

Overview and Scrutiny Committee

All Ward Relevance

16th December 2009

9. REVENUE AND CAPITAL BIDS 2009/10 TO 2012/13

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

1. Summary of Proposals

To present to members a number of revenue and capital bids for the financial years 2009/10 to 2012/13 for consideration and approval subject to the availability of resources.

This is a copy of the report which was presented for the consideration of the Executive Committee on 18th November.

2. Recommendations

The Committee is asked to **RECOMMEND** that

- 1) the General Fund revenue bid set out in Appendix 1 in respect of the current financial year, if it is determined should proceed be approved, and funded from General Fund revenue balances;
- 2) the General Fund capital bid set out in Appendix 2 in respect of the current financial year, if it is determined should proceed be approved, and funded from General Fund revenue balances;
- 3) those of the General Fund revenue bids set out in Appendix 1 for the period 2010/11 to 2012/13 which it is determined should proceed be approved in principle, subject to the availability of resources;
- 4) those of the General Fund capital bids set out in Appendix 2 for the period 2010/11 to 2012/13 which it is determined should proceed be approved in principle, subject to the availability of resources;
- 5) the Housing Revenue Account capital bid set out in Appendix 2 in respect of the current financial year, if it is determined should proceed be approved, and funded from Housing Revenue Account revenue balances;
- 6) those of the Housing Revenue Account revenue bids set out in Appendix 1 for the period 2010/11 to 2012/13 which it is

Overview and Scrutiny

Committee

16th December 2009

determined should proceed be approved in principle, subject to the availability of resources; and

- 7) those of the Housing Revenue Account capital bids set out in Appendix 2 for the period 2010/11 to 2012/13 which it is determined should proceed be approved in principle, subject to the availability of resources.

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

Financial

- 3.1 The financial implications are detailed in the report.

Legal

- 3.2 There are no specific legal implications.

Policy

- 3.3 There are no specific policy implications

Risk

- 3.4 There is a risk that a capitalisation direction will not be approved in respect of the severance costs associated with the implementation of the Single Management Team. This will have a direct impact on General Fund revenue balances and the Council's ability to approved the unavoidable and high revenue and capital bids without the need to make budget savings. There is also risk that the VAT refund may not be received until 2011/12.

Sustainability / Environmental

- 3.6 Any sustainability / environmental / climate change implications are included in the report.

Report

4. Background

- 4.1 Members considered the Medium Term Financial Plan for the period 2010/11 to 2012/13 at the 22nd July 2009 meeting of this committee. The forecast for the period showed that provided that assumptions made for reasonable accurate and the cost of job evaluation was contained within a 3% increase in the pay bill that there would be a requirement for savings in 2012/13. It was recognised that it may be feasible to address this budget gap through the Shared Services

Overview and Scrutiny

Committee

16th December 2009

Programme. The forecast did not make any allowance for potential bids and acknowledged that any bids would need to be funded from additional savings.

5. Key Issues

- 5.1 Since the Medium Term Financial Plan was considered Members have approved a number of bids as follows:

	2009/10 £'000	2010/11 £'000
General Fund -		
Revenue approvals		
Review of Arrow Valley Countryside Centre	10.2	
Redevelopment of Church Hill District Centre	19.9	
Shared Service – ICT		30.0
Benefit Service – post to recover overallowed benefits	15.0	30.0
Total GF revenue approvals	45.1	60.0
Capital approvals		
Cremator Replacement and Building Upgrades (to be funded from ongoing revenue contributions to capital)		757.5
Shared Service – CCTV/Lifeline		150.0
Shared Service – ICT		119.0
Total GF capital approvals	0.0	1,026.5
Housing Revenue Account (to be funded from HRA reserves)		
Roofing repairs	50.0	50.0
Footpath improvements	100.0	100.0
Total HRA revenue approvals	150.0	150.0

- 5.2. The General Fund capital approvals will have an ongoing impact on the revenue accounts because of the need to borrow. The General Fund revenue and capital approvals will be as follows:

