**COUNCIL – 16TH DECEMBER 2010**

# REVENUE BUDGET AND COUNCIL TAX 2011/12

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| Report of the: | Deputy Chief Executive & Director of Corporate Resources |
| Also considered by | Cabinet – 13th December 2010 |
| Status: | For Decision |


## Executive Summary

This report sets out the proposed budget and required level of Council Tax for 2011/12. The report details changes to the draft budget since the Cabinet meeting on 28 October and directs Members to the feedback from the Select Committee meetings in November and December.

The proposed net expenditure budget is £13,771,000 (£16,711,000 in 2010/11). Subject to any further changes this would envisage no Council Tax increase in 2011/12, with the District's council tax remaining at £181.89 for a Band D property for the year.

The report also sets out the Statutory Finance Officer's opinion on the robustness of estimates and adequacy of reserves, as required by the Local Government Act 2003.


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

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| **Portfolio Holder** | Cllr. Ramsay |
| **Head of Service** | Head of Finance and Human Resources – Tricia Marshall |

**Recommendation:**

Council resolves that:

(a) The Summary of Council Expenditure and Council Tax set out in Appendix C be approved.

(b) The 10 year budget 2010/11 to 2020/21 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) The changes to reserves set out in Appendix F be approved.

(d) Any changes in the taxbase and collection fund and other minor variations be transferred to/from the Budget Stabilisation Reserve.

(e) The Council's net revenue budget for 2011/12 be set at £13,771,000 and that the District Council's element of the council tax not be increased and remain at £181.89 for a Band D property.

**Background and Introduction**

1 Members will be aware that the 2011/12 budget process started in September 2010 with consideration of a report on the Council's financial prospects and proposed financial strategy. At that stage the Council was faced with a potential budget gap of up to £6.5m. At the Cabinet meeting on 2 September Members agreed key financial principles, the adoption of which enabled a revised plan to be drawn up with the shortfall reduced to £4.3m over 10 years.

2 Cabinet set out its savings proposals to meet this shortfall at its meeting on 28 October, for consultation with Select Committees. Consultation has since taken place with the Select Committees on solutions to bridge the budget gap and their comments and recommendations are provided at Item 5 on this Agenda. The Finance Advisory Group has considered the budget risks and assumptions and supports the approach the Council is taking. The Performance and Governance Committee has also reviewed the Financial Strategy considered elsewhere on this Agenda and, subject to some minor amendments, has endorsed the strategy.

3 Having considered the comments and recommendations of Select Committees, Finance Advisory Group and Performance & Governance Committee, Cabinet will put forward its final budget proposals to full Council on 16 December, at which the Budget and Council Tax for 2011/12 will be set.

4 In order to assist Members, this report includes:

- Updated information received since October 2010, including Revenue Support Grant, Concessionary Fares funding transfer and the Pension Fund valuation;
- An update on the forecast outturn for the current financial year;
- A limited requirement for growth in the future years of the 10 year budget;
- A review of the Council's reserves, including proposals to change reserve balances;
- The 10 year budget and draft budget book; and
- The Statutory Finance Officer's assessment of the robustness of the estimates and the adequacy of the Council's reserves, as required by the LGA 2003.

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);
- Statement of Reserves (Appendix F);
- Risk analysis (Appendix G);
- Equalities impact assessments (Appendix H).

**New information received since October 2010**

6 Since Cabinet agreed the new budget proposals on 28 October, there have been a number of Government announcements and consultations that could have a financial impact on the Council. In addition, the initial results of the Pension Fund valuation have been received. These are set out in more detail below.

***Pension Fund Triennial valuation***

7 The Kent Pension Fund is actuarially valued every three years. The latest valuation, as at 31st March 2010, has recently taken place. The valuation compares the fund's assets with its liabilities and sets out the level of contributions required to reduce any identified deficit.

8 The most recent valuation figures for the Council have been received. The key factors affecting the valuation are:

- A change in actuarial approach, with less pessimistic assumptions;
- Performance of the fund over the last three years, which was significantly worse than expected;
- Lower inflationary increases in pensions following the Government's announcement that CPI rather than RPI would be used for pension increases from April 2012;
- An assumed two year pay freeze and hence reduced future pension liabilities; and
- An assumption that staff will retire later than previously assumed.

