

1 FEBRUARY 2012

REPORT OF THE HEAD OF CENTRAL SERVICES

REVENUE BUDGET 2012/13

1.0 PURPOSE

1.1 The purpose of this report is to provide information on the budget issues facing the Council in 2012/13, seek a decision on the level of the budget requirement including any growth or savings and agree the level of Council Tax for Borough Council purposes.

2.0 RECOMMENDATIONS

2.1 It is recommended that:

- (i) Any increase against the target working balance on General and Special Expenses Melton Mowbray at 31st March 2012 be transferred to the Corporate Priorities Reserve and the Special Expenses Reserve respectively. Any shortfall be restored from within the 2012/13 budget;
- (ii) Any balance on the Special Expenses account for Broughton and Old Dalby at 31st March 2012 be transferred to the Parish council;
- (ii) The proposals for General and Special Expenses (Melton Mowbray) as set out in Appendices B, C and D be approved for inclusion in the 2012/13 budget resulting in the estimates set out in Appendix E;
- (iii) The budget requirements and Council Tax amounts for all funds be as set out in Appendix F;
- (iv) That delegated authority be given to the Head of Central Services to amend the estimates to account for any changes to the Formula grant over the provisional figure by adjusting the contribution to reserves;
- (v) That delegated authority be given to the Head of Central Services in consultation with the Strategic Director (CAM) and the Chair of the Policy Finance and Administration committee to utilise a portion of the capital receipt from the sale of land at Nottingham Road to repay all general fund debt by transferring the debt to the HRA and finance any existing capital programme items currently being funded from borrowing. The revenue estimates to be amended to reflect the budget implications of such a decision;
- (vi) A further report be made to members of the relevant policy committees of the remaining financial implications/impact on the revenue budget of the capital receipt and service issues arising;
- (vii) The permanent establishment be revised accordingly in line with the growth and savings approved;
- (viii) That members note the changes made to the risk categorisation of budgets as set out in para 3.7.3 and Appendix I;
- (ix) A review of industrial units be undertaken during 2012/13 and a report be made to the Rural Economic and Environmental Affairs Committee;

- (x) That members approve the creation of a New Home Bonus Reserve; the policy covering the level of contribution and use to be determined by the Policy, Finance and Administration Committee. Following consideration of this policy the contribution to the revenue fund be adjusted accordingly should resources enable this.

3.0 KEY ISSUES

3.1 Medium Term Financial Strategy (MTFS)

3.1.1 The MTFS was approved by the Policy Finance and Administrative committee on 25th January 2012. The key issues set out in the accompanying report and the previously approved Budget Framework with respect to the 2012/13 budget are as follows:

- A working balance of £640,000 for general expenses be retained and £50,000 for Special Expenses Melton Mowbray.
- The HRA working balance be increased to £500,000 by 31 March 2013 in light of the changed risk profile following the reform of the HRA.
- The Council retains its objective of setting a balanced budget in 2012/13.
- No inflation be provided in the 2012/13 budget for non pay costs and pay and related costs unless adjusted for known prices by budget holders.
- The Council continues its policy of seeking external funding for capital projects and working in partnership with other local authorities to attract funding to supplement the Council's own resources.
- The Programme Board determine the relative priority of schemes for members to consider and allocate funding based on the information set out in the project mandates.
- The amounts in the corporate priorities reserve and general reserve (special expenses) be available to help fund projects (non-recurring cost element) which are in line with Council priorities.

3.2 Local Government Finance Settlement 2012/13

3.2.1 Following the comprehensive spending review (CSR 2010) the two year local government finance settlement was announced. The provisional figures issued in December 2011 in respect of the 2012/13 grant were in line with that indicated as part of the two year settlement figures. The final amount is set to be confirmed and figures are anticipated in early February 2012 and if available in time a verbal update will be provided at the meeting. The following table sets out the amounts for the 2 years for this Council.

Formula Grant 2011/12 to 2012/13

Financial Year	£
2011/12	3,042,950
2012/13	2,624,620

3.2.2 Such a large reduction in formula grant over the two years has presented a financial challenge for the Council and is in excess of that anticipated following the spending review. There continues to be a number of financial pressures as set out in the Council's MTFS in addition to this reduction in grant and this will mean the financial

focus will need to continue to be on efficiency, value for money and cost savings as necessary to continue to balance the Council's budget.