2009/10 Approvals - Revenue implications	2009/10 £000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Revenue	45.1	60.0	60.0	60.0
Capital	0.0	6.1	39.0	39.0

Overview and Scrutiny

Committee

16th December 2009

Total Budget Pressures	45.1	66.1	99.0	99.0
-------------------------------	-------------	-------------	-------------	-------------

5.3. General Fund Revenue Bids

Officers have identified a number of budget pressures that have either been deemed “unavoidable” or “high” priority. Unavoidable includes the ongoing effects of pressures during 2009/10 together with any emerging pressures. A high pressure is something that is in direct pursuit of the Council’s priorities. Each unavoidable and high pressure has a specific “funding request” schedule completed which reflects how the funding required meets the Council’s objectives.

- 5.4. Revenue bids totalling £754,960 have been proposed in respect of the 2010/11 financial year, of which £282,600 relates to one-off bids. The impact of these bids in 2011/12 reduces to £444,760 and to £440,260 in 2012/13 because of the variations in the amounts required each year and the duration of each proposal. The bids have been categorised into unavoidable, high, medium and low. Only those classified as unavoidable and high are included in the budget proposed as follows:

Revenue bids	2009/10 £000	2010/11 £’000	2011/12 £’000	2012/13 £’000
Unavoidable	0.0	60.2	24.2	16.2
High	50.0	460.0	315.0	320.0
Total Budget Pressures	50.0	520.2	329.5	328.5

- 5.5. The details of the bids are included at Appendix 1 - this includes the details of the bids categorised as medium or low for Members information.

General Fund Capital Bids

- 5.6. In addition to the revenue bids detailed in Appendix 1 there are 23 bids for General Fund capital resources (see Appendix 2). These have also been categorised into unavoidable, high, medium and low. There is one bid for the current financial year for £34,000. The bids for 2010/11 total £802,475. There is a further requirement in 2011/12 of £165,000 and £845,000 in 2012/13. The table below sets out impact of those bids classified as unavoidable or high.

Overview and Scrutiny

Committee

16th December 2009

Capital bids	2009/10 £000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Unavoidable	34.0	0.0	0.0	0.0
High	0.0	425.0	165.0	845.0
Total Budget Pressures	34.0	425.0	165.0	845.0

- 5.7. The Council does not have sufficient capital receipts available to fund these and therefore, if approved, there will be a direct impact on the General Fund revenue account in terms of borrowing costs over the beneficial life of the individual schemes. Some of the schemes also have ongoing maintenance costs which will impact on the revenue account.

Revenue implications	2009/10 £000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Unavoidable	0.4	7.7	7.7	7.7
High	0.0	10.7	70.7	112.9
Total Budget Pressures	0.4	18.4	78.4	120.9

- 5.8. The detailed implications of the bids categorised as either unavoidable or high have been included at Appendix 3.
- 5.9. Housing Revenue Account (HRA) – Revenue Bids

Appendix 1 details 3 bids for HRA revenue resources totalling £63,000 for 2010/11, £49,000 for 2011/12 and £187,000 for 2012/13. These have also been categorised into unavoidable, high, medium and low.

HRA Revenue bids	2010/11 £'000	2011/12 £'000	2012/13 £'000
Unavoidable	63.0	49.0	62.0
High	0.0	0.0	125.0
Total Budget Pressures	63.0	49.0	187.0

Overview and Scrutiny

Committee

16th December 2009

5.10. Housing Revenue Account (HRA) – Capital Bids

Appendix 2 details 5 bids for HRA capital resources, including the 2012/13 proposed Decent Homes Programme. These have been categorised unavoidable, high, medium and low. In addition to the bids for the period 2010/11 to 2012/13 there is a bid for £50,000 for the current financial year.

