

CABINET

Decision Notices and Minutes of a meeting of the Cabinet held on Tuesday, 26th October, 2010 at 5.00 p.m. at the Civic Offices, Telford

PUBLISHED ON MONDAY, 1st NOVEMBER, 2010

(DEADLINE FOR CALL-IN: THURSDAY, 4th NOVEMBER, 2010)

PRESENT: Councillors A.J. Eade (Leader and Chairman), S. Bentley, S.P. Burrell, E. Carter, E.J. Greenaway, A. Lawrence and J.M. Seymour

ALSO PRESENT: Councillors R.K. Austin, G.M. Green and V. Tonks (Opposition Group Leaders)

CB-81 MINUTES

RESOLVED – that the minutes of the meetings of the Cabinet held on 7th October, 2010 and 12th October 2010 be confirmed and signed by the Chairman.

CB-82 APOLOGIES FOR ABSENCE

Councillors M.B. Hosken and S.M. Kelly,

CB-83 DECLARATIONS OF INTEREST

None

CB-84 IRONBRIDGE GORGE MUSEUM TRUST (IGMT) PARTNERSHIP UPDATE

Non Key Decision

Councillor E.J. Carter, Cabinet Member for Housing, Regeneration & Prosperity, presented the joint report of the Corporate Director and the Arts & Culture Manager, which sought support for the progress being made in building up the partnership with IGMT- a key organisation in the local economy - by extending the current loan arrangements to the full 3 year period envisaged in the original cabinet approval report in November 2009.

Members were reminded that Ironbridge Gorge Museums Trust (IGMT) delivered a package of ten award-winning museums spread along the valley beside the River Severn - still spanned by the world's first Iron Bridge. The World Heritage Site, including the Iron Bridge itself, was enhanced by the network of museums celebrating the industrial age and the birthplace of industry with craftsmen, costumed demonstrators and interactive sites that gave the whole area a unique national and international profile.

In November 2009 Cabinet agreed the further development of a partnership between the two key organisations in the local economy and supported the investment with a £0.5m loan to the Trust to be reviewed and extended to the full three years, subject to satisfactory progress in developing that partnership.

The extension of the loan to IGMT would enhance and promote the opportunities mentioned above which were likely to promote the economic, social or environmental wellbeing of the area and were in accordance with the Council Plan. Use of the wellbeing powers in this way was consistent with the guidance issued by the Secretary of State in that regard.

RESOLVED –

- (a) **that the continued development of the partnership with IGMT be supported;**
- (b) **that the 2 year extension to the current £0.5m loan arrangements, as outlined in the report, be approved;**
- (c) **that delegated authority be granted to the Head of Governance to execute all legal documents necessary to give effect to (a) and (b) above.**

CB-85 EXCLUSION OF PRESS AND PUBLIC

RESOLVED - that the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

CB-86 SUBSIDISED BUS ROUTES

Key Decision identified as **Transport Review** in the Forward Plan published on 16th September 2010.

Councillor A.Lawrence, Cabinet Member for Environment & Rural Area, presented the report of the Head of Environmental Services that stated that following a review and route changes earlier in the year, Arriva had announced it would take over a further 3 routes (or part of routes) commercially; thereby impacting on the cost to the Council of providing bus services. That would result in Arriva operating approximately 98% of the Telford bus network commercially. The Council would therefore from November 2010 be responsible for operating the remaining 2% of the network as subsidised services.

The current tenders were due for renewal at the end of October 2010, providing the opportunity to review the subsidised routes.

The total cost in 2009-10 to the council for the subsidised routes subject to retender was explained in the report. The net cost of the new routes as a result of the changes to the network as proposed was also explained to the Cabinet, and there was an estimated saving of £59,588 against 2009/10 actual costs.

A full list of current subsidised and commercial routes was appended to the report together with plans showing the changes to the network.

The financial impact of the recommended changes to subsidised bus services were summarised in the report also.

