

POLICY, FINANCE AND ADMINISTRATION COMMITTEE

25 JANUARY 2012

REPORT OF HEAD OF CENTRAL SERVICES

REVENUE BUDGET 2012/13

1.0 PURPOSE OF REPORT

- 1.1 To outline the key budget issues that will be going forward to the Council's budget setting meeting on 1 February 2012.

2.0 RECOMMENDATION

- 2.1 That Members note the budget proposals including the proposed list of reductions and enhancements for submission to the Full Council budget meeting on 1 February 2012.**

3.0 KEY ISSUES

3.1 Budget Away Day

- 3.1.1 A Budget Away Day was held on the 9th January 2012 for all Members to discuss the Council's financial position with regard to general and special expenses including proposals for growth and savings to net expenditure. The key issues discussed and the proposals made are set out below.

3.2 Revenue Budget 2011/12

- 3.2.1 The estimated year end position for the current financial year based on estimates provided by budget holders for General expenses is indicating an under-spend against the approved budget of approximately £80,000. This takes into account approved carried forwards and in year supplementary estimates. This under-spend is primarily due to the reimbursement of revenue costs from the sale of land at Nottingham Road which are payable even if the sale does not progress. However there remains pressure on the budgets and it is likely that the actual year end position will result in a balanced fund. Based on this assumption it is likely that the position on the working balance at the year end will be in line with the target of £640,000.

- 3.2.2 The estimated year end financial position with regard to special expenses based on budget holder estimates is for the actual expenditure to be in line with the original estimate and therefore the target working balance at the year end is likely to be in line with the target level of £50,000.

3.3 Revenue Budget 2012/13

Council Tax Freeze Grant & Proposed Council Tax Levels

- 3.3.1 As with 2011/12 the Government have again offered Council's a grant equivalent to a 2.5% increase in council tax if they freeze council tax. For this Council this equates to £84k. To qualify for the grant Councils need to have an overall nil increase in council tax which includes all special expenses. Unlike the funding provided in 2011/12 which was for a four year period this provides funding for one year only. Whilst there has been some indication that the grant provided in 2011/12 will be incorporated into the calculation of the new funding formula being introduced on 1st April 2013 the funding for 2012/13 will clearly

not and therefore should members wish to retain the spending power of this funding it would have to be added to council tax in 2013/14 in addition to any rise also proposed in that year.

- 3.3.2 In preparing the estimates it has been assumed that the Council will wish to take up the offer of the grant and set a nil overall increase. In preparing the estimates the grant has been allocated to the various funds in line with the income that would be generated from a 2.5% increase. An increase will be required for the special expense area of Sproxtton but a reduction for Frisby in order to balance these funds; the combined effect results in a reduction of £0.23 or 0.13% in the overall rate thereby the Council will qualify for the grant. Whilst this does provide an opportunity to slightly increase either general expenses or special expenses and still qualify for the grant this would provide little transparency on council tax bills and members at the budget away day indicated that a nil increase should be set for these funds.
- 3.3.3 No rate of council tax will be set for next year for the special expense area of Broughton & Old Dalby. This follows a decision by this Council following an approach from the Parish Council to transfer over the operation of the allotments from 1 April 2012. It is estimated that a balance of £357 will remain on the fund at the end of 2011/12 and it will be proposed to Full Council that any remaining funds be transferred to the Parish Council following the closedown of the account at the year end rather than moved into the Council's other funds which is also an option.
- 3.3.4 Based on these assumptions of a council tax for rural special expenses that balances the budgets and a nil increase in general expenses and special expenses Melton Mowbray the council tax levels would be as follows:

Council Tax Area	Band D 2011/12 per annum	Band D 2012/13 per annum	% Change
General Expenses	£150.48	£150.48	0
Special Expenses (Melton Mowbray)	£56.35	£56.35	0
Special Expenses (Sproxtton No.2 and 4)	£45.78	£68.64	+49.9
Special Expenses (Frisby)	£21.71	£15.71	-27.7
Average (Whole Area)	£178.61	£178.38	-0.13

Growth and Savings

- 3.3.5 At the budget away day members considered proposals for growth and savings for both general and special expenses. A full list of those proposals will be submitted to Full Council as part of the formal consideration of the council's budget. At the budget away day members made recommendations on those that should be approved and included in the budget for 2012/13 and the source of that funding for submission to Full Council and these are set out below:-

