

Key Decision Required:	Yes	In the Forward Plan:	Yes
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**CABINET
15 DECEMBER 2010**

REPORT OF HEAD OF FINANCIAL SERVICES

A.2 INITIAL BUDGET PROPOSALS FOR A REVISED BUDGET 2010/11 AND ORIGINAL BUDGET FOR 2011/12

(Report prepared by Karen Neath, Richard Barrett and Accountancy)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To set out and seek approval of Cabinet's initial proposals for a balanced General Fund Revenue Budget and Capital Programme for a Revised Budget 2010/11 and Original Budget for 2011/12.

EXECUTIVE SUMMARY

The Initial Financial Strategy was considered by Cabinet on 4 August 2010 which set out an initial forecasted deficit position for 2011/12 ranging from **£1.035m** up to **£1.745m** based on an estimated reduction in government funding of 5% to 10% respectively. A range of variables remained unknown when this initial forecast was made.

In order to review the Council's financial position and set a balanced budget for 2011/12, a number of actions were identified as part of the Financial Strategy process. The Revised Financial Strategy presented earlier on the agenda sets out a summary of the adjustments and outcomes associated with these actions along with other changes that have emerged during the budget setting process. All of these associated adjustments have been included in the detailed estimates presented in this report which are therefore consistent with the Revised Financial Strategy.

Subject to Cabinet's consideration of the Revised Financial Strategy, the detailed budget currently forecast a balanced position for 2011/12 after applying **£2.838m** from the Austerity Reserve and the Service Improvement Budget carried forward via the Revenue Commitments Reserve in 2011/12. This position includes the establishment of an uncommitted Contingency Budget and a Fit for Purpose Budget of **£0.200m** and **£1.548m** across both 2010/11 and 2011/12 respectively. A remaining amount of **£0.500m** remains within the Austerity Reserve at the end of 2011/12 to support the Council in 2012/13.

RECOMMENDATION(S)

- a) That subject to Cabinet's determination and agreement of the Revised Financial Strategy presented earlier in this meeting, Cabinet agrees the initial budget proposals (including fees and charges) set out in Appendix A for consultation with the Corporate Management Committee.
- b) That subject to a) above the Finance Portfolio Holder agrees the special expenses report for consultation with the Corporate Management Committee.
- c) That all future expenditure in 2010/11 be in line with the proposed revised

budget set out in Appendix A, subject to final approval by Council on 8 February 2011, and that the corporate financial system is amended accordingly to reflect these changes along with any amendments arising from the new International Financial Reporting Statement requirements.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Careful planning to ensure financial stability underpins the Council's capacity to achieve the objectives set out in the Corporate Plan and Community Strategy. Individual elements of the Financial Strategy are risk assessed against the aspirations of the Council, as well as statutory service requirements. The approach for 2011/12 builds on previous successful financial planning and is key to the Council's aim to deliver sustainable and joined up services to everyone in the District. This is particularly important in the current climate when resources are scarce and the Council will need to focus even more on identifying and funding its key priorities.

This report will have direct implications on the Council's ability to deliver on the commitments, objectives and priorities set out in both the Corporate Plan and the Community Strategy up to 2016. It will particularly impact on the speed with which the Council can deliver its priorities, rather than the priorities themselves.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are set out in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets, IT etc.

Risk

There are clearly risks associated with forecasting and budget setting. The actions to achieve a fully funded budget, including restricting cost pressures, give rise to the potential for items that have not been funded to emerge or for increases in income etc. not to materialise in reality. This is particularly so given the current economic climate, the reductions in the availability of public sector funding and the Government's programme of change for Councils' services. There is a risk that unexpected items of expenditure could occur or that the Council is forced into making short term decisions in order to balance the budget, that have poor medium to long term implications.