RESOLVED – that the Head of Environmental Services be granted delegated authority, following consultation with the Cabinet Member for Environment and Rural Area, to accept the tenders for the following bus services:

- I. Introduce a new “65” service to serve North of Wellington and cease the 822 service (para 4.3.1)
- II. Re-let the existing 24 service in Priorslee (para 4.4.1)
- III. Re-let the existing 519 service Newport-Edgmond – Roden-Shrewsbury (para 4.5.1)

CB-87 **CONTRACT FOR IDENTITY MANAGEMENT AND
MANAGEMENT INFORMATION SYSTEM**

Key Decision identified as **Contract for ID Management and MIS** in the Forward Plan published on 16th July 2010.

Councillor S. Burrell, Cabinet Member for Children & Young People, presented the report of the Head of Property & Design, which explained that Telford & Wrekin Council tendered for software and services to meet the needs of schools and learning centres. This particular contract was an opportunity to build on the functionality of the existing provision, strengthen the tools and services available to enhance learning and to satisfy all legislation regarding school census, attendance and assessment data. The objective of the contract was to appoint a supplier to provide a reliable, efficient and flexible service to meet the Authority’s existing and future needs for School integration of ICT. The contract period was for 5 years.

It was explained the Identity Management (IDM) allowed users to ‘log on’ once and then gain access to authenticated software applications (such as learning platform, finance management application, and other interactive learning packages etc) without re-entering logon information. That brought considerable benefits in terms of time taken to authenticate into applications. Management Information systems (MIS) allowed schools to manage and track all pupil data, assessment, timetable, behaviour etc. It was the most critical administration application used in Schools, it removed duplication of tasks and data entry and enabled parents and governors to view data remotely.

The Borough Towns Initiative Sports and Learning Communities ICT Managed Service had the provision of IDM & MIS as essential requirements for all secondary schools that had 'signed up' to the service provision. Procuring the Primary schools solution at the same time delivered considerable economies of scale.

RESOLVED – that delegated authority be granted to the Head of Property & Design, after consultation with the Cabinet Member for Children & Young People, to award the contract to Serco Learning.

The meeting ended at 5.06 p.m.

Signed for the purposes of the Decision Notices

**Jonathan Eatough
Head of Governance
Date: 1st November 2010**

Signed:

Date:

TELFORD & WREKIN COUNCIL

CABINET – 9TH NOVEMBER 2010

**SERVICE AND FINANCIAL PLANNING:
2010/11 FINANCIAL MONITORING
2011/12 FINANCIAL PLANNING**

REPORT OF THE HEAD OF FINANCE

PART A) – SUMMARY REPORT

1.0 SUMMARY OF KEY ISSUES

1.1 2010/11 Revenue

Revenue spending for this year is currently projecting to be within budget at year end despite the budget pressures already being experienced and the in year Government grant cuts announced in the summer.

This is an improved position from the previous report and is after offsetting cumulative service overspends against the unallocated balance remaining in the contingency and includes the benefit of the restructure savings delivered. The key pressure areas are Children in Care with a projected overspend of £1.9m in relation to placements; Specialist Education which is currently projecting to be £0.449m overspent, income shortfalls totalling just over £1m and Adult Social Care purchasing which is standing at £0.817m overspent. On top of this the Council is managing the impact of the in-year Government grant cuts of £3.1m offset by a savings package which leaves a residual shortfall of £0.567m. A number of benefits/underspends are also highlighted, notably relating to Treasury and the benefits of the early work on restructuring and other savings as part of developing the 2011/12 budget strategy which are already yielding additional in year savings. Calls on the contingency already stand at £1.4m and we are clearly aware that the council will have extremely challenging savings targets to meet next year. It is essential that very tight control on spend is exercised for the remainder of the year to protect the much more difficult position moving into 2011/12 as far as possible.

1.2 Capital

The 2010/11 approved capital programme is £120m; to date 18.4% spend has taken place. Robust programme management and monitoring is in place to ensure schemes are delivered. The capital programme over the next few years relies on a significant amount of capital receipts as part of its funding which is also being closely monitored.

1.3 Income Monitoring

Council tax collection and the level of outstanding sales ledger debt are performing better than the same time last year although a little behind the monthly target which is a reflection of the economic climate; NNDR collection is slightly ahead of target. A review of fees and charges will be undertaken to take into account the planned VAT rise to 20%.

1.4 NI 179 / Efficiency Update

As part of addressing the increasing administrative burden central government has been placing on Local Authorities, the Government has announced that the collection and submission of NI 179 Value for Money gains will cease with immediate effect. The requirement to include efficiency information on council tax bills and leaflets will also end.

