

REPORT TO THE EXECUTIVE MEETING OF 23 January 2012

Meeting: EXECUTIVE
Date: 23 January 2012
Subject: Draft General Fund Revenue Account Budget for 2012/13 and future years and Capital Programme for 2012/13
Report of: Kamal Mehta, Deputy Chief Executive
Portfolio Holder: Councillor Graham Spendlove-Mason
Status: Decision

1 Purpose of the Report

- 1.1 Following the report considered by the Executive on to present the final draft of the General Fund Revenue Budget 2012/13 and future years and the Capital Programme for approval and to refer to Scrutiny for comment.
- 1.2 To present the proposed Capital Programme for 2012/13 with the revenue implications for the financing of the programme being included in the General Fund Revenue Budget.
- 1.3 To note the position on the local government finance settlement for 2012/13.

2 Recommendations:

- 2.1 This report is referred to the Scrutiny Panel - Resource Development on for its comments and views on the General Fund Budget proposals for 2012/13.
- 2.2 The Executive notes that the provisional General Fund Budget: Base 2012/13 includes the revenue implications of the recommended capital projects.
- 2.3 That a further and final report be brought back to the Executive on 13 February 2012:
 - (a) for consideration of the Executive's Final budget proposals for recommendation to Council on 23 February 2012 and which includes :
 - (i) the final Revenue Support Grant Settlement for 2012/13; and

(ii) the view and comments of the Scrutiny Panel - Resources Development on the draft proposals.

3 Summary of Reasons for the Recommendations

- 3.1 Following the report to the Executive on 19 December 2011, this report sets out the Executive's provisional General Fund Base Budget proposals for 2012/13 and future years and the proposed Capital Programme for 2012/13 to refer to the Scrutiny for comment.
- 3.2 The final Revenue Support Grant Settlement for 2012/13 will not be announced until late January/early in February and therefore the provisional grant figures published by the Government in December 2011 are used in determining the amount to be raised from Council Tax. The report to the Executive on 13 February 2012 will include the final and confirmed grant settlement amount.
- 3.3 The Council must statutorily set a 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 assessments and consultation requirements.

5 Key Facts

- 5.1 The Council commenced the Business and Financial Planning process in July 2011 which will continue to the end of February 2012 when the Council will set the Budget and the Council Tax for 2012/13.

5.2 Local Government Finance Settlement 2012/13

- 5.2.1 The Government announced the provisional Local Government Finance Settlement for 2012/13 on the 8 December 2011. The Finance Settlement is the process by which the government announces its decisions on the revenue support that it intends to provide local government at individual local authority level for the new financial year commencing on 1 April. The provisional settlement was reported to the Executive on 19 December 2011.
- 5.2.2 It is anticipated that the final settlement will be announced by the government later in January or early February.

If the final settlement amount is different from the provisional amount announced in December 2011 then the draft budget will be updated and circulated to members as soon as the final settlement has been announced and notification is received.

5.3 Revised Estimates 2011/12

5.3.1 The revised estimates for 2011/12 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. The revised 2011/12 estimates are attached at Appendix A.

5.3.2 In line with the principles and aims of Council's Financial Strategy, the Original 2011/12 General Fund budget was set on the basis that £102,144 would be funded from general reserves to support the budget and £60,000 would be funded from earmarked reserves for the elections. Also, included in the budget were savings proposals for £222,300 to be implemented in the year however, any slippage in the implementation of these proposals were to be met from the general reserve.

5.3.3 Since the 2011/12 budget was set, carry forwards of £88,700 have been approved by the Executive.

Effectively, the budget carry forwards had been unspent budgets but which were still required for the purpose for which they were set in the previous year 2010/11 which went into the general reserve at the end of that year and were approved to be drawn from reserves in this financial year. In addition, the Executive approved an extension to the Dog and Pest Control Contract for six months whilst the new contract was being procured which required £14,000 additional budget provision, £100,000 for the Property Review and an additional £169,000 has been included for the first years operation of Harborough Innovation Centre.

5.3.4 In summary, it is estimated that the council will require an additional £449,000 from the general reserve. In respect of earmarked reserves the first tranche of the 2011/12 New Homes Bonus of £507,757 received will be set aside for use to support the general fund revenue budget.

5.4 Capital Programme and Financing 2012/13

5.4.1 The proposed Capital Programme for 2012/13 was reported to the Executive on 19 December 2011. There is no change to those proposals and for ease of reference and for completeness of this report the proposals are reproduced below.

