

## REPORT TO COUNCIL – RECOMMENDATION FROM CABINET

Title: **BUDGET 2009/10**

Date: Cabinet – 12 February 2009  
Council – 24 February 2009

Member Reporting: Councillor Hilton

Contact Officer(s): Andrew Brooker 01628 796341

Wards affected: All

### 1. SUMMARY

This report contains proposals for the budget for 2009-10 and recommends a Council Tax increase of 1.9% which is likely to make the Borough's Council Tax the lowest for any Unitary council in England. Of the 388 Councils who levy Council Tax only 9 London Borough's are likely to set a lower charge. The budget reflects the administration's commitment to keep the Council burden on local residents to a minimum. Services have been protected, although a number of vacant posts have been removed from the authorised establishment.

The budget has been prepared against the backdrop of very difficult economic conditions. Whilst few specific provisions in the budget allow for this the assessment of reserve reflects a much greater risk from economic factors having an impact on the Council finances in the coming two years.

The Capital programme makes provision for a number of high profile schemes including the Holyport Manor School Reprovisioning and associated Community facilities, the refurbishment of the Windsor relief road, and funding for the Windsor Parking Strategy and provision of additional classrooms at popular schools.

### 2. RECOMMENDATION: That:

**i) That the detailed recommendations contained in Appendix A which sets the Council Tax increase for the coming year at 1.9% be approved.**

**ii) That the recommendations of the Licensing Panel on 13<sup>th</sup> January 2009 not to increase fees for the Licensing of Hackney carriages and Private Hire Vehicles be agreed.**

**iii) That authority to amend the Schools Budget, to reflect the actual level of DSG, once the outcome of the pupil census is known be delegated to the Lead Members for Finance and Children's Services in consultation with the Head of Finance.**

What will be different for residents as a result of this decision?

Residents will be paying the lowest council tax of any Unitary Authority in England and that pensioners in particular will see a council tax which will rise less than half that of the increase in their pension income making them £31 a year better off (in a Band D property).

### **3. SUPPORTING INFORMATION**

#### **3.1 Background**

##### **The Budget Process**

3.1.1 A number of meetings of the Cabinet and Overview and Scrutiny Committee received and made comments on information about the budget prior to its presentation to Cabinet and Council this evening.

- Financial Strategy (Cabinet 23 October 2008)
- Revenue Budget 2009/10 – Preliminary Report (Cabinet 18 December 2008)
- Council Tax Base (Cabinet 18 December 2008)
- Fees and Charges (Cabinet 18 December 2008)
- Examination of Budget Proposals (Overview & Scrutiny Panels from week commencing 26 January 2009)
- Budget Report 2009/10 – Revenue Budget and Capital Programme (Cabinet 12 February 2009)

3.1.2 At its meeting on 18 December 2008, Cabinet

- Approved the Council Tax Base for 2009/10
- Received a report summarising the Council's provisional RSG settlement for 2009/10
- Approved the 2009/10 Fees and Charges report

3.1.3 The role of the Overview & Scrutiny Committees is to review and comment on proposals contained in this report. Comments of the Overview & Scrutiny Committee's are contained in Section 6 of this report

##### **Revenue Budget**

3.1.4 Overview

The Revenue Budget is financed from the following sources of income:

- Fees & Charges
- Revenue Support Grant (RSG)
- Redistributed Business Rates income
- Council Tax
- Interest on Balances
- Specific Government Grants

- The Council's own reserves and balances

The Department for Communities and Local Government (DCLG) now adds the Revenue Support Grant and Business Rates income together and refers to them collectively as "Formula Grant". The final settlement was announced on 21 January 2009

The Council has announced that it aims to limit Council Tax rises, at or below the rate of inflation as measured by RPI in the preceding September (the measure used for state pension increases), without cutting services.

### 3.1.5 Methodology

Formula Grant methodology is outlined in more detail in Appendix L. The allocation for 2008/09 was the first of a three-year settlement so the announcement of grant for 2009/10 contains few surprises. The settlement nationally continues to reflect the assumptions that:

- A number of authorities, notably in the SE England, are well placed to fund services from their own resources;
- Cashable efficiency savings of 3% per annum would be available to meet emerging service pressures
- Authorities "below the floor" (see Appendix L), such as the Royal Borough would be guaranteed funding increases of 1.75% in 2009/10 and 1.5% in 2010/11 (down from 2% in 2008/09)

#### i. Composition of the Formula Grant

Formula Grant is composed of Redistributed Business Rate Income and Revenue Support Grant. Local authorities as agents of DCLG collect Business Rates. Receipts are put into a national 'pool' and are allocated to councils in proportion to the amount that Business Rate Income contributes to total formula grant.

### PROVISIONAL GRANT FIGURES AT THIS STAGE

	<b>2009/10</b>
	<b>£m</b>
Business Rate Income	15.060
Revenue Support Grant	3.476
Formula Grant Entitlement after Floors	<b>18.536</b>

#### ii. 2009/10 Formula Grant

As a result of the methodology changes, floor protection becomes a key component. A number of technical adjustments have been made to the 2008/09 grant to create the 2009/10 base, largely to reflect the transfer of a number of specific grants into Formula Grant.