- 3.2.3 From 1 April 2013 Formula Grant will be replaced with a system of Council's retaining a proportion of business rates. It is likely that the overall funding available will be lower than is currently provided through the Formula Grant and in addition there is the additional risk of the volatility of the amounts collected.

3.3 Policy Framework and Budget Process

- 3.3.1 Following detailed scrutiny by the Management Team, the Budget and Strategic Planning Working Group (BSPWG) met on 10th November 2011 to consider and scrutinise the detailed budget submissions. The Working Group met with a number of managers and budget holders and as a result a number of changes were made to the budgets for individual services. In addition, the budget proposals were compared to the Council's top priorities as set out in the Corporate Plan to ensure only those that best met the Council's objectives and plans went forward for consideration as part of the budget setting process. Following this process a draft budget was produced.
- 3.3.2 The Budget 'Away Day' was held on 9th January 2012 to which all Councillors and Heads of Service were invited, to provide their views on the budget proposals for growth to services and savings to net expenditure, in conjunction with the Council's priorities. This exercise resulted in a steer being provided over the list of growth and savings to be included in the budget as well as the Council Tax increase for Council funds. Following this meeting changes were made to the waste management service at a Rural Economic and Environmental Affairs committee meeting which led to savings being made to the budget for 2012/13. An update on the budget position was reported to the Policy, Finance and Administration Committee on 25th January 2012.

3.4 Estimated Year End Position 2011/12

- 3.4.1 The estimated year end position for the current financial year 2011/12 is shown in Appendix A. This has been compiled on the basis of the 'best estimate' of income and expenditure for the year provided by budget holders and includes requests for supplementary estimates that have been made to the Policy Finance and Administration Committee.
- 3.4.2 The estimated year end position 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. It is proposed that any surplus over this level at 31st March 2012 be transferred to the Corporate Priorities Reserve. Any deficit could be carried forward and met from the 2012/13 budget.
- 3.4.3 The estimated year end financial position with regard to Special Expenses, Melton Mowbray based on budget holder estimates is for the actual expenditure to be in line with the original estimate after allowing for approved supplementary estimates and therefore the target working balance at the year end is likely to be in line with the target level of £50,000. It is proposed that any surplus over this level at 31st March 2012 be transferred to the Special Expenses Reserve. Any deficit could be carried forward and met from the 2012/13 budget thereby reducing the estimated contribution to the reserve in 2012/13.

3.4.4 The estimated year end position is only an indication of the likely position at the year end and budget holders can only spend at this level if they seek approval through virements and supplementary estimates.

3.5 Proposed Budget 2012/13

3.5.1 The budgets for 2012/13 for general and special expenses prior to any approved growth and savings are summarised in Appendix A. These are based on the assumption that the Council sets a nil overall council tax increase in order to be eligible for the council tax freeze grant which is equivalent to an overall 2.5% increase across all funds. The grant has been allocated to each fund based on a 2.5% increase in council tax.

3.5.2 The budget for 2012/13 has been prepared on the basis of maintaining services at their agreed levels except where the Council has already agreed to a change in which case any change in cost has been incorporated into the base budget.

3.5.3 All service budgets have been subject to scrutiny by both the Management Team and the BSPWG. In accordance with the MTFs no inflation has been provided for prices or pay increases unless adjusted by budget Holders for known increases or contractual commitments.

3.5.4 A number of principles and assumptions have been applied when preparing the summary set out in Appendix A as follows:

