

REPORT TO COUNCIL – RECOMMENDATION FROM CABINET

Title: **BUDGET 2010/11**

Date: Cabinet – 11th February 2010
Council – 23rd February 2010

Member Reporting: Cllr Richard Kellaway

Contact Officer(s): Andrew Brooker 01628 796341

Wards affected: All

1. SUMMARY

- 1.1 This report contains proposals for the budget for 2010/11 and recommends a Council Tax reduction of 4.0% which confirms that the Borough's Council Tax remains one of the lowest in England. The budget reflects the administration's commitment to keep the Council burden on local residents to a minimum.
- 1.2 The administration has continued to maintain priority services. A number of services have restructured in order to deliver cost reductions.
- 1.3 Fees and Charges levied by the Council remain largely unchanged in these budget proposals.
- 1.4 Pressures remain from the recent national economic downturn, which have had an impact on services and the return on investments. Some specific provisions have been made in the budget in this respect and the assessment of reserve reflects a continued risk from economic factors for the near future.
- 1.5 The Capital programme provides funding for the completion of the Holyport Manor School Reprovisioning and associated Community facilities, refurbishment of the Windsor relief road, and funding for the Windsor Parking Strategy.

2. RECOMMENDATION

- 2.1 **That the detailed recommendations contained in Appendix A, which includes a Council Tax reduction for the coming year at 4%, be approved.**
- 2.2 **That the Head of Finance in consultation with Lead Members for Finance and Children's Services, is authorised to amend the Total Schools Budget, to reflect actual level DSG levels, once the outcome of the pupil census is known**
- 2.3 **That the Fees and Charges shown in Appendix F be adopted by the Council for the year commencing April 2010.**

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What will be different for residents as a result of this decision?
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The Council expects that Residents will be paying the lowest council tax of any Unitary Authority in England and will, in particular, see a reduction in their council tax making those living in a band D property, for example, £41 a year better off.
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3. SUPPORTING INFORMATION

Background

The Budget Process

3.1 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.

- Preliminary Budget Report (Cabinet October 2009)
- Budget Update (Cabinet November 2009)
- Budget Report – Notification of Provisional Settlement for 2010/11 (Cabinet December 2009)
- Council Tax Base (Cabinet December 2009)
- Fees and Charges (Cabinet February 2010)
- Examination of Budget Proposals (Overview & Scrutiny Panels January 2010)
- Budget Report 2010/11 – Revenue Budget and Capital Programme (Cabinet February 2010)

3.2 At its meeting in December 2010, Cabinet

- approved the Council Tax Base for 2010/11 and
- received a report summarising the Council's provisional RSG settlement for 2010/11

3.3 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

Overview

3.4 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
- 3.5 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 14 January 2010.
- 3.6 The Council has announced the principle that Council Tax increases will be at a level below inflation, as measured by RPI in the preceding September (the measure used for state pension increases).

Methodology

- 3.7 Formula Grant methodology is included in Appendix K. The allocation for 2008/09 was the first of a three-year settlement so the announcement of grant for 2010/11 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 K), such as the Royal Borough would be guaranteed funding increases of 1.5% in 2010/11 (down from 1.75% in 2009/10 and 2% in 2008/09)
- 3.8 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. Whilst the Minister for Local Government has previously given an assurance that floor protection will feature in settlements to 2012/13 the December Pre Budget Report clearly indicated that public services will be under pressure from 2012/13 and onward to deliver even greater efficiencies.
- 3.9 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.

General Fund Reserves

- 3.10 The original Budget for 2009/10 envisaged no contribution to or from reserves. Taking account of the likely out-turn for the current year, reserves are estimated to be £5.4m, including economic contingency reserves.
- 3.11 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 J 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.

- 3.12 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 (General Fund and Economic Contingency Reserve) exceeds that target, no contribution to reserves, is planned in this year's budget.

Council Tax Collection Fund Balance

- 3.13 The Council must also declare the likely balance on the Collection Fund at 31st March 2010, as estimated on 15th January 2010 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 balance, and on the appointed day he declared a deficit of some £0.6m. The Royal Borough's share is some £0.5m. This current deficit is due to an increase in bad debts over the past two years.

2009/10 Approved Budget

- 3.14 Service costs are expected to exceed those budgeted by some £1m. In services the most significant variations being the increased spend on Safeguarding Children which follows national trends.

