

PAPER NO. 18

REPORT TO THE EXECUTIVE MEETING OF 14 FEBRUARY 2011

Status: Decision

Title: Draft General Fund Budget Estimates: Revised 2010/11 and Base 2012/13

Originator: Kamal Mehta, Deputy Chief Executive

Where from: Executive, 17 January 2011 and Scrutiny Panels

Where to next: Council, 24 February 2011

1 Purpose Report

- 1.1 To note the Revenue Support Grant Settlement for 2011/12, and other related grants.
- 1.2 To consider the provisional General Fund Budget Estimates: Revised 2010/11 and Base 2011/12.
- 1.3 To consider the Draft Fees & Charges for 2011/12 (Appendix B).

R 2 Recommendations:

The Executive

- 2.1 **considers the comments and views of the Scrutiny Panels on the Executive's Portfolio Plans and budget proposals for 2011/12.**
- 2.2 **notes that the provisional General Fund Budget: Revised 2010/11 and Base 2011/12 includes the revenue implications of the recommended capital projects.**
- 2.3 **approves the Draft General Fund Budget: Revised 2010/11. (Appendix A) for recommendation to Council on 24 February 2011.**
- 2.4 **considers and approves the Draft Fees and Charges for 2011/12 for recommendation to Council on 24 February as part of the overall budget. (Appendix B).**

2.5 approves the Draft General Fund Budget: Base 2011/12 for recommendation to Council on 24 February, resulting in a 0% increase in the Average Band D Council Tax for the District (excluding local precepts) for 2011/12. (Appendix C).

3 Summary of Reasons for the Recommendations

3.1 This report sets out the Executive's draft General Fund Budget proposals for 2011/12 which has been referred to the Scrutiny Resources Development Panel for its comment.

3.2 The Council must statutorily set a balanced budget to discharge its duties and responsibilities. The duty to recommend a budget to Council rests with the Executive.

4 Impact on Communities

4.1 The budget proposals include all the functions of the Council and there will be actions and activities within the services that will have implications for the residents or specific sections of the communities within and in some cases beyond the boundary of the District.

4.2 Wherever such actions and activities are to be implemented, the Council will ensure that it will satisfy its obligations in respect of undertaking the appropriate consultation and assessment.

5 Key Facts

5.1 The papers to Executive on 17 January 2011 and subsequently taken to Scrutiny Panel Resources on 3 February 2011 are now updated in the Appendix's due to confirmation of government grants.

5.2 Local Government Finance Settlement

5.2.1 The government announced the Revenue Support Grant Settlement for 2010/11 on 31 January 2011. Certain specific grants were also announced at the same time. Although most of the ring-fenced and grants previously distributed as specific are now rolled into the formula grant there a small number that remain.

5.2.2 The provisional settlement was announced on 13th December 2010 for consultation and was reported to the Executive on 17th January 2011. Prior to that a Briefing Note on the Provisional Settlement had been circulated to all members. The Leader of the Executive submitted comments on the provisional settlement to the government by the deadline of 17th January. The significant comment was in respect of the inclusion of the non-grant funded discretionary concessionary travel expenditure by the council in the formula grant reduction by the government. The government accepted the council's case and has made an adjustment that is reflected in the grant.

5.2.3 The provisional settlement as reported to the Executive on 17 January is shown below in Table A. The final settlement is shown in Table B. The amount for 2011/12 is £4,176,295 and the provisional amount for 2012/13 is £3,523,414.

Table A – Provisional Settlement announced on 13 December 2010

2010/11 Actual	2010/11 Adjusted	2011/12 Provisional	% change	2012/13 Provisional	% change
£m	£m	£m	£m	£m	£m
5,450	4,920	4,093	-16.80%	3,514	-14.15%

Table B – Settlement announced on 31 January 2011

2010/11 Actual	2010/11 Adjusted	2011/12 Final	% change	2012/13 Provisional	% change
£m	£m	£m	£m	£m	£m
5,450	4,984	4,176	-16.20%	3,523	-15.64%

The Council's final formula grant settlement for 2011/12 (comprising the Revenue Support Grant and the Redistributed Non-Domestic Rates) is £82,981 more than the provisional amount. However, it is £807,351 less than the adjusted 2010/11 grant on a like for like comparative basis. Similarly, for 2012/13 the grant on a like for like basis is reduced by £652,881. Therefore over the two years 2011/12 and 2012/13 the total amount of reduction for the council is 1,460,232. This represents a 29.30% reduction on the adjusted 2010/11 adjusted grant for a like for like comparison.