9 As a result of the factors above being applied, the assumed increase in pension backfunding contributions allowed for in the Financial Plan (£300,000 a year) will not be required between 2011/12 and 2013/14, and existing contributions would be reduced by £220,000 a year. However, the valuation has taken place at a difficult time for local government and the economy, by a newly appointed actuary. Consequently, estimated future contributions cover a time when the national financial outlook is more uncertain. Following

consideration by the Finance Advisory Group, given the level of further change and uncertainty relating to this area, the Finance Advisory Group has suggested that this ongoing underspend not be used for ongoing revenue purposes but be retained within the Financial Plan for the next valuation (as at 31 March 2013).

***Concessionary fares***

10 As Members will be aware, responsibility for concessionary fares transfers from district to county councils from 1 April 2011. The CLG held a consultation in September on 'Local Government Finance Formula Grant Distribution' which included a section on the financial implications of moving concessionary travel from lower-tier authorities to upper-tier authorities. The Council had estimated that it would lose £100,000.

11 Preliminary figures released on 13 December indicate that the funding reduction for this Council will be £446,000. The final effect of this has been included in the government grant settlement figures below (this is in addition to the specific grant of £0.125m that will also be lost).

***Revenue Support Grant (RSG)***

12 The 10 year budget previously presented to Members assumed that Revenue Support Grant will reduce by 35% over four years, with a 10% reduction in 2011/12, followed by 10%, 7.5% and 7.5% for subsequent years. The Government has announced that for Sevenoaks District Council the settlement will be £4.877m for 2011/12 and £4.189m for 2012/13, after adjusting for concessionary fares as set out above.

13 The percentage reductions are worse than estimated. The reduction in 2011/12 is 17% and in 2012/13, the reduction is slightly less at 12%. However, this two year reduction amounts to almost 30% and is only a little less than the Council’s original forecast of 35% over 4 years. If the Government is keeping to an average reduction in RSG of 28% over four years this implies that the reductions in 2013/14 and 2014/15 will be slightly less than previously estimated. The 10-year Budget assumptions have been adjusted accordingly.

14 As these figures have only been released on 13 December, officers are still working through the detailed information supporting them, any significant changes will be reported to Members at the Council meeting.

***Government funding for Council Tax freeze***

15 As reported at the Cabinet meeting on 28 October, the Government has announced that if an authority sets its council tax for 2011/12 at a level which is no more than its council tax for 2010/11, it will be eligible to receive a grant equivalent to a 2.5% increase in its 2010/11 council tax multiplied by the authority's tax base for 2011/12. The scheme is voluntary and covers the council tax increase for 2011/12 only.

16 An unringfenced grant in support of the scheme will be paid to each eligible authority for a four year period starting in 2011/12. It is estimated that if this Council decides to freeze its council tax for 2011/12, it will receive additional income of £229,000 a year for four years. This has been included in the figures in Appendices A and C. However, it should be noted that, despite the four year 'subsidy', these measures will have an adverse effect on the Council's budget indefinitely.

17 The opportunity has also been taken to review the assumption for council tax increases in 2015/16 onwards. The Coalition Government has encouraged Councils to keep increases to a minimum, and is proposing referendums on excessive council tax increases. To accommodate this, the assumed percentage increase has been reduced from 5% a year to 4% a year.

***New Homes Bonus Scheme consultation***

18 The Government published its consultation paper "New Homes Bonus'' on 12 November 2010. The aim of the New Homes Bonus (NHB) is: "to create a powerful, simple, transparent and permanent incentive which rewards local authorities that deliver sustainable housing development."

19 The consultation paper sets out the government's preferred model for implementing NHB. The scheme will reward local authorities with a bonus, paid through Section 31 of the Local Government Act 2003 as unringfenced grant, equal to the national average for the council tax band, on each additional property, and this grant will be paid for six years. The number of additional homes will be calculated from the Council Tax Base return submitted in October each year.

20 The Government is proposing that 80% of the grant will be paid to lower-tier authorities and 20% to upper tier, though it suggests this is a starting point for consultation.

21 The scheme will be funded through the abolition of the Housing Planning Delivery Grant initially, but in future years funding will be increased through top-slicing Revenue Support Grant. It is not clear at present whether the extra income gained under the NHB scheme would exceed any loss in Revenue Support Grant. The funding for 2011/12 under this scheme will be published in the new year.

22 As this proposal is still subject to consultation and amendment, no additional income has been included in the Financial Plan or the 10 year budget at this stage.

