

COUNCIL – 21 FEBRUARY 2012

REVENUE BUDGET AND COUNCIL TAX 2012/13

Report of the: Deputy Chief Executive & Director of Corporate Resources

Status: For Decision

Executive Summary

This report sets out the proposed budget and required level of Council Tax for 2012/13. The report details changes to the draft budget since the Cabinet meeting on 8 December.

The proposed net expenditure budget is £13.443m (£13.771m in 2011/12). Subject to any further changes this would envisage no Council Tax increase in 2012/13, with the District's council tax remaining at £181.89 for a Band D property for the year.

This report supports all the Council's key themes and objectives.

Portfolio Holder Cllr. Ramsay

Head of Service Head of Finance and Human Resources – Tricia Marshall

Recommendation:

It be recommended to Council that:

- (a) The Summary of Council Expenditure and Council Tax set out in Appendix C be approved.
 - (b) The 10 year budget 2011/12 to 2021/22 set out in Appendix A, including the growth and savings proposals set out at Appendix B, be approved and that where possible any variations during and between years be met from the Budget Stabilisation Fund.
 - (c) Any changes in the taxbase and collection fund and other minor variations be transferred to/from the Budget Stabilisation Reserve.
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Background and Introduction

- 1 Members will be aware that the 2012/13 budget process started in October 2011 with consideration of a report on the Council's financial prospects. The Select Committees reviewed the budget and service plans in October and November and reported back to Cabinet on 8 December 2011.
- 2 The adoption of the 10-year budget last year has resulted in a much more stable budget position than in recent years.

- 3 The growth items and service pressures presented to the Select Committees have been addressed and incorporated into the draft budgets attached together with the associated savings.
- 4 The December Cabinet included the following recommendations:
 - Full Council approves the changes to reserves;
 - Any changes in the taxbase and collection fund and other minor variations be transferred to/from the Budget Stabilisation Reserve.
- 5 This report includes a number of attachments:
 - The 10-year budget (Appendix A);
 - Summary of growth and savings proposed (Appendix B);
 - Summary of Council Expenditure and Council Tax (Appendix C);
 - Summary Service Analysis in budget book format (Appendix D);
 - Analysis of pay costs (Appendix E);
 - Risk analysis (Appendix F);
 - Financial Strategy (page 183, Appendix 5 Agenda Item 6 (a)).

New information received and key changes made since December 2011

- 6 **Revenue Support Grant / Non-Domestic Rates** (£4.9m in 2011/12) – a draft figure was received in December which was the same as the provisional figure received in December 2010, therefore the assumptions in the 10-year budget remain unchanged. Final confirmation is expected in February 2012.
- 7 **New Homes Bonus** – it was announced in December that the council would receive £645,993 in 2012/13. Due to the likelihood that in future the New Homes Bonus would be funded by a reduction in the Revenue Support Grant, it is important that the majority of this funding should be kept separate until the overall financial effect is known.
- 8 **Council Tax Base** – as reported to Cabinet on 12 January 2012, the Council Tax base has increased by around 285 band D equivalent properties to 50,860. This will result in an extra £52,000 of precept which will be transferred to the Budget Stabilisation Reserve.
- 9 **Changes agreed by Cabinet on 8 December 2011 to offset the proposed growth items and pressures** - in terms of pressures on the Housing Benefit Service it was proposed and Cabinet agreed that £50,000 be made available from the Housing Benefit Subsidy Reserve. Cabinet also agreed that the £20,000 pa saving associated with the shared Democratic Services Management pilot arrangement, due to end in December, would be put back into the budget and covered by the increase in market rents that had been secured by the Professional Services Manager.

- 10 In terms of funding the budget gap it was proposed that the £40,000 reduction in the Housing Benefits grant should be funded from the Housing Benefits Subsidy Reserve and the £6,500 provision for the Members' IT allowance should be funded from the underspend on Members' Allowances

Variations to the December 10-Year Budget

- 11 Taking into account the new information available since the Cabinet meeting on 8 December as set out above, the following table shows the key impacts on the Financial Plan:

Key variations	Plan	Plan	Plan	Plan	Cumulative
	Year 1	Year 2	Year 3	Year 4-10	
Budget gap	2012/ 13	2013/ 14	2014/ 15	2015/16 to 2021/22	
	£000	£000	£000	£000	£000
1 Cabinet 8/12/11	47	47	47	329	470
2 Contribution from Housing Benefit Subsidy Reserve (to offset SCIA1: reduction in Housing Benefit grant)	(40)	(40)	(40)	(280)	(400)
3 Members' allowances (to offset SCIA2: provision for Members' IT allowance)	(7)	(7)	(7)	(49)	(70)
4 Housing Benefit Service pressures to be funded from the Housing Benefit Subsidy Reserve	-	-	-	-	-
5 Shared Democratic Services Management saving reversed and offset by an increase in market rents	-	-	-	-	-
6 Council Tax base increase	(52)	(52)	(52)	(364)	(520)
7 Contribution to Budget Stabilisation Reserve	52	52	52	364	520
8 Revised Budget gap	0	0	0	0	0