Contingencies

- 3.15 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 2010/11. 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 become a supplementary budget allocation.

Vacancy Factor

- 3.16 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 Adult and Children's Services budgets and now stand at £1.35m or 6.2% in 2009/10. Those vacancy factors will reduce to £1m or 3.6% of relevant budgets in 2010/11 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.

Budgetary Control

- 3.17 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, reported as a separate report elsewhere on this agenda.

Economic Recession

- 3.18 The Royal Borough has experienced some of the pressure it foresaw when it set its 2009/10 budget. Housing Benefits claimants have increased, delays have occurred in debt recovery and the continued low interest rates have all put pressure on the Council's finances. However, by far the greatest pressure has arisen in Safeguarding Children. Some of this pressure is due to the recession but the baby Peter case has raised the profile of this area which now shows unprecedented levels of demand.
- 3.19 To counter the budgetary pressures the Council has approved the part use of the Economic Contingency fund which it set aside last year. The pressures do, however, still exist and are expected to remain for at least partway into 2010. The Chancellor of the Exchequer's December 2009 Pre Budget Report supports this view.
- 3.20 The council's reserves remain relatively healthy and the intention is to continue to utilise reserves to meet short term financial pressures whilst maintaining low Council Tax increase and preserving service provision.
- 3.21 At this point the 'Economic Contingency' reserve is anticipated to be £1.339m by the end of the year and it is envisaged that this level will remain sufficient to protect front line services against the impact of further economic uncertainty in 2010.
- 3.22 Last years budget report was constructed on the basis that we were facing a 24 month recession. Should the recession extend beyond that period the Council will consider more service specific action to keep the Council's budget in balance.

Service Requirements 2010/11

- 3.23 The Preliminary Budget report presented to Cabinet in October outlined the approach taken to create the proposed budget for 2010/11.
- 3.24 Service pressures contained in Appendix H were approved by Cabinet at its October meeting.
- 3.25 Cabinet approved a number of savings proposals at its October and November meetings totalling £6.83m. As staff consultations were in the early stages at that point some proposals were summarised. Consultations are now largely complete and therefore more detailed savings proposals are now contained in

Appendix H. These proposals enable the Council to meet the challenges posed by service pressures within the proposed available funds.

- 3.26 The Formula Grant Settlement gives an additional £263k in formula grant, whilst the proposed reduction in Council Tax (net of changes in tax base) contained in this report will reduce revenue £2.459m.
- 3.27 Appendix E shows detailed Revenue Estimated for each service division.
- 3.28 Appendix G provides an analysis of the movement between the Original Budgets for 2009/10 and 2010/11.
- 3.29 Some of the budget proposals will have an impact on staff both in terms of numbers and the nature of the work they do. The Council has a well documented redundancy policy and process and full consultation with those affected has taken place. Whilst the Council will take every opportunity to redeploy staff it is inevitable that the Council cannot accommodate all those affected.
- 3.30 Whilst the consultation for the Resources restructure is ongoing, it is anticipated that some 88 posts will be removed from the authorised establishment. The cost of redundancy and possible superannuation implications is estimated at £1.98m. The savings accruing from the removal of these posts is £2.44m, used to support proposed Council tax levels, is recovered in less than a year. Recent changes in legislation require the Council to account for these costs in the year payments are made. However, the Council can use accumulated reserves to cover its liability.
- 3.31 The detailed revenue estimates set out in Appendix E are based on direct costs i.e. before the allocation of overheads and finalising a number of more complex services restructures. 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 fully comply with accounting standards it is proposed that the Head of Finance be authorised to apportion overheads across services and to incorporate the results of all the restructures 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.
- 3.32 The assessment of the level of required Reserves in Appendix J makes some allowance for the impact of the consultation recently issued by the Department of Health entitled Personal care at Home which would, if it came into legislation, provide free home care for service users classed as “critical”, regardless of their financial position. The consultation indicates that this initiative would be effective from 1st October 2010 and would cost the Borough £700k in the first six months, £450k of which would be grant funded leaving a cost to the Borough tax payer of £250k. It is the assessment of officers that the Department has significantly underestimated the cost of this initiative and there is a degree of uncertainty whether this initiative will, in fact, come into force.