The government has confirmed that for 2011/12 an unringfenced council tax freeze grant will be paid to an authority that set its basic amount of council tax for 2011/12 at a level which is no more than its basic amount of council tax for 2010/11. The grant will be equivalent to a 2.5% increase in its 2010/11 basic amount of council tax multiplied by the authority's tax base for 2011-12 (rounded to the nearest £). The indicative figure for the council is £138,506. However, it is estimated that the will be approximately £141,000. The 2011/12 base estimates include the government indicative amount of £138,506.

The government had stated that the reductions in local government funding were to be front loaded over the four year Comprehensive Spending Review (CSR) period commencing in 2011/12. The CSR included a reduction of 7% per annum over the four year period. The Council has seen the four year reduction being achieved in the first two years of the CSR period. It is anticipated that there will be further reductions in 2013/14 and 2014/15 (the last two years of the CSR period.) Although, no information is available at this time it is the view of the Deputy Chief Executive that the Council should plan on the basis of a 5% per annum reduction in grant.

5.3 Revised Budget Estimates 2010/11

- 5.3.1 The revised estimates for 2010/11 have been compiled on the basis of 'best estimate' of income and expenditure outturn for the year. The working budget allows for all known additional expenditure approvals to date including in year savings agreed by Portfolio Holders and Management Board. The revised 2010/11 estimates are attached at Appendix A.
- 5.3.2 In line with the principles and aims of Council's Financial Strategy, the Original 2010/11 General Fund budget was set on the basis that £250,000 would be funded from general reserves to support the implementation of the Pay and grading Review from 1 April 2010 and £435,751 would be funded from earmarked reserves. Also, included in the budget were savings proposals of £250,500 to be implemented in the year however, any slippage in the implementation of these proposals were to be met from the uncommitted amount of the HPDG grant.
- 5.3.3 Since the 2010/11 budget was set, carry forwards of £134,300 have been approved by the Executive. Effectively, the budget carry forwards had been underspends in the previous year 2009/10 which went into the general reserve at the end of that year and were approved to be drawn from reserves in this financial year.
- 5.3.5 In summary, it is estimated that the council will add £164,215 to reserves. In respect of the earmarked reserves it is estimated that an additional £133,000 will need to be drawn in 2010/11.

5.4 Capital Programme and Financing

- 5.4.1 A separate report on the Capital Programme for 2011/12 to 2013/14 is on this agenda and must be considered and resolved ahead of this report item. The revenue implications of the proposed capital programme for 2011/12 and existing continuing revenue implications of past years' capital programmes are included in the draft General Fund Base estimates for 2011/12.

5.5 Fees and Charges for 2011/12

- 5.5.1 The Fees and Charges for 2011/12 have been compiled and are attached at Appendix B for consideration alongside the draft Base Budget 2011/12.
- 5.5.2 The Executive should note that the draft Fees and Charges for 2011/12 are based on the following guidelines:
- *Fees and charges to be increased by the Government's target rate of inflation, 3%, as a minimum.*
 - *There should be a direct link between the proposed scale of charges for 2010/11, and the expected level of service provision.*
 - *Budget managers have been asked to consider where the level of service provision and/or the market rate justifies or makes viable a higher level of potential fee.*

The majority of the fees have been increased by 5% on the basis of the third point above. Some have increased by more where it is considered it is justified and the payer can pay the increase. Rents for market hall and specialist markets have increased by 3.5%. The charges for cemeteries have increased to recover the cost charged to the council by the contractor with an amount to cover the council's administration costs.

Please note that the increases will not be exact to the pence or percentage as the charges have been rounded up or down.

