

MAIDSTONE BOROUGH COUNCIL

CABINET

21 DECEMBER 2011

REPORT OF CORPORATE LEADERSHIP TEAM

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1. BUDGET STRATEGY 2012/13 ONWARDS

1.1 Issue for Decision

1.1.1 This report allows Cabinet to consider the previously agreed budget strategy in the context of the provisional formula grant settlement announced on 8th December 2011 and any changes that have occurred to national and local circumstances since the previous consideration by Cabinet in September 2011.

1.1.2 The report will also update Cabinet on proposals for changes to the strategic projection and savings proposals as a result of their request for continued work to ensure a balanced budget can be developed.

1.1.3 Cabinet can then update its proposals for the budget strategy in order to formally consult Corporate Services Overview and Scrutiny Committee. Cabinet can consider the comments of the Overview and Scrutiny Committee in February 2012 whilst considering the appropriate recommendations to Council.

1.2 Recommendation of Corporate Leadership Team

1.2.1 That Cabinet agree the revised strategic revenue projection at **APPENDIX B** which incorporates the changes outlined in section 1.8.

1.2.2 That Cabinet agree the proposed savings for 2012/13 Onwards, as detailed in **APPENDIX C**.

1.2.3 That Cabinet agree the proposed use of the New Homes Bonus as outlined in section 1.11 and await a further report on the use of the balance of that funding.

- 1.2.4 That Cabinet do not set a capital programme for 2015/16 at this time and await a report from officers on prioritisation of options once the infrastructure delivery plan is sufficiently detailed for evaluation.
- 1.2.5 That Cabinet note the issues relating to revenue resources including the council tax levels, the tax base and the provisional revenue support grant as set out in section 1.7.
- 1.2.6 That Cabinet note the results of the budget consultation and agree to consider the issues identified for future years of the medium term financial strategy and the strategic plan following further work by officers in 2012/13.

1.3 Executive Summary

1.3.1 The Government announced the proposed level of Revenue Support Grant (also known as Formula Grant) for Maidstone Borough Council on 8th December 2011 and this is equal to the assumption in the September 2011 budget strategy report at £5.7m. This is a 12% reduction in this grant.

1.3.2 Council Tax levels consistent with a 2.5% increase in the Council Tax charged are built into the strategic Revenue projection at this time. This is equivalent to the Government's offer of a second one year council tax freeze grant and no decision needs to be made at this time about whether to freeze or increase Council tax.

1.3.3 The strategic revenue projection agreed, for planning and consultation purposes, by Cabinet in September 2011 identified a need to find £1.861m in savings to produce a balanced budget for 2012/13. Since that time work by Members and Officers, to ensure the delivery of a strategy that enables a balanced budget to be recommended to Council in February 2012, has brought about the following amendments:

- a) Reductions in the budget pressures identified in the strategic revenue projection totalling £0.26m
- b) Increases in the proposed savings of £0.32m
- c) Increased income from fees and charges of £0.15m

The net result of these changes enables a balanced budget to be proposed at this time.

1.3.4 The capital programme has been amended during the year by Cabinet to enable the essential works to the heating system at the Hazlitt Theatre and to provision a potential overspend on the Museum extension. By using revenue balances to fund these

schemes there has been no adverse effect on the programme agreed by Council in March 2011.

- 1.3.5 At this time there is no proposal to develop a programme for the year 2015/16 as it is essential to understand the requirements of the infrastructure delivery plan; prioritise those requirements along with other proposed schemes and understand the mechanisms for funding. Funding options include Community Infrastructure Levy, New Homes Bonus and Borrowing. These issues will develop during the last quarter of 2011/12 and into 2012/13 and a report will be brought to a later Cabinet meeting once the funding and scheme proposals are clear.
- 1.3.6 Additional and unplanned receipts of a capital nature have enabled a reduction in the projected level of borrowing required by the current programme in 2014/15. This report makes a proposal to use New Homes Bonus to support the Capital programme and reduce the risk presented by assumed receipts from as yet unsold assets. This means that the need to borrow can be overcome during the period of the capital programme.
- 1.3.7 The amended estimate of general balances as at 31 March 2012, taking into consideration all changes that have occurred during 2011/12 to date, is predicted to be £3.593m.
- 1.4 Reasons for Recommendation
 - 1.4.1 At its September 2011 meeting Cabinet considered the initial budget strategy for 2012/13 onwards. It agreed a strategic revenue projection, a level of council tax for use in planning and consultation on the budget and the method by which consultation would be carried out.
 - 1.4.2 The key assumptions made in that initial projection set separate indices for inflation, for contractual commitments and for business rates. It assumed no increase in general inflation for supplies and services budgets and set no provision for a pay award. In addition Cabinet chose to set no general target for increases in income so that a review of fees and charges could be completed in line with the Council's corporate policy on fees and charges. This work has resulted in a separate report to Cabinet that is elsewhere on this agenda.
 - 1.4.3 The budget strategy for 2011/12, which was developed last year, identified £0.7m in budget pressures for 2012/13. However the strategic revenue projection approved by Cabinet in September 2011 increased this sum to £1.4m.