- The approved establishment has generally been budgeted for in full, but no provision has been made for recruitment costs as a result of any vacancies.
- The capital programme as recommended to the Policy, Finance and Administration Committee and set out earlier in this agenda is approved. The revenue implications of which have been incorporated into the budget with the exception of the Website scheme where it is proposed the level of revenue resource allocated will be considered following the receipt of the detail of the project and the business case.
- All supplementary estimate requests made to the PFA committee held on 25th January 2012 were approved.
- Assumptions have been made in respect of a number of service related income streams in addition to assumptions over the level of interest from investments. In light of the current economic climate the actual position could differ significantly from that estimated. Those services that continue to be particularly affected are building control, development control, car parking and industrial unit rents. Assumptions have also been made relating to price increases which also could differ to that estimated.
- With regard to property related estimates assumptions have been made regarding the letting of Phoenix House and the income and expenditure relating to Parkside where there is currently no historic data.
- Income has been assumed in respect of a number of externally funded projects e.g. Children's Services and the Family Intervention Project. Partners are still working through their own budget approvals and formal confirmation of a number of projects is still awaited.
- No allowance has been made in respect of locally set planning application fees where the final scheme is still awaited.
- No allowance has been made for the impact of the current review of IT services being undertaken by SOCITM, this will be brought back to members along with the recommendations arising from their review.

- No allowance has been made for the financial implications of the Olympics on the borough and at this stage it is intended that any costs will be met from within existing budgets or reserves as necessary.
- Council Tax for Special Expenses –Sproxtton and Frisby is set at a level required to produce sufficient income to meet service costs and produce a nil working balance.
- The running of the allotments in respect of Broughton and Old Dalby will be transferred to the Parish Council from 1st April 2012.

3.5.5 In order to finalise the Council's budget and set the Council Tax, the growth, savings and Council Tax levels proposed at the Budget 'Away Day' and subsequently reported to the PFA Committee need to be considered.

General Expenses

- Growth totalling £74,090 as set out in Appendix B was proposed for funding. Of this amount £1,680 is non recurring expenditure and as such is proposed to be funded from the Corporate Priorities Reserve. This includes the growth in respect of electronic working for members which members considered further at the Policy, Finance and Administration Committee. A verbal update of the recommendations from that committee will be provided at the meeting.
- One saving of £2,000 has been proposed relating to tourism as set out in Appendix C, in addition the Community and Social Affairs Committee is considering a saving relating to the cemetery, which would result in a further ongoing saving to the general fund of £10,000 per annum, at its meeting on 24th January 2012.
- A nil increase in the council tax level is proposed leaving the Band D equivalent at £150.48 per annum.
- With regard to the revenue costs relating to the website capital project it was proposed at the budget away day that these be considered by PFA 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 has been made as part of the budget proposals presented in this report and a supplementary estimate may be required in year.
- With regard to the Family Intervention Project, the council would continue to seek ongoing partnership funding for this scheme. As such no provision as been made as part of the budget proposals presented in this report.
- It is proposed that any shortfall in the general fund revenue budget be offset by the use of the additional New Homes Bonus to be received in 2012/13 of £306,870. The residual unused portion of this grant be transferred to a reserve to support infrastructure projects associated with these new homes either revenue or capital. The full details to be determined following the consideration of a policy to determine the level of contribution to this reserve and its agreed use. Following the consideration of this policy the contribution to the 2012/13 revenue budget be adjusted accordingly should revenue funds enable this.
- With regard to the receipt from the sale of land at Nottingham Road it is proposed that the first draw on these funds be to repay the current general fund debt and transfer the outstanding loans to the HRA as part of the borrowing need required to finance the buying out of the current housing subsidy system and to fund all existing schemes funded through borrowing from capital receipts. The remaining funds would be invested until their use is determined this would reduce the net expenditure of the revenue budget by £407k. There are a number of other revenue

implications of the result of the transaction and these will be reported to a meeting of the relevant policy committees following the receipt of the funds.

Special Expenses (Melton Mowbray)

- No growth was proposed and the only saving considered at the budget away day relating to the cemetery is to be considered by the Community and Social Affairs Committee at its meeting on 24th January 2012 which could result in ongoing savings of £15,000 per annum. There would be some non recurring costs that would need to be met from the Special Expense Reserve to achieve these savings.
- A nil increase in the council tax level is proposed leaving the Band D equivalent at £56.35 per annum.

Special Expenses (Sproxtton Nos 2 and 4)

- A council tax increase of 49.9% is proposed as shown in Appendix A (line 56) resulting in a Band D charge of £68.64 per annum

Special Expenses (Broughton and Old Dalby)

- Following the decision by Full Council when setting the 2011/12 budget this service is to be transferred to the Parish Council negating the need for a council tax rate to be set. It is proposed that any surplus on the account at 31 March 2012 be paid to the Parish Council rather than transferred to general council funds.