1.5 2011/12 Financial Planning – Comprehensive Spending Review

The Comprehensive Spending Review announcement heralding the most significant cuts to public spending and services for decades was made on 20th October covering the next 4 years to the end of this Parliament. Amongst the national spending totals across all government departments, this also sets the context within which the Revenue Support Grant and other grant and capital settlements affecting the Council will be determined at the beginning of December. The key points affecting the Council are highlighted in para. 11. The full implications can only be assessed as more detail becomes available and final grant figures are announced in December.

2.0 RECOMMENDATIONS

2.1 Members are asked to note

- (i) that 2010/11 revenue spend is currently projecting to be within budget at year end despite the significant budget pressures being experienced and the impact of the in year Government grant cuts announced.
- (ii) income collection is ahead of target for NNDR and slightly behind target for council tax and sales ledger
- (iii) the update from the Comprehensive Spending Review

2.2 Members are asked to approve

- (i) the application and subsequent virement of the unallocated grants identified by Learning & Achievement into the Safeguarding & Corporate Parenting Service Area detailed in para. 5.4
- (ii) the allocation of the £0.5m earmarked in the budgeted contingency for Children in Care
- (iii) the capital approvals detailed in para. 7.2

- (iv) the savings proposals detailed in Appendix 1 which support the overall financial position
- (v) that Heads of Service review fees and charges to cover the planned increase in VAT to 20% with effect from 1st January 2011

3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	The accelerated savings recommended do impact on specific priorities. These are detailed in Appendix 1.
	Will the proposals impact on specific groups of people?	
	Yes	<i>Appendix 1 shows the proposals</i>
TARGET COMPLETION/DELIVERY DATE	Spend is projected to be within budget at 31 st March 2011. 2011/12 savings proposal accelerated to 2010/11 will be implemented as soon as possible following approval. The medium term service and financial planning strategy will be approved by Council in March 2011.	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	The financial impacts are detailed throughout the report.
LEGAL ISSUES	No	None directly arising from this report. The S151 Officer has a statutory duty to monitor income and expenditure and take action if overspends /shortfalls emerge.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<i>Appendix 1 shows the savings proposals.</i>
IMPACT ON SPECIFIC WARDS	No	<i>Borough Wide</i>

4.0 PREVIOUS MINUTES

04/03/10 – Full Council, Service & Financial Planning Strategy
 10/8/10 – Cabinet, Service & Financial Planning Report

PART B) – ADDITIONAL INFORMATION

5.0 2010/11 REVENUE BUDGET

5.1 Spend is currently projected to be within budget at year end which is after offsetting against the unutilised contingency balance. Overall this is an improved position since the last report - the main changes are highlighted in the table below.

Variations - £m	August Report	Change	Current Projection
Children in Care Placements	1.381	+0.517	1.898
Savings from restructures	-0.394	-0.424	-0.818
In-Year Savings Proposals	-0.465	-0.051	-0.516
Reduced NNDR at school properties	0	-0.178	-0.178
Early Intervention – unapplied grants and tight control of expenditure	0	-0.374	-0.374
Treasury Management	-0.725	-0.099	-0.824
Council Tax/Housing Benefit Subsidy	-0.035	-0.111	-0.146
Grant Reductions	0.407	+0.160	0.567
Other	1.866	-0.178	1.688
Total Projected Variation	2.035	-0.738	1.297
Call on the Corporate Contingency	-2.035	+0.738	-1.297

5.2 Variations of more than £0.100m are detailed in section 5.4 for each Service Delivery Unit. The overall 2010/11 budget position is summarised in the table below which shows the net impact of the in year Government grant loss, the impact of the 2011/12 operational budget savings which can be delivered early and provide a benefit in 2010/11, the 2011/12 savings feeding through from restructuring activities and other Service variations.