Growth – General Expenses			
Service	Ongoing	£	Details
Various	✓	35,890	Additional net expenditure incurred relating to Parkside
Homelessness	✓	30,000	Homeless prevention initiatives due to increased demand on the service
Corporate and Democratic Core	✓ *	8,200	Electronic Working for Members. Cost includes non-recurring element of £1,680 *
Total Growth		£74,090	

It was proposed that the non-recurring element of the costs for electronic working for members of £1,680 be funded from the Corporate Priorities Reserve. However in addition members also wished the project to be considered further by this committee prior to Full Council allocating any funding as part of the budget process.

- 3.3.6 With regard to the revenue costs relating to the website capital project it is proposed that these be considered by this committee following the preparation and presentation of the business case which would provide more detail of the options available and the financial implications of these. As such no financial provision was to be made as part of the budget and a supplementary estimate may be required in year to therefore fund this project.
- 3.3.7 With regard to the Family Intervention Project it was considered that the council should continue to seek ongoing partnership funding for this scheme.
- 3.3.8 Members may be aware of the financial difficulties surrounding Voluntary Action Melton (VAM). One of the projects supported by VAM is the Pyramid Project for young children which costs up to £15,000 per annum. It is suggested that Full Council may wish to consider funding for this project from its own resources as part of the budget for 2012/13
- 3.3.9 With regard to savings, only one proposal was made at the budget away day relating to the tourism service, of £2,000. However, following the budget away day the Rural, Economic and Environmental Affairs Committee have approved changes to both the waste management service and the charges levied for replacement bins. These savings will be incorporated into the budget being proposed to Full Council. In addition the Community and Social Affairs Committee is considering a saving in relation to the cemetery, which could see further savings being incorporated into the budget prior to Full Council for both general and special expenses.
- 3.3.10 With regard to Special Expenses (Melton Mowbray) no growth is being proposed and the saving referred to in 3.3.9, if approved, would result in a saving for both general and special expenses. This saving would require the funding of some one-off costs and this could be funded from the special expense reserve.
- 3.3.11 Members also considered future saving options and one proposal was made relating to a potential review of the industrial units taking into account the economic development needs of the town.

Overall Budget Position

- 3.3.12 Taking into account the proposed savings and growth made by members at the budget away day this would result in the following position on the general expenses budget based on a nil change to the council tax level and the receipt of a council tax freeze grant.

	£
Estimated Budget Deficit 2012/13	183,840
Growth	74,090
Reductions	-2,000
Corporate Priorities Reserve	-1,680
Net Budget Deficit	£254,250

- 3.3.13 The figures in the table above do not take into account the use of the additional New Home Bonus the council is set to receive in 2012/13 of £306,870. This grant is provided to assist councils in meeting the demands made upon them from the increase in new homes in terms of both infrastructure and the delivery of services. Notwithstanding the Governments intentions for this unringfenced funding to benefit those communities who receive growth, the deficit could be funded through the use of this additional grant. The balance could be set aside in a reserve with an associated policy covering its use.