Special Expenses (Frisby)

- A council tax reduction of 27.7% is proposed as shown in Appendix A (line 70) resulting in a Band D charge of £15.71 per annum

3.5.6 The impact of the above approvals is set out in the following attached documents:

- Summary of proposals for General Expenses and Special Expenses (Melton Mowbray) (Appendix D).
- Revised summary of Committee estimates, including growth and savings (Appendix E).
- Budget requirements and Council Tax amounts for all funds (Appendix F).

3.5.7 For members information a full list of the general fund growth as considered at the budget away day is set out at Appendix G. No growth was proposed in respect of Special Expenses Melton Mowbray.

3.5.8 Members also considered future saving options and one proposal was made relating to a review of the industrial units taking into account the economic development needs of the town.

3.6 Parish Precepts

3.6.1 For information, a summary of the parish precepts is set out at Appendix H.

3.7 Budget Monitoring

3.7.1 For the purpose of budget monitoring, services are designated as one of three categories which determines the level and frequency of budget monitoring.

These are:

- High risk and complex budgets.
- High risk budgets.
- Lower risk budgets.

3.7.2 The categorisation of the various services has been reviewed for 2012/13 and is set out in Appendix I.

3.7.3 Following consultation with the Management Team changes have been made to the existing categorisation. Environmental Maintenance, interest on investments, and land charges have been moved from high to lower risk. Parkside income and expenditure and Phoenix House income being included as high risk budgets.

3.8 Reserves

3.8.1 The Local Government Act 2003 requires the Responsible Financial Officer to comment on the adequacy of reserves and the robustness of the estimates. I am satisfied with the robustness of the 2012/13 base budget estimates and the adequacy of the reserves on the basis of the information available to me at this time and advised by budget holders and the assumptions set out in para 3.5.4. The key issues that could impact on the robustness of the estimates are the income projections relating to planning and building control fees and Phoenix House and the income and expenditure relating to Parkside due to the lack of historic data in addition to external funding assumptions. In addition assumptions have been made regarding a number of partner contributions and external funding where notification of funding levels have yet to be received. Reserves would need to be adequate to fund any in year requests for schemes not supported as part of the budget set and each case would need to be assessed at that time based on the availability of individual reserves available to support any such requests.

3.8.2 A Statement of Revenue and Capital Reserves is attached at Appendix J and this is based on the following assumptions:

- The capital programme and the contribution from the reserves is as recommended to the Policy, Finance and Administration Committee and set out earlier on this agenda.
- Supplementary estimates requested at the PFA Committee meeting held on 25th January 2012 to be met from the reserves are approved.
- Any increase against the target working balance on General and Special Expenses Melton Mowbray at 31st March 2012 is transferred to the Corporate Priorities Reserve and the Special Expenses Reserve respectively. Any shortfall is restored from within the 2012/13 budget.
- A transfer of £1,680 is made from the Corporate Priorities Reserve to fund the non-recurring element of growth made to the General Fund Revenue Budget.
- There may be a need to draw on the reserves to fund the revenue costs of the website and the one off costs relating to the special expenses savings proposal.
- An assumption has been made regarding the level of partner contributions to the council property and repairs fund in order to provide for any necessary works to the new council building. The service charges, of which this is a part, are still being refined and therefore this could be subject to change. A programme of works needs to be drawn up in line with these contributions and this will form part of the Asset Management Plan which is in the process of being updated. As such no expenditure has been assumed at this stage.

- The deposit provided by Sainsbury's, whilst recognised as a capital receipt, is not available for funding purposes. The full receipt has not been recognised at this stage.
- An HRA reserve has been created based on the resolution of the Community and Social Affairs Committee. This HRA Development and Regeneration Reserve is for expenditure on specific housing and regeneration projects within the ring-fence of the HRA with its use determined by CSA and PFA.
- A New Homes Bonus Reserve is proposed with a policy to be drafted for consideration by members to include the contributions to be made into the reserve and the scope of its use.

3.8.3 A brief description of the purpose and future intention with regard to each reserve and provision held by the Council is set out in Appendix J.

