

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

DECISION

Agenda Item No

meeting date: 22 SEPTEMBER 2009
 title: BUDGET FORECAST 2010/11 TO 2012/13
 submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

1.1 To update the Council's 3 year budget forecast.

2 BACKGROUND

2.1 Each year at this time we update and roll forward the Council's 3 year budget forecast. This gives an early indication of any potential budgetary problems and allows us to amend our Medium Term Financial Strategy accordingly.

3 EXISTING FORECAST

3.1 The existing forecast from last year is shown below. This is after adjusting for the agreed 2009/10 budget set by Council in March 2009.

	2009/10 £000's		2010/11 £000's		2011/12 £000's	
Expenditure	7,643		7,852		8,088	
Interest Receipts	-125		-150		-150	
Other Items	-68		-95		-95	
Reserves	-150		-50		-50	
Use of Balances	-246		-200		-200	
Net Expenditure	7,054		7,357		7,593	
Government Funding	-3,997		-4,142		-4,225	
Collection Fund Deficit	9		0		0	
Precept	3,066		3,215		3,368	
Taxbase	22,342		22,400		22,450	
Band D Council Tax	137.26		143.53	4.6%	150.02	4.5%

3.2 Effect of above on general fund balances

	2009/10 £000's	2010/11 £000's	2011/12 £000's
Brought Forward	851	1,620	1,420
Housing Balances	1,015		
Needed from Balances	-246	-200	-200
Carried Forward	1,620	1,420	1,220

The minimum level of General Fund Balances agreed previously in the Medium Term Financial Strategy is £700,000.

This forecast showed an increase in Council Tax of 2.95% in 2009/10, 4.6% in 2010/11 and 4.5% in 2011/12. It also showed balances dropping to £1.2m by March 2012 but this was after the transfer of £1m HRA balances to the General Fund.

4 LATEST FORECAST

4.1 An updated forecast with the known changes and the latest assumptions is shown below. I have also included an estimate for 2012/13.

	2009/10	2010/11		2011/12		2012/13	
	£	£		£		£	
Net Expenditure	7,678,992	7,720,000		7,864,000		8,099,000	
Interest Receipts	-15,000	-30,000		-75,000		-100,000	
Reserves	-150,310	-50,000		-30,000		-30,000	
Housing Stock Transfer	0	0		0		0	
Use of Balances	-459,794	-200,000		-200,000		-200,000	
Savings Required	0	-246,210		-694,958		-818,228	
Budget Requirement	7,053,888	7,193,790		6,864,042		6,950,772	
Formula Grant	3,996,589	4,141,519		3,727,367		3,727,367	
Collection Fund Deficit	-9,471	-10,000		-10,000		-10,000	
Precept	3,066,770	3,062,271		3,146,674		3,233,405	
Tax Base	22,342	22,310	Latest est	22,366	0.25%	22,422	
Band D Council Tax	137.26	137.26	0%	140.69	2.5%	144.21	2.5%

Effect of above on general fund balances.

General Fund Balances	2009/10	2010/11		2011/12		2012/13
	£	£		£		£
Brought Forward	2,021,659	1,775,865		1,575,865		1,375,865
Used	-245,794	-200,000		-200,000		-200,000
Carried Forward	1,775,865	1,575,865		1,375,865		1,175,865

5 COMMENTS ON THE LATEST FORECAST

5.1 The latest forecast assumes the following:

- (i) A significant increase in the current year's budget of £214,000 over various items including reduced income and investment interest, increased costs at Longridge Gym and Ribblesdale Pool offset by some savings in salaries/pay award.