		2009/10	20010/11
		£m	£m
Base		18.257	18.536
Technical Adjustments		- .040	- .015
	Adjusted Floor	18.217	18.521
Floor Increase		0.319	0.278
	Total Formula Grant	18.536	18.799
% increase applied to floor		1.75%	1.5%

		2009/10	20010/11
		£m	£m
Relative Needs Amount		18.153	18.724
Relative Resource Amount		-35.503	-36.169
Central Allocation		26.733	27.524
	Formula Grant before Floors	9.383	10.079
Floor Damping		9.153	8.720
	Total Formula Grant	18.536	18.799

It can be seen that the floor protection (or damping) is being gradually phased out, in part as the basic entitlement increases, and in part as the guaranteed increase is reduced. The Minister for Local Government has previously given an assurance that floor protection will feature in settlements to 2013/14. However the overall national economic situation may impact his ability to deliver protection at the current levels.

The impact of this real term reduction is to highlight the importance of the Council's efforts to seek new revenue sources and sustain an effective efficiency programme if services to residents are not to suffer.

### 3.1.6 General Fund Reserves

- i. The original Budget for 2008/09 envisaged no contribution to or from reserves. Taking account of the likely out-turn for the current year, reserves are estimated to be £5.818m.
- ii. The Head of Finance is required under S26 Part 2 of the Local Government Act 2003 to advise the Council on the minimum level of reserves that it should aim to carry. Appendix K sets out the main risks that may fall to be met from reserves and for which provision needs to be retained in the Council's account, and an estimated average annual requirement for expenditure to be funded from reserves, allowing that individual risks will be realised only infrequently.

- iii. It is prudent for a General Fund reserve to cover twice the annual risk (to allow time for corrective action to be taken). As estimated reserve balances exceeds £4.53m, no contribution to reserves, is planned in this year's budget..

### 3.1.7 Council Tax Collection Fund Balance

The Council must also declare the likely balance on the Collection Fund at 31<sup>st</sup> March 2009, as estimated on 15<sup>th</sup> January 2009 and any balance is shared between this Council, the Police Authority and the Berkshire Fire & Rescue Service. Authority has been given to the Head of Finance to declare the surplus, and on the appointed day he declared no surplus.

### 3.1.8 Approved Budget

The gross requirement of £89.263m compared to the originally advised budget of £80.058m. This difference is accounted for by the change in accounting treatment for Area Based Grants initially £5.188m but enhanced by a further £0.17m during the year. Service costs are expected to exceed those budgeted by some £0.868. In services the main variations being:

- Increased spend on SEN pupils, although this is in part funded from within the DSG
- Slower than anticipated take up of the Concessionary Bus Passes.
- Reduced level of income notably from Car Park, Land Charge and Planning reflecting the reduction in economic activity.

The balance is largely accounted for by interest on cash balances. Not only were interest rates, for most of the year, higher than anticipated but also cash available to invest was higher than expected, largely due to slippage in the Capital Programme and early receipt of significant Capital grants.

### 3.1.9 Contingencies

In line with the practice in past years, it is suggested that the Council does not provide for specific contingencies within service directorates in the budget for 2009/10. All directorates will be required to make every effort to keep expenditure within the overall budget for their service areas. Any items that are of too great a magnitude to be contained within the service budgets will be the subject of a report to Cabinet or Council (depending on the sum of money involved), and if approved will lead to a supplementary budget allocation.

### 3.1.10 Vacancy Factor

Vacancy factors are only included in the draft estimates where the budget holder can substantiate their inclusion, in the main they are built into the former Learning & Care budgets and now stand at £1.8m or 8.3% in 2008/09. Those vacancy factors will reduce to £1.35m or 6.2% of relevant budgets in 2009/10 and will be reduced further over the next two years, in part to reflect the current economic climate where it is likely that staff turnover will be reduced. Small

vacancy factors exist in other areas to enable savings from the new Agency staff contract to be captured (the cost of most agency placements being funded from temporarily vacant posts).

### 3.1.11 Budgetary Control

The Council enforces its finance rules regarding virements and overspends and receives regular budgetary control statements throughout the year. If these measures prove insufficient to control expenditure, it will be necessary to employ more rigorous methods to regulate expenditure. These were discussed in more detail in the Borough's Financial Strategy.

### 3.1.12 Credit Crunch

- i. The uncertainty faced by the national and global economic position posed questions not faced by local authorities for some time if ever before. Whilst there has been some impact on service provision: additional enquiries for Housing Policy; an increase in Housing Benefit claimants; some of the Borough's commercial tenants under pressure; and reduced income from parking, planning, leisure centres and building control, as well as interest on balances, to date this has not created major budget management problems.

The position changes daily and a close watch is being maintained on key indicators such as Housing.