2010/11 Overall Position





Service Delivery Unit	Grant Loss £	5% Savings £	Restructure £	Service £	Total £
Safeguarding & Corporate Parenting	91,000	0	0	2,017,908	2,108,908
Learning & Achievement	0	(50,000)	0	280,000	230,000
Regeneration & Housing	172,000	0	0	0	172,000
Early Intervention	102,000	(24,000)	0	(294,000)	(216,000)
Property & Design	0	0	0	300,000	300,000
Economic Development	0	(7,000)	(47,300)	0	(54,300)
Environmental Services	0	(223,000)	(163,000)	85,000	(301,000)
Planning & Transport	0	(3,000)	(71,412)	270,000	195,588
Adult Social Care (Delivery)	0	0	0	593,000	593,000
Adult Social Care (Commissioning)	0	0	0	0	0
Community Protection & Cohesion	(55,000)	(16,400)	(7,000)	0	(78,400)
Customer & Leisure Services	7,000	(95,150)	0	(89,817)	(177,967)
Governance	0	(36,700)	(40,553)	19,334	(57,919)
ICT & Procurement	0	(20,000)	0	74,015	54,015

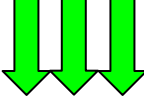




Service Delivery Unit	Grant Loss £	5% Savings £	Restructure £	Service £	Total £
Finance	(9,000)	(26,000)	0	(38,293)	(73,293)
Core Services	240,000	(15,000)	(488,670)	(190,479)	(454,149)
Council Wide	19,000	0	0	(962,572)	(943,572)
Total Projected Variation	567,000	(516,250)	(817,935)	2,064,096	1,296,911
Call on contingency					(1,296,911)







5.3 Services must aim to spend within budget by year end and should have action plans in place to deal with pressure areas. It is important that all variations are reported and underspends are preserved so that the overall budget remains in balance.



5.4 Projected variances over £0.100m are highlighted below.

Key		
£0 to £100k	↑	 Underspend
£101+to £250k	↑↑	 Overspend
£251+to £500k	↑↑↑	
over £500k	↑↑↑↑	
Service Delivery Unit	Projected Variation £m	
<u>Safeguarding & Corporate Parenting</u>		
Children in Care - this cost is based on a total of 280 Children in Care. This reflects the full year impact of the care system entrants during March, any known leavers and latest placements details identified. This may change due to a revision of placement types or length. Regular meetings are in place to review all placements. The £0.500m of the corporate contingency earmarked towards Children in Care pressures is now put forward for approval and would leave a net overspend of £1.398m. A review of placements through external challenge is to be undertaken as part of the Transforming Children's Social Care Action Plan.	+1.898 [Increased overspend]	

<p>Staffing - this Service Unit currently has a number of vacancies, long term sick absences and newly qualified staff. There is a need to use Agency staff to ensure the critical work of this Service is fully covered. The overspend identified is the additional cost of Agency staff above the available budget for staff vacancies.</p>	<p>+0.155 [increased overspend]</p>	
<p><u>Learning & Achievement</u></p> <p>Specialist Education - Additional resources were allocated to this budget as part of the 2010/11 Education Budget strategy to ensure all current placements were fully funded. The overspend is a combination of the cost of placements and a shortfall in income relating to other Local Authority placements.</p> <p>Special Education Placements - Additional resources were allocated to this budget as part of the 2010/11 Education Budget strategy Projections in this area are volatile due to the constant updating of available information.</p> <p>NNDR – reduced costs due to revaluation of school properties</p> <p>School/Premature Retirement/Redundancy Costs - pressure may be experienced on these budgets as the year progresses as a result of the budget pressures being experienced by schools and their subsequent need to reduce staffing where costs fall on the local authority budget.</p>	<p>+0.175m [increased overspend]</p> <p>+0.274m [reduced overspend]</p> <p>-0.178m [increased benefit]</p>	  
<p><u>Early Intervention</u></p> <p>The service area has identified underspends totalling £0.294m through tight control of expenditure, vacancies and unallocated grant funding. It is proposed to review spend within Safeguarding & Corporate Parenting to identify areas where the unallocated grant can be applied so that this benefits the Council's overall position. In addition, the service area has also identified £0.080m towards the in year grant cuts.</p>		