- 5.5.3 The provisional Base Budget 2010/11 includes income estimates which take account of statutory fees and charges and statutory limitations on fees and charges and the sensitivity to price changes of the demand for services.

5.6 Provisional General Fund Base Budget Estimates 2011/12

- 5.6.1 The provisional General Fund Base Budget for 2011/12 is shown at Appendix C.

- 5.6.2 It should be noted that the Parish Precepts in 2011/12 in Appendix C are now updated to reflect the precepts requested rounded to the nearest £ (compared to Appendix 1 of Paper 11 to the Executive of 17 January). The total amount of parish precepts for 2011/12 is £1,173,037, an increase of £6,388 (0.55%) on 2010/11.

- 5.6.3 The provisional General Fund Base Budget shows a Net Budget Requirement (excluding local precepts) of £9,837,806. Effectively, this is the resource envelope for 2011/12. The Budget Requirement including the local precepts is £11,010,843

- 5.6.4 If the council wished to spend more than the budget requirement of £9,837,806 then it would need to find equivalent amount of savings from within the budget requirement or draw from reserves to support the expenditure or realise additional income from fees and charges or a combination of all three.

- 5.6.5 The budget requirement at Appendix C includes use of £75,000 drawing from the general reserve working balance to balance the budget. Also included in the budget is a contingency to allow for slippage or not being able to fully realise the savings.

At this Budget Requirement, the 2011/12 basic amount of council tax (average Band D equivalent council tax for the District) will be £169.79 which is the same level as 2010/11 giving a 0% (£0) increase for the year. The comparative increase for 2010/11 (this financial year) was 2.50% (£4.14) for the year. The council would therefore qualify for the council tax freeze grant.

- 5.6.6 Paper 11 to the Executive on 17 January set out the basis of the business planning work by which the budget estimates have been constructed and the

savings proposals of the Executive which were forwarded to the Scrutiny Panels to comment upon. The Appendices 2 and 3 of that report are at Appendices D and E. In addition at Appendix F are the additional savings and record of the considerations of the Executive.

5.7 Reserves - Revised 2010/11 and Base 2011/12

5.7.1 The Council's policy is to hold a general reserve working balance which averages 8.3% of the total net direct expenditure adjusted for any budget management items that are not reflected in or been incorporated into total net direct expenditure and any use of earmarked reserves.

5.7.2 For both the revised 2010/11 position (current financial year) and 2011/12 the average level of the general reserve working balance will be above the policy level especially in the light of minimal use of working balances to support the budget for 2011/12. The Deputy Chief Executive advises that this is consistent with the principles set out in the Medium Term Financial Strategy (MTFS) that use of reserves to support the revenue budget cannot be sustained and should be exercised with caution with due consideration of the medium term.

5.8 Robustness of the Budget Estimates

5.8.1 The Deputy Chief Executive advises the Executive that the process by which the budget estimates have been constructed has been robust in terms of the assumptions used in the estimates. Essentially the budget requirement is the total resource envelope of the council at a 0% increase in its basic amount of council tax. All the operations and business of the council has to be within this resource envelope and the service and corporate budget estimates have been constructed within the overall resource envelope constraint. It is therefore critical that the Executive monitors the progress on the achievement of the agreed savings. The business planning and decision making process was described in Paper 11 to the Executive on 17 January. In savings proposals have been informed through consultation with the residents and representative groups as well members. Management Board has advised and supported Portfolio Holders throughout the process to date.

5.9 Future Years – 2012/13 and 2013/14

5.9.1 The government has published the provisional grant for 2012/13 as discussed in paragraph 5.2.3 above. The council will need to continue to work on a reduced budget requirement for 2012/13 to manage the reduction in the grant of 15.64% (£652,881). At the same time, the council will continue to experience inflationary and upward pressures in its costs. Therefore, the Deputy Chief Executive estimates at a headline level a significant provisional funding in 2012/13 based on the provisional grant settlement and consequent provisional estimated resource envelope of £9.3m at a council tax increase of 2.5%.

5.9.2 The Deputy Chief Executive is currently reviewing and revising the MTFS which will be submitted to Council on 24 February. The MTFS cover the period 2012/13 to 2014/15.