***Planning Fees consultation***

23 On 15 November the Government started to consult authorities on proposals to allow them the freedom to recover the true costs of administering planning applications. Local councils will be given the power to set their own fees to cover costs but they will not be able to make a profit from the fees they

charge. The actual cost of submitting an application will be covered by those benefiting from it and no longer subsidised by the taxpayer.

24 If proposals on decentralising planning fees are taken forward following consultation, local authorities will be able to set their own fees from April 2011. They will be given six months from April to October to publish their new schedule of fees. During that period they will be able to use the current fees set by Government; these will be withdrawn in October. The Government estimates that currently on average planning fees are around 10% lower than the associated costs.

25 As this proposal is still subject to consultation and amendment, no additional income is included in the Financial Plan or the 10 year budget at this stage. However, the saving proposals (SCIAs) include a power of general competence target saving which is currently set within the Financial Plan at £150,000 a year. Changes to planning application fees would contribute to this target. It is likely that further freedoms will also be available for other income generation areas, including Licensing and Building Control.

**Reserves Review**

26 Appendix F to this report reviews all cash-backed balances at 31st March 2010; considering the need for and adequacy of such sums at a detail level.

27 Proposed changes to reserves are set out in that Appendix. The main changes are:

a) As set out in the financial principles endorsed by Cabinet, the deletion of the Asset Maintenance and Pension Deficit reserves, to be replaced by:

   - a new Financial Plan 2010/11-2020/21 Reserve, which will be used over the ten-year period to reduce the impact of the Council’s reliance on reserves and
   - a £1m Emergency Asset Maintenance Reserve;

b) the annual contribution to the Capital Funding Reserve be reduced to £330,000;

c) revenue contributions to the Reorganisation Reserve, to meet the estimated costs of redundancies over the four year savings period; and

d) the creation of an IT Asset Maintenance Reserve, to smooth IT spending between years.

28 As a result of reviewing the reserves, the interest receipts have been re-calculated based on the projected 10-year balance sheet. The interest rate applied has also been reviewed to reflect the continuing low interest rates.

## Variations to the October Financial Plan

29 Taking into account the new information available since the Cabinet meeting on 28 October as set out above, the following table shows the key variations impacts on the Financial Plan:

| | **Key variations**<br><br>**Budget gap** | Plan Year 1<br><br>2011/12 | Plan Year 2<br><br>2012/13 | Plan Year 3<br><br>2013/14 | Plan Year 4-10<br><br>2014/15 to 2020/21 | Cumulative |
|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 |
| 1 | Cabinet 28/10/10 | 14 | (462) | (357) | 1,116 | 311 |
| 2 | Additional income - Government Support to offset Council Tax freeze | (229) | (229) | (229) | (229) | (916) |
| 3 | Postponed growth item - Pension fund additional contributions - move from 11/12 to 14/15 | (300) | (300) | (300) | 0 | (900) |
| 4 | Reduced expenditure - Pension contributions reduction of a further £220k from 11/12 to 13/14 | (220) | (220) | (220) | 0 | (660) |
| 5 | Revised assumption - Council Tax increases 15/16 to 20/21 reduced from 5% to 4% per year | | | | 2,372 | 2,372 |
| 6 | Interest receipts - increased balances and updated interest rate assumption | 14 | 19 | (259) | (1,867) | (2,093) |
| 7 | Revenue Support Grant provisional settlement | 137 | 190 | 95 | 463 | 885 |
| 8 | Additional contribution to reserve for redundancy costs | 141 | | 100 | 0 | 241 |
| 9 | Expenditure previously classified as capital | 100 | 100 | 100 | 700 | 1,000 |
| 10 | Cabinet changes to proposed saving (Outer Fringe Allowance) | 140 | (130) | | | 10 |
| 11 | Contribution to/(from) Stabilisation Reserve | 203 | 1,032 | 1,070 | (2,555) | (250) |
| 12 | Revised Budget gap | 0 | 0 | 0 | 0 | 0 |

30 The revised position as at the end of the 10 year budget is currently a shortfall of £250,000 (see Appendix A1), which at £25,000 per annum is an amount that can be dealt with in future years.

## Integration with other budget reports on the Cabinet Agenda

31 Separate reports on this Agenda set out the Asset Maintenance and Capital Programme Budget proposals, and draft Investment Strategy, Prudential Indicators and Financial Strategy. The attached revenue budgets and reserves review take into account the recommendations and revenue implications set out in those reports.