HRA Capital bids	2009/10 £000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Unavoidable	50.0	230.0	110.0	6,020.0
High	0.0	220.0	400.0	0.0
Total Budget Pressures	50.0	450.0	510.0	6,020.0

5.11 The above bids with the exception of approximately £3.7 million of the Decent Homes Programme will need to be funded from borrowing. The existing Decent Homes Programme is partially funded from the Major Repairs Allowance (housing subsidy). The future of the HRA Housing Subsidy system is currently subject to consultation the outcome of which is likely to impact in 2012/13, if not before. In the absence of any firm indications of the likely outcome of the review it has been assumed that the current level of resource available from within the HRA will continue to be available to partially fund the Decent Homes Programme.

5.12 The estimated cost of funding the above bids from borrowing is as follows:

HRA Revenue implications	2009/10 £000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Unavoidable	0.6	7.4	15.1	69.8
High	0.0	4.9	16.7	23.4
Total Budget Pressures	0.6	12.3	31.8	93.2

The revenue implications of both the HRA revenue and capital bids could, in the absence of adequate HRA revenue balances in future years, be funded from the HRA Reserve that currently stands at £4.4 million.

Overview and Scrutiny

Committee

16th December 2009

Summary – General Fund

5.13 Based on the assumptions included in the Medium Term Financial Plan, the implications of the 2009/10 budget approved and the unavoidable and high revenue and capital bids, the estimated position for the next three years is as follows:

	2009/10 £000	2010/11 £'000	2011/12 £'000	2012/13 £'000
GF balances 31st March	2,131.2	1,658.7	924.8	750.0
less forecast use of balances	-31.0	-475.2	-630.4	-244.6
Assume VAT refund not rec'd till 2010/11	-346.0	346.0		
2009/10 approvals	-45.1	-66.1	-99.0	-99.0
Pressures				
Unavoidable and high revenue bids	-50.0	-520.2	-339.1	-338.2
Revenue implications of unavoidable and high capital bids	-0.4	-18.4	-78.4	-120.9
Budget gap			972.2	802.7
Forecast GF balances c/fwd	1,658.7	924.8	750.0	750.0

5.14 The above table shows that budget savings will be required in order to set a balanced budget in 2011/12. The level of savings required may be reduced by the savings arising from the implementation of the RBC/BDC Shared Services Programme. The level of future savings will also be dependant upon progress with the Programme. Some savings from shared services have already been factored into the base budget as part of the budget savings exercise last year.

5.15 The forecast use of balances takes in account a potential increase in the pay bill for 2010/11 of 3% for Job Evaluation.

Single Management Team

5.16 The implementation of the Single Management Team is estimated to cost each authority £478,861 in terms of severance costs. In the absence of a capitalisation direction the Council will be required to meet these costs from revenue balances. This would directly impact

Overview and Scrutiny

Committee

16th December 2009

on the Council's ability to approve all the unavoidable and high General Fund revenue and capital bids without the need to make budget savings in respect of the 2010/11 financial year.

- 5.17 The Council outcome of any capitalisation submission will not be known until January 2010.

Formula Grant

- 5.18 The Medium Term Financial Plan assumes that there will be no increase in Formula Grant over the next three years. However, other authorities have assumed that there may be up to a 5% reduction in grant. This could mean a reduction of up to £322k from 2011/12.
- 5.19 In order to prepare for a potential shortfall in 2011/12 and to minimise the risk of operating with the approved minimum level of revenue balances officers will prepare a basket of savings options and a timetable for members consideration.

6. Other Implications

Asset Management	-	The non-approval of some bids may affect the Council's ability to adequately maintain some of its assets
Community Safety	-	None
Human Resources	-	None
Social Exclusion		None

7. Lessons Learnt

None

8. Background Papers

Medium Term Financial Plan.
Revenue and Capital Bid forms completed by budget holders.

9. Consultation

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

Overview and Scrutiny

Committee

16th December 2009

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 (e-mail: teresa.kristunas@redditchbc.gov.uk) for more information.

11. Appendices

Appendix 1 – Revenue Bids 2009/10 to 2012/13

Appendix 2 – Capital Bids 2009/10 to 2012/13

Appendix 3 – Detailed Revenue Implication of capital schemes