6 Legal Issues

6.1 The Constitution of the Council requires the Executive to refer its budget proposals to the Resources Scrutiny Panel for its comments on the proposals. Any comments made by the Scrutiny Panel will need to be considered by the Executive before making its final budget recommendation to Council.

6.2 The expenditure proposed for 2011/12 by the Executive has to be within the statutory powers of the Council. The District Auditor as part of his annual audit considers the legality of the Council's transactions.

7 Resource Issues

7.1 This is primarily a resource allocation report.

7.2 A considerable amount of work has been and continues to be done in shaping the way the Council delivers its services to the users now and in the future. The modernisation and transformational agenda coupled with the need to work more closely, effectively and efficiently with the other local authorities in two tier areas requires new solutions to meet the needs of the user from a holistic perspective.

7.3 The business planning framework is contributing to this in terms of financial and service development planning and prioritising the allocations and use of resources.

8 Equality Impact Assessment Implications/Outcomes

8.1 Any changes to services included within the proposed budget will have either an initial or a full Equality Impact Assessment completed.

9 Impact on the Organisation

9.1 Any decisions Members take for the proposals to balance the budget and the setting of Council Tax will impact on the sustainability of the Medium Term Financial Strategy. It is important that the medium term to longer term considerations and decisions are progressed early during 2011/12 to provide a sustainable position for the future.

10 Community Safety Implications

10.1 The proposals both here and within the Capital Programme report and the service plans and service developments contribute to community safety in the District.

11. Carbon Management Implications

11.1 The authority has been working hard to reduce its Carbon footprint, and as a result believes it can achieve the Carbon Standard during 2011/12. The implications for achieving this are included within the general fund budget estimates.

12. Risk Management Implications

12.1 As has been stated in a number of places in this report, there are a number of actions within the budget proposals which need to be realised in respect of budget savings both in the current and the next financial year.

12.2 A particular risk on the Council is a reduction in the income that it receives not just through its fees and charges but through services that it provides through Service Level Agreements and/or other contractual arrangements.

- Such arrangements would impact on the Council significantly and where this happens the Council will have to undertake a full review of the service concerned to address the loss of the income. The Council needs to be particularly aware of this risk especially in the current economic climate whereby all organisations whether public sector or private will be considering their own positions and scrutinising their own arrangements.

12.3 The risk of slippage in the realisation of the planned savings should be recognised and mitigated by actions through close monitoring of the progress on the achievement of the planned savings.

12.4 Risk to income from fee earning and chargeable services in the current economic climate and the continuing impact of low interest rates on investment income is of ongoing concern.

13 Consultation

13.1 The Heads of Service have looked at various options for services to identify efficiencies and savings. These options have then been discussed at length by Management Board.

13.2 Management Board invited representatives of Unison to join budget discussions in order to form a well rounded discussion on all potential options.

The Executive has consulted widely with the residents, citizen's panel, specific groups and members to inform its proposals on the budget.

13.3 The budget proposals for 2011/12 have been progressed under the direction of Portfolio Holders where there has been significant discussion. The results of these discussions are included in the budget proposals outlined in this report.

13.4 The Chief Executive and Management Board have kept staff briefed and informed on the proposals and the progress of the business planning process. Further details will be shared with staff and consulted upon in order to achieve the proposed balanced budget position.

14 Options Considered

14.1 Not applicable to this report. However, the options were considered during the discussions with portfolio holders for both the general fund and the proposed capital programme.

15 Background Papers

15.1 Local Government Finance Settlement for 2011/12 and Provisional 2012/13 as announced by the Government for Consultation in November 2009.

15.2 Local Government Finance Act 1999 Sections 30, 32, 33, 34 and 35 and Local Government Finance Act 1988.

15.3 Various documents published as part of the announcement in 15.1 above.

Previous report(s): **Executive 17 January 2011 – Provisional General Fund Budget Estimates: Revised 2010/11 and Base 2011/12.**

Information Issued Under Sensitive Issue Procedure: NO.

No Individual Ward Member issues arise from this report.