In view of the above it is important that the Council has a sufficient level of uncommitted reserves set aside to support the approach identified in this Strategy. An uncommitted reserve of approximately **£4m** (including the **£1.6m** minimum working balance) has been approved previously to insure against the eventuality of pressures on the budget through additional unexpected expenditure or removal of funding. The level of reserves has been revisited in light of the risks identified as part of the Financial Strategy and also in line with the Council's strategic risk register, and the figure of **£4m** (including the **£1.6m** working balance) is still deemed to be sufficient. The level of reserve currently stands at **£3.9m**

LEGAL

On 30 July, Communities and Local Government published a consultation paper on Local Referendums to Veto Excessive Council Tax Increases. The consultation proposed the removal of the existing legislation regarding the imposition of capping limits to be replaced

with legislation requiring any billing or precepting authority which sets an excessive council tax increase to hold a referendum. The determination of whether a council tax increase was excessive would be determined by reference to principles set by the Secretary of State.

The consultation also proposed the removal of the requirement for a local authority to set a budget requirement. There would still be a legislative requirement for a local authority to set a council tax for the forthcoming year.

The consultation ended on 10 September and further information is awaited.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

These implications have no impact on the budget itself. However, they are taken account of in the delivery of individual services and projects.

Budget Consultation - YouChoose

On 24 September the Local Government Association launched the YouChoose budget consultation model. This is a free tool to enable councils to gather the views of local residents on areas they consider to be spending priorities and where they would be prepared to see cuts.

Tendring District Council has adopted the model and it was launched on the Council website in early November. As at the 23 November 2010, 98 responses had been received with a “snap shot” of the results so far set out in the Revised Financial Strategy included earlier on the agenda.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

Revised Budget 2010/11

The original approved net expenditure budget for 2010/11 was **£23.682m** and after taking account of the use of earmarked reserves of **£1.758m**, the overall budget requirement totalled **£21.924m**. Budget adjustments have been made in line with separate decisions / financial procedure rules as the year has progressed although these have been within the overall budget requirement which has therefore remained unchanged.

Original Budget 2011/12

The Original Budget for 2011/12 is prepared within a Financial Strategy Framework. This framework was set out in the report **“Initial Financial Forecast and Initial Financial Strategy 2011/12 and Beyond”** which Cabinet considered on 4 August 2010. The detailed budget proposals presented for 2011/12 are consistent with this approach which has been revised following additional information becoming available and arising from the detailed budget process. The revised position is set out in the **“Revised Financial Strategy for 2011/12 and Beyond”** included earlier on the agenda.

GENERAL FUND REVENUE BUDGET SUMMARY - 2010/11 REVISED AND 2011/12 ORIGINAL

The 2010/11 revised and 2011/12 proposed estimates are shown in the draft **Budget**

Book (Appendix A, Section B) along with additional detailed figures and notes. These explain significant changes which have been incorporated into the budgets, including all items identified in the **Initial / Revised Financial Strategies**.

An overall summary of the budget position is shown in **Table A** -

Table A

<i>General Fund Budget</i>	2009/10 Actual £m	2010/11 Original £m	2010/11 Revised £m	2011/12 Original £m
Service costs	23.208	23.250	24.796	21.873
Revenue Support for Capital Investment	1.034	0.929	1.590	0.736
Financing Items	(3.075)	(0.497)	(1.582)	(0.822)
Net Expenditure	21.167	23.682	24.804	21.787
Contribution to /(from) Uncommitted Reserve	0.021	0	0	0
Net Use of Earmarked Reserves	0.425	(1.758)	(2.880)	(3.647)
TOTAL BUDGET REQUIREMENT	21.613	21.924	21.924	18.140
Financed by				
Government Grant – NNDR	11.237	(12.399)	(12.399)	(8.380)
Government Grant - RSG	2.594	(1.800)	(1.800)	(1.800)
Council Tax Grant	0	0	0	(0.192)
Council Tax	7.622	(7.645)	(7.645)	(7.688)
Collection fund surplus	0.160	(0.080)	(0.080)	(0.080)
	21.613	21.924	21.924	18.140

General Fund Revenue – Revised Budget 2010/11

The increase in net expenditure between the 2010/11 original and 2010/11 revised budget is **£1.122m**. However this is fully offset by a net increase in the use of reserves of the same amount.