Integration with other budget reports on the Cabinet Agenda

- 12 Separate reports on this Agenda set out the Asset Maintenance and Capital Programme Budget proposals, and Treasury Management Strategy. The attached revenue budgets take into account the recommendations and revenue implications set out in those reports.

2011/12 Outturn

- 13 The latest monitoring figures indicate a small favourable variance at the year end. However, it should be recognised that this has been a challenging budget year for a number of reasons, including reducing income streams, continued impact of the recession on service demand, higher fuel prices and higher than anticipated inflation levels. In spite of this, officers, with the support of the Finance Advisory Group, are continuing to ensure the year-end outturn remains within budget.

- 14 Supported by the Finance Advisory Group, tight financial monitoring and control has been in place for a number of years and again for 2011/12. Given the constraints being placed on all budgets, and the savings planned for 2012/13 and future years, it will be essential to continue on this basis.

Medium Term Prospects

- 15 The 10-year budget includes previously agreed savings up to 2014/15 to help to achieve a balanced budget.
- 16 Looking at both national and local issues, the medium term prospects remains difficult, in that the Council is likely to be faced with a number of substantial additional financial pressures. These include:
- reduced Government grant;
 - increased demand for some services due to the economic downturn;
 - expectations that council tax increases will remain very low;
 - reduced investment and other income;
 - localisation of support for council tax;
 - redistributed business rates.
- 17 The 10-year budget at Appendix A already reflects the impact of a number of these pressures on the Council's finances. Members will appreciate that there is considerable uncertainty over many of the financial assumptions for future years and that this is an evolving picture. Officers will continue to track and analyse the latest information and views.

Risk Assessment Statement

- 18 The budget risk analysis is attached at Appendix F. At its meeting on 25 January 2012 the Finance Advisory Group reviewed the assumptions and risks within the 2012/13 budget. The Appendix has been amended to take account of any comments.
- 19 The Council has in place a number of specific reserves and provisions to address identified risks.
- 20 The report to Council will set out the statutory Finance Officer's opinion on the robustness of estimates and adequacy of reserves, as required by the Local Government act 2003.

Equalities Impact Assessment

- 21 In setting the budget last year, when the four-year savings plan was approved, we gave due regard to our equality duties by considering the possible impact

that the proposed changes could have on different groups. Individual equality impact assessments were carried out on each proposal and were included in the report to ensure our decision-making process was fair and transparent. The cumulative impact of these proposals show there will be impacts on diverse groups but the proposals reflect the fairest overall course of action in view of the savings we are required to make. Wherever possible, we have identified actions against each proposal where necessary with the aim of reducing any impacts by making reasonable adjustments.

Impact on and Outcomes for the Community

- 22 A balanced budget that includes the assessment and management of risk provides the Council with the financial stability required to plan and deliver its services to the Community.

2012/13 Budget and Council Tax

- 23 After allowing for the savings package and the key changes referred to above, the resulting net expenditure for 2012/13 is £13.443m. As shown in Appendix C this results in a Council Tax of £9.251m. No increase in Council Tax is proposed for 2012/13, meaning that the District element of the Band D charge remains at £181.89.
- 24 The other preceptors are yet to announce their increases. Members will be updated at the meeting with the latest information.

Conclusions

- 25 Members will be aware that the Council continues to face financial pressure from the economic downturn and reductions in Government spending. Income is expected to remain depressed whilst demand for key services has remained high.
- 26 The future financial prospects for the public sector are increasingly difficult. However, this budget, with the level of Council Tax being recommended, will ensure the Council is in a financially sustainable position.

Sources of Information: **Financial Prospects and Budget Strategy 2012/13 and Beyond** (Cabinet 13 October 2011, Performance & Governance 15 November 2011)

2012/13 Budget & Review of Service Plans (Environment Select Committee 25 October 2011, Social Affairs Committee 1 November 2011, Services Select Committee 8 November 2011)

Draft Budget 2012/13 (Cabinet 8 December 2011)

Risks and Assumptions in the Budget (Finance Advisory Group 25 January 2012)

Investment Strategy (Performance and Governance Committee 10 January 2012, Finance Advisory Group 25 January 2012)

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