

6th FEBRUARY 2013

REPORT OF THE HEAD OF CENTRAL SERVICES

REVENUE BUDGET 2013/14

1.0 PURPOSE

1.1 The purpose of this report is to provide information on the budget issues facing the Council in 2013/14 and beyond, seek a decision on the level of the budget 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 2013 be transferred to the Corporate Priorities Reserve and the Special Expenses Reserve respectively. Any shortfall be restored from within the 2013/14 budget;
- (ii) The revenue budget for 2013/14 for General and Special Expenses as set out in Appendix A be approved, including an inflation contingency of £112k, resulting in the council tax levels summarised in para 3.5.4;
- (iii) That delegated authority be given to the Head of Central Services to amend the estimates to account for any changes to Formula Funding over the provisional figure by adjusting the contribution to the New Homes Bonus Reserve and;
- (iv) That members note the changes made to the risk categorisation of budgets as set out in para 3.6.2 and Appendix C.

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 23rd January 2013. The key issues set out in the accompanying report and the previously approved Budget Framework with respect to the 2013/14 budget are as follows:

- An increased working balance of £820,000 for General Expenses and the retention of the £50,000 target for Special Expenses Melton Mowbray.
- The HRA working balance be increased to £750,000 by 31 March 2013 in order to address the risks associated with running the HRA as a going concern and ensure the sustainable, continuous maintenance and improvement of the housing stock.
- The Council retains its objective of setting a balanced budget in 2013/14.
- No inflation be provided for in the 2013/14 budget at service budget level, other than fees and charges which has been provided for at the rate of 3%, unless adjusted for known prices by budget holders. Instead a contingency budget for inflation be determined at an appropriate level set by the Head of Central Services and reported to Members as part of the budget setting process for 2013/14. This is recommended to be £112k.

- 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 2013/14

3.2.1 The provisional settlement was announced on 19th December 2012 and contained provisional figures for the next two financial years 2013/14 and 2014/15. The final settlement is expected late January/early February 2013 following consultation. A response was submitted to the consultation with the emphasis on supporting the SPARSE comments made with regard to the level of funding provided to rural councils. The final amount is set to be confirmed and figures are anticipated in late January/early February 2013 and if available in time a verbal update will be provided at the meeting.

3.2.2 The 2013/14 provisional finance settlement sees the launch of the Business Rates Retention (BRR) scheme as the principal form of local government funding. As such the provisional settlement provides details of the provisional grant allocation (RSG) and the baseline position for the BRR scheme. A number of previously separate grants were also rolled into the settlement, for Melton this covers:

- Homelessness Prevention Grant
- Council Tax Support Grant
- Council Tax Freeze Grant 2011/12 award

3.2.3 Due to the variable nature of the business rates element, this element of the settlement no longer provides absolute certainty of funding and will depend on the rateable value of businesses in the borough, in comparison to the rates baseline, as any increase or reduction, up to a safety net of 7.5%, against this baseline after tariffs and levies, is borne by the Council. The funding baseline is used to determine the rate of tariff and levy payable. The amounts included in the provisional finance settlement are set out below:

	2013/14 £	2014/15 £	Change Over Previous Year £
RSG	1,743	1,343	-400
Retained Business Rates Funding Baseline	1,160	1,195	+35
Total Formula Funding	2,903	2,538	-365

- 3.2.4 An assumption has been made with regard to the level of business rates income that will be received in respect of 2013/14 and an amount of £1,238,550 has been included in the estimates. The Council has also entered into a pool with the Leicestershire Districts, County, City and Fire authorities. Leicestershire County Council is the accountable body for this and any retained levies from the pool will be utilised to fund priority economic projects across the LLEP and would not be reflected in this council's budget.
- 3.2.5 In addition it was announced that a further council tax freeze grant is available for those councils that do not increase their basic amount of council tax in 2013/14 and will be equivalent to a 1% increase in council tax. This will be provided for both 2013/14 and 2014/15. Details of what constitutes an excessive council tax increase was also announced and for Melton this would be an increase in the basic amount of council tax above 2%, above which a referendum would have to be held providing the local electorate with the opportunity to approve or veto the increase, in a binding referendum.