The net change of **£1.122m** within earmarked reserves is mainly due to revenue and capital commitments carried forward between years. Other specific adjustments affecting reserves are set out in later sections of the report where appropriate.

Additional adjustments have also been made in 2010/11 although these have been within the overall original budget requirement of **£21.924m**. These are either one-off items affecting 2010/11 only, or recurring items identified in 2010/11 that also need to be included in the original budget for 2011/12. Significant items have been explained in more detail later on in this report.

General Fund Revenue – Original Budget 2011/12

The reduction in the budget requirement between the 2010/11 original and proposed budget for 2011/12 is **£3.784m**. This relates to the reduction in expenditure arising from the reduction in Government Funding along with the removal of the concessionary fares budget funded previously via a mix of formula Grant and specific grant following this function being transferred to top tier authorities from April 2011. To enable a balanced budget to be set for 2011/12 (based on an assumed settlement figure) ahead of the Tending Spending Review actions and activities that are currently underway, a one-off amount of **£2.838m** has been applied from the Austerity Reserve and Service

Improvement Budget carried forward from 2010/11 via the Revenue Commitments Reserve. This position includes the establishment of an uncommitted Contingency Budget and a Fit for Purpose Budget along with **£0.500m** remaining within the Austerity Reserve at the end of 2011/12 to support the Council in 2012/13.

This position is based on a Council Tax rise of 0% although an additional grant of **£0.192m** has been included following the Governments recent commitment to provide funding to Council's where they freeze Council Tax for 2011/12.

Further details regarding the Austerity Reserve, the Council Tax funding from the Government along with information concerning Priority 1 Cost Pressures included in the budget are set out in the Revised Financial Strategy Report.

The draft budget book attached as **Appendix A** includes these changes along with any other adjustments identified via the detailed budget setting process. Additional information relating to significant items arising from the estimates process are highlighted further on in this report and set out against the following broad headings:

- Items affecting the revised budget for 2010/11 only.
- Items affecting the budgets in both 2010/11 and 2011/12.
- Additional items arising affecting the 2011/12 original budget only.

GENERAL FUND REVENUE – SIGNIFICANT ITEMS AFFECTING 2010/11 REVISED BUDGET ONLY

A significant number of changes have already been approved by Cabinet as the year has progressed which have been included in the revised position for 2010/11 and include:

- Leisure Services Projects – at their meeting of 7 July 2010, Cabinet resolved to save a number of projects as part of the Austerity Plan with an associated transfer of **£0.408m** to the Austerity Reserve in 2010/11.
- Austerity Budget Review and Other Adjustments – at their meeting of 10 November 2010 when they considered the Corporate Budget Monitoring Report as at the end of September 2010, Cabinet approved a number of budget reductions along with additional income in 2010/11 totalling **£1.142m** with a corresponding virement to the Service Improvement Budget.

In addition to the above, a number of further adjustments have been made during the budget setting process. These include the following:

Pension Cost – (£0.065m)

Based on the pensionable pay estimated for the year, which would be subject to the effects of the vacancy freeze, pension costs met by the Council are anticipated to be lower in 2010/11 than originally budgeted for.

Other Adjustments – (£0.100m)

A number of amendments have emerged during the budget process, which include an additional **£0.065m** of recoverable VAT in relation to the “Fleming” ruling compared to the amount included in the austerity budget review figure highlighted above along with a range of smaller adjustments totalling **£0.035m**.

GENERAL FUND REVENUE – SIGNIFICANT ITEMS AFFECTING BOTH THE 2010/11 REVISED AND 2011/12 ORIGINAL BUDGETS

Salaries

2010/11 – (£0.174m) 2010/11 - £0.172m

There is a reduction in salary costs for 2010/11 due to vacancies and the vacancy freeze initiated during the year. The increase in salary costs for 2011/12 is largely due to budgeted increments against a range of posts.

A vacancy provision of **£0.218m** and **£0.491m** remains within the budgets for the remaining part of 2010/11 and for the full year 2011/12 respectively.