5.4.2 Due to the significantly reduced resource envelope that the Council will have available to it for 2012/13 and future years, bids for new capital schemes have been restricted to those that are absolutely critical to meet the Council's priorities and legal obligations. The capital projects bids have been

considered and scored by the Portfolio Holders collectively. The proposals for 2012/13 are as follows:

Capital Scheme/ Expenditure	Total Score	Estimated Cost £	Estimated Annual Revenue Cost £	Annual Revenue Cost Term in Years
<u>Annual Standing Schemes</u>				
Private Sector Housing Renewal Grants/Loans	N/A	100,000	7,830	25
Disabled Facilities Grants (Please see Note 1)	N/A	256,000	9,870	25
<u>New Schemes</u>				
Relocation of Market Harbourough CCTV Scheme	14	50,000	10,920	5
Rebuilding and repair of Closed Churchyard wall at All Saints Church, Theddingworth	11	15,000	1,170	25
Rebuilding and repair of Closed Churchyard wall at St. Wilfrid's Church, Kibworth Beauchamp	11	65,000	5,090	25
Footway and Path resurfacing on Closed Churchyard at St. Cuthbert's Church, Great Glen.	11	10,000	860	25
Total		496,000	35,740	
Disabled Facilities Grant from DCLG		130,000		
Net Cost		366,000	35,740	

The scoring criteria is attached at Appendix B.

5.5 Fees and Charges for 2012/13

5.5.1 The Fees and Charges for 2012/13 have been compiled and the schedule is attached at Appendix C for consideration alongside the draft Base Budget 2012/13.

5.5.2 The Executive should note that the draft Fees and Charges for 2012/13 are based on the following guidelines:

- Fees and charges to be increased by RPI of 4.5%, as a minimum, unless Statutory, in which case this should be the prescribed amount..
- *There should be a direct link between the proposed scale of charges for 2012/13, 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 4.5% on the basis of the third point above. Some have increased by more where it is considered the charges are low when compared to other council's that are similar to Harbourough.

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 as well as sensitivity of demand for services to price changes.

5.6 Provisional General Fund Base Budget Estimates 2012/13 and future years

5.6.1 The provisional General Fund Summary Base Budget for 2012/13 to 2014/15 is shown at Appendix D. As mentioned in the report to the Executive on 19 December 2011 the Council was already planning for a difficult financial and operational environment due to the need to reduce public sector expenditure to contribute to the savings to reduce the national debt.

5.6.2 The total 'resource envelope' for the Council for 2012/13 is £9,288,877. This is the amount that the Council can set its net total budget at. At this level, the increase in the Council's element of the average Band D equivalent Council Tax in the District in 2012/13 will be 0% (£0) for the year. The comparative increase for 2011/12 (this financial year) was 0% (£0) for the year. The 'resource envelope' is determined by:

- (i) The total amount of revenue support grant from central government for 2012/13 which is provisionally set at £3,696,174
- (ii) The Council's share of the estimated surplus or deficit on the Council Tax Collection Fund Account
- (iii) the amount of total council tax that the council proposes to raise. The proposal is not to increase the average Band D level of council tax in 2012/13 for which the council will receive a grant of £139,900 from the government

In accordance with the principles set out in the Medium Term Financial Strategy the annual expenditure of the Council should be met from fees and charges, general and specific grants from the government and the amount raised from Council tax (its resource envelope.)

5.6.3 The Council's 'resource envelope' or 'wherewithal' has reduced significantly over the two years 2011/12 and 2012/13 due to the cut in revenue support grant from the government:

2010/11	2011/12		2012/13	
£	£	%Change from 2010/11	£	%Change from 2011/12
10,940,049	9,919,490	-9.32	9,288,877	-6.36

5.6.4 Set against the 'resource envelope' shown in the paragraph above is the 'budget requirement' or the 'need to spend' which is the draft budget constructed on the basis of existing services including inflation and any expenditure growth pressures and net increase or reductions in income arising from the normal operations of the Council.

The difference between the Resource Envelope and the budget requirement is the funding gap or shortfall and since the council can only spend at the resource envelope the budget requirement has to be reduced through savings or the gap funded by use of reserves that the council has to balance the budget. Usually, it is a combination of the two to achieve a balance budget.

5.6.5 The table below sets out the draft budget for 2012/13 and future years.

Draft	2012/13	2013/14	2014/15
	£	£	£
	At 0% Council Tax Increase	At 2.5% Council Tax Increase	At 2.5% Council Tax Increase
Available Resource Envelope (Appendix E)	(9,288,877)	(9,459,144)	(9,499,619)
Less Budget Requirement (Appendix D)	10,319,000	10,217,500	10,188,300
Shortfall in Funding (Funding Gap)	1,030,123	758,356	688,681
<u>Less: Management of Shortfall in Funding</u>			
New Home Bonus	(507,800)	(507,700)	(507,800)
Council Tax Freeze Grant	(139,900)	0	0
Increase in Car Park Tariffs by £0.20p.	(150,000)	(170,000)	(170,000)
Sub Total	232,423	80,656	10,881
<u>Add expenditure pressures not included above</u>			
Capital Programme Bids for 2012/13 (excluding capital expenditure identified within the Transformation Programme)	35,740	35,740	35,740
Estimated Inflation on Integrated Environmental Services Contract	20,900	20,900	20,900
Lifeline Service Costs	59,000	66,000	66,000
Total net shortfall in funding	348,063	203,296	133,521
As a minimum savings to be achieved by the Transformation Programme	(348,063)	(203,296)	(133,521)

5.6.5 The Strategic Choices model and methodology used to determine the savings to balance the budget in 2011/12 has not been used for the 2012/13 budget. The reason is that there are a number of ways that it is proposed to achieve the required savings. These are:

- that from 2012/13 the 2011/12 New Homes Bonus which in total will be £3.047 million over 6 years (£507,757 per annum) will be used to support the general fund revenue budget over the next six years.
- For 2012/13 only the council will receive £139,900 council tax freeze grant for not increasing the average Band D council tax.