- ii. How should the council react to this scenario? One option is to assume the worst and include in its tax base provision for reduced income and additional spend in those areas most likely to see an impact. This approach would result in either higher Council Tax or service reductions elsewhere to make room for these provisions.
- iii. The alternative approach which is favoured at the present time is to assume that the actions being taken by national government will have the desired effect on ensuring that the recession being faced is up to 24 months and thereafter we will start to see economic activity returning to something closer to the 'norm'.
- iv. The council is relatively well placed in terms of reserves to adopt the approach, in the short term at least, to use reserves to meet shorter term financial pressures, in so doing keeping Council Tax increase to a low level and preserving service provision.
- v. This budget contains the proposal to allocate General Fund Reserve above the minimum level specified in Paragraph 3.1.6 to a specific 'Economic Contingency reserve'. This reserve is to be used, with Cabinet approval, to protect front line services against the impact of the current economic downturn. Current indications are that a sum of £1.2m can be allocated to this Reserve.

This approach will work in the short term, but will be kept under review. If indications suggest that the recession is going to be longer than the 24 months

then some more specific actions will be required to keep the Council's budget in balance.

### 3.1.13 Service Requirements 2009/10

- The Preliminary Budget report presented to Cabinet in December outlined the approach taken to create the proposed budget for 2009/10.
- The proposals contained in this report meet the challenges posed by “force majeure” service pressures of £1.7m; additional landfill tax of £372k; inflation impacting on services in excess of current CPI; costs associated with financing the capital programme - £652k; demographic pressures on Adult Social Care £570k, combined with a clear public commitment to keep increases in Council Tax to a minimum.
- The Formula Grant Settlement gives an additional £263k in formula grant, after technical adjustments, whilst the proposed increase in Council Tax (including change in tax base) contained in this report will generate £1.588m.
- Appendix D shows detailed Revenue Estimated for each service division. These estimates incorporate the service pressures and savings detailed in Appendix G.
- Appendix F provides an analysis of the movement between the Original Budgets for 2008/09 and 2009/10.
- Some compulsory redundancies may be inevitable as the Council addresses restructuring, budget constraints and re-engineers its business processes. A £300k provision for redundancy costs exists within a surplus in the Insurance Fund. Details of any redundancy will be agreed at Employment Panel and reported to members through Service Monitoring. Over the past 6 months, as the Council has restructured and reviewed services, unnecessary posts have been left open so that majority of posts to be removed from the establishment are currently vacant. These posts will be deleted as part of the budget process. It remains the Council's policy to retrain and re-deploy staff whose existing posts are no longer required and where this is not possible, to effect reductions through staff turnover.
- The detailed revenue estimates set out in Appendix E are based on direct costs i.e. before the allocation of overheads. Accounting standards require costs of services to be shown inclusive of overheads (to ensure comparability with other authorities/organisations) but estimates are now routinely monitored on a direct cost basis. In order to comply with these standards it is proposed that the Head of Finance be authorised to apportion overheads across services and to incorporate the results in the Budget Book. Costs will be apportioned using appropriate basis including officer time and proportions of office space occupied. The Budget Book will contain a statement reconciling the movement from direct costs to final estimates.

3.1.14 The main features of the draft revenue budget are as follows:

Environment

- i. Continue to optimise income opportunities both capital and revenue through external funding streams.
- ii. To work with the Council's contractors, partners and external organisations to review opportunities for efficiencies in service delivery.
- iii. Continue to support residents through improved recycling to mitigate against costs of landfill and landfill tax, and also support the Council's sustainability agenda.
- iv. Seek to maintain car-parking income through marketing opportunities for the Council's car parks and also through the implementation of the Windsor Parking Strategy.
- v. Value for money whilst maintaining or improving service quality.

The above are all set with the context of the challenges of the current economic climate.

Children's Services

- i. The twin risks in Children's Services are significant harm to children and school failure. Generally, the strategy has therefore been to protect front line children's social care posts and those staff directly responsible for raising school improvement. This strategy adopted (long before the tragedy in Haringey) has been supported by the Lead Member. At a pragmatic level, in common with other Directorates we have targeted those posts that are currently vacant or occupied by temporary staff. Similarly, several posts that primarily have an administrative function have been deleted.
- ii. Some posts represent savings against the schools element of the Dedicated Schools Grant (DSG). The proposal is to transfer the equivalent costs of other posts that are of direct value to schools on to the schools element of the DSG thus representing a saving on the local authority element of the DSG.
- iii. The most significant cost pressures arise from sharp rises in the number and cost of children placed out of Borough because of their care needs, their educational needs or both. Typically, providers raise their costs by more than inflation. It is unfortunate that there has also been a rise in the number of children coming into care and in those requiring special educational provision outside the Borough. All such cases are scrutinised by a panel of officers that is now chaired by the Director. Plans are in hand to expand the panel to include head teachers and to consider Member involvement in the process.

- iv. The consequence has been a small reduction in staff that are focused on preventative or therapeutic work. Working with the Children's Trust and our partners we plan to secure sufficient investment to ensure a level of preventative work to ensure that state intervention for families and schools does not escalation.