Integrated Childcare Services / Children's Centres	-0.294m [increased benefit]	
<p><u>Property & Design</u></p> <p>Asset & Property Management – there is a projected shortfall of £0.500m relating to rental income due to the continuing high level of voids. This is over and above the £0.400m already allocated from the corporate income/inflation provision. Other costs due to void properties total £0.100m and are also reported as an overspend.</p> <p>The rationalisation of PIP stock and service efficiencies is expected to generate £0.300m.</p>	<p>+0.600 [unchanged]</p> <p>-0.300 [unchanged]</p>	<p></p> <p></p>
<p><u>Planning & Transport</u></p> <p>Planning Fees – shortfall in planning fees due to the downturn in the economy.</p>	+0.200 [unchanged]	
<p><u>Adult Social Care (Delivery)</u></p> <p>Purchasing budgets – In response to benchmarking information and issues raised by their external auditors, the PCT has revised its approach to funding some individuals for the care element of their assessed needs i.e. the part falling to the NHS to fund and termed Continuing Health Care (CHC). The impact on funding responsibilities of the changes made since last Autumn and processes in place around these care assessments is currently subject to a joint review by senior Council and PCT officers. Pending completion of that work the current position is being reflected in this monitoring.</p> <p>Current projections show additional costs of around £1.3m falling on 2010/11 Council budgets as a result of changed care liability assessments for existing clients. Of this £0.7m can be met from a mix of funding budgeted for this purpose plus an ongoing underspend brought forward from 2009/10 leaving a net projected overspend of £0.6m at present which</p>	+0.817 [increased overspend]	

<p>when added to the impact of demography gives rise to the £0.8m overspend. Without anticipating the outcome of the current joint review, this additional cost could grow as further cases are reviewed and new cases come forward in the system.</p> <p>Assessment and Care Management A number of revisions to forecasts particularly in front line worker posts which were expected to be filled, where savings are now accruing in year have resulted in the forecast outturn for assessment and care management being underspent at year end. There is however, the issue of reduced funding from the PCT and Foundation Trust towards staff costs, and discussions are ongoing between Officers and the PCT as described above</p>	<p>-0.148 [increased benefit]</p>	
<p><u>Customer & Leisure Services</u></p> <p>Telford Ice Rink – continued shortfall of income due to the impact of the recession and a fall in attendance compared to last year. There are underspends on employee costs and other supplies and services at the ice rink which part mitigate the overspend together with good performance across other leisure sites, notably Aspirations, due to increased gym membership.</p> <p>Revenues & Benefits – additional admin. grant received to support increased workload</p> <p>Additional employee costs funded from additional admin. grant</p>	<p>+0.194 [increased shortfall]</p> <p>-0.267m [unchanged]</p> <p>+0.149m [reduced overspend]</p>	  
<p><u>Planning Process Costs</u> Technical and legal advice in support of planning decisions</p>	<p>+0.150m [unchanged]</p>	
<p><u>Treasury</u> – benefits mainly from the impact of the re-phasing of capital programme schemes into 2010/11 from 2009/10</p>	<p>-0.850m [increased benefit]</p>	

Council Tax / Housing Benefit Subsidy – reduction in subsidy lost	-0.146m [increased benefit]	
Car Park Income – funding budgeted for loss of income relating to Southwater car park no longer required in this financial year.	-0.120 [unchanged]	
West Midlands Leaders Board – the Council will face a potential one off pension liability of around £0.164m when the Board ceases. This is not currently included in the overall position pending confirmation of the amount being received.		

5.5 **Employee & Operational Savings**

A programme of restructures and service reviews is underway within the Council which aims to deliver 20% savings over the medium term and is vital to mitigate the impact on services to the community as government grant funding is being cut.

Current projections show that £0.818m employee savings are already being delivered in 2010/11 through restructuring which is an increase of over £0.4m since the last report. Service Delivery Units have also identified a range of non-staffing savings proposals which could be delivered during 2010/11 and would generate additional savings of £1.2m - some of this is being used to meet in the year grant cuts which leaves £0.516m net benefit. The proposals are shown in Appendix 1 and are put forward for approval.

Given the anticipated reductions in Government funding in the public sector, confirmed by the Comprehensive Spending Review on the 20th October, it is proposed that in principle the benefit of these savings which are being realised early ie in 2010/11, is built into the 2011/12 Service & Financial Planning strategy.

5.6 **Mid Year Revenue Grant Cuts**

The Government announced cuts in both revenue and capital grants in June 2010. The impact on the Council so far is that £3.1m of revenue grants have been lost in 2010/11 and £0.99m of capital grants.