**Outcome of consultation on savings proposals made at the October Cabinet**

32 The savings proposals have been considered by the Select Committees as follows:

- Finance Advisory Group (budget assumptions) – 3 November
- Social Affairs Select Committee – 23 November
- Services Select Committee – 6 December (original date 30 November)
- Environment Select Committee – 7 December.

33 The responses from the Select Committees are set out at Item 5 on the Agenda, for Members' consideration.

**Collection Fund and Taxbase**

34 The 2011/12 tax base will be agreed at Cabinet on 20 January. At the same time, Members will be presented with an estimate of the Collection Fund balance as at 15 January 2011. Initial calculations suggest that there is unlikely to be a significant change from a balance collection fund, therefore, it is suggested that any over or under estimate in the budget requirement as a result of changes in the tax base or a deficit or surplus on the collection fund be transferred to the Budget Stabilisation Reserve.

**2010/11 Outturn**

35 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.

36 Supported by the Finance Advisory Group, tight financial monitoring and control has been in place for a number of years and again for 2010/11. Given the constraints being placed on all budgets, and the savings planned for 2011/12 and future years, it will be essential to continue on this basis.

**Medium Term Prospects**

37 The Medium Term Financial Prospects have been reported to Members during September and October. However, whilst the Council continues to meet its primary financial objective of reducing reliance on reserves and maintaining the levels of General Fund reserves whilst continuing to invest in priority services, the size and impact of the level of savings required will inevitably mean that the delivery of some services will no longer be possible or in some cases will need to be reduced.

38 The Council continues to rely on the use of £645,000 of reserves each year from 2012/13 to 2020/21. In order to put the Council on a more sustainable footing, any positive variations against budget assumptions should be used to move towards the principle that all ongoing expenditure should be funded from ongoing income.

**Opinion under the Local Government Act 2003 (LGA 2003)**

39 Under the LGA 2003 the Statutory Finance Officer (Deputy Chief Executive and Director of Corporate Resources) is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves.

40 In terms of the robustness of the budget, the following sources of assurance were taken into account:

- The Strategic Business and Financial Planning process used for the 2011/12 budget, with clear links to the Sustainable Community Action Plan, the Council's Vision and other key corporate plans.
- The development of a Financial Strategy, including a 10-year Budget, clear financial objectives, sensitivity analysis and the existing 4-year savings package.
- Scrutiny of savings proposals by the Select Committees.
- The strong financial control structure and effective performance management within the Council, confirmed by previous Use of Resources assessments and other feedback from external auditors.
- Clear budget responsibilities at individual officer level.
- Effective monitoring regime giving early notification of potential financial issues through the use of the specialist Finance Advisory Group.
- Effective Internal/External audit system, with risk-based audits, reporting through the Performance and Governance Committee.
- Set aside of earmarked funds for potential liabilities in the medium term.
- Effective strategic and operational risk management.

41 As is the case every year, inevitably there are a number of risk factors within the 2011/12 budget proposals; these are set out in some detail in Appendix G to this report and were considered by the Finance Advisory Group on 3 November. Some of the more significant items are set out below.

a) Pay costs (£14.6m)

Pay costs are budgeted on 100% basis, with a separate vacancy target saving of £100,000. With controls over the appointment of any staff and monitoring of staff numbers as well as costs, pay costs are subject to a high level of control.

The Government has announced a two-year pay freeze for public sector workers and the Local Government Employers Association is not planning to deviate from that instruction. However, if inflation should increase over the period, it could become much more difficult for the Employers to maintain this stance

Staff turnover has reduced significantly in recent years, making it more difficult to achieve the vacancy target saving. It is expected that, due to the recession, staff turnover will remain low in 2011/12. However, the target saving has remained at £100,000.

b) Achievement of Savings (£2.7m planned for 2011/12)

The overall level of planned savings is relatively high at £2.7m in 2011/12, a 16% reduction on the 2010/11 budget. The main risk items are those which rely on third parties or the generation of additional income. Close budget monitoring including prompt corrective action will be essential.