4.0 **POLICY AND CORPORATE IMPLICATIONS**

4.1 There are no further policy and corporate implications directly arising as a result of this report other than those set out above.

5.0 **FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

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

6.0 **LEGAL IMPLICATIONS/POWERS**

6.1 There are no direct legal implications resulting from this report.

7.0 **COMMUNITY SAFETY**

7.1 Individual budgets could have links to community safety issues. These are covered in any associated reports and financial forms that refer to these budgets as they progress through the decision making process.

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 and have been covered in any report to the relevant policy committee in order to determine whether or not any adverse impact could be identified to any particular diversity group. The EIA in respect of the tourism saving is attached as Appendix K this being the only assessment not taken to a policy committee.

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 actuals against budget that could not have been anticipated at this stage. The detailed calculations are contained in the Council's MTFS.

- 9.2 There are a number of budgets where assumptions have had to be made which are of higher risk than others and these could impact on the robustness of the estimates as set out in para 3.8.1 above.
- 9.3 There are a number of future financial pressures and uncertainties set out within the MTFs and replicated below which will need to be met from future years' revenue raising capacity or savings in other service areas. Collectively these indicate ongoing financial pressure and uncertainty on the council's resources:
- Replacement of Formula Grant with retention of business rates (reduced funding overall, increased volatility of funding)
 - Localisation of council tax benefit (10% cut in funding and increased risk)
 - Changes to benefit arrangements with the introduction of Universal credit and the single fraud investigation scheme
 - Local Development Framework programme
 - Uncertainty over the recovery of the economy
 - Asset repairs
 - End of council tax freeze grant
 - Uncertainty of partnership funding
 - Uncertainty of New Homes Bonus
 - Inflationary impact on contracts, pay awards and interest rates
 - Rising superannuation costs
- 9.4 To assist in mitigating these risk areas there are significant savings anticipated as a result of the refurbishment of Waterfield Leisure Pools and the new management contract. However a prudent approach still needs to be taken with regard to commitments to long term projects with revenue implications in order to maintain the Council's financial flexibility should the need arise to reduce costs further.
- 9.5 In addition to the above, budget monitoring in year is based on a risk assessment of the various budgets to determine the frequency and extent of in year monitoring and reporting, see section 3.7.
- 10.0 **CLIMATE CHANGE**
- 10.1 Individual budget heads could have climate change issues but these are considered individually as they progress through the approval process.
- 11.0 **CONSULTATION**
- 11.1 The Council's corporate priorities were approved following consideration of national priorities, local intelligence, partner's priorities, community views, internal requirements and future challenges. These have been taken into account at the budget away day where the availability of funds for individual schemes was considered.
- 11.2 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.
- 11.3 Union representatives attended the BSPWG meetings held in November and the budget away day in order to facilitate communication with staff representatives. Staff directly affected by the savings proposals have been kept informed through their Head of Service of the proposals being considered.
- 11.4 The Town Area Working Group was also consulted on proposals for Special Expenses Melton Mowbray.

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.

11.6 Business ratepayers have been consulted on revenue and capital spending plans via the council's website No comments have been received to date but should any be received prior to the meeting the Council will be updated verbally.

12.0 **WARDS AFFECTED**

12.1 All wards are affected.

Contact Officer: Dawn Garton

Date: 21 January 2012

Background Papers: Budget Working Papers
Budget 'Away Day' notes.

List of Appendices: Appendix A Summary of committee estimates
Appendix B Options for growth as proposed at Budget Away Day
Appendix C Options for savings as proposed at Budget Away Day
Appendix D Summary of Revenue Budget Proposals
Appendix E Summary of committee estimates including growth and savings to service levels
Appendix F Budget requirements and council tax amounts
Appendix G Full list of growth as discussed at Budget Away Day
Appendix H Parish Council Precepts
Appendix I Risk assessment of budgets
Appendix J Statement of Revenue and Capital Reserves and Purpose and future intentions of reserves
Appendix K Equalities Impact Assessment tourism saving

Reference: X: Council, C'tee & Sub-C'tees/Council/2011-12/010212/DG-Revenue Budget 2012/13