Officers have maintained an up to date position statement on emerging grant cuts and have looked for ways to absorb the impact within existing budgets by making in year revenue savings, and scaling back the capital programme. The report presented to Cabinet on the 10th August outlined and approved the measures being taken to address the funding shortfall in 2010/11. The latest position is a shortfall of £0.567m which is higher than previously reported due to clarification

that the 50% reduction in LPSA grant is being applied to individual targets and not to the claim as a whole. The shortfall is addressed in the overall financial monitoring position reported above.

6.0 **CONTINGENCIES**

6.1 The 2010/11 budget includes combined contingencies of £2.725m, which are set aside to meet any unforeseen expenditure. The table below shows the current balance remaining in the contingency:

	£m
General Revenue Contingency	1.596
Children & Families Additional Contingency	0.500
Income/Inflation Contingency (£1.5m less £0.871m allocated as part of the budget)	0.629
Total Contingency	2.725
Approved Use:	
2010/11 Insurance Premiums – Cabinet 27 April 2010	0.138
For Approval in this report:	
Allocation of the £0.5m additional contingency to Children in Care	0.500
Uncommitted element of Contingency	2.087
Required to meet 10/11 projected revenue position (£1.297m less the £0.5m allocated above)	0.797
Remaining balance	1.290

As previously agreed service balances have been pulled back centrally creating a one-off contingency of £1m not included above. This will be used to deal with any pressures which would previously have been funded from service balances. It is proposed that any remaining amount in this contingency at year end is used to increase the overall contingency available in 2011/12.

7.0 **2010/11 CAPITAL PROGRAMME**

7.1 The capital programme for 2010/11 totals £120m (including rephasing virements and new approvals). Expenditure at the time of compiling this report was £22m- just over 18% -which is higher than this time last year, and is shown by priority theme in the table below.

Priority	Budget	Spend To Date	%	Projection
	£m	£m		£m
Adult Care & Support	0.552	0.000	0.0	0.552
Active Lifestyles	2.107	0.168	8.0	2.152
Community Protection & Cohesion	3.619	0.700	19.4	2.671

Priority	Budget	Spend To Date	%	Projection
	£m	£m		£m
Children & Young People	51.844	11.922	23.0	45.390
Housing, Regeneration & Prosperity	41.861	6.152	14.7	33.158
Efficient, Community Focussed Council	4.351	0.940	21.6	4.401
Environment & Rural Areas	15.688	2.177	13.9	17.584
Total	120.022	22.059	18.4	105.908

7.2 The following adjustments to the capital programme are put forward for approval:

New Approvals £m:

BSF – additional grant funding and external contributions (£17.2m ICT, £3.6m Madeley Post 16, £2.5m primary capital strategy)	23.343
BTI – additional grant funding	0.075

Reduced Allocations £m:

Harnessing Technology – 50% grant cut in 10/11	-0.345
Integrated Transport – 62% grant cut in 10/11	-0.530

Work is underway to review the financial profiles included in the base capital programme in line with current project plans and any re-phasing required will be included as part of the budget process.

7.3 CAPITAL RECEIPTS

The capital programme funding includes around £80m of receipts anticipated to be delivered over the period 2010/11 to 2014/15. Failure to achieve, or delays to, the receipts will have financial implications for the Council and the position is being closely monitored. The key issues highlighted to date are :

Rail freight	Projected shortfall of £0.5m against the original budgeted receipt of £3.34m; also timing and phasing has altered.
Borough Towns Initiative	Projected overall increase of £0.725m against the original budgeted receipts of £22.2m; also changes to timing and phasing.
Old Park	Projected shortfall of £0.1m against the £0.500m receipt budgeted in 10/11.
Town Centre	Projected shortfall of £0.437m against the original budgeted receipt of £10.205m; but

	changes to timing and phasing have been amended in line with capital receipts.
BSF	Projected increase of £0.450m against the original budgeted receipts of £17.65m; also changes to timing and phasing.
Parks for People	Projected shortfall of £0.275m against the original budgeted receipt of £1.075m.

Over the medium term planning period the projected shortfall is only £0.137m and there are other capital receipts anticipated which will bridge this gap. However within 2010/11 the projected shortfall is £3.304m – the financial impact depends on how the overall programme develops as there could be further re-phasing which would mitigate the need to borrow. The revenue impact has been built into the treasury management projections in this report.

