

TO: THE EXECUTIVE
DATE: 15 DECEMBER 2009

**GENERAL FUND REVENUE BUDGET 2010/11
(Chief Executive/Borough Treasurer)**

1. PURPOSE OF DECISION

- 1.1 Over recent months the Leading Members and officers have been developing options for the 2010/11 Budget. The Provisional Local Government Finance Settlement was announced on 26 November 2009 and established the Council's general grant allocation for 2010/11. The announcement has confirmed that the formula grant allocations are unchanged from those that were first published in January 2009 and thus are in line with the three-year settlement policy introduced in 2008.
- 1.2 This report summarises the Government's proposals and considers the current national economic situation and its impact on the Council's own budget for 2010/11 so that the Executive can agree its draft budget proposals for the coming year. The Executive will need to consult on its detailed budget proposals with the Council's Overview & Scrutiny Commission and other interested parties during the next six weeks.
- 1.3 All comments received on these budget proposals will then be submitted to the Executive on 16 February. This will allow the Executive to determine its final budget package and recommend the appropriate Council Tax level to Council, who will formally approve the 2010/11 budget and Council Tax on 3 March 2010.
- 1.4 The Corporate Performance Overview Report, elsewhere in tonight's agenda, highlights the fact that significant spending pressures are being experienced in the current year. The report also summarises these pressures and outlines the measures put in place by the Corporate Management Team to address them.

2 RECOMMENDATIONS

That the Executive:

- 2.1 Approve the in year savings identified in 2009/10 as set out in section 5.**
- 2.2 Approve the revised Commitment Budget for 2010/11 to 2012/13 at Annexe B;**
- 2.3 Agree the draft budget proposals for 2010/11 as the basis for consultation with the Overview & Scrutiny Commission and other interested parties.**
- 2.4 Approve the virements relating to the 2009/10 budget as set out in section 11.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The recommendations are designed to ensure that the Councils expenditure is in line with its budget for 2009/10 and to allow the Executive to consult on its draft budget proposals for 2010/11 as required by the Local Government Act 2000.**

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The range of options being considered is included in the report and its Annexes.

SUPPORTING INFORMATION

5 CURRENT YEAR – PERFORMANCE AGAINST 2009/10 BUDGET

- 5.1 The Council faces significant problems in delivering its services within budget in the current year due to the effects of the recession. The regular budget monitoring reports to the Corporate Management Team have identified significant overspends which have been highlighted in the quarterly Performance Monitoring Reports. The latest monitoring report forecasts an overspend of £2.319m. Approximately fifty five percent of this is directly attributable to the general economic downturn. Other major elements include additional costs for Children Looked After and the loss of PCT funding for some Continuing Health Care clients as a result of eligibility reviews during the year. The most significant variances are listed in table 1 below.

Table 1: – Major variances

Description	Current Projected Variance £'000
Impact of the recession on income:	
Further interest receipt losses	325
Easthampstead Park Conference Centre and Downshire Golf Complex	260
Car parking	261
Development Control	200
Commercial Property – vacant units	100
Building control – although this is a ring fenced account any net deficit has to be charged to general reserves.	90
Withdrawal of PCT funding for Continuing Health Care following reviews of eligibility	230
Cost of placements for Children Looked After	216
Support for older people and their carers and people with physical disabilities	140
Utilisation of LABGI receipt held in general fund balances	140
Energy Costs inflation (to be allocated from contingency)	241
Travel Plan – additional one off costs and changes to the schemes have reduced the savings achievable in the current year against projections	32
Total of other minor variances	84
	<hr/> 2,319 <hr/>

- 5.2 Faced with this potential overspend, in September and October the Chief Executive asked each Director to produce proposals for in year savings to mitigate the increasing overspend. In identifying areas for savings Directors have sought to ensure that there is no major impact on front line service delivery. In total, £1.639m of savings have been identified. These are summarised in table 2 and included in Annex A to this report. The main focus of the savings is delaying work that had been planned for the second half of the year, particularly maintenance related work. Vacant post will also be subject to extreme scrutiny before being filled, although the Corporate Management Team are stopping short of a full vacancy freeze in order to

try and ensure that critical front line services are maintained whilst the budget is brought back into balance.