Budget

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

3.33 Environment

- Continue to optimise income opportunities both capital and revenue through external funding streams.
- To work with the Council's contractors, partners and external organisations to review opportunities for efficiencies in service delivery.
- Continue to support residents through improved recycling to militate against costs of landfill and landfill tax, and also support the Council's sustainability agenda.
- Complete manifesto commitment to provide 14 Community Wardens.
- 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.

3.34 Children's Services

- 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 (long before baby P) has been supported by the Lead Member. At a pragmatic level, in common with other Directorates we have targeted employee savings based on posts that are currently vacant or occupied by temporary staff. Similarly, several posts that primarily have an administrative function have been deleted. However, this is the second year of such reductions and this strategy is not supportable indefinitely.
- The most significant cost pressures arises from Safeguarded Children with further 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. The Council recognises this as a continuing pressure and has allowed nearly £1.6m in the growth bids to support this area.
- The consequence has been a review of the Children's Service structure to deliver a number of staff savings without a detrimental impact on service delivery. The effectiveness of the change requires the support of partnership agencies such as the Children's Trust.

3.35 School Funding

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.

- RBWM's 2009-10 DSG allocation was £75.873 million. The 2010-11 grant will be determined by pupil numbers in January 2010 but latest estimates suggest an increase in total pupil numbers of around 70 compared with 2009-10. The unit rate on which DSG is calculated is fixed for the period 2008-11 and will increase from £4,193 per pupil in 2009-10 to £4,378 in 2010-11, a rise of 4.4%. This compares with an increase of 3.8% per pupil in the previous year.
- The minimum increase schools can expect to receive in their 2010-11 budgets is 2.1% per pupil, as defined by the Minimum Funding Guarantee set by the DCSF. Once this school guarantee and other unavoidable inflation and contractual pressures have been met, any balance of DSG funding available, known as 'headroom', must be allocated either to schools directly or to central services within the Schools Budget, such as out-of-borough independent special school placements, and central behaviour support services. The allocation of the Schools Budget is the subject of consultation each year with the Schools Forum. The main calls on DSG funding in 2010-11 after uplifting budgets for inflation and adjusting for pupil numbers are:
 - The one-off cost (approximately £700k) of implementing the new admissions policy for rising 5s in reception from September 2010. (DSG generated in future years is expected to cover the full year effect).
 - Any DSG deficit carried forward from the 2009-10. Latest projections suggest the 2009-10 central schools budget may be overspent by £600k. The DSG reserve at the start of 2009-10 was £146k.
 - Continuing anticipated pressures on the out-of-borough special school placements budget
 - An additional cost of around £200k related to the implementation of the new early years single funding formula.

The Council is responsible, in consultation with the Schools Forum, for determining the split of the DSG grant between expenditure on central functions and delegated funding to schools. However, DCSF regulations determine the minimum amount authorities must delegate to schools. Plans to delegate less than this amount must have Schools Forum approval

3.36 Adult and Community Services

- The Council will complete its manifesto promise to provide a museum in Windsor.
- Transforming Social care including the allocation of self-directed support and individual budgets, and the focusing on universal and targeted services for adults will deliver through 2010/11.
- Improve efficiency of commissioning process and delivery of support to those with learning disability.
- Review of Library, Leisure Centre and Outdoor facility arrangement to further improve provision efficiency
- Provision in capital programme LD and Dementia day care centre at Boyn Grove
- Scheme to develop affordable housing in partnership with MDHA at the site of the former Brunel Centre

3.37 Resources

- Cross Council
To the roots review of how the Directorate provides services to its clients will deliver savings of over £1m and provides resilience to future fluctuations in demand. Fundamental review of printing provision, procurement, insurance, staff allowances and expenses will deliver further annual savings
- Housing Benefits
As anticipated there was a sizable increase in the number of housing benefit claims in 2009/10. This is expected to continue and further provision of £94k is provided in 2010/11 to cover the workload. Increased volumes can put at risk performance in the Benefits team which in turn puts at risk levels of subsidy that are currently being recovered from the DWP. This is now acknowledged in the assessment of the need to maintain reserves in Appendix J
- Customer Service Centre
Further growth in the services provided through the CSC is anticipated following the Resources restructuring which is covered through budget transfer.
- Increase the number of transactions that can be carried out on-line

3.38 Planning

- Planning and Development Control
Review the Planning and Development Control processes to improve service efficiency by the use of 'Lean Thinking'

3.39 Policy and Performance

- Service Provision
Cross directorate review to improve service efficiency.
- Member Allowances
Continuous control and monitoring has enabled councillors to agree and accept a reduction in the member payment budget provision.

