

NORTH LINCOLNSHIRE COUNCIL

CABINET

DECEMBER BUDGET REVIEW

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The paper considers the latest position for 2009/10 on
- The revenue budget
 - The capital programme, and
 - Borrowing and investment.
- 1.2 It updates cabinet on action taken to implement the decisions made at the last review in October. In particular
- The steps taken to contain spending pressures
 - The review of capital programme affordability.
- 1.3 It considers the implications for future spending plans.

2. BACKGROUND INFORMATION

- 2.1 The council monitors spending against budget month by month throughout the year, with a formal report to cabinet at regular intervals. This budget review report provides an opportunity to take stock of the spending position in revenue and capital budgets and to track the treasury strategy.

3. OPTIONS FOR CONSIDERATION

Revenue budget

- 3.1 Cabinet on 14 October agreed a series of actions to balance the 2009/10 budget:
- To use earmarked reserves to cover additional costs on BSF, waste procurement and the property trading account
 - To meet fuel cost inflation and part of the recessionary impact from the contingency set aside for the purpose
 - To ask services still left with a budget shortfall to provide action plans to contain a balance of £0.7m.

- 3.2 Appendix 1 presents a balanced budget for the year. Four services have produced action plans to contain those costs identified in the October report which could not be funded from available earmarked reserves or from the contingency. There are some residual cost pressures which the relevant services have been asked to address; but extra benefits administration grant in Finance and savings from delayed borrowing balance the budget overall.
- 3.3 There are no further calls on the fuel contingency at this stage as gas contracts are being renegotiated. A balance of £0.234m remains.

Capital programme

- 3.4 Cabinet in October also considered the capital position and approved some rephasing of expenditure on larger schemes. A further detailed review has now been made and this report presents a capital programme for 2009/13 with some additional changes (Appendix 3). The 2009/10 programme is for approval, the commitments in later years are for noting. The schemes with changes which affect 2009/10 are:

	2009/10		
	Approved	Revised	Change
	£000	£000	£000
<u>Deletion/Transfer to 2010/11</u>			
Primary capital programme	3,000	300	-2,700
Schools formula capital	5,666	3,120	-2,546
Baths Hall	2,776	510	-2,266
Building Schools for the Future (net)	13,025	10,825	-2,200
Messingham Primary consolidation	1,338	700	-638
Connect 2 Scunthorpe Ridgeway	1,428	867	-561
Local transport Plan	5,934	5,442	-492
Extended schools	391	266	-125
Oakfield Primary	1,821	1,700	-121
Corporate Mobile Working	120	0	-120
Libraries self service	216	170	-46
Scunthorpe town centre	38	0	-38
Other small variations	106	43	-63
-Sub-total Transfers	35,859	23,943	-11,916
<u>Additional/advanced to 2009/10</u>			
Rural renaissance	1,832	2,168	336
Riddings Pool plant	0	157	157
Children's Centres	2,055	2,184	129
Building Enhancement	376	486	110
School kitchens	497	606	109
Hazard House	0	90	90
Property Enhancement	125	205	80
Lincolnshire lakes	25	100	75
Access in schools	245	313	68
Barton Youth Club refurbishment	915	966	51
Relocate Barton Local Link	0	30	30
-Sub-total Additional	6,070	7,305	1,235
Net Total	41,929	31,248	-10,681

- 3.5 The schemes which show an increase in spending are funded from grant; except for access in schools (spending which attracts supported borrowing) and the Barton Local Link (savings from the deletion of the corporate mobile working project).
- 3.6 The October Budget review identified a potential £6.3m funding gap in the approved programme for 2009/13. The effect of the changes proposed in this paper is a reduced call of £1.4m on council resources to support the programme in 2009/10, and an overall reduction in internal funding requirement for the plan period (appendix 2). Potential asset disposals of £5m have also been identified to replace the receipt from the town centre redevelopment, now deferred. This includes the council's portfolio of smallholdings, and alternative town centre sales.
- 3.7 This means that the programme set by council in February 2009 can be delivered within the funding envelope set at that time (a mix of grant, borrowing and capital receipts). The requirement set by October cabinet to review contracts to be let, to ensure affordability, is therefore met and schemes due to start between now and council in February 2010 can proceed. However, it is not certain that the planned level of borrowing will be affordable in future spending plans, given the likelihood of public expenditure reductions, and further consideration can be given to the programme at council in the light of any changes to future finances announced in the pre-budget report.

Borrowing and Investment

- 3.8 Appendix 3 summarises the recent investment position for council cash balances. These are for periods of up to 3 months with UK financial and government institutions.
- 3.9 The council continues to follow the strategy of deferred borrowing. This means using cash balances to fund capital spending in the short term. This reduces the value of cash balances potentially at risk in financial markets and gives a short-term financial benefit.
- 3.10 The position on Icelandic investments is as previously reported with the LGA acting as co-ordinator for local authority interests. A further payment of 10p in the £ is due from the administrators of the UK registered Heritable Bank shortly and prospects remain that over 80% of the investment will be recovered. The Landsbanki receivership is proceeding more slowly, but a return of over 80% is still projected.