- Increase in the Car Park Tariff by 20p across all the tariff bands
- Savings from the Transformation Programme to balance the budget. The Transformation Programme has commenced and the rationale for its business case is to:
 - Revitalise the organisation (injecting energy and new approaches)
 - Engage with the community (focusing on people and asking them what they want)
 - Strengthen accountability (both democratic and officer leadership)
 - Become more efficient (and continue to improve in the future)

In achieving the above objectives the Programme through its various workstreams has to deliver the savings that are required to balance the budget annually including some of the cost of the Programme. It has been estimated that savings of between £3m and £6m over the next five years with ongoing savings of £1.2m per annum from year 6 onwards can be achieved.

5.6.6 It should be noted that the Parish Precepts in 2012/13 in Appendix A are currently showing at the same level as in 2011/12 (current financial year). The figure for 2012/13 will be updated in the final report to the Executive on 13 February once all the parish precepts have been received.

5.6.7 The budget proposals have been drawn up in the context of the compilation of the 2012/13 Portfolio Plans. The Council's Priorities are reflected in the individual Portfolio Plans and will flow through to the detailed Service Plans which will be resourced by the budget.

5.7 Reserves - Revised 2011/12 and Base 2012/13

5.7.1 The Council's policy is to hold general reserves which average 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 2011/12 position (current financial year) and 2012/13 the average level of the general reserves will be at or above the policy level due. The total reserves position is at Appendix E.

6 Legal Issues

6.1 There are no direct legal issues arising directly from this report.

7 Resource Issues

7.1 The resource issues are covered in section 5 of the report.

8 Equality Impact Assessment Implications/Outcomes

8.1 None arising directly from this report.

9 Impact on the Organisation

9.1 The impact on the organisation is discussed in section 5 of the report as appropriate. The priorities, net need to spend, available resource envelope at the council tax level plans of the Council will have an impact on the way the council operates and delivers its priorities and services to the communities.

10 Community Safety Implications

10.1 None arising directly from this report.

11. Carbon Management Implications

11.1 None arising directly from this report.

12. Risk Management Implications

12.1 As the net shortfall in funding in 2012/13 and future years is to be met by the savings from the Transformation Programme including the cost of the Programme itself, it is important to fully understand that there is a significant risk if the savings are not achieved according to plan. In the event that the savings are not achieved to balance the budget in 2012/13 and future years then the shortfall will need to be met from reserves thus significantly impacting on the council's financial position in terms of funding shortfalls in future years and the ability to continue with the Transformation Programme. The call on reserves over the five years to 2015/16 for the Transformation Programme is estimated at £2 million which is all of the General Reserves balance. A significant part of the £2 million is scheduled to be used in the first three years of the Programme. The Transformation Board will be closely monitoring the implementation of the Programme and the associated risks including that discussed in this report on an ongoing basis.

12.2 A further risk to note is the short term nature of the time limited council tax freeze grants. Once the grants stop, the effect is similar to the use of reserves to support the council tax, because the budget deficit in the following year(s) will be greater.

12.3 There are further risks in respect of the future funding of local government from 2013/14 which the government has already consulted on and is working through the detail on. The retention of Business Rates and the New Homes Bonus will be the substantive income to the Council in place of the current formula grant funding from the government.

12.4 A significant risk currently is the proposals regarding the localisation of the support for council tax. There is potentially a significant risk to the council of the reduction of 10% (£500m) cut by the government in the cost of council tax benefits nationally from 2013/14.

The government's proposals are that local authorities will set their own schemes to support their residents with council tax but that pensioners and other protected groups benefits will not be allowed to be affected by the local scheme and therefore the 10% cut will either have to be borne by the remaining recipients of benefit or the council taxpayer.

The general view nationally is that local authorities will need to build up their reserves as the cost can be significant depending on the demographic and socio economic make up of the local authority area and arrangements regarding sharing of the costs with the other precepting authorities (the County Council, Police Authority and the Fire and Rescue Service.)

13 Consultation

13.1 An online internet consultation is currently in progress and the results will be reported to the Executive to its meeting on 13 February.

14 Options Considered

14.1 None applicable

15 Background Papers

15.1 Local Government Finance Settlement 2012/13 information on DCLG website and the statement by the Parliamentary Under Secretary of State for Communities and Local Government

Previous report(s): Executive: Draft General Fund Revenue Account Budget for 2012/13 and future years

Information Issued Under Sensitive Issue Procedure: ~~Y/N~~ Not Applicable

Ward Members Notified: ~~Y/N~~ Not Applicable

Appendices:

- A. Revised Estimates 2011/12
- B. Capital Programme 2012/13 Scoring Criteria
- C. Fees and Charges for 2012/13
- D. Provisional General Fund Base Budget Estimates 2012/13 and future years
- E. Statement of Reserves