- 5.3 Implementing this in year savings package and utilising the uncommitted balance on the contingency fund of £0.428m would reduce the projected overspend to £0.252m. The provisional allocation of Housing and Planning Delivery Grant (HPDG) for 2009/10 received in early December indicates that the Council could receive an additional £0.100m which will reduce the overspend. It is also anticipated that some under spends will arise between now and the year end which make a projected overspend of around £0.25m manageable at this stage.

Table 2: – In year savings identified by Departments

	Actual
	£'000
Chief Executive / Corporate Services	-196
Children, Young People and Learning	-397
Performance and Resources	-192
Adult Social Care and Health	-376
Environment, Culture & Communities	-478
	<hr/>
	-1,639

- 5.4 The recessionary pressures that have created this situation are expected to continue throughout the next year. Therefore, those that have been identified during the current years' budget monitoring have been reflected in the list of budget pressures for 2010/11.
- 5.5 Current years' budgets will continue to be monitored as there is no certainty that the negative impact of the recession on the Council's budget has ceased to grow. This represents a significant risk to the Council's ability to set a robust budget in 2010/11.

6 COMMITMENT BUDGET 2010/11 – 2012/13

- 6.1 Turning to 2010/11 onwards, the Council has over the past ten years developed a financial strategy that aimed to bring its spending in line with annually generated resources. The strategy was to protect front line services, make efficiencies in the back office to reduce costs and to prudently use reserves over several years in order to balance its expenditure to resources. In addition in February 2008 the Council transferred its housing to a Registered Social Landlord (Bracknell Forest Homes) in order to deliver the required improvements in the housing stock to meet the Decent Homes Standard and to assist the balancing of the Council's budget. With the transfer of the housing stock the Council had succeeded in balancing its budget for the foreseeable future.
- 6.2 However, with the credit crunch and the resultant recession the Council has faced unprecedented pressure on its resources. In particular, the reduction in interest rates from 5% to 0.5% in a matter of weeks led to the loss of around £2.6m in interest in 2009/10. The Council also generates a significant amount of income from Leisure Services, car parking etc and this has also reduced significantly as a result of the recession. The economic turmoil currently being experienced around the world increases the risk and uncertainty for the Council's finances now and in the future and

there is no clear indication when the economy will return to normality. However it is expected that this will be several years away.

- 6.3 Initial preparations for the 2010/11 budget have focussed on the Council's Commitment Budget for 2010/11 – 2012/13. This brings together the Council's existing expenditure plans, taking account of approved commitments and the ongoing effects of service developments and efficiencies that were agreed when the 2009/10 budget was set. The table below summarises the Commitment Budget position with base expenditure of £75.073m next year, before any new changes are considered in the light of the Provisional Finance Settlement. The commitment budget is shown in more detail in Annexe B.

Table 3: Summary Commitment Budget 2010/11-2012/13

	Planned Expenditure		
	2010/11 £000	2011/12 £000	2012/13 £000
Base Budget	74,218	75,073	75,426
<i>Movements in Year:</i>			
Chief Executive / Corporate Services	-144	18	-55
Children, Young People and Learning (excluding schools)	-356	10	10
Adult Social Care and Health	-70	11	0
Environment, Culture & Communities	484	64	-27
Non Departmental / Common	941	250	0
<i>Total Movements</i>	855	353	-72
Adjusted Base	75,073	75,426	75,354

- 6.4 The commitment budget is based on previous notifications on the level of Area Based Grant (ABG). Revised ABG figures are now out for consultation and although some new grants have been introduced, overall there is no significant impact. The adjustments will be reflected in the budget when the consultation has been completed. Any changes in ABG will be matched by a corresponding change in expenditure.

- 6.5 A number of changes are proposed to the Commitment Budget since it was last considered by the Executive in July and are reflected in the above summary. The most significant are set out below:

- The £50,000 budget included in 2009/10 for the review of the Council's Job Evaluation Scheme was for one year only and can therefore be removed from the commitment budget in 2010/11.
- Restructuring costs associated with the creation of the Children, Young People and Learning and Adult Social Care and Health departments from Social Care and Learning have been included. The inclusion of the costs in the Commitment Budget was approved by Council on 23 September 2009. Consequently £36,000 has been added in 2010/11 and £11,000 in 2011/12.