8.0 TREASURY & TAXATION UPDATE

8.1 The strategy for the next few months is to look at opportunities to invest for longer periods in order to optimise returns. Borrowing will be required to fund the substantial capital programme and opportunities will be reviewed as the year progresses to take advantage of the current low interest rates. Treasury is currently outperforming budget by £0.850m to date which is mainly due to the re-phasing of the capital programme schemes into 2010/11 from 2009/10 which has deferred the need to borrow and the continuing low base rate. As part of the prudential code of capital finance, a number of prudential indicators are set each year which specify the thresholds within which treasury activities must operate. These are regularly monitored by the Head of Finance and there are no issues to report.

The Council has been working with Price Waterhouse Coopers reviewing VAT legislation and case law and has been able to identify some VAT refunds. The benefit will however be reduced to some extent by a potential liability in relation to PAYE for School Improvement Officers. Work is ongoing to finalise the position.

9.0 CORPORATE INCOME MONITORING

9.1 The Council's budget includes significant income streams which are regularly monitored to ensure they are on track to achieve targets that have been set and so that remedial action can be taken at a very early stage. The three main areas are Council Tax, NNDR (business rates) and Sales Ledger. Current monitoring information relating to these is provided below. The Council pursues outstanding debt vigorously, until all possible recovery avenues have been exhausted, but also prudently provides for bad debts in its accounts.

- 9.2 In Summary the overall position shows NNDR collection ahead of target and Council Tax and Sales Ledger collection only slightly behind the target for August but ahead of collection at the same time last year.

INCOME COLLECTION – SEPTEMBER 2010			
	Actual	Target	Performance
Collection Levels:			
Council Tax Collection	57.68%	57.71%	0.03% behind target
NNDR Collection	61.77%	60.84%	0.93% ahead of target
Debt Levels:			
Sales Ledger – General	5.59%	4.50%	1.09% behind target
Sales Ledger - ACW	2.4%	2.3%	0.1% behind target

9.3 **Council Tax (£58.7m)**

The percentage of only the current year liability for council tax which the authority should have received during the year, as a percentage of annual collectable debit. The measure does not take account of debt that continues to be pursued and collected after the end of the financial year in which it became due. The final collection figure for all financial years exceeds 99%.

Year end performance 2009/10	97.5%
Year End Target for 2010/11	97.7%

Performance is cumulative during the year and expressed against the complete year's debit. Performance to the end of September is ahead of last year but marginally behind target:

Month End Target	Month End Actual	Last year Actual
57.71%	57.68%	57.51%

9.4 **NNDR-Business Rates (£63.2m)**

The % of business rates for 2010/11 only that should have been collected during the year. This target, as for council tax, ignores our continuing collection of earlier years' liabilities.

The measure does not take into account the debt that continues to be pursued and collected after the end of the financial year in which it became due. As a general rule the final collection figure for any financial year exceeds 99%.

Year end performance 2009/10	98.2%
Year End Target for 2010/11	98.5%

Month End Target	Month End Actual	Last year Actual
60.84%	61.77%	60.54%

9.5 Sales Ledger (£52.0m)

Recovery processes for other income due to the council vary between income billed by Social Services (circa. £27m a year) and the rest which is around £25m a year. Debt below 2 months is classified as a normal credit period.

Adult Social Care

Outstanding Debt	Annual Target %	Sept 2010	
		£'000	%
Total	2.3%	661	2.4%

Despite the level of outstanding debt still being marginally outside of the target, the level of outstanding debt at the end of September has improved significantly on the level of debt outstanding at the end of June where total debt was at 3.6% of turnover-a total of £1.004m. The debt level is expected to continue to improve over the remainder of the year.

Other Council Services

The target percent are set relating cumulative debt outstanding from all years to the current annual debit. The current targets and performance of the general income collection are as follows:

Age of debt	Annual Target %	Sept 2010	
		£m	%
Total	4.50	1.32	5.59

Overall outstanding Sales Ledger debt is 1.09% outside target for other Council Services but ahead of the position at the same time last year.

10.0 NI 179 EFFICIENCY UPDATE

10.1 The Government has announced that the collection and submission of Value for Money gains will cease with immediate effect. Further, the requirement to include efficiency information on council tax bills and leaflets will also end.