### School Funding

- i. As reported to Cabinet in the Preliminary Budget Report the main source of school funding is the ring-fenced Dedicated Schools Grant (DSG). The grant must be used in support of the Schools Budget as defined in regulations, and is supplemented by other sources of funding such as standards fund grants, and Learning and Skills Council funding for sixth forms.
- ii. RBWM's 2008-09 DSG allocation was £73.044 million. The 2009-10 grant will be determined by pupil numbers in January 2009 but latest estimates suggest a fall in total pupil numbers of around 130 compared with 2008-09. The unit rate on which DSG is calculated is fixed for the period 2008-11 and will increase from £4,040 per pupil in 2008-09 to £4,193 in 2009-10, a rise of 3.8%. This compares with an increase of 4.6% per pupil in the previous year.
- iii. The minimum increase schools can expect to receive in their 2009-10 budgets is 2.1% per pupil, as defined by the Minimum Funding Guarantee set by the DCSF. In practice most schools will see increases above the minimum level and in accordance with known inflationary uplifts used to set the Council's budget. The level of DSG funding available once inflationary and contractual pressures have been met is known as 'headroom'. In the past headroom has been used to fund new initiatives and priorities both in schools and central services (subject to the Central Expenditure Limit - CEL) as discussed with Schools Forum. iiiFor 2009-10 the level of headroom is likely to be significantly less than in previous years because :
  - a) the per pupil increase in DSG funding in 2009-10 is lower than it has ever been previously
  - b) the cost of out-of-borough special school placements has risen significantly due to an increase in the number of high cost placements, and is facing a pressure of up to £600k or more in 2009-10. Funding for this can only come from DSG headroom or from a reallocation of existing resources within the Schools Budget. The scale of this budget pressure is such that little or no headroom may be left for other priorities. Any net increase in the out-of-borough SEN budget is likely to impact on the relative balance of resources between the ISB and central DSG expenditure. Schools Forum would need to formally approve this allocation if it resulted in the central expenditure limit being exceeded.
- iv. Members will recall that the CEL, determines the minimum amount authorities must delegate to schools. The Council is responsible, in consultation with the Schools Forum, for determining the split of the grant between expenditure on central functions, (e.g. special educational needs, excluded pupils, early years education and childcare in the non-maintained sector) and delegated funding to schools

## Adult & Community Services

- i. In respect of Adult Social care, the development of innovative proposals for tendering, contracting and service provision targeted at improving outcomes.
- ii. Proposals for the modernisation and enhancement of facilities and services for people with a Learning Disability, and for people with Alzheimer's disease.
- iii. The introduction of free swimming for the over 60's.
- iv. Preparations for the introduction of Transforming Social care including the allocation of self-directed support and individual budgets, and the focusing on universal and targeted services for adults.
- v. Commencement £1M programme over 2 years for the provision and upgrade of playground facilities aimed at the 8-13 age group.

## Resources

- i. Land Charges

Started the year suffering from the effects of increased competition from Solicitors and HIPS providers and Government restrictions on fees for personal searches. The situation has been made worse by the economic decline, which has particularly affected the housing market. A budget pressure of £100k has been identified in 2009/10 to cover the resulting loss of income.

- ii. Housing Benefits

Following the economic downturn it is anticipated that there will be an increase in the number of housing benefit claims in 2009/10. A budget has been provided for discretionary payments to qualifying claimants up to a total of £50k for the year.

- iii. Customer Service Centre

Specific Provision is included in the budget proposals to ensure sufficient additional resources are available to the CSC to continue its plan to provide a better and more comprehensive service to residents..

## Chief Executive

- i. The 2008/09 restructure created a new post of Head of Policy and Performance reporting to the Chief Executive. The funding of the post along with other new post has been achieved by making restructure savings elsewhere, resulting in no increase to the budget overall. The

Head of Policy and Performance's department is supported by policy and strategy staff from all three directorates under the old structure and this has resulted in transfers of budget totaling approximately £3m.

### 3.1.15 Interest on Balances

Interest on balances provides an important, if at times volatile, source of income for the Council. In 1998/99 when the Council had unapplied capital receipts to invest it was able to rely on approximately £5m when setting the budget. Use of those receipts and reduced interest rates now result in more modest levels of income. It has been the policy of successive administrations to be cautious when assessing interest returns, in the main to protect taxpayers and the services from the impact of sudden rate changes. In recent years levels of income actually achieved have exceeded those assumed in budgets and those surplus monies have set aside in reserves.

In the light of the current economic uncertainty a thorough review has been commissioned to assess likely income levels from cash flow management. This exercise has revealed that previous models understated the amounts available for short-term investment throughout the year. As a result the proposals in front of Council include an assessment that income from short-term investment will increase from levels included in the 2008/09 budget despite record low interest rates (some monies were invested over a slightly longer time frame in 2008/09 that will generate income in 2009/10). This position will need to be reviewed in twelve months time as it is anticipated that average cash balances will fall in the next few years although it is also expected that interest rates will rise.

### 3.1.16 Environment Agency Levy

The Environment Agency have notified the Council of its intention to increase its levy to £XXXX in 2009/10, which represents a XX% increase on 2008/09

### 3.1.17 Fees and Charges

The financial impact of the Fees and Charges approved by Cabinet at its meeting in December 2008 have been reflected in this report.

Members will be aware that the Licensing Panel at its meeting on xxxx recommended that the fee increases agreed at Cabinet for Hackney Carriage and Private Hire Licences should not be implemented. This report includes the formal recommendation that those fees are frozen.

### 3.1.18 Capital Programme

- Appendix B shows the last Capital Programme to be approved by Council, updated for subsequent changes and a proposed programme for the next three years in summary. Greater detail is contained in Appendix C.