Interest on Balances

3.40 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 significantly reduced 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. Whilst recent years levels of income actually achieved have exceeded those assumed in budgets the current low interest rates are not returning expected income which has an impact on the Royal Borough's reserves.

3.41 It is clear that the low interest rates are set to continue until at least part way through 2010 and the continued draw on investments to support the capital programme have a marked effect on this income source. This budget assumes that the Royal Borough will earn some £0.7m on its investments in 2010/11.

Environment Agency Levy

3.42 The Environment Agency has notified the Council that it intends to leave its levy unchanged at £10m. Whilst final confirmation is awaited this equates to £133k in 2010/11

Fees and Charges

3.43 Charges in car park Fees and Charges were approved by Cabinet at its meeting in October 2009 and are reflected in this report. Fees and charges remain largely unchanged (i.e. 0% increase) unless a change is recommended as part of proposed savings. The return in VAT from 15% to 17.5% in January 2010 is already included in the 2009/10 base budget for fees and charges. Proposed Fees for 2010/11 are detailed in Appendix F

Capital Programme

3.44 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.

3.45 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 improving the life of its existing assets.

- 3.46 A proportion of the Council's Capital Programme is of a recurring nature relating to 'short-life assets'. 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 provides for this growth in revenue contribution to capital.
- 3.47 The Council continues to actively pursue developer's contributions, which have become an important source of capital funding. However, the recession has had an impact on this funding source as developments continue to slow. The predicted growth in the housing market in 2010 should start to see an increase in these contributions but nothing is certain.
- 3.48 Reduced developer contributions and limited opportunity to generate capital receipts mean that future capital programmes will be funded from existing capital reserves, 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 brought forward a number of significant infrastructure projects as part of its response to the economic downturn. The Governments attention in the next period will inevitably turn to reducing public expenditure which will impact on available capital funds.
- 3.49 Nevertheless provision for a number of high profile schemes are included in the budget notably:
- Completing the re-provision of the Holyport Manor Special School (including) new Community facilities at Cox Green
 - Windsor & Eton Relief Road
 - Windsor Parking and Transport Strategy
 - Conversion of Windsor Guildhall to accommodate new museum
 - Town centre improvements in preparation of Maidenhead regeneration project
 - Further development of Children's Centre
 - Over £1m for repairs to highways, street lighting and bridges
- 3.50 Once approved the capital programme confirms that funding is available to support each of the schemes. However, officers are required to follow the Council's contract and purchasing standing orders and, depending upon cost, formal approval to invite and award tenders is required.

Capital Resources

- 3.51 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 developer's contribution (as the rate of housing and commercial development slows).

- 3.52 Capital Receipts – it is anticipated that the Council will have exhausted its pool of unused capital receipts by 2010/11 with minimum receipts accruing that year.
- 3.53 Developers Contributions (from s106 agreements) – new schemes that attract s106, totalling £1.5m, have been included in the proposed capital programme, the majority of the contributions have already been received
- 3.54 Capital Grants - £30.7m available in 2010/11 including £19.4 from DCSF for school initiatives.
- 3.55 Reserves earmarked for capital purposes – the Borough’s Capital Fund is designed to fund up to £1.3m of short life assets each year.
- 3.56 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.
- 3.57 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 Treasury Management strategy. 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 refinanced rather than repaid. In addition previous years MRP are also included within accumulated investments. The Council currently has £3.8m of this funding available. Over the next 3 years a further, annual sum, of £2.5m of MRP will become available.
- 3.58 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.
- 3.59 The Head of Finance has responsibility to finance the Capital Programme in the most cost-effective way.
- 3.60 All resolutions required to comply with the Prudential System are to be found in the Treasury Management Strategy Report in a separate report considered elsewhere on this agenda.

Supported Capital Expenditure

- 3.61 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 latest 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 and 2010/11 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.

- 3.62 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.

Supported Capital Expenditure Allocations

- 3.63 The Council has received the following SCE allocations to date.