- (ii) Use of balances of £600,000 over the next three years taking us to £1.176m for General Fund Balances by 31 March 2013.
- (iii) The Council continuing to use the Building Control reserve.
- (iv) Interest Receipts and Interest Savings no longer can be relied upon as a significant contribution to the Council's expenditure. The forecast shows increasing over the next 3 years to £100,000 – considerably lower than the levels experienced in recent years.
- (v) Council Tax increases are shown at 0% for 2009/10 and 2.5% for 2010/11 and 2011/12. This again is obviously difficult to predict. Factors to consider include the change in control at Lancashire County Council and their publicised freeze in council tax for next year and also a potential change in Government at the next general election.
- (vi) The Council Taxbase shown for next year is based on the very latest figures, the official calculation will be made in a few weeks. This has not increased by 0.25% as predicted last year indicating either a higher number of exemptions and/or fewer new properties. It is very difficult to predict the taxbase in the medium term, indeed longer term as we come out of the recession we would expect the number of new housebuilds to increase significantly. For 2011/12 and 2012/13 I have kept the increase to a minimum.
- (vii) Council Tax Deficit – I have allowed for a council tax deficit over the next three years based on current deficits experienced by districts.
- (viii) Inflation/Pay Awards – The pay award offer for 2009/10 has been accepted by the unions at 1.25% on pay scales scp4 to 10 and 1.00% on pay scales scp 11 to 49 with an extra days leave on the minimum entitlement ie from 20 days to 21 days. We budgeted for pay increases for 2009/10 of 2% and therefore the excess – around £60k will be removed from salary budgets when we prepared the revised estimates. For 2010/11 I have allowed 1.5% for inflation/pay, for 2011/12 2% and for 2012/13 3%.
- (ix) Concessionary Travel – Consultation has recently been carried out regarding the possible transfer of concessionary travel from districts to upper tier authorities ie counties. It is very difficult to estimate the financial impact on the council if this goes ahead. The Settlement Working Group is currently considering different methods of adjusting councils formula grant for such a transfer. We currently receive special grant of around £150k pa for three years due to finish in 2010/11 with costs for 2008/09 at £457k. We also receive funding via our formula grant allocation but it is not identified separately exactly how much this is and therefore it is difficult to predict how much funding we could lose. The budget forecast does not include any adjustments for a transfer to the upper tier, however the issue will be carefully monitored and further information will be reported to members when known.
- (x) Formula Grant – Members may recall 2010/11 is the third year of the 3 year settlement announced by the Government. We are hopeful they will confirm the allocations as they were announced last year. If this is the case we will receive £4,141k for next year. However for 2011/12 and 2012/13 we have allowed a grant freeze given the strong likelihood the public sector will face the tightest settlements for many, many years.

You will see as predicted earlier this year, the level of savings/efficiencies required increases from £247k for next year to £695k in 2011/12 and £818k in 2012/13. Whilst this is only a rough estimate of the overall budget, I would expect it to be reasonably accurate for 2010/11.

This forecast, as normal, is based upon the current level of service (base budget), any additional items (growth) brought into the budget will increase the level of savings required.

6 MATTERS FOR CONSIDERATION

- 6.1 The accountants together with budget holders won't produce the detailed estimates for Committees until just before Christmas.
- 6.2 Service Plans will be prepared by Service Managers shortly and we will be analysing any growth items and any savings that have been identified. Committee may want to give some direction to Service Managers now as to any savings required.
- 6.3 It won't be until early in the New Year we will be in a position to bring this all together and start to frame the 2010/11 budget however, the extent of the savings required suggest the earlier we start the better.

7 BUDGET WORKING GROUP 15 SEPTEMBER 2009

- 7.1 By the time of your meeting the Budget Working Group will have met on 15 September 2009 to consider the forecast in detail and at a minimum examine the following:
 - i) Whether any additional items will be allowed
 - ii) The level of savings required and how they will be achieved
 - iii) The use of balances and reserves
 - iv) The likely increase in Council Tax.
- 7.2 The Council's Medium Term Financial Strategy will be updated to reflect the above and presented to the next meeting of this Committee in November.

8. CONCLUSION

- 8.1 Over the next few years councils are facing the tightest settlements for many years. We are currently in a recession and there is no certainty as to when we will see signs of recovery. Given this it will be more difficult than ever to produce a balanced budget. Financial planning has been made somewhat easier over recent year due to the announcement in advance of future settlements, however we are now at the end of the three year period and left with great uncertainty as to future announcements.

9 RECOMMENDED THAT COMMITTEE

- 9.1 Consider the Budget Forecast and any guidance to give to officers on the preparation of the 2010/11 budget.

DIRECTOR OF RESOURCES

PF50-09JP/AC
15 SEPTEMBER 2009