- The work required to develop the Local Development Framework has been reviewed and this has resulted in a £44,000 reduction in 2010/11, an £80,000 increase in 2011/12 and a £175,000 reduction in 2012/13.
- The additional £80,000 included for the maintenance of the South Hill Park Grounds has been brought forward from 2012/13 to 2011/12 due to early approval of the government grant for the associated restoration project.
- Travel plan improvements resulting from the review of essential user allowances were made from September 2009. The original plan was for a three year phased introduction of this element however it was fully implemented in one year. The full year effect has now been incorporated into the base budget for 2010/11. Consequently, further savings of £98,000 and £53,000 have been removed from the commitment budget in 2010/11 and 2011/12 respectively as the majority of savings have now been made.
- The 2010/11 commitment budget included an income generation target of £50,000 relating to a review PricewaterhouseCoopers carried out on the Council's behalf. The Council already has a number of budget pressures arising from the loss of income and therefore this additional target is no longer achievable in the current economic climate.
- The impact of the 2009/10 capital programme has been revised based on the latest capital spend and interest rate projections. This has resulted in a reduction of £108,000 in 2010/11.
- The procurement savings achieved in 2009/10 have already been incorporated into savings projections for Adult Social Care and Health in the 2010/11 budget and have therefore been removed from the commitment budget under council wide savings.

6.6 Taking account of these changes, Table 1 shows that base expenditure (excluding schools) is planned to rise by £0.855m next year before consideration is given to allowances for inflation and budget proposals identified by individual Departments in 2010/11. The most significant elements of the rise are increasing costs of waste disposal, the Local Development Framework and the revenue impact of the capital programme.

7 PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2010/11

National Perspective

7.1 In respect of grant, the Council remains on the "Floor" and can only expect the minimum grant increase for the foreseeable future. The Provisional Local Government Financial Settlement was announced on 26 November and the Government confirmed that the formula grant allocations are unchanged from those that were first published in January 2009 and thus are in line with the three-year settlement policy introduced in 2008. As such the cash grant increase for 2010/11 amounts to 1.5% or £386,000. Government support for 2010/11 will therefore be £26.115m. This compares with an average national increase for local government of 4%.

7.2 The Government will publish the pre-Budget Report on 9 December; however it is unlikely, given the proximity of the General Election next year, that any significant details on future grant allocations beyond 2010/11 will be given. Grant increases of

0% have been assumed for 2011/12 and 2012/13 although the possibility of an actual reduction in grant cannot be ruled out at this stage.

- 7.3 The *Valuing People Now* consultation led to a change in Government policy which from April 2009 required NHS learning disability budgets and associated commissioning responsibility for social care for adults to be transferred to local authorities. This will ensure that the resources for commissioning learning disability services rest with the authority with lead responsibility. As Primary Care Trusts (PCT's) will continue to receive money from the Department of Health for Social Care services in 2010/11, for 2010/11 a transfer will be made locally from East Berkshire PCT to the Council (based upon spend in 2007/08 with an uplift for inflation and any other factors to be agreed locally). The exact amount to be transferred in April 2010 is still subject to negotiation with East Berkshire PCT but will be in the order of £6m. From April 2011 funding will be allocated directly to Councils by the Department of Health on a national basis that has yet to be consulted on.

Council Tax

- 7.4 The collection fund is expected to break even in 2009/10. Council Tax at current levels will generate total income of £46.065m in 2010/11. In addition a further £0.478m will be generated from the increase in tax base arising from the occupation of new properties during 2010/11.
- 7.5 Council Tax increases are subject to capping rules. The capping criteria are not announced prior to the setting of Local Authority Council Taxes. This means that in approving the Council Tax, the Council has to judge what will be the capping limit. In previous years this has been set at 5% but current opinion in Local Government circles is that it will be reduced to 3% in 2010/11. Certainly, any increase in excess of this would be very likely to be subject to intense government scrutiny, despite the fact that the Council has historically levied one of the three lowest Council Taxes of all Unitary Authorities in the Country.
- 7.6 The Executive at its meeting in February will recommend to Council the level of Council Tax in light of the final settlement, the results of the consultation and the final budget proposals.