- 3.3.14 The figures presented do not take into account any revenue budget implications of the capital receipt from the sale of land at Nottingham Road now due on 20th January 2012. One option available to members for the use of this receipt is to repay all general fund debt and to go “debt free”. In order to not incur the payment of a premium for the early repayment of the associated loans outstanding the Council would transfer the loans to the Housing Revenue Account (HRA). This will be possible as under the reform of this fund there will be a requirement for the HRA to buy itself out of the subsidy system by taking out loans and making a substantial payment to the Government. The transfer of these loans will meet part of this borrowing requirement. Along with the interest received on the balance this would result in revenue savings of £407k. There are also a number of smaller revenue budget implications resulting from the sale that will need to be considered and incorporated into the revenue account following further debate around the options these may present to members. However in order to enable the HRA to make the necessary payment to the Government in March 2012 it will be proposed to Full Council that following receipt of the funds the Council repay all of its general fund debt. This course of action would reduce the need to utilise the New Homes Bonus to balance the budget.
- 3.3.15 With regard to Special Expenses (MM) the latest position based on a nil change to the council tax level and receipt of the council tax freeze grant with no savings or growth proposed would be a surplus of £46,710.
- 3.3.16 The surplus on the special expense (MM) reserve is due to the decision taken when setting the 2010/11 budget to build up the reserve to provide future funding for capital and non recurring revenue schemes. This reserve is now in a position to assist with this aim and members will be able to see the benefits of this when considering the capital programme proposals.
- 3.3.17 Figures will continue to be refined until the Full Council meeting on 1 February 2012 when the full details will be produced for all members consideration along with all relevant supporting information to assist with the decision making process.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 The process followed with regard to the setting of the Council's budget is in line with the Service and Financial Planning timetable. Proposals for enhancements are assessed including their link to the Council's Priorities and Service Plans and other corporate documents.
- 4.2 With regard to the New Homes Bonus as set out above this grant is intended to help deliver the vision and objectives of the community and the spatial strategy for the area. In particular, it will be relevant to the preparation of development plans which concern housing where it assists with issues such as service provision and infrastructure delivery. A portion of the funding has been top sliced from Formula Grant. Formula Grant currently provides funding for 50% of the Council's revenue budget. There is pressure from Parish Councils to see a proportion of this funding allocated to projects within the rural area where new homes have been provided. A policy for the use of the New Home Bonus and the allocation of this between the funding of the revenue budget and other projects would assist members in providing guidance when setting their budget rather than the decision being budget led. Such a policy will be brought before members when developed for consideration.
- 4.3 A capital receipt can only be utilised for the repayment of debt or to fund capital expenditure. As such when members consider the use of these funds they should consider maximising the flexibility provided by revenue reserves such as the Corporate Priorities Reserve and any New Homes Bonus Reserve by funding capital expenditure from capital receipts in the first instance.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 There are no further financial and resource implications other than those already set out above.

6.0 **LEGAL IMPLICATIONS/POWERS**

6.1 There are no direct legal implications of this report.

7.0 **COMMUNITY SAFETY**

7.1 There are no direct links to community safety although some elements of the budget proposals will relate to community safety issues.

8.0 **EQUALITIES**

8.1 The proposals for savings have been subject to an Equalities Impact Assessment (EIA) as appropriate by the relevant service area in order to determine whether or not any adverse impact could be identified to any particular diversity group. Completed EIA's will be provided for Full Council for all savings proposals for member's information.

8.2 Other elements of the budget proposals will relate to equalities issues and these have been equality impact assessed as appropriate by the relevant service area.

9.0 **RISKS**

9.1 There is always the risk that an item of income or expenditure is not adequately reflected in the budget for any financial year. The process followed as set out in the Service and Financial Planning Timetable is aimed at mitigating this risk. However, the Council has a working balance which is annually reviewed and calculated on a risk based approach. This working balance is there to provide for any variations in actual against budget that could not have been anticipated at this stage. The detailed calculations are contained in the Council's Medium Term Financial Strategy. Full details of those items of particular risk will be included in the budget report to Full Council on 1 February 2012.

10.0 **CLIMATE CHANGE**

10.1 Climate change and our response to this could impact on a number of budgets and this should be considered as part of the service planning process.

11.0 **CONSULTATION**

11.1 The Service and Financial Planning Timetable sets out the Council's approach to consultation and its links to the budget setting process. All Heads of Service and Members are involved in the process at various stages.

11.2 Union representatives attended the BSPWG meeting held in November and the budget away day in order to facilitate communication with staff representatives. Staff directly affected by the disinvestment proposals have been kept informed through their Head of Service of the proposals being considered.

11.3 The Town Area Working Group was also consulted on proposals for Special Expenses Melton Mowbray.

11.4 Consultation with business ratepayers is being undertaken via the website following positive feedback from last years exercise undertaken via this method.

11.5 Extensive consultation was undertaken for the 2011/12 budget and much of the responses have been used to shape the proposals put forward for consideration in 2012/13.

12.0 **WARDS AFFECTED**

12.1 All wards will be affected

Contact Officer: David Cowl – Chief Accountant

Date: 10 January 2012

Appendices: None

Background Papers: Medium Term Financial Strategy
Budget working papers 2012/13
Budget Away Day Papers

Reference: X: C'tees, Council & Sub-C'tees/PFA/2011-12/25-01-12/DG – Revenue Budget 2012-13