- The programme has been formulated on what the Council is able to afford in terms of the revenue impact of capital expenditure. The Council has received no new funding via the Formula Grant to support its Capital Programme and as a result has concentrated its resource on repairing and maintaining its assets.
- A significant proportion of the Council's Capital Programme is of a recurring nature. Whilst it is common practice to fund this expenditure from long term borrowing it would clearly be preferable if provision could be made in the revenue account to finance the spend directly. The policy has been in place for several years and the Borough is now able to fund all its 'short-life assets' (plant, vehicles and equipment) from revenue source. The Medium Term Financial Plan shows that it is planned to create this provision over the next 8-year period.
- The Council continues to actively pursue developer's contributions, which have become an important source of capital funding. One of the inevitable impacts of the 'credit crunch' is expected to be a reduction in development and a consequential reduction in developer contributions. Whilst the reduction in development may have a positive impact on the demand placed on infrastructure, our ability to use monies to support Council initiatives will be reduced.
- Reduced developer contributions and limited opportunity to generate capital receipts mean that future capital programmes will be funded from existing capital reserve, and increasing capital grant from programmes such as BSF, Primary Strategy and those supported by the Department for Transport. As members will be aware the National Government is bringing forward a number of significant infrastructure projects as part of its response to the economic downturn, which will impact positively on the Councils asset base.
- Provision for a number of high profile schemes are included in the budget notably:
  - The reprovisioning of the Holyport Manor Special School which includes new Community facilities at Cox Green
  - Windsor & Eton Relief Road Refurbishment
  - Windsor Parking Strategy
  - 3 new classrooms at Hilltop First School
  - Additional classroom and a new hall for Clewer Green School
  - Further development of Children's Centre
  - £500k for Carbon Management Scheme
  - £1m for repairs to Maidenhead Bridge

### 3.1.19 Capital Resources

- i. Councils have a number of sources of finance from which to fund capital expenditure. However, in the short to medium term the Council is not anticipating significant capital receipts (market conditions are such that now is not a good time to be selling surplus assets) or developers contribution (as the rate of housing and commercial development slows).
  - Capital Receipts – it is anticipated that the Council will have £1.95m of unused capital receipts available to use in 2009/10
  - Developers Contributions (from s106 agreements) – new schemes that attract s106, totalling £1.8m, have been included in the proposed capital programme, the majority of the contributions have already been received
  - Capital Grants - £25.7m available in 2009/10 including £12.3m relating to the re-provisioning of Holyport Manor Special School and a further £8.05m from DCSF for school initiatives, £2.130 of which is devolved to school governors.
  - Reserves earmarked for capital purposes – the Borough's Capital Fund is designed to fund up to £1m of short life assets each year.
  - Borrowing – the Council has the ability to borrow money over periods up to 60 years to finance investment in its infrastructure. This borrowing is either supported through SCE (see below) or, where the Council has used its prudential borrowing powers, revenue savings arising from the capital investment.
  - Minimum Revenue Provision (MRP) – Capital financing regulations require local authorities to include in its annual budget requirement a minimum revenue provision for the repayment of any long term loans taken out to finance capital expenditure. The level of this provision is defined by the Council as part of its statement of accounting policies. In theory this provision builds up a cash reserve that is available to repay that loan on its due date, in practice however local authority Treasury Management policies allow this cash to be used (particularly when returns on the investment of that cash are low) to finance new capital spend. This is done on the understanding that when loans are due to be repaid they are simply refinanced. The Council currently has £4.8m MRP available. Over the next 3 years a further £2.5m MRP will be available.
- ii. The proposed capital programme takes account of the need to spend capital to maintain and improve the Council's capital assets, and to invest to achieve future savings.
- iii. The Head of Finance has responsibility to finance the Capital Programme in the most cost-effective way.
- iv. All resolutions required to comply with the Prudential System are to be found in the Treasury Management Report appended to this report.

### 3.1.20 Supported Capital Expenditure

- i. Supported Capital Expenditure (SCE) allocations, issued by Government Spending Departments, recognise the ongoing need to invest in infrastructure, mainly highway and building, whether that represents maintaining existing facilities (major refurbishment) or providing new facilities to meet new service needs. The Council, theoretically, receives support through the Formula Grant settlement for funding the revenue costs associated with financing capital expenditure up to the SCE limits (2009/10 SCE allocations are detailed in paragraph 3.1.21). However, it should be noted that this support feeds into the "Needs Element" of the Formula Grant assessment (see paragraph 3.1.5). Increases in this element of the grant allocation formula simply reduce the element of floor protection and do not produce any further grant. Some of these allocations are reviewed in performance assessments.
- ii. The Council continues to review its operational assets and any that are identified as being surplus to operational requirements will be examined with a view to either generating a capital receipt or, where practicable, developing a use for the asset that generates an income stream whilst retaining ownership of the asset.

### 3.1.21 Supported Capital Expenditure Allocations

The Council has received the following SCE allocations to date.

	<b>2008/09</b>	<b>2009/10</b>
	£m	£m
Children, Families & Schools	3.397	3.487
Transport (LTP)	2.821	2.962
Personal Social Services		
	6.218	6.449

### 3.1.22 Capital Grants

The Council has been notified of the following Capital Grants to date that will be used to support the Capital Programme.