In recognition of the uncertainty surrounding the timing and achievement of partnership savings, it is recommended that the Council continue with the approach of transferring any year-end underspend on the revenue budget to the Budget Stabilisation Reserve, to be used to meet any one-off shortfall in the achievement of such savings in 2011/12. Furthermore, the Budget Stabilisation Reserve will accommodate any slippage in the 10 year budget as well as any earlier than anticipated savings.

c) Income

In the build-up of the budget there are a number of major income streams with risks attached, including:

- Car parks and off street parking (£2.5m)
- Land Charges (£202,000)
- Development Control (£563,000)
- Building Control (£499,000)

The last three are particularly dependant on local economic and market fluctuations. In-depth monitoring of these budgets will continue throughout the year and will be given regular consideration by the Finance Advisory Group.

d) Non pay costs

The 10 year budget assumed an average inflation rate of 2.5% for non-pay costs. At October CPI was 3.2% and RPI was 4.5%, so keeping cost increases within budget will be challenging. Over the past year the Council has been reviewing its procurement practices and the budget assumes that savings will continue to be made through smarter procurement in 2011/12.

e) External Funding

It is anticipated that in a number of areas external funding will cease and in some areas, the Council is endeavouring to continue to provide the service. For example, the Council is working with other partners to identify alternative ways of delivering the 8-12s Project. Exit strategies are in place for when funding ceases.

f) Local Development Framework

Revenue contributions to the Earmarked Reserve for this project have been reduced. Projected costs have been put together as the national requirements develop. The reduced contribution level is sufficient based on current projections but there is considerable uncertainty over major cost items and future requirements.

g) Superannuation Reserve

As mentioned above, the Council has recently received early information on the Pension Fund valuation as at April 2010 and the Financial Plan has been adjusted accordingly.

h) Investment Receipts (£192,000)

Interest rates have remained low in 2010/11 and are not expected to increase until December 2011. The Council is only making shorter term investments (up to one year) in the present market conditions; this does make it more vulnerable to interest rate fluctuations. The proposed investment receipts budget for 2011/12 is expected to be in line with the current year. The Investment Strategy will be kept under review and brought back to Members for consideration as necessary during the year. The proposed Strategy for 2011/12 is reported separately on this Agenda.

i) Capital resources to fund the Capital Programme

Due to the level of uncertainty in the current economic climate it is difficult to predict the level of capital receipts that will be achieved in 2011/12. The Capital Programme is based on 75% of anticipated receipts being received and includes no receipts from the Blighs development. The anticipated receipts for 2011/12 are £808,000, but it must be emphasised that there is considerable uncertainty over the value and timing of these receipts.

As part of this year's budget the Council has set aside ongoing revenue contributions to Capital of £330,000. This improves the sustainability of the Capital Programme and reduces reliance on a dwindling pool of capital receipts.

In relation to the Edenbridge Relief Road, as previously reported to Members, ongoing discussions with KCC have yet to be concluded and as such, the Council continues to hold the remainder of the pre-agreed provision (£1.5m) to meet these costs.

j) Asset Maintenance

With the size and nature of the council's major assets (leisure centres, Central Office) there will always be some risk of unforeseen maintenance issues. From 2011/12 onwards, it is proposed that the Council sets aside £1m as an Asset Maintenance Emergency Reserve. Furthermore, the Portfolio Holder has undertaken a review of this area, and has identified a number of efficiencies and financial solutions to improve its sustainability. As this work progresses, asset maintenance expenditure has been moved into the Revenue Budget, to reduce reliance on reserves.

k) Impact of Economic Climate

Earlier reports on the budget have highlighted the impact on the Council's finances of the current economic downturn. Many of the risks are set out above, but there has also been an impact on the Council through increased demand for services such as Benefits and Housing.

l) Growth

The 10 year budget has no allowance for growth as it is anticipated that where possible this will be met through additional savings or the Stabilisation Reserve. However, any significant financial implications arising from a change in Government policy may need to be considered by Members separately.

42 Members will recognise that budget risk cannot be avoided completely. However, the structures already in place and the actions being put in place should ensure that next year's overall revenue spend figure is achieved, particularly through the Council's flexible approach to budgeting allowing the risk areas to be compensated by those that are under-spent or overachieve on income.

***Adequacy of Reserves***

43 Ensuring the adequacy and sustainability of the Council's reserves has been a key part of the budget process this year. Individual balances have been reviewed as part of writing this report and the detailed work is set out at Appendix F. This review should ensure that all provisions and earmarked reserves are adequate for their purposes.

