

CHARNWOOD BOROUGH COUNCIL

SUMMARY OF DRAFT 2009/10 GENERAL FUND AND HRA BUDGETS AND THE DRAFT CAPITAL PLAN 2009/10 TO 2011/12

The full versions of these reports are available for download at:

<http://www.charnwood.gov.uk/committees/cabinet>

They are items 6 and 7 on the Agenda for the 23 December 2008 Cabinet Meeting.

As the two reports runs to a total of 37 pages, this summary aims to help consultation by highlighting the main points.

Should you have any comments on the draft budgets or Capital Plan please send them to John Casey, Financial Services Manager, at john.casey@charnwood.gov.uk or by post to him at Charnwood Borough Council, Southfield Road, Loughborough, LE11 2TU by 10 February 2009. The final Budgets and Capital Plan for 2009/10 will be submitted to Council for approval on 2 March 2009.

2009/10 GENERAL FUND AND HRA BUDGETS

The Council has to prepare a revenue budget every year and this is used to allocate available funds to the Council's various services and set the level of Council Tax. The budget is split between the General Fund, which covers all the Council's functions except the operation of its Council houses, and the Housing Revenue Account (HRA) which covers most of its housing functions.

Approach to the 2009/10 Budget

As you will appreciate, this budget has been prepared at a time when it is extremely difficult to predict the direction of the economy over the next twelve to eighteen months with the perceived risk of deflation in addition to recession.

The Council has already taken steps to rein back expenditure in 2008/09 by £500k but it will still suffer shortfalls of income from planning and building control income, land charges income and interest receivable plus increases in the cost of Concessionary Travel, amounting to over £800k.

In 2009/10 it has been assumed that many current vacancies will be frozen and a Managed Vacancy Programme will be introduced where all requests to fill vacancies will be reviewed by directors to consider the impact on services and how else the post can be covered. This should save £300k in 2009/10.

The budget for 2009/10 will utilise the Council's reserves where prudent and during the year a full review of the Council's activities will take place with the aim of reducing the

Council's core costs to a figure that can be covered by Council Tax (34% of funding) and the Government's annual grants (66% of funding).

Table I – Draft General Fund Budget 2009/10

Detail	2008/09 Revised Budget	2009/10 Original Budget	Variance: Original to Revised
	£000s	£000s	£000s
Total Borough Expenditure	21,203	21,442	-239
Less: Contribution from Reserves	-2,289	-1,335	-954
Contribution from the Working Balance	-205	-959	754
Funded from Grants and Council Tax as below:	18,709	19,148	-439
Central Government Grants and Redistributed Non-Domestic Rates - Note	12,356	12,650	294
Council Tax receipts	5,156	5,372	216
Loughborough Special Levy	1,159	1,189	30
Other	38	-63	-101
Total Funding	18,709	19,148	439
	£p	£p	£p
Base Borough Council Tax	97.25	100.61	3.36
Loughborough Special Levy	70.78	72.79	2.01

Note: Non-domestic rates (Business rates) are collected by the Council and then paid over to Central Government. They are then redistributed across the country by the Government. Loughborough Special Levy funds activities carried out by the Council in its capacity as the 'town council' of Loughborough.

The provisional Grant settlement from the government, on a like for like basis, was an increase of 2.4%, whilst the Council Tax increase is 3.5%. Each additional 1% in Council Tax produces approximately £50k.

Included in the Total Borough Expenditure figure of £21,442k are net savings of £63k, described as Memorandum savings in Table D of the main report. These items do not require approval as they have either already been subject to Cabinet approval or do not result in any changes to service levels.

Table I includes the recommended Pressures and Savings, totalling £313k, as summarised by Directorate in Tables C and D of the main report. ('Pressures' are requirements from services for extra funds due to changes in circumstances and these can be for one year only or continuing). Table E of the main report shows the major pressures and savings that have been included.

Appendices 1 to 7 of the main report set out the pressures and savings in detail. The left hand side of each appendix gives an explanation of the pressure/saving and the amount and whether it is one-off or ongoing. The right hand side summarises:

- the service impact,
- whether it has a positive, neutral or negative effect on the Corporate Plan priorities,
- whether it will count as an Efficiency under central Government Targets (NI 179)
- if the service is in scope for shared services/outsourcing,
- whether the pressure/saving can be regarded as an interim item, ie more than one year but not ongoing for ever,
- implications for staff, and
- identified risks.

Only recommended pressures and savings have been included in the draft 2008/09 Budget.