Local Authority Business Growth Incentive (LABGI)

- 7.7 The scheme provides an incentive for local authorities to promote economic growth in their area based on retaining a share of the previous year's increase in Business Rates. The scheme was reformed for 2009/10 and despite joint representations by the 6 Berkshire Unitaries it was confirmed earlier this year that the proposed changes to the scheme would be implemented, the impact of which resulted in no payment of grant to the 6 Berkshire Unitaries in 2009/10. This was due to the retrospective revaluation of the Atomic Weapons Establishment in West Berkshire which reduced the regions National Non-Domestic Rates growth by over £11m. Whilst the 2010/11 data has not yet been finalised, it is believed that this anomaly will continue to impact on the calculation of economic growth for the Berkshire region for a further year and as such no provision for LABGI funding has been allowed for in 2010/11.

8 BUDGET PROPOSALS 2010/11

Service Pressures and Developments

- 8.1 There remains a need to ensure that the Council continues to improve services and invest in the Borough, focussing on protecting front line services and continuing to invest to deliver the Medium Term Objectives. However, in the current financial climate the ability to do this is severely restricted. In preparing the 2010/11 draft budget proposals each department has evaluated the potential pressures on its services and these are set out in Annexe C. Only those items that directly relate to lost income due to the recession, an increase in the numbers of vulnerable clients or new statutory duties stemming from Lord Laming's inquiry into safeguarding are included in the proposals. All other potentially desirable service developments have been deferred. The following table summarises the pressures by department.

Table 4: Service Pressures/Development

	£'000
Chief Executive / Corporate Services	135
Children, Young People and Learning (excluding schools)	100
Adult Social Care and Health	563
Environment, Culture & Communities	726
Council Wide	0
Total Pressures/Developments	1,524

In addition, however, the Council continues to invest in its priorities through targeted capital expenditure, details of which are contained in the capital programme report elsewhere in tonight's agenda.

Service Economies /Balancing the Budget

- 8.2 Since January 2009 when the full impact of the credit crunch and recession became apparent, the Executive and CMT have held regular meetings to determine options for savings in order to balance the budget and a list of draft budget savings has been developed. This list is attached at Annexe D and summarised in table 5. As in previous years, these economies focus as far as possible on central and departmental support rather than on front-line services. However after 10 years of back office rationalisations, realising total savings in excess of £20m, it is becoming increasingly difficult to find further savings in these areas, which would not compromise the Council's ability to function effectively. Consequently it has been necessary to look at some reductions in front line services.

Table 5: Summary Service Economies

	£'000
Chief Executive / Corporate Services	516
Children, Young People and Learning (excluding schools)	745
Adult Social Care and Health	245
Environment, Culture and Communities	1,318
Council Wide	419
Total Savings	3,243

Key Decisions

8.3 The Council's constitution requires key decisions to be declared on the forward plan. It defines a key decision as being one over £0.400m and/or a major policy decision affecting more than one electoral ward. Consideration and approval of the budget is a major policy decision and is therefore a key decision. However, the budget, by its nature, includes proposals which in themselves fall within the technical definition of a key decision. Examples of these are the savings proposals on:

- The Look In
- Day Care Services
- Highways Maintenance
- CCTV
- Dog Control
- Cemetery and Crematorium
- Trading Standards / Environmental Health
- Road Safety
- Parks, Open Spaces & Countryside
- Libraries
- Coral Reef
- Organisational and Back Office Review

As the budget report is a policy document and is subject to six weeks consultation, the identification of these issues within the budget report fulfils the requirements under the Council's constitution. However some of the above issues have been or will be subject to further separate reports to the Executive where necessary.

Council Wide Issues

8.4 Apart from the specific departmental budget proposals there are some Council wide issues affecting all departments' budgets which need to be considered. The precise impact of these corporate budgets is likely to change before the final budget proposals are recommended. However the current view on these issues is outlined in the following paragraphs:

a) Capital Programme

The scale of the Council's Capital Programme for 2010/11 will impact upon the revenue budget and will itself be subject to consultation over the coming weeks. All new spending on services will need to be funded from new capital receipts or borrowing from internal resources. The proposed Capital Programme of £8.069m for 2010/11 features in a separate report on tonight's agenda. After allowing for projected capital receipts of £2m in 2010/11 and the cash-flow requirements associated with the Garth Hill redevelopment, but excluding the self-funding Invest to Save schemes, the additional revenue costs will be £100,000 in 2010/11 and £600,000 in 2011/12.

