

DRAFT BUDGET 2013/14

Cabinet - 6 December 2012

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

Status: For Decision

Key Decision: No

Executive Summary: This report sets out progress made in preparing the 2013/14 budget and updates Members on key financial information.

Since the last report on 13 September 2012, the Select Committees have been presented with proposed additional growth and savings items.

There remains uncertainty over the two largest funding sources, Government Support and Council Tax for 2013/14; therefore a further report will be presented to Cabinet on 10 January 2013 when more information should be available.

The Cabinet will make its final recommendation on the budget at its meeting on 7 February 2013, after taking into account any updated information available at that date.

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder Cllr. Ramsay

Head of Service Group Manager – Financial Services – Adrian Rowbotham

Recommendation to Cabinet:

- (a) Consider and respond to the comments and recommendations of the Select Committees as set out at Appendix E; and
- (b) Officers be requested to investigate further proposed solutions for the £160,000 budget shortfall.

Introduction

- 1 At the Cabinet meeting on 13 September 2012, Members considered a report setting out the Council's financial prospects for 2013/14 and beyond. That report set out the major financial pressures the Council is likely to face, together with a proposed strategy for setting a balanced and sustainable budget for 2013/14 and beyond.
- 2 As part of the budget process officers put forward their Service Plan Summaries to Select Committees in October and November, which set out their objectives for the

coming year. Changes to the four year savings plan together with new growth and savings items were also identified by officers.

- 3 This information and the implications for the 2013/14 budget are set out below, together with an update on the issues raised in the Financial Prospects report and those arising from the current year's budget monitoring and service activity.

Updates to the Financial Prospects Report

- 4 The Financial Prospects report considered in September raised a number of financial risk areas for the Council. These are updated below and Members will be aware that this is a rapidly evolving situation, and the Council needs to be prepared to act flexibly in response to changes in economic conditions.

Government Support

- 5 The basis for allocating Government Support from 2013/14 is changing to the Business Rates Retention Scheme. This scheme initially allows billing authorities, such as this council, to keep 40% of Business Rates received, however tariffs and top ups are applied to ensure that initially each local authority is not significantly affected by this change. Other adjustments will also be made.
- 6 The Council's current budget assumptions for Government support are a reduction of 9% in 2013/14 and 10% in 2014/15. However, in this year the level of complexity and uncertainty has been more significant than in previous years, therefore projections and forecasts are having to be made with minimal data where assumptions are constantly changing.
- 7 The Government is now not expected to announce provisional figures for 2013/14 and 2014/15 until late December.

New Homes Bonus

- 8 The New Homes Bonus for 2013/14 is expected to be higher than currently included in the 10-year budget but the amount the Council will receive next year will also not be announced until late December.

Council Tax

- 9 The Government has announced that if a Council freezes its Council Tax in 2013/14 they will receive a 1% grant for two years. Also, a referendum will be required if the Council raises Council Tax 2% or more.
- 10 The current assumptions for Council Tax are 3% in 2013/14 and 2014/15 and 4% in later years. Therefore, if Members choose to freeze Council Tax and accept the grant in 2013/14, and take the same option if it is offered for the remaining two years of this Parliament, there would be a budget gap of £7.9m over the 10-year budget period.

Changes to the 4 Year Savings Plan and New Growth and Savings Items

- 11 Several items in the 4 year savings plan are now considered to be at risk, which total £165,000 (£115,000 in 2013/14 and an additional £50,000 in 2014/15).

- 12 In addition to non service issues and risks, such as grant settlements, impacts of economic change and other pressures highlighted in the Financial Prospects report, a number of growth items have been identified.
- 13 Growth items total £110,000. This is a reduction of £20,000 compared to the figure in the Select Committee reports due to the item for Housing Homeless being removed following additional work by officers.
- 14 Officers have suggested additional savings totalling £115,000 (£85,000 in 2013/14 and an additional £30,000 in 2014/15).
- 15 The risks, growth and new savings identified result in proposed net growth of £160,000 which the Select Committees have recommended to Cabinet should be included in an updated 10-year budget.
- 16 The following appendices contain further detail:
 - Appendix B – The Council's agreed 4 year savings plan,
 - Appendix C – Summary of changes to the 4 year savings plan and new growth and savings items,
 - Appendix D – Service Change Impact Assessment forms (SCIAs) for each item listed in appendix C.

Current Budget Gap and Savings Proposals

- 17 The 10-year budget (Appendix A) shows a balanced budget position. However, this does not include the £160,000 of net growth items recommended by the Select Committees (Appendix C). Due to the uncertainty regarding Government Support and Council Tax a further report will be presented to Cabinet on 10 January 2013 containing a more complete picture. Members' views will then be sought if proposals are required to close any budget gap.
- 18 The Cabinet will make its final recommendation on the 2013/14 budget at its meeting on 7 February 2013, after taking account of the latest information available at that date.

Collection Fund and Tax base

- 19 The 2013/14 tax base will be agreed at Cabinet on 10 January 2013. At the same time, Members will be presented with an estimate of the Collection Fund balance as at 1 December 2012.

2012/13 Outturn

- 20 Supported by the Finance Advisory Group, tight financial monitoring and control has been in place for a number of years and again for 2012/13. Given the constraints being placed on all budgets, and the savings planned for 2013/14 and future years, it will be essential to continue on this basis.

21 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 reduced income streams and the continued impact of the recession. In spite of this, officers, with the support of the Finance Advisory Group, are continuing to ensure the year-end outturn remains within budget.

22 Key risk items in the current year include:

- Development Control income (£150,000 forecast shortfall in 2012/13),
- Building Control income (£129,000),
- Car Parking income (£100,000),
- Land Charges income (£35,000).

23 Based on these risks it is likely that unless additional income or savings are identified the budget gap will increase by the time Members come to set the budget.

Key Implications

Financial

24 All financial implications are covered elsewhere in this report.

Community Impact and Outcomes

25 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.

Legal, Human Rights etc.

26 There are no legal or human rights implications.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	Yes	Equalities assessments have been completed for all of the Service Change Impact Assessments (SCIAs).
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

Conclusions

- 27 Government Support and Council Tax are currently two major uncertainties contained in the 10-year budget with further information not expected until late December.
- 28 The outcome of these funding sources together with £160,000 of net growth recommended by the Select Committees may result in a budget gap. An updated position will be reported to Cabinet on 10 January 2013.
- 29 This budget process, although currently presenting a balanced outcome, will once again be a major financial challenge for a Council that already provides value for money services to a high standard. In making any budget proposals, Members will need to consider the impact on customers, service quality and staff well-being, to ensure that these proposals lead to an achievable 10-year budget that supports the Council's aspirations for customer-focused services.

Risk Assessment Statement

- 30 An effective integrated policy and priority driven long-term financial and business process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order to take account of the changing climate within which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.
- 31 The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as future grant settlements. The risk will be mitigated by continuing to review assumptions and estimates and by updating Members throughout the process.

Appendices

Appendix A – 10-year budget

Appendix B – The Council's agreed 4 year savings plan

Appendix C – Summary of changes to the 4 year savings plan and new growth and savings items

Appendix D – Service Change Impact Assessment forms (SCIAs)

Appendix E – Summary of Select Committee feedback

Background Papers:

Report to Environment Select Committee 23 October 2012, Social Affairs Select Committee 30 October 2012 and Services Select Committee 1 November 2012 – 2013/14 Budget and Review of Service Plans

Report to Cabinet 13 September 2012 – Item 6 – Financial Prospects & Budget Strategy 2012/13 and Beyond

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