Provision for inflation at rates deemed appropriate to the relevant goods, services or income is included in Total Borough Expenditure. Staffing costs allow for an April 2009 estimated salary award and a similar level of employer costs to 2008/09.

Loughborough Special Levy

Appendix 8 of the main report shows the current estimated position of the Loughborough Special Expenses for 2009/10. Additional areas of expenditure in 2009/10 will be for Loughborough in Bloom and a proportion of the costs of the Director of Loughborough Regeneration.

The proposed amount of £1,189k may change after the final grant settlement is received. These figures assume that relevant pressures and savings are approved. The estimated Loughborough Special Rate would be £72.79 which is a 2.8% increase.

Reserves and Balances

There is a requirement to ensure that the level of balances is appropriate for the Council's commitments and current level of expenditure. The primary one is the Working Balance.

The recommended minimum Working Balance is £1m, based on the net revenue expenditure of the Council. The draft budget would result in the balance on this fund at the end of March 2010 being £1,494k which is £494k above this limit.

Should this draft budget be approved, total Revenue balances at the end of March 2010 would be £1,947k compared to £4,141k at the end of March 2009, a decrease of £2,194k.

Housing Revenue Account

The 'final determination', which controls the calculation of subsidy, capital charges and rental increase in the HRA, has still to be notified by the Government. Accordingly, this draft budget has been prepared using assumptions for those items. Recommended pressures and savings, which are listed in Appendix 9 of the main report, are included in this budget.

Many of the HRA's services are provided through Charnwood Neighbourhood Housing Limited ('CNH'), and its fee for 2009/10 is still being discussed, though a reduction of £201k (2.2%) on the 2008/09 fee is assumed.

The budget assumes an average 6.2% increase in dwelling rents and produces a surplus of £228K for 2009/10, leaving a balance of £330k at 31 March 2010, which equates to £56 per dwelling. The target level for this balance is £110 per dwelling.

Table 2 – Draft HRA 2009/10 Budget

	2008/09 Revised Budget £'000	2009/10 Original Budget £'000	Variance: Original to Revised £'000
Expenditure			
Supervision and Management	1,119	1,119	0
Managed Savings	(65)	0	65
CNH Management Fee	9,315	9,548	233
Service Savings	0	(434)	(434)
Depreciation	3,744	3,810	66
Other Costs	153	161	8
Expenditure sub-total	14,266	14,204	(62)
Income			
Gross Rental Income from Dwellings	16,307	17,297	990
Rent from Shops, Land and Garages	338	355	17
Warden Service Charges	560	628	68
Central Heating and Communal Charges	195	205	10
Other Charges	199	211	12
HRA Subsidy	(6,950)	(7,798)	(848)
Major Repairs Allowances	3,641	3,706	65
Income sub-total	14,290	14,604	314

	2008/09 Revised Budget	2009/10 Original Budget	Variance - Original to Revised
	£'000	£'000	£'000
Net Cost of Services	(24)	(400)	(376)
Transfers from General Fund			
Grounds Maintenance	(90)	(92)	(2)
Amortised Premiums	484	427	(57)
Investment Income and Mortgage Interest	(88)	(60)	28
Net Operating Expenditure/(Income)	282	(125)	(407)
Appropriations			
Transfer from Major Repairs Reserve	(103)	(103)	0
Balance at Beginning of Year	(281)	(102)	179
(Surplus)/Deficit for the Year	179	(228)	(407)
Balance at end of Year	(102)	(330)	(228)

Whilst rents are estimated to increase by £990k the majority of this is cancelled out by a £848k increase in the HRA Subsidy. This is an amount assessed on a set formula that has to be repaid to the Government by the HRA. The Council has participated in Government consultation on this but no immediate changes are expected as the Government is reviewing the whole basis of HRA funding.

DRAFT CAPITAL PLAN 2009/10 TO 2011/12

The Capital Plan covers expenditure on assets that will help to provide Council services or for its administrative purposes as well as grants to external bodies to fund their capital expenditure. Charnwood operates a three year Capital Plan to reflect the longer term nature of capital expenditure and in accordance with best practice. Bids are submitted by directors, after consultation with the relevant cabinet member, and they score these in respect of their fit with the Council's Corporate Plan, achievement of performance indicators, achievability, risks, funding and economic sustainability.

There is sufficient funding for the new Capital Plan. Appendix I of the main report sets out the Proposed New Capital Plan with the title of each scheme, its score (higher scores are better), its cost, any external funding and the net cost after that funding. Appendix 2 shows the current Capital Plan for information purposes.