Income Adjustments

2010/11 – £0.025m 2010/11 – £0.040m

Two issues emerged as part of recent Corporate Budget Monitoring reports that have now been reflected in the budget following further review. These relate to income from land charges personal searches (reductions in income of **£0.015m** in 2010/11 and **£0.030m** in 2011/12) and the Happy Valley Pitch and Putt facility with income being reduced by **£0.010m** in both years.

Housing Benefits, Rent Rebates and Council Tax Benefit

2010/11 – (£0.096m) 2011/12 - (£0.096m)

Following a review of the budgeted position as referred to in the outturn report for 2009/10, the above reductions have been made which results in an overall net nil position against benefits paid out against subsidy received and overpayments recovered from claimants.

As part of the outturn position for 2009/10, the surplus for the year against these budgets of **£0.260m** was earmarked within the service improvement budget pending the review mentioned above. Due to the volatile and complex nature of benefits, it is prudent to earmark this **£0.260m** in a separate earmarked reserve subject to further review when the outturn position for 2010/11 is considered. This position has therefore been reflected in the budgets.

Second Homes Discount

2010/11 – (£0.007m) 2011/12 - (£0.026m)

Additional income under the existing arrangements with Essex County Council is anticipated for both years.

Interest Receivable on Investments and Payable on Amounts Borrowed

2010/11 – £0.035m 2011/12 - (£0.009m)

Interest receivable on investments is anticipated to be lower in both years due to the current economic climate and associated interest rates. However this is partly offset by reduced amounts payable on outstanding debt. Further adjustments have been made due to the knock on effect on the interest related transactions with the Housing Revenue Account resulting in the net changes set out above.

Other Budget Adjustments

2010/11 – £0.054m 2011/12- £0.036m

Further adjustments have been made to reflect the changes in the recharges to and from the Housing Revenue Account along with some other minor amendments that reflect the actual position against income and expenditure budgets.

GENERAL FUND REVENUE – SIGNIFICANT ITEMS AFFECTING THE 2011/12 ORIGINAL BUDGET ONLY

In addition to the one-off items and other adjustments identified in the Initial Financial

Strategy considered by Cabinet on the 4 August 2010 that have been included in the detailed budgets, the following changes have also been made:

Revisit Priority 1 Cost Pressures – (£0.441m)

Following review and additional information becoming available a number of changes have been made with further details set out in the Revised Financial Strategy presented earlier on the agenda. A summary of the changes is as follows:

- Reduction in pension costs following the triennial actuarial review – **(£0.500m)**
- Inclusion of a one-off item in respect of the cost of the licence associated with the system for e-planning - **£0.049m**. The cost of this will be offset by vacancies within the service.
- Inclusion of a one-off item for member training previously included as a Priority 2 cost pressure - **£0.010m** funded by remaining grant money from Improvement East (*Priority 2 Cost pressure originally requested for £0.030m as part of the Initial Financial Strategy*)

Austerity Budget Reviews – (£0.407m)

As already mentioned within the 2010/11 adjustments above, a number of budget review savings were identified, some of which will be recurring in 2011/12 along with some further items from 2011/12 onwards. Additional details by Service are included in the Revised Financial Strategy presented earlier on the agenda. A further and associated change is the removal of the **£0.250m** general underspend provision as it is no longer required given the budget reductions identified from the austerity budget review exercise.

Concessionary fares – (£1.495m)

Over and above the reduction undertaken as part of the Initial Financial Strategy process where specific grant and related expenditure of **£0.501m** was removed, the remaining concessionary fares budget that is funded as part of the overall formula grant settlement from the Government has now also been removed following the transfer of this function back to top tier authorities from April 2011.

Inflation Adjustments – (£0.353m)

During the budget setting process a number of inflationary adjustments, including the knock on effect of the removal of the 2% pay award in 2010/11, have been required to reflect the most up to date position.

Other Budget Adjustments - £0.010m

A limited number of further adjustments have also been included in the detailed budgets including a reduction in external audit fees (**£0.030m**) offset by the depletion of the Manual Workers Job Evaluation Reserve (**£0.038m**) along with other relatively minor changes that better reflect the forecasted position.