Future funding prospects

- 3.11 The local government settlement for 2010/11 was announced at the end of November. The details are reported separately on this agenda, but overall the provisional settlement for 2010/11 on which current plans are based has been confirmed.
- 3.12 For indications of funding settlements for the period 2011/14 we must wait for the pre-budget report scheduled for 9 December. However the

Queens Speech does include a Fiscal Responsibility Bill, which commits the Government to halving the deficit in public finances within four years.

4. ANALYSIS OF OPTIONS

4.1 These are considered in section 3.

5. RESOURCE IMPLICATIONS(FINANCIAL, STAFFING, PROPERTY, IT)

5.1 The paper identifies a strategy to balance the 2009/10 revenue budget. It also identifies the approach to be taken to ensure the capital programme remains affordable.

6. OTHER IMPLICATIONS(STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)

6.1 The agreed treasury strategy aims to minimise risk to the council finances from any further instability in financial markets.

7. OUTCOMES OF CONSULTATION

7.1 Not relevant

8. RECOMMENDATIONS

8.1 That the revised revenue budget for 2009/10 is approved (appendix 1), but services showing residual cost pressures against the previously approved budget consider how these costs can be eliminated.

8.2 That capital programme spending in 2009/10 is approved and the forward commitments noted (appendix 2 and 3)

8.3 That the investment position at appendix 4 is noted and the continued implementation of the treasury strategy is endorsed.

SERVICE DIRECTOR FINANCE

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Background Papers used in the preparation of this report
October Budget Review, Cabinet, 14 October 2009

REVENUE BUDGET

APPENDIX 1

Service	Budget £'000	Revised £000	Change £'000
Community Planning & Resources	6,363	6,452	89
Highways & Planning	9,376	9,437	61
Neighbourhood & Environment	17,877	17,877	0
Children & Young Peoples Service	29,325	29,325	0
Corporate Budgets	7,706	7,706	0
Adult Social Care	35,279	35,279	0
Human Resources	1,930	1,930	0
Legal & Democratic	2,846	2,846	0
Finance	4,370	4,270	-100
Asset Management & Culture	8,686	8,544	-142
Central Budgets	12,401	12,307	-94
<u>Commercial Units</u>			
Property Trading Account	-1,819	-1,633	186
Building Control	-25	-25	0
Service Total	134,315	134,315	0
Funded by			
Government Funding & Council Tax	132,812	132,812	0
Use of Earmarked Reserves	1,503	1,503	0
North Lincolnshire Council Total	134,315	134,315	0
Ring-fenced Budgets			
Pooled Budgets (included in Adults)	7,283	7,283	0
Schools Block- call on balances	0	769	769

Appendix 2

Revised Capital Programme 2009-14

Service	2009/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's
Adult Services	279	0	0	0	0
Asset Management & Culture	9,074	26,136	7,180	1,136	900
Community planning & Resource	305	117	0	0	0
Corporate Services	2,530	750	50	0	0
Children & Young Peoples Service	20,822	49,456	39,995	20,367	0
Highways & Planning	8,621	6,756	4,379	9,975	8,077
Neighbourhood & Environment	7,058	6,312	3,545	2,845	2,845
Total	48,689	89,527	55,149	34,323	11,822
Funding Analysis					
Revised Funding					
Grant / External Funding	31,344	62,582	38,652	19,453	2,905
PTA	420	349	0	0	0
Internal	16,925	26,596	16,497	14,870	8,917
Total Revised Funding	48,689	89,527	55,149	34,323	11,822
Approved Funding					
Grant / External Funding	40,630	65,484	36,020	9,428	
PTA	420	349	1,000	0	
Internal	18,320	28,396	15,899	13,122	
Total Approved Funding	59,370	94,229	52,919	22,550	
Funding Variance					
Grant / External Funding	-9,286	-2,902	2,632	10,025	
PTA	0	0	-1,000	0	
Internal	-1,395	-1,800	598	1,748	
Total Variance	-10,681	-4,702	2,230	11,773	