44 The key issue on which comment must be made relates to the General Fund Reserve:

| | £000 |
|---|---|
| Actual balance 1st April 2010 | 3,713 |
| Estimated balance 1st April 2011 | 3,521 |

45 It is recommended that the Council hold a minimum General Fund reserve balance of 10% of its net Revenue Budget, for emergencies. The remainder of

the General Fund reserve is the only resource not ear-marked to a particular future need.

46 The Council has a low Capital Receipt balance. This has been addressed by building an annual revenue contribution to capital funding into the Financial Plan.

47 In previous reports it has also been highlighted that the Asset Maintenance and Superannuation reserves were not sustainable in the longer term. The proposed Financial Plan addresses that issue in that the use of those balances will be smoothed over a longer period. It must be acknowledged however that from 2012/13 onwards the Council will still be drawing £645,000 a year from reserves to fund revenue expenditure.

48 The strong formal advice of the Section 151 officer to the Council is that every effort must be made to achieve the agreed savings plan in order to ensure financial sustainability and preserve the level of reserves for future commitments. The Council should avoid, at all costs, the General Fund Reserve balance reducing below 10% of its Net Service Expenditure (for 2011/12 this equates to £1.4m).

**Risk Assessment Statement**

49 The Council will continue to support the Revenue Budget from Reserves at an unsustainable rate unless proposals contained within this report (or equivalent savings) are put in place from the next financial year.

50 The budget risk analysis included in the budget report to Cabinet on 28 October has been updated and is attached at Appendix G. At its meeting on 3 November 2010 the Finance Advisory Group reviewed the assumptions and risks within the 2010/11 budget. The Appendix has been amended to take account of any comments.

51 The Council has in place a number of specific reserves and provisions to address identified risks.

**Equalities Impact Assessment**

52 In setting the budget, we have given due regard to our equality duties by considering the possible impact that the proposed changes could have on different groups. Individual equality impact assessments have been carried out on each proposal and are included in this report to ensure our decision-making process is 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

53 The budget includes a number of new savings proposals; the impact of each proposal has been assessed and considered by the relevant Select Committee.

54 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.

## 2011/12 Budget and Council Tax

55 After allowing for the savings package and the key changes referred to above, the resulting net expenditure for 2011/12 is £13,771,000. As shown in Appendix C this results in a Council Tax of £9,172,000. No increase in Council Tax is proposed for 2011/12, meaning that the District element of the Band D charge remains at £181.89.

56 The other preceptors are yet to announce their increases, however there are early indications that Kent County Council will keep its council tax at its current level. Members will be updated on the final precept figures at the February Council meeting.

## Conclusions

57 Members will be aware that this has been a particularly difficult budget setting process and 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.

58 There are a number of risks associated with this approach, including significant cost and income pressures that may significantly impact on the ten-year budget. However, by adopting this approach, many of these will be predictable and more importantly, the Council will be better placed to anticipate and react to such events. This solution also allows the Council more stability and sustainability in delivering its services and dealing with its finances.

59 Delivering this Financial Plan, 10 year budget and savings proposals will be a major challenge for a Council that already provides value for money services to a high standard. In making budget proposals, Members have considered the impact on service quality, residents and staff well-being, to ensure that these proposals lead to an achievable Financial Plan that supports the Council's aspirations for customer focussed services.

60 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.

61 Finally, notwithstanding the updated information and variations identified in this report, it must be stressed that the overall financial situation as set out in

the report to Cabinet on 28 October remains broadly the same. Therefore, the size and extent of the proposed changes and reductions remain commensurate with the size of the challenge which the Council faces.

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| **Sources of Information:** | **Financial Prospects and Budget Strategy 2011/12 and Beyond** (Cabinet 2 September 2010, Performance & Governance 7 September 2010)<br><br>**Service Prioritisation Matrix** (Cabinet 30 September 2010)<br><br>**Financial Strategy Report** (Performance & Governance Committee 16 November 2010, Cabinet 13 December 2010<br><br>**Draft Budget and Savings Proposals** (Cabinet 28 October 2010, Social Affairs Committee 23 November 2010, Services Select Committee 30 November 2010, Environment Select Committee 7 December 2010)<br><br>**Risks and Assumptions in the Budget** (Finance Advisory Group 3 November 2010)<br><br>**Investment Strategy** (Performance and Governance Committee 16 November 2010) |
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