	2009/10 £m	2010/11 £m
Children, Families & Schools	3.487	2.156
Transport (LTP)	2.962	3.226
Personal Social Services		
	6.449	5.383

Capital Grants

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

	2009/10 £m	2010/11 £m
School Devolved Formula Capital	3.913	2.627
Children, Families & Schools - Schools	29.979 ⁽¹⁾	16.124
Children, Families & Schools – Play Equipment	0.500	0.650
DEFRA (Waste Infrastructure)	0.372	0.104
Transport – LTP	0.994	0.700
Transport – relief road	0.450	9.000
Disabled Facility Grant	0.312	0.312
Housing		0.125
Building Safer Stronger Communities	0.061	0.061
Other grants	1.743	0.605
	38.323	30.384

⁽¹⁾ includes £4m Targeted Capital Fund for 14-19 diplomas, SEN and disabilities. £378k Sure Start, Early Years & Childcare Capital Grant and Holyport Manor school replacement support, removed in 2010/11

Treasury Management

- 3.65 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. The 2010/11 position is considered in a separate report on this agenda.

Council Tax for 2010/11

- 3.66 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.
- 3.67 Although Council Tax decisions for 2010/11 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 Unitary Authority in England. When comparing the cost of providing upper tier services, lower tier services and fire and rescue services, of the 388 Local Authorities in England that levy Council Tax the Royal Borough will be amongst the lowest in the country.
- 3.68 The Borough Council Tax in 2009/10 at £1,038.21 for a Band D property was some £154 below the national average for all unitary councils and at the current tax base the difference represents some £9.9m of Council Tax income.
- 3.69 This shortfall continues 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 continuous efficiency review programme through the use of 'lean systems' process is being rolled out to ensure that future plans are met.
- 3.70 The tensions associated with the Borough's relatively low level of Council Tax are explained above. However, not only is it the Council's revised 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.
- 3.71 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 Council Tax rises this year to fall compared to the 3% in 2009/10 and will be at a 16 year low (around 2%). Last year the capping process was applied to a number of authorities which incurred considerable additional re-billing costs requiring further savings to stay within capping limits.
- 3.72 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, a reduction of 4.0% is subsequently proposed

which is well below the benchmark of September 2009 of RPI, (generally used to determine the increase in pensions and benefits announced by the Treasury) was (-)1.4%.

3.73 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.

Royal Borough's Council Tax

3.74 The figures shown in Appendices attached to this report indicate a decrease of 4% in the Band D Council Tax for the Royal Borough's services.

Thames Valley Police Precept

3.75 The Thames Valley Police Authority precepts directly on this Authority. The precept for 2010/11 was set by the TVPA on **XX**February 2010 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 2009/10, an increase of £ **XX**.

Fire Authority Precept

3.76 The Berkshire Fire and Rescue Authority precept for 2010/11 was set by the BFRA on xxth February 2010 at £ **XX**per band D and it will be paid in instalments on agreed dates. This compares to a precept for 2009/10 of £ **XX** and band D, an increase of **XX**%.

The Parish/Town Council Precepts and Special Expenses

3.77 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 I.

3.78 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.

3.79 It is suggested that equal instalments on 30th March 2010 and 30th September 2010 would be an appropriate arrangement for 2010/11

- 3.80 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 £32.10, which represents a reduction in line with the average Borough Council Tax increase.

Total Council Tax Collection Fund Requirement

- 3.81 The total Borough requirement in 2010/11, shown in the summary at Appendix D, is £64,715m (£995.73 per band D equivalent) relates to General Expenses. In addition there are Special Expenses of £1.063m (£32.12 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.
- 3.82 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 D reflect that requirement.
- 3.83 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 £ 33.58.

Other matters

National Non-Domestic Rates

- 3.84 The Borough's contribution from the national NNDR pool is £16.415m
- 3.85 Windsor & Maidenhead's assessed payment into the national NNDR pool is estimated at £XX and an additional £ XX will be transferred to the General Fund to assist with collection costs giving a total net amount to be collected of £xxx.
- 3.86 The Government has fixed the rate poundage for 2010/11 at 41.4p compared to 48.5p in 2009/10, a reduction of around 14.6%.
- 3.87 Businesses with a rateable value below £18,000 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 40.7p compared to 48.1p this year, a reduction of 15.4%.