FURTHER ADJUSTMENTS MADE IN CONSULTATION WITH THE FINANCE PORTFOLIO HOLDER

A number of further changes have also been included in the detailed budgets in consultation with the Finance Portfolio Holder. Some of these relate to capital budgets which have been set out further on in this report, although their revenue effect is set out below along with other items identified:

Items considered for saving as part of the Austerity Plan previously agreed by Cabinet earlier in the year

- Removal of the Transport Initiatives Budget - **£0.050m** in 2010/11

- Removal of Elm Grove Car Park Public Conveniences capital project funded by revenue contributions - **£0.049m** in 2010/11.

Other Adjustments

- Removal of the Manpower Initiatives Budget - **£0.071m** in both 2010/11 and 2011/12

As part of the consultation with the Finance Portfolio Holder, the overall budget position including the Service Improvement Budget and Austerity Reserve have been reviewed and the following adjustments made which are set out in further detail in the Revised Financial Strategy presented earlier on the agenda:

- New Fit for Purpose Budget - **£0.500m** in 2010/11 and **£1.048m** in 2011/12
- New Contingency Budget **£0.195m** in 2010/11 and **£0.150m** in 2011/12 (of which **£0.200m** remains uncommitted across both years)

The detailed budget arising from the above changes shows a balanced position for 2011/12 after applying **£2.838m** from the Austerity Reserve and the Service Improvement Budget carried forward via the Revenue Commitments Reserve in 2011/12, which also includes the establishment of an uncommitted Contingency Budget and a Fit for Purpose Budget of **£0.200m** and **£1.548m** across both 2010/11 and 2011/12 respectively. A remaining amount of **£0.500m** remains within the Austerity Reserve at the end of 2011/12 to support the Council in 2012/13.

In addition to the above, following the removal of the Frinton / Walton and Harwich Pool schemes from the Capital Programme as set out in more detail further on in this report, **£0.350m** of funding from the Contact Management / Development Reserve has been used to establish a new Asset Refurbishment / Replacement Reserve in 2010/11 as highlighted in the Revised Financial Strategy report. The first utilisation of this reserve has been budgeted for in 2011/12 with a revenue budget of **£0.100m** introduced leaving **£0.250m** in the reserve as at the end of 2011/12.

OTHER SIGNIFICANT ITEMS

Local Government Finance Settlement 2010/11 and beyond

The detailed Local Government Financial Settlement is still awaited. Further details are set out in the Revised Financial Strategy Report presented earlier on the agenda.

External Contributions / Grants

In some cases amounts receivable have not yet been confirmed so for the purpose of setting the budget, estimated amounts have been included where appropriate e.g. Benefits Administration Grant. As notifications of grants and contributions are received either as part of the Local Government settlement or received separately later in the budget process, they will be included and reported accordingly.

Fees and Charges

Each year the Council's fees and charges are reviewed by each service. The proposals are set out in the attached draft budget book.

Unless subject to statutory requirements the overall proposed increases are in line with the Financial Strategy which was based on an inflationary requirement of 2.0% (subject to rounding requirements where necessary).

However it is recognised that fees and charges may be subject to alternative adjustments to meet specific aims or strategic objectives or in some cases in response to external factors such as market forces.

Significant areas where the proposed increases differ to the inflationary requirement are set out below.

- Car Parks – Generally no increases are proposed for 2011/12 pending the change to on-street arrangements, with further and wider consideration given to charges as part of an integrated approach to parking as applicable next year. However there are some proposed changes to tariffs within a number of bandings for various car parks within this overall position.
- Housing Garage Rents – these have been increased above inflation in response to demand for the small number of units available.
- Land Charges and Licensing – Changes to land charges and hackney carriage and private hire vehicles are proposed as they are calculated on a cost recovery basis.
- Crematorium – These have been increased in line with the 2% inflation requirement as set out in the Financial Strategy although will need to be considered against the wider context of the overall budget position for the service and the mercury abatement and cremator replacement work included in the Capital Programme.
- Other Fees and Charges – reduced income from cemeteries and sports facilities has been highlighted within Corporate Budget Monitoring Reports presented to members earlier in the year. In respect of sports facilities, a number of increases have been made to bring charges in line with market rates although charges for sports facilities along with those for cemeteries will be part of a wider review associated with and monitored via the on-going budget monitoring process within the Council.