	2008/09	2009/10
	£m	£m
School Devolved Formula Capital	2.180	2.130
Children, Families & Schools - Schools	3.084	5.429**
Children, Families & Schools – Play Equipment		.500*
DEFRA (Waste Infrastructure)	0.285	0.284
Transport – LTP	0.508	0.482
Transport - WERR		
SEERA - Parking		
Health	0.150	0.150
Disabled Facility Grant	0.270	0.312
Building Safer Stronger Communities	0.061	0.061
	6.538	8.848

### 3.1.23 Treasury Management

The Council is required to consider and approve, under part 1 of the Local Government Act 2003, various Treasury Management issues and indicators. In addition, the Secretary of State for Local Government issued a Statutory instrument in 2004 requiring the Council to consider and approve an Annual Investment Strategy including agreeing appropriate investing bodies. In the light of the “banking crisis” that was experienced in 2008 Cabinet received a report in October confirming the more cautious approach that had already been adopted in terms of approving the list of institutions that the council is prepared to lend money to. That report was updated with a further review to Cabinet last month when the decision was taken to reinstate UK based Building Societies. The list of approved leading institutions, along with the Treasury Management Prudential Indicators is included as Appendix I.

3.1.24 Appendix I to this report sets out the appropriate policy statements required and the Council is recommended to adopt these for 2009/10.

### **Council Tax for 2009/10**

3.1.25 The Borough has, for a number of years, set budgets which have attempted to keep council tax increases to a sustainable level as far as the Council Tax payer is concerned.

3.1.26 Although Council Tax decisions for 2009-10 are being taken as this report is being prepared it is anticipated that the Council Tax proposed will make the Boroughs Band D Council Tax the lowest of any Unitary Authority in England. It is likely that of the 388 Local Authorities in England that levy Council Tax only 9 London Borough’s will set a lower charge

3.1.27 The Borough Council Tax in 2008/09 at £1017.88 for a Band D property was some £115 below the national average for all unitary councils and at the current tax base the difference represents some £7.4m of Council Tax income.

3.1.28 This shortfall will continue to have an impact in future years because the revenue generated locally from Council Tax will also fall short of the level assumed by DCLG when allocating grant. The Council, in setting its longer-term objectives, is conscious that this results in added pressure on service provision as the Borough aims to meet specific service objectives funded by Council Tax. A strenuous efficiency programme will be put in place to ensure that future plans are met.

3.1.29 While the Government no longer publishes an assumed level of Council Tax, the Institute of Public Finance analysed the 2007/08 settlement and assessed that the grant calculations equalise resources using an assumed Council Tax (at Band D) of £1,115 (£1,200 at current prices). The high level of assumed Council Tax income is the main reason for the low grant settlement.

3.1.30 The tensions associated with the Borough’s relatively low level of Council Tax are explained above. However, not only is it the Council’s policy to set Council Tax increases at a level below RPI (preceding September), the DCLG and the

Exchequer retain powers to 'cap' Council Tax excessive increases.

3.1.31 Ministers have made a number of public statements that they will use these powers to cap unreasonable increases. As usual, the Minister for Local Government will not be issuing precise capping criteria in advance, but has made it known that the Government expects Councils to keep increases in Council Tax significantly below 5%. Authorities that disregard this advice will be at risk of being capped and this would incur additional costs of re-billing.

3.1.32 The outcome of this Council's approach has enabled the levels of Council Tax, as proposed in the medium term financial plan, to be reviewed without impact on service delivery. As a result, an increase of 1.9% is subsequently proposed which is well below the benchmark of September 2008 of RPI, which is used to determine the increase in pensions and benefits announced by the Treasury for next year (5.0%).

3.1.33 The Council Tax bill for 2009/10 will comprise the following elements:

- Royal Borough Council Tax
- Thames Valley Police Authority Precept
- Royal Berkshire Fire and Rescue Service Precept
- Parish Precept (Special Expenses in non-parished areas)

The inclusion of other precepts on the Council Tax bill will mean that there will be some variation from the increase shown by the Borough's own Council Tax increase and this in turn will vary from one parish to another.

3.1.34 Royal Borough's Council Tax

The figures shown in Appendices attached to this report indicate an increase of 1.9% in the Band D Council Tax for the Royal Borough's services.

3.1.35 Thames Valley Police Precept

The Thames Valley Police Authority precepts directly on this Authority. The precept for 2009/10 was set by the TVPA on **xxx** February 2009 at **£xxx** per band D and it will be paid in instalments on agreed dates. This compares to a precept of **£xxx** at band D in 2008/09, an increase of **£xxx**.

3.1.36 Fire Authority Precept

The Berkshire Fire and Rescue Authority precept for 2009/10 was set by the BFRA on **xx**th February 2009 at **£xxx** per band D and it will be paid in instalments on agreed dates. This compares to a precept for 2008/09 of **£xxx** and band D, an increase of **xx**%.

3.1.37 The Parish/Town Council Precepts and Special Expenses

- The Parish/Town Councils have been informed of their relevant band D

equivalents and notifications have been received from most parishes of the amounts of their precepts. The precept amounts are tabulated in Appendix G.