10.2 Delivering value for money will continue to be a key priority for Councils which should be managed and delivered at a local level.

11.0 2011/12 FINANCIAL PLANNING

11.1 The Comprehensive Spending Review (CSR) announcement was made on 20th October which sets the financial context within which the Revenue Support Grant and other grant and capital settlements affecting the Council are determined at the beginning of December.

11.2 The key points affecting the Council from the CSR announcements include:

- Real terms reductions of 26% in local authority revenue grants over the next four years. This compares with overall cuts of 8.3% across all departmental budgets excluding benefits and tax credits reflecting the impact of 'relative' protection to Health and schools spending.
- The fall in grant averages more than 7% year on year in real terms, and is significantly front-loaded- targeting 8.4% cuts next year.
- The schools budget, including a range of schools grants previously outside the Dedicated Schools Grant will increase by 0.1% in real terms each year. However this position already includes funding for the £2.5bn pupil premium, so some areas and some schools in all areas will find themselves with real terms cuts where they do not attract much support from the premium. Sure Start will be protected in cash terms only and will be included within a new non-ringfenced Early Intervention Grant.
- There is 'additional' social care funding of £530m in 2011/12, rising to £1bn in 2013/14 however this is already included before arriving at the net cash grant reductions of 8.4% next year etc. so is more presentational than real money. There is also an announcement of a further £1bn of additional funding through the NHS budget to support joint working between the NHS and councils-how this works when it is only available from required savings elsewhere in the NHS remains to be seen.
- Local authority capital funding is cut by the equivalent of 45% over the period, compared with 29% over the whole of the public sector. The flexibilities of prudential borrowing have been retained but interest rates for PWLB borrowing have been increased by 1% with immediate effect. This may have a significant impact on the cost of the Council's capital programme if alternative cheaper market sources of finance can not be identified (estimated at £0.7m pa by 2013/14).
- Grants totalling £7bn have been freed up or un-ringfenced from 2011/12.
- £700m has been set aside to allow councils to set a zero council tax increase for 2011-12, and for councils taking up this offer, the funding will be built into grants for the next four years. This is not additional funding it is just top slicing the funding remaining after the 8.4% cuts next year and distributing it in a different way
- Major changes are proposed to council tax benefit from 2013/14, which will see a 10% reduction in the level of grant received by the Council but local discretions being implemented to reduce the cost of council tax benefit.
- The government has announced the first sixteen areas which will set up pooled budgets across different government departments, and stated its intention that this model of accountability will be rolled out across the country by the end of the Spending Review period.

- The CLG will allocate up to £200m of capital in 2011-12 only to allow councils to restructure their services - for example by capitalising redundancy costs. However, this is likely to only apply to the statutory element of redundancy payments although details of the scheme are awaited.
- Overall Department for Transport grants to local authorities reduced by 28%.
- The Government reaffirmed the commitment to the full rollout of Tax Incremental Funding giving councils the power to use Tax Increment Financing to turn local tax revenue into investment in infrastructure projects. Scheme details are yet to be announced before the possibilities can be assessed .
- The Regional Growth Fund is extended to three years and is increased in size from the £1 billion announced at the Budget in June to £1.4 billion.
- The Carbon reduction trading scheme has been amended to turn it into an additional tax instead so that credits will not be received by Councils which we had previously assumed would offset the purchase cost of allowances estimated at £0.35m. It appears that this gives an additional revenue budget pressure from next year though the scheme is not developed enough to implement until 2012/13 but will then be retrospective.
- Changes being put forward now to contracting out arrangements for both state pensions and employer schemes are likely to increase staffing costs to the council though hard to quantify at this stage.
- Following CSR there have also been announcements of a further review of Building Schools for the Future allocations, revisiting changes only just made in the summer and seeking to potentially identify significant savings across uncommitted schemes.

11.3 The financial implications for the Council are being assessed as best as possible as more detailed information becomes available but the final position on grants for next year will only be known in early December when the Revenue Support Grant Settlement is announced and other impacts such as carbon trading and pensions will wait on further information becoming available.

12.0 BACKGROUND PAPERS

2010/11 Budget Strategy / Financial Ledger reports

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