The impact of the above on the relevant income budgets has been considered as part of the budget setting process for 2011/12.

Apart from Car Park charges which are shown inclusive of VAT, other charges where necessary are shown exclusive of VAT and the appropriate rate of VAT set out separately which is due to rise to 20% next year. If during the year the rate of VAT differs to that currently included, then the level of VAT charged will be adjusted accordingly apart from Car Park charges which are VAT inclusive.

Collection Fund and Council Tax Base

The anticipated surplus on the collection fund to support the budget in 2011/12 is **£0.080m**, the same as included in the original and revised budget for 2010/11.

This fund continues to take into account the allowance for the discount on second homes.

In respect of the Council Tax base, an additional amount of **£0.043m** has been included for 2010/11 during the budget setting process to reflect the most up to date tax base for the year.

Use of Reserves

The position regarding reserves is set out in full in **Appendix A, Section E**.

For **2010/11** the net use of reserves totals **£2.880m** (**£6.406m** contribution from reserves)

and **£3.526m** contribution to reserves).

For **2011/12** there is a net use of reserves of **£3.647m** (**£4.260m** contribution from reserves and **£0.613m** contribution to reserves).

The newly established reserves as set out earlier on in this report including the Asset Refurbishment / Replacement Reserve and Housing Benefit Reserve are included.

Special Expenses

Special expenses calculations will be included in the formal Budget Report to Council on 8 February 2011. This will incorporate any changes to the proposed budgets resulting from any decision in respect of the Revised Financial Strategy presented earlier in the meeting that may amend budgets in discretionary areas such as car parks, open spaces, and recreation areas etc.

However, in order to ensure that the Corporate Management Committee have the latest information on special expenses when they consider the Cabinet's budget proposals in January, it is proposed that the Finance Portfolio Holder agrees a report for consultation with them.

County Council, Police, Fire and Town Council / Parish Precepts

There is no information available at this point on the likely level of precepts and their impact on Council Taxes in the District. This information will be available in February 2011.

CAPITAL PROGRAMME - 2010/11 REVISED AND 2011/12 ORIGINAL

The proposed detailed Capital Programme is set out in **section C** of the draft budget book which provides further details for individual schemes. The summarised position is as follows: -

Table B – Summary Capital Programme

	2010/11 Original Budget £m	2010/11 Revised Budget £m	2011/12 Original Budget £m
EXPENDITURE			
Housing Revenue Account Programme	3.055	3.866	3.055
General Fund Programme	7.108	8.466	4.390
Total Expenditure	10.163	12.332	7.445
FINANCING			
Housing Revenue Account Programme			
Supported Borrowing	0.688	0.705	0.688
Major Repairs Allowance	2.334	3.129	2.367
External Funding	0	0.016	0
Capital Receipts	0.033	0.016	0
	3.055	3.866	3.055
General Fund Programme			
Prudential Borrowing	1.250	0	0.150

External Contributions	0.751	2.088	0
S106	0	0.050	0
Leasing	0.360	0.360	0.348
Government Grants	3.218	3.087	2.790
Capital Receipts	0.600	1.290	0.366
Direct Revenue Contributions	0.184	0.214	0.107
Earmarked Reserves	0.745	1.377	0.629
	7.108	8.466	4.390
Total Financing	10.163	12.332	7.445

Housing Revenue Account Programme

The increase in the 2010/11 revised expenditure budget compared to the original budget is primarily due to carryforwards from 2009/10

The 2011/12 budget remains unchanged from the 2010/11 original budget as it is funded by supported borrowing and the major repairs reserve received via the housing subsidy system. Confirmation of the major repairs allowance is expected shortly with the supported borrowing figure not likely to become available until the new year. An updated position will be presented as part of the final budget proposals due to be presented to Cabinet in January 2011, subject to the receipt of the relevant information..