b) Interest

With the UK economy still in recession and uncertainty extending to the global economy, it remains very difficult to predict interest rates for the forthcoming year with any confidence. With the UK Base Rate holding at an all-time low of 0.5%, the timing of any reversal of the Bank of England's monetary easing policy is hard to judge. However, as countries around the world move out of recession there is a growing consensus view that interest rates will begin to

rise around the world, particularly given the inflationary risks associated with the unprecedented monetary and fiscal easing witnessed over the last 12 months. As confidence returns to the markets it is also hoped that credit-risk levels will reduce, enabling the Council to return to a more normal investment strategy, investing funds at more extended maturities and increasing yields as expectations of higher future interest rates are factored into the market. However, the Council continues to regard security of the principal sum it invests as the key objective of its treasury management activities.

The 2010/11 budget is based on an average rate of return of 2% and reflects the lower cash balances as a result of the 2009/10 and 2010/11 Capital Programmes. The 2009/10 budget was based on a return of 2.5% and as such expected interest income is projected to fall from £1.30m to £0.66m in 2010/11. After taking into account movements in the commitment budget and the impact of the proposed capital programme this produces a budget pressure of £0.44m. However, should interest rates not recover as quickly as anticipated, every 1% reduction in the average rate of return would add a £350,000 pressure to the General Fund.

c) Provision for Inflation and Pay Awards

The Commitment Budget excludes the cost of inflation on both expenditure and income. Bearing in mind the uncertainties inherent in the current economic situation it is difficult to predict the requirements for inflation in 2010/11 and beyond. There have been several reports in the press recently that there are signs of a recovery and that maybe the UK is at the bottom of the economic cycle. Against this, some reports predict that this is a lull and that further corrective action is required by the market before things will improve. That said, an assumption has to be made in order to take a view of the budget for 2010/11.

The following assumptions have been made in arriving at the provision for inflation for 2010/11 of minus £0.068m:

- the pay award for 2010 is settled at 0% (note the current years' pay award was settled at 1%);
- inflation rates (Retail Price Index) remain at zero or less than zero until early 2011;
- the current rate of Consumer Price Index is more appropriate for Social Care contracts than the Retail Price Index;
- fees and charges will increase by 2.5% unless this is inconsistent with the Council's income policy.

This compares to a provision of approximately £2m in the last two years. It is, however, assumed that over the next two years, as the economy recovers, the inflation rate will increase up to around the 2% level.

d) Fees and Charges

The Council established a policy for the review of fees and charges when setting the 2001/02 budget. This requires each Department to consider the level of charges against the following criteria.

- Fees and Charges should aim, as a minimum, to cover the costs of delivering the service;

- Where a service operates in free market conditions, fees and charges should at least be set at the market rate;
- Fees and charges should not be levied where this is an ineffective use of resources, i.e. the cost of collection exceeds any income generated.

It is estimated that most prices, where the Council charges users of services a fee for that service, will need to increase by around 2.5% to recover the costs of those services. However, where current economic conditions and the market rate indicates a lower percentage, for example for leisure income, this has been applied. Certain other fees also attract a different percentage as they are determined by statute. The proposed fees and charges are included in Annexe E. The 'current fee excluding VAT' column within the fees and charges schedules assumes VAT at 17.5% as the temporary reduction in VAT to 15% ends on 31 December.

e) Corporate Contingency

The financial risks facing the Council are the highest that they have been for many years. This is a direct result of the uncertainties surrounding the recession. The Council manages these uncertainties in the budget through the use of a general contingency added to the Council's budget. In the current year the unallocated contingency of £0.428m has proven insufficient to meet all of the in year pressures (see section 5 above). A sum of £0.127m is currently included for contingency in the base budget for 2010/11. This is derived from the original 2009/10 contingency less ongoing transfers made for increases in energy prices and the revised impact of 2008/09 capital spend on the revenue budget.

During the next year the Council will face significant risks on its budget particularly in relation to inflation, pay awards, interest rates and the demand led budgets. In order to determine the recommended size of the contingency for 2010/11, the following table identifies the scale of the risks that the Council faces.

