

BUDGET AND MTP PROCESS 2010-2015

(Report by the Head of Financial Services)

1 PURPOSE

1.1 The purpose of this report is to set the scene for this year's review of the financial strategy and the production of the 2010/11 budget and the 2011/15 Medium Term Plan.

2 BACKGROUND

2.1 The Medium Term Plan approved in February 2009 provided a detailed budget for 2009/10 and detailed variations for the following 4 years. The financial strategy, also approved in February, forecast the financial position through to 2023/24.

2.2 Cabinet will recall that capital reserves were expected to run out during this year and that revenue reserves will be used to cover the revenue budget deficit until sufficient spending adjustments can be achieved to bring income and expenditure back into balance. The approved plan was based on raising Council Tax by almost 5% pa in each successive year. The table below shows the key figures as approved in February 2009:

FINANCIAL SUMMARY	BUDGET	MTP			
	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000
BUDGET / FORECAST	23,380	25,286	25,687	25,306	23,149
FUNDING					
Use of revenue reserves	-3,758	-4,952	-4,385	-2,999	0
<i>Remaining revenue reserves EOY</i>	15,336	10,384	5,999	3,000	3,000
Government Support	-12,572	-12,939	-13,491	-14,034	-14,384
Collection Fund Deficit	-27	0	0	0	0
Council Tax	-7,022	-7,395	-7,810	-8,274	-8,765
COUNCIL TAX LEVEL	£121.15	£127.20	£133.55	£140.21	£147.21
£ increase	£5.76	£6.05	£6.35	£6.66	£7.00
Forecast Capital Spending	17,796	6,056	4,957	6,666	6,374
Accumulated Borrowing EOY	15,420	20,576	24,833	30,799	36,473
Unidentified Spending Adjustments still required	0	-500	-1,500	-3,238	-6,501

3 SUPPLEMENTARY ESTIMATE

- 3.1 A review of progress with the current budget has highlighted the need to make a supplementary estimate of £115,000. There are a number of service areas where the recession is having a significant impact. The main areas are outlined below together with the implications of not providing additional resources and the estimated cost of those resources for the remainder of the current financial year.

4. PROCESS AND TIMETABLE

- 4.1 As in previous years a report on the Council's longer term financial strategy will be produced during the summer. This will adjust the figures approved by the Council in February for inflation, interest rates, the 2008/09 outturn and any other unavoidable significant issues, some of which are referred to above.
- 4.2 With the financial strategy it is intended to produce an additional set of tables to allow more effective consideration of the base budget position. These will reflect the format used for the monthly budget monitoring process, showing the controllable budgets for each Head of Service with the approved/proposed variations for the MTP period added in at the 2009/10 price base.
- 4.3 The Financial Forecast report will be considered on the following dates:

Scrutiny	Cabinet	Council
10 September	17 September	23 September

- 4.4 The next stage will be to review the service budgets in detail with the consequent report setting out any identified or proposed savings (including efficiencies) to be introduced and any proposals for enhancements to the current level of provision which will require additional funding.
- 4.5 Cabinet Members will be involved in the production of the proposed service budgets and financial plans relating to their portfolios over the August to October period in order that they are able to comment to Cabinet upon their proposed service budgets.
- 4.6 The resulting Draft budget, MTP and Financial Strategy report will be considered on the following dates:

Scrutiny	Cabinet	Council
12 November	19 November	2 December

- 4.7 The final stage will take account of any, hopefully minor, adjustments to the grant settlement figures together with any other necessary final adjustments required. It will show the final budget by service and will allow the Council to formally adopt the budget and set the level of Council Tax for 2009/10.

4.8 This report will be considered on the following dates.

	Scrutiny	Cabinet	Council
5. CONCLUSIONS	4 February	11 February	17 February

5.1 The budget process must provide Members with sufficient opportunity to address savings adjustments anticipated last year and set out in para 2.2, whilst also recognising the new challenges for the Council arising since the last budget was adopted.

5.2 Given the likelihood of no net savings in the budget this year, Annex A outlines the need for a supplementary estimate to preserve services for those most affected by the recession.

6. RECOMMENDATION

The Cabinet is recommended to:

- approve the timetable and stages for considering the financial strategy, budget and MTP.
- approve a supplementary revenue estimate for £115k in the current year as detailed in Annex A.

ACCESS TO INFORMATION ACT 1985

2009/10 Revenue Budget and the 2010/14 MTP

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ANNEX A

IMPACT OF THE RECESSION

Housing Advice/Homelessness

Dealing with homelessness is a statutory responsibility and 'To achieve a low level of homelessness' is a Council objective in 'Growing Success'. Homelessness prevention measures are crucial to avoid actual homelessness and as a consequence an increased use and cost of temporary accommodation and an increased demand for social rented housing.

Preventing homelessness is a very time consuming and detailed activity involving multiple interviews, verifying documentation and liaison with landlords, mortgage companies, courts, other creditors, housing benefits, social services and other agencies. Prevention generates a significant saving to the Council as households would otherwise be placed in temporary housing pending homelessness investigations and, if accepted as homeless, time is spent in temporary accommodation awaiting a permanent home to become available. It also prevents a very stressful and unsettling experience for the family in question.