The Housing Revenue Account programme will be subject to a major review in 2011 when the details surrounding the Governments proposals for a self financing system for housing finance are announced.

General Fund Capital Programme

The **£1.358m** net increase in the 2010/11 revised expenditure budget compared to the original budget is primarily due to:

- Commitments carried forward from last year and other adjustments reported as part of the outturn position for 2009/10- **£4.200m**
- Crag Walk Project – inclusion of partners contributions –**£0.676m**
- Cremator re-bricking work as set out in a separate decision earlier in the year - **£0.060m**
- Leisure projects saved as part of the austerity plan as reported to Cabinet at its 7 July 2010 meeting – (**£0.260m**)
- Reduction in coast protection schemes based on actual expenditure required along with strategy work now not being undertaken directly by TDC – (**£0.843m**)
- Expenditure charged back to 2009/10 as identified via the Statement of Accounts process that was reported to the Audit Committee at its September 2010 meeting – (**£0.350m**)
- Other minor adjustments – (**£0.041m**)
- Removal of the public conveniences repairs and maintenance scheme with the budget being transferred to the Public Conveniences Earmarked Reserve pending completion of the Public Convenience Strategy – (**£0.040m**)
- Less schemes carried forward into 2011/12 – (**£0.195m**)

The remaining **£1.849m** relates to capital items previously considered as part of the Austerity Plan, that in consultation with the Finance Portfolio have now been saved with the following budgets removed from the capital programme along with the associated funding:

- Elm Grove Car Park Public Convenience - **£0.049m**

- Frinton and Walton Swimming Pool - **£1.000m**
- Harwich Sports Hall - **£0.800m**

In respect of the 2011/12 programme which includes the carry forwards from 2010/11 as highlighted above, it also includes a number of schemes such as the on-going IT Core infrastructure programme, coast protection work funded by Government Grant, rolling vehicle replacement funded via leasing arrangements, disabled facilities grants and the mercury abatement and cremator replacement scheme.

A significant issue to highlight is that the demand for disabled facilities grants (DFG's) remains high and is unlikely to significantly decline in the foreseeable future. Although grant income is received from the government to support the programme, the current level of funding falls far short of the estimated expenditure. This shortfall is met by capital receipts and by allocating unringfenced grant, initially received to support private sector renewal initiatives, to the DFG programme. Based on this approach, there is no available funding to support private sector renewal grants with this scheme being removed from 2011/12 onwards.

The position in the immediate and longer term is compounded by the fact that the level of capital receipts is declining, a trend that is also likely to continue.

Based on the above position, the forecast expenditure budgets for DFG's set out in section C of the budget book attached as **Appendix A** are significantly lower from 2012/13 onwards when compared to current and historic spend / demand. However it is likely that the programme will need to be considered against the Financial Strategy and budget setting process in future years.

In respect of the grant income for DFG's and private sector renewal initiatives, the level of grant has not yet been confirmed. When this becomes available, further changes may be necessary and subject to the timing of the notification will be reported to Cabinet as part of the final budget proposals in January 2011.

ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT

All relevant figures included in 2011/12 budget are based on the Policy Statement agreed by Council at their 7 December 2010 meeting which is as follows:

In accordance with the Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008, the Council's policy for the calculation of MRP for 2011/12 shall be the Capital Financing Requirement Method for supported borrowing and the Asset Life (equal instalment) Method for prudential borrowing except that in line with current practice no MRP charge will be made to HRA in respect of its share of the Council's debt.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Each year information is issued to Local Authorities which provides guidance on the information and presentation required for the Financial Statements the Council publishes on an annual basis. Therefore although not directly affecting the overall financial position of the Council, significant changes are proposed from 2010/11 with the introduction of International Financial Reporting Standards (IFRS). Work currently remains on-going, although subject to further guidance becoming available, to ensure the appropriate transition to the new requirements is achieved. When the implications of the new requirements become clearer, budgets may need to be reviewed and budget transfers

undertaken to support the realignment of Financial Statements accordingly.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A Draft Budget Book (Including Fees and Charges, 5 year Capital Programme) and Reserves)