Table 6: Risk Areas

Risk	£m
Pay award – the budget assumes that there will be no pay award in April 2010, however, if this was agreed at 1% then the additional cost would be	0.5
Interest Rates – the budget assumes that market interest rates will increase gradually throughout 2010 consistent with a gradual economic recovery, however, if rates remain at 0.5% then the additional cost would be	0.4
Demand led services – past experience has shown that it would not be unusual to see increased costs in Adults Social Services or Children Looked After of	0.3
Inflation – the budget includes an overall reduction in costs associated with price changes however a 1% increase in inflation could lead to additional costs of	0.3
Other risks – based on the experience of the past 10 years the Council will face unspecified risks amounting to	0.2
Total	1.7

It would be unusual for the Council to experience all of these risks in any one year. However this scale of risk requires the consideration of an increase in the contingency. Once the risks are no longer present the general contingency can be reduced. Therefore the Borough Treasurer recommends that the general contingency should be increased by at least £0.573m to £0.700m in order to set a realistic and deliverable budget.

The Government has announced, through the Queens Speech, a proposal for 'wider provision of free personal care to those in highest care need'. If passed into law, this Bill will protect the savings of approximately 166,000 people who currently receive domiciliary care, saving them from having to pay future charges. There are no details of this new legislation available as yet. However the Government estimate that it will cost around £920m. Of this Local Government is expected to finance £250m from efficiencies. This, of course, ignores the fact that in Bracknell Forest efficiencies have been made for many years. The bill also aims to help 130,000 people needing to enter care homes for the first time to "regain their independence" and also offers adaptations (for example handrails) to the neediest people's homes to increase their independence. The Government proposal is that this new legislation will be brought into effect from October 2010. If the Bill is passed then this will impact on the Council's budget for 2010/11. As yet there are no details so therefore no provision has been made within the budget for this increased cost. If there are additional costs in 2010/11 then it will need to be covered by the Council's contingency.

The Executive will need to make a judgement on the appropriate level of contingency at its February meeting, taking advice from the Borough Treasurer who will need to certify the robustness of the overall budget proposals in the context of the Council's remaining general and earmarked reserves. All the reserves will be reviewed to ensure that they are sufficient to manage the financial risks facing the Council in the coming years.

Spending on Schools

- 8.5 The Schools Budget – both delegated school funding and centrally managed items such as Special Educational Needs placements made outside of the Borough - is funded by a specific Dedicated Schools Grant (DSG) with any year end balance, either surplus or deficit, required to be ring-fenced within the Schools Budget. Therefore, use of this funding is outside the control of the Council.
- 8.6 However, Local Authorities have a legal duty to set the overall level of Schools Budget and individual budgets for each of their schools by 31 March. This must be no lower than the level of anticipated DSG, but can be higher, if the Council decides to add a top up. There is also a requirement to publish provisional budget data for each year of the prevailing spending review cycle which means to the end of March 2011.
- 8.7 Based on guaranteed levels of per pupil funding and an estimate for pupil numbers, in February 2008 the Department for Children, Schools and Families (DCSF) published indicative allocations of DSG for the duration of the spending review period. The allocation was estimated at £65.151 million for 2010-11 which equates to a confirmed increase in per pupil funding of 4.6%.
- 8.8 As the level of DSG is calculated from actual January pupil numbers, to meet the statutory publication deadline, the Schools Budget for 2010/11 will have to be set on the basis of the estimated level of DSG plus any accumulated balance. In estimating

the level of DSG, latest pupil forecasts from individual schools will be used, rather than the more out of date DCSF forecast. The draft budget proposals therefore assume the Schools Budget is set at the level of DSG and that any accumulated deficit or surplus is managed to a nil balance by the end of the three year budget period.

- 8.9 Decisions around the final balance of the budget between spending by schools and that on pupil services managed by the Council is the responsibility of the Executive Member for Education, although the Schools Forum must be consulted, and in certain circumstances, agree to spending increases on the services managed by the Council.

Summary

- 8.10 Adding the draft proposals to the Commitment Budget and taking account of the corporate issues identified above would result in total expenditure of £74.399m as shown in the table below.