Other Government Grants

- 3.88 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.

Council Tax Base 2010/11

- 3.89 Since the Cabinet approved a Council Tax Base in December 2009 it has been under constant review to minimise the impact on Council Tax. The most recent review taking account of property movements, disabled relief and non-collection sets the tax base as 64,992.24 for the Borough. This tax base has been used in calculating the council tax for each parish/town.

Technical Adjustments

- 3.90 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. 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.

- 3.91 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.
- Changes to reflect new Directorate structures following review and staff consultation

The Medium Term Financial Plan and Future Challenges

The Medium Term Financial Plan

- 3.92 The Council is required to prepare and publish a Medium Term Plan for its revenue budget. This is contained within the Financial Strategy, considered elsewhere on this agenda, 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.

Report by the Head of Finance

- 3.93 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.

Robustness of the Estimates

- 3.94 The Revenue estimates have been drawn up using 2009/10 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.
- 3.95 The Financial impact of the above has been calculated using the best estimates available to the Head of Finance and his staff.
- 3.96 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.
- 3.97 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.

Adequacy of Reserves

- 3.98 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.

- 3.99 Both the Capital Programme and the Revenue Budget represent the financial impact of the existing policies and strategies of the Council.
- 3.100 A sound financial strategy is essential to the delivery of all the Council's services. The previous strategy was approved at Cabinet on 25th October 2007. This is fully revised and considered for approval elsewhere on this agenda.
- 3.101 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

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

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 PANEL

Children's Services O&SP

- Councillor Mrs Pitteway recognised that in a difficult economic climate cuts to budgets had to be sought. However, she highlighted three areas of concern. These were the planned reduction in unit managers, the review of Education Welfare Officer (EWO) functions and establishment, and the reduction of investment in the contracts team.
- In relation to unit managers, disappointment was expressed at the loss of a valuable post. In response it was confirmed that in order to maintain frontline services difficult choices had to be made. The existing management team would take on some of the responsibilities, and, importantly, capacity beneath unit manager level would also be developed.
- In relation to EWOs, it was noted that the choices advisory function would be provided from within the existing EWO establishment and that it was a vacant half post which is being deleted.
- In relation to contracts it was noted that a decision had been taken corporately to manage Children's Services contracts within the procurement unit.
- In relation to the overall savings, the Lead Member for Children's Services drew attention to the fact that the budget growth in certain services, planned for 2010/11, exceeded the proposed budget savings.
- The significant saving in the home to school transport budget, achieved by renegotiating the contracts, was applauded.
- A member highlighted the cut in Youth Services as a concern, particularly as investment had recently been made in the recruitment of new staff. It was confirmed that frontline services would be unaffected. There were currently five central management/support posts. Through the deletion of vacant posts, this would be reduced to three.
- The future of the Education Advisory Service was a long term concern. It was recognised that the future funding of the service was uncertain and would become clearer following the next new Comprehensive Spending Review.
- No specific comments were offered in relation to the relative ranking of capital schemes.

Adult, Community Services and Health O&SP

- Concern was expressed that the Elderly and Physical Disability budget had reduced when the number of elderly people requiring support was increasing. The Panel were advised that, notwithstanding the increase in demand for the service, savings could be achieved through operational efficiencies.
- Concern was expressed at the effect the loss of front line staff, in particular the deletion of a Day Centre post and an Assistant Care Manager post, would have on the delivery of essential care services. The Panel received assurances that the Council would be able to meet its statutory responsibilities within the budget limits set.

- The reason for the Maidenhead Town Moor phase II was considered to be such a high priority was question. The Lead Member advised that Panel that he would look again at the scheme to ensure that it was prioritised correctly within the Capital Programme.
- It was suggested that the Home adaptations scheme (Line 57 in the Capital programme) should be considered a higher priority in the Capital Programme, particularly as it was to be funded from Government grants.

Planning and Environment O&SP

- Concern was raised over the number of posts being taken out as this could have a possible impact on front-line services.
- That Cabinet considered increasing the priority of the Maidenhead Station – Transport Hub.

Corporate Services O&SP

- To report verbally

7. IMPLICATIONS

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	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 xxxxxx. There is no specific national guidance on the Capital Programme or on those Fees and Charges that are within the discretion of the Council.