asked to RECOMMEND/RESOLVE that

- 1) **subject to any comments, the proposed Budget Preparation Guidelines and timetable, as detailed at Appendix 1 to the report, be approved.**

3. **Financial, Legal, Policy, Risk and Sustainability Implications**

Financial

- 3.1 The Guidelines aim to contain future spending within the existing base budget

Legal

- 3.2 The Council is legally required to set a balanced budget. It therefore needs to consider inflationary and other pressures when preparing budget forecasts.

Policy

- 3.3 There are no specific policy implications.

Risk

- 3.4 If the Council fails to take into account inflationary and other pressures on its budgets then overspends could occur which impact on service delivery.

3.5 Sustainability / Environmental

There are no specific sustainability/environmental or climate change implications

Report

4. Background

Revenue Support Grant / Formula Spending Share

- 4.1 The 2007 Spending Review determined the basis for the financial settlements for the next three years. The increase in grant on a like-for-like basis for 2008/09 was £65,223 or 1.0%. The increase for 2009/10 was £31,969 or 0.5% and the proposed increase for 2010/11 is £32,129 or 0.5% (see table below).

Changes in Formula Grant 2008/09 – 2010/11

Adjusted Formula Grant 2007/08	Formula Grant 2008/09	Increase in Grant
£6,328,604	£6,393,827	£65,223
Adjusted Formula Grant 2008/09	Formula Grant 2009/10	Increase in Grant
£6,393,827	£6,425,796	£31,969
Adjusted Formula Grant 2009/10	Formula Grant 2010/11	Increase in Grant
£6,425,796	£6,457,925	£32,129

- 4.2 The government no longer provides assumed council tax figures. However, the Minister stated in 2007/08 that “the government expects council tax increases to be well below 5% in each of the next three years”. At the time of making this statement inflation was averaging around 4 per cent. Since March 2009 the Retail Price Index (RPI) has been negative. City analysts predict that RPI will remain negative until the end of 2009. RPI is expected to reach 2 per cent in the spring of 2010.

Efficiency Savings

- 4.3 The Chancellor in his budget speech in March 2007 announced that as part of the Comprehensive Spending Review 2007 (CSR07) that there would be a 3% efficiency savings across central and local government and that these would be net and cash-releasing.

- 4.4 The previous efficiency savings regime did not impact on formula grant allocations. However, the minimal increases in formula grant for the three years commencing 2008/09 have made savings inevitable.
- 4.5 The new set of national performance indicators for local authorities includes a value for money indicator (NI 179). Local authorities are required to report the total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008/09 financial year. The whole public sector has been set a target of achieving at least 3% per annum value for money efficiency gains during the CSR07 period.
- 4.6 In the 2009 Budget the government announced that authorities will be expected to deliver increased efficiency gains from 2010/11, making the savings target for 2010/11 at least 4 per cent. The Chancellor stated that 'this money will be directly recycled with local authorities' budgets to be put towards front line services and keeping council tax down.

Interest Rates

- 4.7 Another significant change over the last 12 months has been interest rates. This time last year base rate was 5 per cent and the Council was able to invest at 6.45 per cent. Base rate is now 0.5 per cent and the rate for investments is around 1.25 per cent.

5. Key Issues

2010/11 Initial Estimates and Forecast for 2011/12 and 2012/13

- 5.1. The preparation of the 2009/10 budget will be based upon existing levels of service.
- 5.2. The suggested guidelines for 2010/11 – 2012/13 are attached as Appendix 1 for Members' consideration.

Inflation

- 5.3 For a number of years now price inflation only been applied in line with contractual obligations. There have been no other general increases for inflation. This practice obviously places its own pressures on service budgets.

6. Other Implications

Asset Management - None specific

Community Safety - None specific

Human Resources - None specific

Social Exclusion - None specific

7. Lessons Learnt

None.

8. Background Papers

Various papers within Financial Services Section.

9. Consultation

This report has been prepared in consultation with relevant Borough Council Officers.

10. Author of Report

The author of this report is Teresa Kristunas (Head of Financial, Revenues and Benefits Services), who can be contacted on extension 3295 (email: teresa.kristunas@redditchbc.gov.uk) for more information

11. Appendices

Appendix 1 - Budget Preparation Guidelines and timetable - 2010/11 initial estimates and projections for 2011/12 and 2012/13