Table 7: Summary of proposals:

	£'000
Commitment Budget	75,073
2010/11 Budget Pressures	1,524
2010/11 Budget Economies	(3,243)
Capital Programme	100
Reduced Interest Rate	440
Inflation Provision	(68)
Contingency	573
Draft Budget Requirement 2010/11	74,399

- 8.11 The Council can anticipate income, before any Council Tax increase, of up to £72.658m. This arises from Government grants (£26.115m) and Council Tax at current levels, i.e. no increase (£46.543m). However, with the potential overall cost of the budget package being consulted on in the region of £74.399m, this leaves a potential gap of around £1.741m. As such, the potential economies outlined in Annexe D should be seen as a “core package” that may well need to be built upon.
- 8.12 Members can choose to adopt any or all of the following approaches in order to bridge the remaining gap:
- a) increase in Council Tax;
 - b) an appropriate contribution from the Council’s Revenue balances, bearing in mind the Medium Term Financial Strategy;
 - c) identifying further expenditure reductions.

9 BALANCES

- 9.1 The Council has an estimated £9.3m available in General Reserves at 31 March 2010. This is made up as follows:

Table 8: General Reserves as at 31 March 2010

	£m
General Fund	10.4
VAT repayments and Enid Wood House lease surrender	1.2
Planned use in 2009/10	(2.3)
Estimated Balance as at 31 March 2010	9.3

- 9.2 A net addition of £1.2m will be made to reserves during the current year resulting from one-off VAT repayments less additional costs associated with the surrender of the lease of Enid Wood House. Changes in VAT legislation resulted in a number of services being reclassified from standard rated to exempt for VAT purposes. Initially the Council was only able to reclaim overpaid tax for the previous 3 years but this 3 year cap was successfully challenged in court cases collectively known as Conde Nast/Fleming. As a result, claims were submitted for sporting, leisure and cultural services, excess parking charges, adult and junior sporting courses and bulky household waste to try and claim back overpaid VAT plus interest for earlier years (going back to 1973 when VAT was introduced). Claims in respect of sporting, leisure and cultural services and excess parking charges were successful and have been settled in the current year. The timing and outcome of the remaining claims is still uncertain. The Council is also entitled to a share of Wokingham Borough Council's sporting claim as the Downshire and Hurst golf clubs were originally jointly managed. Reading Borough Council has also made a library hire charges claim for all the Berkshire unitaries as prior to 1997 this had been a Berkshire County Council function. The Council's share of these claims is estimated to be in the region of £0.283m (excluding interest and fees) but again the exact timing of any repayment is uncertain.
- 9.3 The Council has investments of £2m with Heritable and £3m with Glitnir which are both Icelandic banks that have been put into receivership/administration. At this point in time, recovery rates have not been fully disclosed by the respective institutions, although early indicators suggest up to an 80% recovery for Heritable and something approaching full recovery for Glitnir. An interim payment of £0.331m (16.13p in the £) was made by Heritable on 30 July and a further payment is expected this month. It is expected that the second payment will be of the order of £0.200m (10p in the £) although this has yet to be confirmed.
- 9.4 The Council took advantage of the Capital Finance Regulations to defer the impact of the potential loss on General Reserves. In 2010/11 the loss which is currently projected to be approximately £0.5m will need to be charged to the General Reserve. This projection is based on the best case scenario and in the worst case the loss could be as high as £2.2m. An application has recently been made to capitalise the loss and the outcome of this application should be known before the Council considers the final budget proposals and sets the level of Council Tax on 3 March 2010.
- 9.5 The Council has, in the past, planned on maintaining a minimum prudential balance of £4m. However, with the uncertainty surrounding the recovery of Icelandic funds and high level of risks contained within the budget, it would be advisable to consider a

much larger sum for the minimum prudential reserve. Therefore, it would be prudent to minimise the use of reserves when balancing the 2010/11 budget.

10 CONCLUSION

- 10.1 The Council's constitution requires a six week consultation period on the draft budget proposals. In this context, it is inevitable that, of the broad range of options proposed for consultation, not all will necessarily be included in the final package. It is also likely that some further issues with a financial impact will arise between now and February.
- 10.2 When the final settlement is known, the Executive can consider the prudent use of revenue balances and appropriate level of Council Tax to support expenditure in line with the overall medium term financial strategy, along with further possible reductions to augment the "core package" of economies in Annexe D. In doing this, it will be important to manage the budget process effectively so that the inevitable important service pressures can be responded to whilst, as far as possible, front-line services are maintained with minimal disruption and without creating long term problems for the Council.
- 10.3 It is suggested, therefore, that the Overview & Scrutiny Commission reviews the overall budget package and determines whether any specific issues should be considered further by the Overview and Scrutiny Panels, at their meetings in January.
- 10.4 All comments from the Overview & Scrutiny Commission, Overview and Scrutiny Panels and others on the revenue budget proposals will then be submitted to the Executive on 16 February 2010. This will allow the Executive to determine the final budget package and recommend the appropriate Council Tax level to the Council on 3 March 2010.