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 8th November 2012 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. Following this process a draft budget was produced.
- 3.3.2 The Budget 'Away Day' was held on 17th January 2013 to which all Councillors and Heads of Service were invited, to provide their views on the budget proposals and financial position of the Council for the current, next and future years. This exercise enabled Members knowledge of the council's financial position to be enhanced and also resulted in a steer being provided regarding the assumptions to be made in the budget and the Council Tax increase for Council funds.

3.4 Estimated Year End Position 2012/13

- 3.4.1 The estimated year end position for the current financial year 2012/13 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 approved by the Policy, Finance and Administration Committee.
- 3.4.2 The estimated year end position for general expenses is indicating a surplus for the year of £322k. This takes into account approved adjustments to the budget following the decision to repay all general fund debt, approved carry forwards from 2011/12 and in year supplementary estimates. As a result of these approved adjustments the actual estimated underspend on services is approximately £118k. However there remains pressure on a number of budgets and Management Team continue to monitor budgets closely on a monthly basis. The Policy, Finance and Administration Committee approved an increase in the working balance to £820k to reflect the increased risk of the BRR scheme. It is proposed that any surplus over this level at 31st March 2013 be transferred to the Corporate Priorities Reserve and any deficit be carried forward and met from the 2013/14 budget.
- 3.4.3 The estimated year end financial position with regard to Special Expenses, Melton Mowbray based on budget holder estimates is for a small deficit of approximately £2k and therefore the target working balance at the year end is likely to be below the target level of £50,000 by this amount. It is proposed that any deficit be carried forward and met from the £2013/14 budget and any surplus over the £50,000 target be transferred to the Special Expenses Reserve.

- 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.
- 3.4.5 The only changes in the estimated year end position with regard to Frisby and Sproxtton special expenses is due to variations in the balances brought forward from 2011/12 over that originally estimated and in both cases this has been taken into account in the 2013/14 budgets as reserves are not maintained in respect of these funds.

3.5 Proposed Budget 2013/14

- 3.5.1 The budgets for 2013/14 for general and special expenses are summarised in Appendix A. The budget for 2013/14 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.
- 3.5.2 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. As set out in para 3.1.1 an inflation contingency of £112k has been included.
- 3.5.3 A number of principles and assumptions have been applied when preparing the summary set out in Appendix A as follows:
- 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 1% increase across all funds. The grant has been allocated to each fund based on a 1% increase in council tax. Council tax for the rural special expenses has been set at the level required to balance the budget and General Expenses and Special Expenses Melton Mowbray at the same level as 2012/13. This results in average council tax reduction of 0.36%.
 - An amount of £243,750 is transferred to the New Homes Bonus Reserve, in order to balance the budget.
 - 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 set out earlier on this agenda is approved. The revenue implications of which have been incorporated into the budget
 - 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, the sale of co-mingled waste, 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 full year of historic data.
 - Income has been assumed in respect of a number of externally funded projects e.g. Supporting People, Children's Services, Wheels to Work and the Family Intervention Project etc. Partners are still working through their own budget approvals and formal confirmation of a number of projects is still awaited.

- An allowance has been made in respect of a proposed change in planning regulations which will allow rear single storey extensions to be exempt from planning permission. This has been based on previous history of applications and hence income received in this category.
- An allowance has been made for the potential impact of the delegation of IT services to Hinckley and Bosworth Borough Council in respect of additional work that may not be covered by the core agreement and therefore incur additional charges. A start date of 1st May 2013 has also been assumed.
- The financial impact of the council tax support scheme and changes to council tax exemptions and discounts, on the tax base, collection rates and as such the collection fund is based on best estimates.
- The introduction of Universal Credit from 1st October 2013 is assumed to be cost neutral on the basis that the national implementation expected on that date is now being restricted to specific geographical locations. It is anticipated that new claimants in this borough will be impacted from 1st April 2014 at the earliest although a more detailed timetable is expected within the next few weeks.
- No growth or savings have been included in the budget as a result of no proposals being put forward.
- To compensate for the reduced council tax base, as a result of the council tax support scheme, an element of Revenue Support Grant has been allocated to each special expense on the basis of the estimated loss that will be incurred.
- As approved by Full Council on 12th December 2012 the portion of the grant identified by DCLG as part of the RSG as being attributable to parishes has been allocated to Parish Councils, up to the limit of their estimated loss.