- So far as actual payment of the precepts is concerned, the charging authority must determine a schedule of instalments, which must provide that at least 50% will be paid within one month of the start of the financial year, and the remainder paid within six months of the start of the year.

It is suggested that equal instalments on 26<sup>th</sup> March 2009 and 20<sup>th</sup> September 2009 would be an appropriate arrangement for 2009/10

- Special Expenses is the term applied to the costs of those services undertaken by the Royal Borough in non-parished areas, which would be carried out by the Parishes in their parts of the Council's area. It is suggested that the band D for Special Expenses be set at £33.46, which represents an increase in line with the average Borough Council Tax increase.

### 3.1.38 Total Council Tax Collection Fund Requirement

- The total Borough requirement in 2009/10, shown in the summary at Appendix D, is £67,174m (£1037.21 per band D equivalent) relates to General Expenses. In addition there are Special Expenses of £1.102m (£33.46 per band D equivalent), which relate to the un-parished areas. These figures are, of course, subject to the decisions made by the Council at this meeting.
- It is necessary, when the Council makes the formal calculation of the amount required by way of Council Tax, for gross expenditure and income figures to be stated and the resolutions detailed in Appendix A reflect that requirement.
- The amounts of Council Tax required for each band of each Parish/Town in the Borough are set out in Appendix A. The 'average' Council Tax for the Royal Borough is £xxx.

### 3.1.39 Other matters

#### i. National Non-Domestic Rates

- The Borough's contribution from the national NNDR pool is £xxx
- Windsor & Maidenhead's assessed payment into the national NNDR pool is estimated at £xxx and an additional £ xxx will be transferred to the General Fund to assist with collection costs giving a total net amount to be collected of £xxx.
- The contribution from the national pool is therefore some £xxx less than what is paid into the pool by businesses in the Royal Borough.
- The Government has fixed the rate poundage for 2009/10 at xx.xxp compared to xx.xxp in 2008/09, an increase of around xx%.

- Businesses with a rateable value below £15,000 are charged business rates at a lower rate in the pound than larger businesses. It has been announced that their rate in the pound next year will be **xx.xxp** compared to **xx.xxp** this year, a rise of **xx%**.

ii. Other Government Grants

The Council receives a number of specific grants that are by definition service specific and therefore included in the appropriate sections of the attached estimates.

iii. Council Tax Base 2009/10

The Cabinet meeting on 18<sup>th</sup> December 2008 approved a Council Tax Base of 64,764.65 for the Borough taking account of property movements, disabled relief and non-collection. This tax base has been used in calculating the charges shown for each bank in each parish/town.

iv. Technical Adjustments

This report is prepared on the basis of Direct Costs. Prior to the publication of the Budget Book a number of adjustments will be made to ensure that published figures comply with the 'Total Cost' concept required by accounting regulation to ensure costs are comparable with other bodies. A reconciliation between Direct and Total Cost budgets will be included in the Budget Book. The Council will continue to perform its budgetary control against the Direct Cost budgets approved in this report.

The technical adjustments will include:

- FRS17 – Current Pension Costs, Notional Pension Costs;
- Capital Accounting – a depreciation charge will appear in the revenue account which is not passed on to the Council Tax payer, a compensatory adjustment being made in a separate line in the Revenue Account.
- Management Recharges – the cost of support services will be recharged to Services.

## **The Medium Term Financial Plan and Future Challenges**

### 3.1.40 The Medium Term Financial Plan

The Council is required to prepare and publish a three-year plan for its revenue budget. This is shown at Appendix J and includes:

- Projections of the full year impact of Council spending decisions;
- Projections of the full year impact of external influences on the Council's budget;

- Revenue costs of financing the capital programme;
- Best estimates of future inflation, pay awards and pension increases.

#### 3.1.41 Revenue Budget

There are several issues which the Council will need to address and on which the Medium Term Financial Plan has had to make assumptions:

- i. The future level of floor protection in the formula grant. For 2009/10 and beyond it has been assumed that the floor protection allowing minimal increases in grant will continue for those local authorities like the Royal Borough that still need it.
- ii. Increasing demand for those services which are heavily influenced by demographic trends or by other external influences such as hospital discharge rates.
- iii. Increasing responsibilities for environmental measures introduced by Central Government
- iv. The future direction of travel for interest rates is by no means certain.

#### 3.1.42 Capital Resources

The Council has a policy of financing its capital programme that limits the impact on the revenue budget. To this end it will:

- i. Maximise the benefit of sales of surplus assets either to generate capital receipts or alternative income streams;
- ii. Maximise the yield from Developer Contributions;
- iii. Identify and use new sources of finance to fund capital projects provided they are cost effective;
- iv. Make revenue provision, channelled through the Capital Fund, for recurring capital expenditure including computers and equipment for leisure centres;
- v. Endeavour to use other sources of external financing only where the annual costs are covered by additional income by way of fees and charges, rent or government grant.

#### 3.1.43 Capital Programme

The Council will need to develop a capital investment strategy which will:

- i. Identify the life of its capital assets and plan for the replacement of those which are fundamental to its core services.
- ii. Categorise its capital projects into those which, because of their importance, must be financed from corporate resources and those which, although

important, will need to secure specific funding, e.g. by Developer Contributions or Grant.