APPENDIX 3

Revised Capital Programme 2009-14

Service / Scheme	2009/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's
Adult Social Care Capital					
2007-2008 and Earlier Start					
Improving the Care Home Environment	24	0	0	0	0
Sandfield House - Phase III	255	0	0	0	0
Total 2007-08 and Earlier Starts	279	0	0	0	0
Total Adult Social Care Capital	279	0	0	0	0
Asset Management & Culture Capital					
Rolling Programme					
Aid To Communities	200	200	100	100	100
Design Preliminaries	200	200	200	200	200
Minor Works Capital	75	75	50	50	50
Disabled Access	118	50	0	0	0
Energy Management	84	75	75	75	75
Building Enhancement	486	250	250	250	250
Capitalised Property Enhancement	205	125	125	125	125
Office Accommodation Schemes	109	75	50	50	50
Capitalised It Staff Costs	89	50	50	50	50
Total Rolling Programme	1,566	1,100	900	900	900
Property Trading Account Developments					
Normanby Enterprise Park 12	0	82	0	0	0
Acquisition land at Lakeside	250	0	0	0	0
Acquisition land at Crowle Moors	170	0	0	0	0
Normanby Enterprise Park Plot 25	0	267	0	0	0
Total Property Trading Account	420	349	0	0	0
2007-2008 and Earlier Start					
Foxhills Sports Football Facilities	0	250	0	0	0
Normanby Hall Access	25	0	0	0	0
Sports Academy	4,657	14,705	1,576	236	0
Baysgarth Pool Redevelopment	97	0	0	0	0
I.T Pittwood Computer Suite	198	0	0	0	0
Connections I.T implementation	40	0	0	0	0

Total 2007-08 and Earlier Starts	5,017	14,955	1,576	236	0
2008-09 Starts					
Baths Hall	510	9,707	4,704	0	0
Resilience to NLC WAN and IT Facilities	160	0	0	0	0
Barton Youth Club Refurbishment	966	25	0	0	0
Total 2008-09 Starts	1,636	9,732	4,704	0	0
2009-10 Starts					
20-21 Improved Storage	78	0	0	0	0
Plowright Theatre Bar Refurbishment	130	0	0	0	0
Riddings Pool Health & Well-being Centre	70	0	0	0	0
Riddings Pool Plant Improvement	157	0	0	0	0
Total 2009-10 Starts	435	0	0	0	0
Total Asset Management & Culture Capital	9,074	26,136	7,180	1,136	900
Community Planning & Resource					
2007-08 and Earlier Starts					
Building Safer Communities	53	0	0	0	0
Total 2007-08 and Earlier Starts	53	0	0	0	0
2008-09 Starts					
Crowle Resource Centre	20	0	0	0	0
Re-locate Crosby Links	32	0	0	0	0
Total 2008-09 Starts	52	0	0	0	0
2009-10 Starts					
Libraries Self-Service	170	117	0	0	0
Re-locate Barton Local Link	30	0	0	0	0
Total 2009-10 Starts	200	117	0	0	0
Total Community Planning & Resource	305	117	0	0	0
Corporate Budgets Capital					
2007-08 and Earlier Starts					
Rural Renaissance	2,168	325	0	0	0
Cleaner, Safer Greener	41	0	0	0	0
Total 2007-08 and Earlier Starts	2,209	325	0	0	0

2008-09 Starts					
Choice based Lettings Scheme (CBL)	31	0	0	0	0
Total 2008-09 Starts	31	0	0	0	0
2009-10 Starts					
Lincolnshire Lakes	100	25	50	0	0
Manifold Road Showman & Travellers Site	100	400	0	0	0
Hazard House	90	0	0	0	0
Total 2009-10 Starts	290	425	50	0	0
Total Corporate Budgets Capital	2,530	750	50	0	0
Children & Young Peoples Service					
Children's Strategy & Partnership					
2007-08 and Earlier Starts					
Care First Computer System	356	0	0	0	0
Total 2007-08 and Earlier Starts	356	0	0	0	0
2009-10 Start					
Aiming High for Disabled Children	89	209	0	0	0
Total 2009-10 Starts	89	209	0	0	0
2010-11 Start					
Children's Homes Refurbishment	0	60	0	0	0
Total 2010-11 Starts	0	60	0	0	0
Total Children's Strategy & Partnership	445	269	0	0	0
Learning Development & Support					
Rolling Programme					
Formula Capital Devolved To Schools	3,120	5,441	3,064	3,064	0
Access In Schools	313	351	184	518	0
Total Rolling Programme	3,433	5,792	3,248	3,582	0
2007-08 and Earlier Starts					
Brigg Primary School	11	0	0	0	0
Schools Sustainability Initiative	13	0	0	0	0
St Lukes Demolition	18	0	0	0	0
Building Schools for the Future	453	201	25	26	0
Big Lottery - Pe In Schools	2	0	0	0	0