3.5.4 The proposals and assumptions set out above result in the proposed Council Tax levels for each fund as set out below:

Fund	Council Tax at Band D £	Change over 2012/13 %
General Expenses	150.48	0.00
Special Expenses - Melton Mowbray	56.35	0.00
Special Expenses – Sproxtton Nos. 2 & 4	63.12	+8.00
Special Expenses - Frisby	18.09	+15.2
Average	177.74	-0.36

3.5.5 For information, a summary of the parish precepts is set out at Appendix B. The precept from Wymondham and Edmonthorpe will not be set until 5th February 2013 and a verbal update on this amount will be provided at the meeting.

3.5.6 Members have previously indicated a desire to see the parish council element of the council tax separately identified on the council tax bills. This will require software changes for which the software provider will make a charge. This is being investigated with a view to implementation for the 2014/15 council tax bills, subject to affordability.

3.6 Budget Monitoring

3.6.1 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.

3.6.2 The categorisation of the various services has been reviewed for 2013/14 and is set out in Appendix C.

3.6.3 Following consultation with the Management Team changes have been made to the existing categorisation. With the move from Council Tax Benefit to the Council Tax Support Scheme, Council Tax Benefit has been removed from the list and the collection fund and business rates added.

3.7 Reserves

3.7.1 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 2013/14 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 3.5.3. The key issues that could impact on the robustness of the estimates are covered by the high risk budgets set out in Appendix C and particularly retained business rates and budgets and estimates affected by the new Council Tax Support Scheme. 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 setting process and each case would need to be assessed at that time based on the availability of individual reserves available to support any such requests.

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

- The capital programme and the contribution from the reserves approved is as set out earlier on this agenda.
- Any increase against the target working balance on General and Special Expenses Melton Mowbray at 31st March 2013 is transferred to the Corporate Priorities Reserve and the Special Expenses Reserve respectively. Any shortfall is restored from within the 2013/14 budget.

3.7.3 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 E.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 There is 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 Should it be considered that elements of the budget proposals may have equalities issues then these have been considered by the service area and assessed accordingly. No equalities issues have been highlighted as a result of this process.

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 3.7.1 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:

- On-going reduction in Revenue Support Grant (£400k in 2014/15 as per provisional settlement)
- Any changes to council tax support caseload and cost will now be a direct financial impact on the council with the potential for further cuts in the level of existing government support
- Changes to business rates income will now have a direct financial impact on the council
- Council tax freeze grant limited to 2 years
- Rising superannuation costs. Next triennial valuation effective from 1st April 2014.
- Security of partnership funding
- Reducing the revenue budget reliance on the New Homes Bonus
- Changes to benefit arrangements with the introduction of Universal Credit and the single fraud investigation scheme
- Uncertainty over the recovery of the economy
- Inflationary impact on contracts, pay awards and interest rates
- New waste management contract from 1 April 2017

9.4 To assist in mitigating these risk areas there are further significant savings anticipated as a result of the refurbishment of Waterfield Leisure Pools and the new management contract and also savings estimated from the council's transformation programme. However the Council is still heavily reliant on support from the New Homes Bonus grant funding to support its revenue budget. As such 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 3.6).

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 as part of the budget setting process.

- 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.

- 11.4 The Town Area Working Group was consulted on proposals for Special Expenses Melton Mowbray.

- 11.5 Extensive consultation was undertaken for the 2011/12 budget and the approach to further consultation will be considered during 2013/14.

- 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: 22 January 2013

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

List of Appendices: Appendix A - Summary of Proposed Committee Estimates
Appendix B - Parish Council Precepts
Appendix C - Risk Assessment of Budgets
Appendices D and E - Statement of Revenue and Capital Reserves and Purpose and Future Intentions of Reserves

Reference: X: Council, C'tee & Sub-C'tees/Council/2012-13/06-02-13/DG-Revenue Budget 2013/14