- iii. Review levels of annual provisions in this programme and develop a plan to move them into the revenue budget.
- iv. Invest in projects that will produce savings or income in subsequent years.

#### 3.1.44 Government Funding

Whilst not as reliant as many local authorities on Government Funding, support through the Formula Grant mechanism is clearly very important. Funding levels have been 'guaranteed' for the next 2 years but 2011/12 brings the outcomes of a new Comprehensive Spending Review which will inevitably reflect the impact of the current economic crisis on the availability of Government funds. It is difficult to speculate what might happen to levels of funding. The MTFP currently assume a continuation of the current minimal annual increase although it is possible that grant would be frozen or even subject of a reduction.

This is further justification for the Councils approach to manage its reserves so that the impact of any reduction in funding on services can be minimized.

#### **Report by the Head of Finance**

The Head of Finance as the Council's chief finance officer is required, under s25 of Part 2 of the Local Government Act 2003 to report to the Council on the robustness of the estimates and the adequacy of its financial reserves.

- i. Robustness of the Estimates
  - a. The Revenue estimates have been drawn up using 2008/09 as a base and adjusting that base using best estimates of known changes.
    - Inflation, pay awards and staff increments
    - Revenue effects of the capital programme
    - Changes in specific grant income
    - Unavoidable increases in costs
    - Changes in income from fees and charges
    - Policy commitments of the Council
    - Changes in services resulting from statutory changes.

The Financial impact of the above has been calculated using the best estimates available to the Head of Finance and his staff.

Each director is satisfied that the resources proposed in this budget would, if approved by Council, be adequate for them to fulfil their duties and deliver the policies of the Council.

- b. The Capital Programme has been compiled using reasonable estimates

of costs. These estimates are based on:

- Schedule of rates
- Tender sums
- Market rates for similar work
- Scales of charges for professional fees
- Income from sales of surplus capital assets and developer contributions
- Income from Government grants.

The size of the Capital Programme has been determined by the resources available to finance it.

c. Adequacy of Reserves

As stated above, the Head of Finance considers that the level of revenue reserves proposed in this budget are adequate for the Council's needs provided that rigorous control of expenditure against budgets is maintained during the next financial year.

3.1.45 Both the Capital Programme and the Revenue Budget represent the financial impact of the existing policies and strategies of the Council.

3.1.46 A sound financial strategy is essential to the delivery of all the Council's services. Cabinet on 25<sup>th</sup> October 2007 approved the current Financial Strategy which underpins the budget proposals in this report.

The budget contributes to all the Key Themes and Guiding Principles of the Community Strategy.

#### 4. OPTIONS AVAILABLE AND RISK ASSESSMENT

##### 4.1 Options

	Option	Comments	Financial Implications
1.	Approve the proposals in this report		Revenue Capital
2.	Approve a modified budget with a higher level of revenue spending and Council Tax		Revenue Capital
3.	Approve a modified budget with a lower level of revenue spending and Council Tax		Revenue Capital

## 4.2 Risk assessment

- 4.2.1 All measures proposed in the budget have been subject of a risk assessment both in terms of deliverability and service impact. The assessment of General Fund Reserve includes an assessment of the financial impact of a range of economic and environmental factors which may impact on the Councils budget.

## 5. CONSULTATIONS CARRIED OUT

### 5.1 Consultation with Representatives of Non-Domestic Ratepayers

Consultations have taken place with the local Chambers of Commerce. Separate meetings were held with representatives of both Chambers of Commerce in February 2009. The Leader of the Council and several Cabinet Members attended, together with Officers. The meetings served to confirm the good relationship already established with those bodies and the measure of confidence that has been built up over the years.

## 6. COMMENTS FROM THE OVERVIEW AND SCRUTINY PANELS

### Adult, Community Services and Health

The Panel expressed a general concern regarding the number of posts that were shown to be deleted but were reassured that there would be no significant effect on service delivery and that front-line staff were to be preserved.

### Planning & Environment

Resolved that the report be recommended to Cabinet for approval, subject to the title on Budget Savings to be headed 'Description of Saving/New Income Streams', and that the figure for Council Tax levy, Band D property 2009/10 on the Direct Cost Summary be the correct version. That a £15,000 Planning saving be achieved by only using advertising when legally necessary and re-negotiating the deal for placing advertisements.

### Children's Services

The Panel was reassured that the proposed budget savings in the Youth Offending, Inclusion and Area and Safeguarding teams would not result in any loss of frontline services. The savings would come from revised administrative support arrangements. In relation to the Capital Programme no requests for re-phasing were made. The Panel also noted the significant capital investment in children's services.

### Corporate Services

A report will be given orally as the Panel did not meet until after the Cabinet agenda was published.

## 7. IMPLICATIONS

The following implications have been addressed where indicated below.

Financial	Legal	Human Rights Act	Planning	Sustainable Development	Diversity & Equality
✓	✓	N/A	✓	✓	✓

### Background Papers:

The main guidance on the Budget is the Revenue Support Grant settlement 2009/10 that was issued by the Department for Communities and Local Government on 21 January 2009. There is no specific national guidance on the Capital Programme or on those Fees and Charges that are within the discretion of the Council.