Worlabby Primary - 3 Classroom	29	0	0	0	0
Barton St Peters - 2 Classroom	13	0	0	0	0
Parkwood Primary	1	0	0	0	0
Total 2007-08 and Earlier Starts	540	201	25	26	0
2008-09 Starts					
Building Schools for the Future - Construction	10,372	28,655	36,206	15,398	0
School Kitchens	606	0	0	0	0
Children's Centres Phase 3 & Early Years	2,184	895	0	0	0
Extended Schools	266	160	0	0	0
Oakfield Primary Amalgamation	1,700	750	0	0	0
Lakeside New Primary	0	2,089	464	1,361	0
Holme Valley Primary Extension	19	0	0	0	0
North Axholme Special School	17	0	0	0	0
Messingham Primary Consolidation	700	1,713	52	0	0
Total 2008-09 Starts	15,864	34,262	36,722	16,759	0
2009-10 Starts					
Primary Capital Programme	300	8,078	0	0	0
School Kitchens, equipment & facilities	241	854	0	0	0
Total 2009-10 Starts	541	8,932	0	0	0
Learning Development & Support	20,377	49,187	39,995	20,367	0
Total Children & Young Peoples Service	20,822	49,456	39,995	20,367	0
Highways & Planning Capital Rolling Programme					
Local Transport Plan	5,442	5,327	3,447	7,447	7,096
Safety Camera Partnership	61	118	80	80	80
Street Lighting	500	500	500	500	500
Countryside Rights of way	50	50	50	50	50
Total Rolling Programme	6,053	5,995	4,077	8,077	7,726
2007-08 and Earlier Starts					
Normanby Enterprise Park	110	0	0	0	0
S Humber Bank Heritage Project	161	0	0	0	0
Total 2007-08 and Earlier Starts	271	0	0	0	0
2008-09 Starts					
Drainage & Flood defence Work (internally Funded)	800	200	0	0	0

Total 2008-09 Starts	800	200	0	0	0
2009-10 Starts					
Connect 2 Scunthorpe Ridgeway	867	561	302	1,898	351
Connect 2 Links	40	0	0	0	0
A15 North Resurfacing Phase 2	385	0	0	0	0
A15 M180 Barnetby Interchange Resurfacing	205	0	0	0	0
Total 2009-10 Starts	1,497	561	302	1,898	351
Total Highways & Planning Capital	8,621	6,756	4,379	9,975	8,077
Neighbourhood & Environment Capital Rolling Programme					
Renovation Grants	588	885	200	200	200
Disabled Facilities Grants	1,191	1,105	1,105	1,105	1,105
Fleet Replacement Programme	1,540	1,540	1,540	1,540	1,540
Total Rolling Programme	3,319	3,530	2,845	2,845	2,845
2007-08 and Earlier Starts					
Sub Regional Housing Project	6	0	0	0	0
Advance Crosby	377	600	0	0	0
Replace Fuel Tanks -Station Road	15	0	0	0	0
Homelessness Initiatives	63	0	0	0	0
Housing Shelter	89	0	0	0	0
Sub Regional Management Scheme	202	32	0	0	0
Total 2007-08 and Earlier Starts	752	632	0	0	0
2008-09 Starts					
Waste Containers and Storage	179	167	0	0	0
Refurbishment of Cottage Beck Road Depot	472	0	0	0	0
Household Recycling Centre Improvements	39	0	0	0	0
Acorns Housing	127	0	0	0	0
Temporary Accommodation for Homeless People	94	0	0	0	0
Young Peoples Housing	422	150	0	0	0
Energy Efficiency	94	189	0	0	0
Total 2008-09 Starts	1,427	506	0	0	0
2009-10 Starts					
Super Hostel	50	1,000	0	0	0
Depot rationalisation	860	0	0	0	0
Supported Housing Project	123	0	0	0	0
Wave 2 Playbuilder	527	594	0	0	0

Total 2009-10 Starts	1,560	1,594	0	0	0
2010-11 Starts Mercury Filtration Plant at Woodlands Crematorium	0	50	700	0	0
Total 2010-11 Starts	0	50	700	0	0
Total Neighbourhood & Environment Capital	7,058	6,312	3,545	2,845	2,845
Total Programme	48,689	89,527	55,149	34,323	11,822

TREASURY INVESTMENTS
APPENDIX 4

WEEK ENDING 27 NOVEMBER 2009		
	Amount	Terms
	£	
CALL ACCOUNT BALANCES		
SANTANDER BANKING GROUP		
Abbey National Plc	4,957,034	On call
LLOYDS BANKING GROUP		
Bank of Scotland Plc	4,963,239	On call
RBS BANKING GROUP		
National Westminster Bank Plc	4,127,552	On call
OTHER INVESTMENTS		
Barclays Bank Plc	5,000,000	Repay at term
Northern Rock Plc	5,000,000	Repay at term
UK Debt Management Office	5,000,000	Repay at term
London Borough of Hillingdon	3,000,000	Repay at term
City of Newcastle upon Tyne	2,400,000	Repay at term
Leeds Building Society	3,000,000	Repay at term
Nationwide Building Society	5,000,000	Repay at term
Heritable Bank Limited	2,935,588	In administration
Landsbanki Islands	2,000,000	In receivership
Total	47,383,413	