

REPORT TO CABINET

Title: **BUDGET REPORT – NOTIFICATION OF PROVISIONAL SETTLEMENT FOR 2010/11**

Date: 17 December 2009

Member Reporting: Councillor Kellaway

Contact Officer(s): Andrew Brooker, Head of Finance, 01628 796341

Wards affected: All

1. **SUMMARY**

- 1.1 The preliminary budget report presented to Cabinet in October set the context for discussions that have been held over the past weeks as part of the process for setting the Budget for 2010/11 which will go to Cabinet on 11th February 2010 and Council on 23rd February 2010.
- 1.2 On the 25th November 2009 Barbara Follett MP announced the provisional Formula Grant Settlement figures for 2010/11. The Formula Grant was reported as £18,798,679 an increase in formula grant on a like for like basis of £277,813 or 1.5%.
- 1.3 As this settlement was the final year of a three-year settlement the announcement simply confirmed the allocation already built into the Council's spending plans

2. **RECOMMENDATION: That The content of the Report be noted**

What will be different for residents as a result of this decision?
Residents can be assured that members have all relevant information necessary to provide a context for their budget discussion over the next few months. The Council can deliver a sustainable budget within available resources whilst maintaining its commitment to set low Council Tax levels.

3. **SUPPORTING INFORMATION**

Background

GOVERNMENT SETTLEMENTS

- 3.1 2010/11 is the final year of a current 3-year settlement. As for the current year there is some movement of specific grant to area based grant expected but whilst these are still in debate, they should be cost neutral. One exception is a new area based grant in respect of preventing extreme violence £195k for which an equal value growth is submitted, as most of this grant is distributed to our partners.

3.2 The anticipated increase is 1.5% in 2010/11, which is approximately in line with our expected increase in the inflation on council run services. The Formula Grant methodology continues to assume that Councils will deliver 3% cash releasing efficiency measures. Since the 'Gershon' targets were introduced, the Borough has remained ahead of its cumulative targets; in common with most other authorities the ability to continue to meet this repeating target will become increasingly challenging.

3.3 The provisional formula grant is summarised as:

	2009/10 £'000	% Increase	£'000	20010/11 £'000	% Increase
Formula Grant Base	18,257			18,536	
Floor Increase		1.75	278		1.5
Technical Adjustments	279		-15	263	
Formula Grant	18,536			18,799	
Area Based Grant	5,445			7,144	Note 1
Total External Support	23,981			25,943	

Note 1 – The main elements of this movement are the transfer of Supporting People Grant to ABG from specific grant (£1.723m), the one year introduction of preventing extreme violence grant (£195k), the introduction of a new responsibility for Economic Assessment (£65k) and the phased reduction of the Extended Schools Start Up Grant (£341k reduction)

3.4 Members will be aware from previous reports that the Formula Grant allocation includes an assessment of spending need in the Borough together with an assessment of the Boroughs ability to raise income, through Fees & Charges and Council Tax, locally. When this methodology was introduced in 2006/07 years ago it resulted in the potential for the Borough to lose a significant proportion of its grant this was exacerbated by data changes introduced in 2008/09 which had a significant impact of most authorities in SE England. A damping mechanism was introduced which guaranteed a cash increase for all authorities over the settlement period that has come to an end. The £18.799m Formula Grant shown above includes £8.719m of "Floor Damping" . Whilst Ministers have gone on record to say that "damping is here to stay for the foreseeable future" there have been no indications about the levels of protection beyond 2010/11. Current projections are based on a 3% reduction in cash terms in the level of support but clearly there is a degree of speculation about what the next 3-year settlement might deliver.

BUDGET PROGRESS

- 3.5 Cabinet has received reports at its last two meetings which have outlined the emerging pressures to be addressed in the 2010/11 Budget and the savings proposals designed to address the Councils ambitions in terms of reducing the Council Tax burden on residents. Where any of those savings have required negotiations with staff those negotiations are under way so that all necessary measures are in place for April 2010
- 3.6 The report to Cabinet in February 2010 will detail the Capital Programme and confirm the fees and charges to be levied from April 2011.
- 3.7 Elsewhere on this Agenda the Council Tax Base for 2010/11 is set.
- 3.8 In creating the budget so far a number of assumptions have been made about levels of inflation; pay awards, demographic pressures etc. These assumptions were reported to Cabinet In October and will be kept under review between now and the final decisions about the Budget and levels of Council Tax in February

4. OPTIONS AVAILABLE AND RISK ASSESSMENT

4.1 Options

	Option	Comments	Financial Implications
1.	Accept the report	This report is for information and explains what factors affect the budget making decision	Contained within the report
2.	Reject the report	This is not an option. The Council is required to complete its Council Tax making process	

4.2 Risk assessment

- 4.2.1 This report is for information and no new risks arise as a result of the report

5. CONSULTATIONS CARRIED OUT

- 5.1 Budget proposals are being guided by Manifesto commitments made before the May 2006 elections
- 5.2 This report is an information item, the Department for Communities and Local Government is consulting the Borough on its proposals but as these confirm announcements made 3 years ago there seems little merit in engaging in this consultation.

6. COMMENTS FROM THE OVERVIEW AND SCRUTINY PANEL

- 6.1 Comments awaited from meeting on December 10th

7. IMPLICATIONS

7.1 The following implications have been addressed where indicated below.

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

Background Papers: Preliminary Budget Report Cabinet 22nd October 2009
Budget Report – Update 25th November 2009