

## Revenue Budget Strategy 2009/10 - 2011/12 - Pre-Budget Briefing

### RECOMMENDATIONS

- 1.1 Members are requested to suggest areas for potential savings to be considered as part of this year's budget process.
- 1.2 To note the emerging budget pressures and forecasts for the 2009/10 - 2011/12 budget as highlighted in the Revenue Strategy report to Cabinet on 30 September 2008.

### SUPPORTING INFORMATION

- 2.1 The 2008/09 to 2010/11 Budget report approved by Council on the 3 March 2008, presented a balanced financial position for 2008/09 and 2009/10, and highlighted a financial revenue shortfall ('unidentified savings') of approximately £3million in 2010/11. This briefing contains key highlights from Revenue Strategy report reviewed by Cabinet on 30 September 2008.

#### Forecast Resources 2009/10 to 2011/12

- 2.2 The Government's central grant system determines the majority of the non-schools funding received by local authorities, and from 2008/09 was set on a three-year basis, allowing local authorities to plan with greater certainty than in the past. The next three-year settlement will begin in 2011/12, in line with the Government's Comprehensive Spending Review – CSR. As of now, there is very little information about the Spending Review but it is prudent to forecast that the Council's grant settlement will depend on both the general economic outlook and on the distribution formulae currently being reviewed by the Department for Communities and Local Government. We hope to influence this review in favour of Derby through our membership of SIGOMA and by responding directly to Government on the existing grant distribution system, especially in relation to the existing system of grant 'floors and scaling back' where we are significantly penalised.
- 2.3 Budget forecasts and resource assumptions for 2009/10 and 2010/11, remain the same as those agreed by Council and also includes financial estimates for energy price increases, Treasury Management savings, and new Corporate pressures.

- 2.4 Inflation for 2011/12 has been forecasted to be 2.5%, however if indicative inflation appears substantially greater, we would review in the next budget process.. Given that 2011/12 is outside the current three year grant settlement period (CSR 2007), we have made a prudent assumption of a 2.15% increase in Government Grant for 2011/12 based on the median that other authorities within the SIGOMA grouping have assumed. The range of increases within SIGOMA authorities is 1.5% to 3%, with a median figure of 2.15%. We have also continued to assume a 5% increase in Council Tax in each of the three years.

### **Emerging Budget Pressures 09/10 - 11/12**

- 2.5 Corporate budget pressures include:
- **Energy & Fuel Price Increases** – We had set aside resources in the current budget for 2008/09 for forecasted increases in electricity prices of 20% from October 2008. We now know that this is not enough. Our current best estimates suggest that in 2009/10, we will need to make a prudent provision for an additional £1,325,000 for energy price increases, and £225,000 for fuel price increases in 2009/10. The 2009/10 base budget therefore includes £1,550,000 to meet these energy and fuel price increases. This budget will be managed corporately and distributed to departments in line with increased prices. We are not forecasting any further energy price increases in 2010/11, so the energy inflation budgets previously built into the 2010/11 budget can now be released – these amount to £388,000.
  - **Pension costs 2011/12** – The next revaluation for the Local Government Pension Scheme is due in 2011/12 and we estimate a prudent increase in employers' contributions to be £750,000 a year. This amount has therefore been included as pressure from 2011/12.
- 2.6 Emerging budget pressures affecting specific portfolio areas are shown in Appendix 2. These are based on departmental budget discussions undertaken to date and are only indicative at this stage.

### **Efficiency Savings 09/10 - 11/12**

- 2.7 All Council Departments are being tasked to confirm the achievement of their efficiency savings targets in 2009/10, and identify potential efficiency savings to help meet the revenue budget shortfall in 2010/11.

### **Next steps**

- 2.8 Detailed budget proposals will be developed in line with corporate priorities. Commissions will have the opportunity for a further review of budget proposals as shown by the timetable in Appendix 3.

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<b>Background papers:</b>	Appendix 1 – Implications
<b>List of appendices:</b>	Appendix 2 – Summary of Portfolio budget issues
	Appendix 3 – Corporate and Financial Planning Timetable

<b>IMPLICATIONS</b>
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**Financial**

1. As noted in this report.

**Legal**

2. None arising from this report.

**Personnel**

3. None arising from this report.

**Equalities impact**

4. Effective budget scrutiny will be of benefit to all Derby people.

**Corporate Objectives**

5. The budget process is integrated with corporate planning to ensure alignment between funding decisions and corporate priorities.