In Housing Services there are 6 Housing options/homelessness staff including the team Leader. At the beginning of last year an additional temporary officer was employed to assist with the increasing workload and to improve performance on missed turnaround targets for homelessness investigations.

Homelessness decisions increased from 220 in 2007/08 to 262 in 2008/09 (19% increase). At the same time success with preventing homelessness more than doubled in 2008/09 compared to the previous year, from 138 successful preventions to 300 (117% increase). With the addition of the additional temporary officer the team was thus able to cope with the workload but there is insufficient budget to employ this temporary worker for much of the current year.

It is highly likely that presentations and homelessness rates will increase throughout 2009. The Council of Mortgage Lenders predicts that in 2009 there will be 75,000 mortgage repossessions (45,000 in 2008). There are a number of recently introduced initiatives (e.g. Mortgage Rescue Scheme) in place to help households facing repossession and additional capacity is required to work with these households to access them.

Additional funding is therefore requested to maintain the existing temporary worker and employ a further additional temporary officer (to give a team of 8). The required funding being an extra **£70k for 2009/10 and £80k for 2010/11**.

If additional resources are not forthcoming there will be insufficient staff to deal with casework. The likely consequences are that the service will not be as successful in the prevention of homelessness or helping customers find alternative housing options. If customers cannot be seen quickly in order to help them avoid crisis situations, or there is insufficient capacity to then follow through the required in-depth casework with individuals, and interventions for individuals, the likely knock-on affect is that the Council will be faced with more homelessness crisis situations, with higher number of homelessness applications and an increased use of temporary accommodation, against a government target of reduced use of temporary accommodation. Temporary accommodation and in particular the use of B&B has a cost to the Council. Increasing homelessness and increased use of temporary accommodation may then affect judgements, by others, on the Council's performance and any assessment ratings.

Even with the current (mainly unfunded) additional temporary officer, staff will be unable to continue to work at the current levels of intensity. The concern is that work pressures may lead to higher levels of sickness which will further increase the intensity on fewer staff.

Housing and Council Tax Benefits

The benefits caseload is increasing each month, which has a knock on effect to assessment times, customer service (face to face) and telephone enquiries. The longer a case takes to process, the more likely it is that the customer will chase their claim. The DWP has provided funding of £75k for 2009/10, ring fenced specifically for Housing Benefits provision. Two temporary assessment officers are to be recruited and one extra customer service advisor. Recruitment and training times will mean that we won't get the full benefit of these new staff for several months. If the level of claims and enquiries continues to rise, it is expected that a further two temporary staff will need to be taken on, at a cost of £50k. This requirement may be met by additional government funding, and the funding may continue into 2010/11. If there is insufficient government funding a report will be presented later in the year.

National Non Domestic Rates

The Council is able to grant discretionary or hardship relief from business rates, and if it chooses to do so, part of the cost is borne by the council. The Head of Customer Services has delegated authority to grant such relief in consultation with the Executive Councillor for Finance.

Each case is considered on its own merits and in accordance with the relevant legislation. Awards have tended to be made only where some special circumstances apply and where the organisation is relevant to Huntingdonshire.

HDC awarded hardship relief in only five cases between 2004/5 and 2008/9, with amounts varying between £3k and £10k per year. Ten cases were refused. However, in 2009/10, we have already awarded almost £90k in hardship relief (£85k on one case).

Since January 2009, we have seen a significant increase from businesses who are seeking financial assistance. It is likely that this trend will continue as long as the recession does.

As stated above, only part of the cost of granting these reliefs (discretionary and hardship) is borne by the council, and details are shown in the following table.

	Total relief awarded £'000	Cost to HDC £'000	Budget £'000	Over(+) / underspend (-) £'000
2007/8	92	23	27	- 4
2008/9	85	21	27	- 6
2009/10 *	187	47	27	+ 20

*to end of May 2009

The Head of Customer Services already has two more applications to consider, but no budget available should a positive decision be required. In view of the exceptional circumstances relating to 2009/10 and the desire to support businesses that are sustainable and bring a benefit to the local community or economy, a supplementary estimate of **£60k** is requested.

Citizens Advice Bureaux

The authority already commissions services from Huntingdonshire Citizens Advice Bureaux. The commissioning agreement was designed to meet service demand as existed in 2007/08 and included stretch targets requiring an increase of 10% in volume of service provided to customers. Since late 2008 the demands for the service have exceeded this ambitious growth plan and service demand in 2008/09 increased by 91% over the target set. Additional funds of £34k over 2 financial years (**£20k 2009/10 and £14k 2010/11**) will enable the CAB to respond to the increased service demands arising out of the present economic downturn by providing debt, housing and advice services at agreed outreach locations across Huntingdonshire.

Summary	2009/10	2010/11
	£000	£000
Housing Advice/Homelessness	70	80
National Non Domestic Rates	60	
Citizens Advice Bureaux	20	14
	150	94*

*Extra funding requests for 2010/11 will be included in the MTP.