11 BUDGET MONITORING 2009/10- VIREMENT REQUEST

- 11.1 A virement is the transfer of resources between two budgets but it does not increase the overall budget approved by the Council. Financial Regulations require formal approval by the Executive of any virement between £0.050m and £0.100m and of virements between departments of any amount. Full Council approval is required for virements over £0.100m. During 2009/10 a number of significant virements have been identified which require the approval of the Executive. These have been previously reported to the Corporate Management Team and included in the quarterly Performance Monitoring Reports. Details of virements between departments are set out in Annexe F and summarised in Table 9. The most significant item relates to the revision of recharges which now reflect the housing stock transfer, departmental reorganisations and revised methods of apportioning costs. Details of internal departmental virements exceeding £0.050m are set out in Annexe G.

Table 9: 2009/10 Virements

	Reorganisation £'000	Town Centre £'000	Structural Changes Reserve £'000	Bus Contracts £'000	Council Wide Items £'000	Recharges £'000
Corporate Services/Chief Executive's	32	138	39		111	-1,924
Children, Young People and Learning	-140				39	456
Adult Social Care & Health	196		89		39	344
Environment, Culture & Communities	-88	-98	43	369	213	1,124
Non Departmental Budgets					-63	
Contingency					-261	
Earmarked Reserves		-40	-171	-369	-78	
TOTAL	0	0	0	0	0	0

12 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 12.1 The Local Government Finance Act 1992 requires the Council to set the level of the Council Tax by 11 March each year. It is impossible to achieve this without having agreed an affordable revenue budget for the year in question.

Borough Treasurer

- 12.2 The financial implications of this report are included in the supporting information.

Equalities Impact Assessment

- 12.3 The Council's final budget proposals will potentially impact on all areas of the community. A detailed consultation process is planned in order to provide individuals and groups with the opportunity to comment on the draft proposals. This will ensure that in making final recommendations, the Executive can be made aware of the views of a broad section of residents and service users. A number of the budget proposals require specific equality impact assessments to be carried out and draft versions of these are attached in Annexe H. Consultation with equalities groups that are likely to be affected by the proposals is part of the assessment process.

Strategic Risk Management Issues

- 12.4 A sum of £0.127m is currently included in the base budget to meet the costs of unpredictable or unforeseen items that would represent in year budget risks. A further £0.573m is proposed to be added to contingency to reflect the current economic uncertainty. The Executive will need to make a judgement on the level of contingency at its meeting in February.

12.5 The Borough Treasurer, as the Council's Chief Finance Officer (section 151 officer), must formally certify that the budget is sound. This will involve identifying and assessing the key risk areas in the budget to ensure the robustness of estimates and ensuring that appropriate arrangements are in place to manage those risks, including maintaining an appropriate level of reserves and contingency. This formalises work that is normally undertaken each year during the budget preparation stages and in monthly monitoring after the budget is agreed. The Borough Treasurer will report his findings in February, when the final budget package is recommended for approval.

13 CONSULTATION

Principal Groups Consulted

13.1 The Overview & Scrutiny Commission will be consulted on the budget proposals and may also choose to direct specific issues to individual overview and scrutiny panels. Targeted consultation exercises will be undertaken with business rate payers, the Senior Citizens' Forum, the Schools Forum, Parish Councils and voluntary organisations. Comments and views will be sought on both the overall budget package and on the detailed budget proposals. In addition, this report and all the supporting information are publicly available to any individual or group who wish to comment on any proposal included within it. To facilitate this, the full budget package will be placed on the Council's web site at www.bracknell-forest.gov.uk. There will also be a dedicated mailbox to collect comments.

12.2 The timetable for the approval of the 2010/11 Budget is as follows

Executive agree proposals as basis for consultation	15 December 2009
Consultation period	16 December 2009 - 26 January 2010
Executive considers representations made and recommends budget.	16 February 2010
Council considers Executive budget proposals	03 March 2010

Background Papers

None

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