## Appendix 2

### Summary of Portfolio budget issues

Scrutiny Commission Portfolio	Relevant Cabinet Portfolio	Emerging budget pressures
Scrutiny Management	Corporate Policy & Economic Development	
Adult Services & Health	Adult Services & Health	
Children & Young People	Children & Young People	<b>Building Schools for the Future</b> - we need to assess the potential costs of supporting the Building Schools for the Future programme through phases 2 and 3, which could mean setting aside resources from 2010/11 onwards.
Community Climate Change	Housing & Public Protection	<b>Carbon Reduction Commitment Scheme</b> - Participation in the Carbon Reduction Commitment Scheme will be mandatory from April 2010, and we are expecting budgetary pressures in the region of £80k from 2011/12.
	Leisure & Community	
	Direct & Internal Services	<b>Waste Landfill Costs</b> – If recycling rates continue to improve from 40% to 50%, and waste volumes remain the same as in the previous 2 years, then we expect to contain this pressure within our medium term financial strategy.

Scrutiny Commission Portfolio	Relevant Cabinet Portfolio	Emerging budget pressures
Planning & Transportation	Planning & Transportation	<p><b>Highways Maintenance Contract</b> – Difficulties encountered with the management of the present and former Highways Maintenance contracts, coupled with a number of other issues including a backlog of patching works, has resulted in a significant financial pressure on the Highways budget. A separate report will be presented to the Cabinet outlining in detail the concerns in this area, and the estimated financial pressure.</p>

**Corporate and Financial Planning Timetable 2009/10**

<b>Date</b>	<b>Activity</b>
September 2008	Early preparation of the Corporate Plan
	Draft service planning guidance issued
30 September 2008	Revenue and Capital Budget Strategies approved by Cabinet.
October 2008	Review of Budget consultation approach used for 2008/09
	Departmental management teams to commence work of improvement priorities, service planning and detailed budget proposals
	Derby Pointer survey on priorities
15 October 2008	Regeneration and Community Revenue Budget Strategy meeting
17 October 2008	Children and Young People Revenue Budget Strategy meeting
17 October 2008	Budget preparation system to be rolled out to accountancy teams
17 October 2008	Oracle to be updated for new portfolios and reports circulated to departments to check
20 October 2008	Environmental Services Revenue Budget Strategy meeting
21 October 2008	Special Scrutiny Management Commission – Budget Strategy
22 October 2008	COG/ AD Workshop - Corporate & Financial Planning (ZD presentation)
23 October 2008	Corporate and Adult Services Revenue Budget Strategy meeting
24 October 2008	Resources Revenue Budget Strategy meeting
31 October 2008	Information back to central team on inflation calculations
31 October 2008	Central team budget spreadsheet adapted for new portfolios
November 2008	Results of Derby Pointer priorities survey
3 November 2008	Planning and Transportation Commission – pre-budget briefing
4 November 2008	Children and Young People Commission – pre-budget briefing
11 November 2008	Climate Change Commission/Community Commission – pre-budget briefing
14 November 2008	Departments to return detailed budget proposals
17 November 2008	Adult Services and Health Commission – pre-budget briefing
18 November 2008	Scrutiny Management Commission – pre-budget briefing
19 November 2008	Full Council – Budget Strategy

Date	Activity
10 December 2008	COG to approve: <ul style="list-style-type: none"> <li>• First draft of the Corporate Plan</li> <li>• Budget consultation pack</li> </ul>
December 2008 – January 2009	Consultation through the Commission, Neighbourhoods and relevant committees/forums on the revenue and capital budget proposals and corporate priorities
13 January 2009	First draft of the Corporate Plan 2009-2012 to be submitted to Cabinet
19 January 2009	Adult Services and Health/Planning and Transportation Commissions budget scrutiny meeting
20 January 2009	Children and Young People Commission and Corporate Parenting Sub Commission/Community Commission and Climate Change Commission budget scrutiny meeting
27 January 2009	Scrutiny Management Commission/Climate Change Commission budget scrutiny meeting
17 February 2009	Council Cabinet considers final draft Corporate Plan, 2009/10 Revenue Budget and Council Tax and budget plans for 2010/11 and 2011/12 recommended to 2 March Council for approval
2 March 2009	Council adopts Corporate Plan and Budget
April 2009	Publishing of service business plans and detailed budgets