- 1.4.4 The strategic projection assumed a 2.5% increase in Council Tax along with a 0.5% increase in the tax base, giving a 3% increase in income from Council Tax. In addition revenue support grant assumptions were based upon the guideline figures provided by central government with the 2011/12 settlement figures in February 2011.
- 1.4.5 A number of risks were considered, in the main these were related to assumptions in the strategic revenue projection, including:
- a) The risk surrounding the current pay structure and the effect of equal pay legislation;
 - b) The potential effects of the Welfare Reform Bill on Council Tax benefit and the housing benefit service;
 - c) The consequences to the future years of the budget strategy from a further Council Tax freeze grant arrangement;
 - d) The Formula Grant settlement and the possible consequences of the slower than expected growth forecasts.
- 1.4.6 The capital programme was also considered. Cabinet had amended the programme during the year to include funding for works to the heating systems at the Hazlitt Theatre and the creation of a reserve to support the potential additional cost of the Museum extension. These items were both funded from revenue balances.
- 1.4.7 Although no proposals for the continuation of the programme for a further year were considered at that time. The report showed that due to the level of miscellaneous and small receipts into the capital programme the risk of borrowing in 2014/15 had significantly reduced.
- 1.4.8 The risks that remain for the capital programme is the delivery of the capital receipts from the approved asset sales both to time and at assumed value. These risks continue to exist and will have a consequential effect on the need to borrow to finance the current programme.
- 1.4.9 Since the time of that initial report and consideration by Cabinet a number of important factors have changed, further announcements from central government have occurred and members and officers have continued to work on identifying the amendments required to ensure a balanced budget is achieved. It is an appropriate time for cabinet to review the strategy and for the result of this review to be considered by Corporate Services Overview and scrutiny Committee.
- 1.5 Economic Background

- 1.5.1 The international financial climate continues to have a significant effect upon the country and this effect can be seen in the levels of activity and demand for services in Maidstone.
- 1.5.2 The Council's treasury management advisors have reported a series of downgrades in the credit ratings on an international scale. This has had the effect of reducing the range of institutions with which the Council can invest. This could potentially reduce the return on investment that can be obtained.
- 1.5.3 The economic indicators for October 2011 all show adverse movement since the indicators for October 2010, which were reported to Cabinet last year when considering the budget strategy.
- a) The consumer price index has risen to 5.0% (3.2%, October 2010);
 - b) The retail price index has risen to 5.2% (4.5%, October 2010);
 - c) In the quarter to September 2011 the economy grew by 0.5% (0.8% September 2010);
 - d) The deficit at October 2011 is £966.5bn which is 62.3% of GDP; and
 - e) Unemployment has risen to 8.3% (7.7% September 2010)
- 1.5.4 The Council's front line services, such as housing benefit and homelessness, have all seen increases in demand, generating additional cost pressures.
- 1.6 Review of Current Performance 2011/12
- 1.6.1 The current financial year's performance is reported on a quarterly basis to Management Team and to Cabinet. The first two quarterly monitoring reports for 2011/12 show a reasonably stable underspend against profiled budget of just over £0.4m.
- 1.6.2 The capital programme approved by Council in March 2011 has been amended by Cabinet to incorporate an additional scheme to upgrade the heating system at the Hazlitt Theatre, this was funded by the use of some of the 2010/11 underspend that was transferred to balances at the end of that year. In addition Cabinet considered a report on the Museum Extension and agreed that a provision against a potential overspend on that scheme should be held in balances.
- 1.6.3 Capital funding has been increased by two unexpected asset sales and a receipt from Golding Homes from right to buy sales. At the same time two predicted assets sales have been adjusted, one has been reduced in potential value and one has been slipped into future years. The current programme is still affordable, subject to the

planned asset sales providing the expected receipts. The level of borrowing still projected for 2014/15 has reduced slightly.

1.6.4 Following the decisions on the use of balances by Cabinet during the year, balances remain at a satisfactory level. The minimum level of working balances set by Cabinet is £2.3m and before any further possible adjustments the expected level of balances at 31st March 2012 is £2.8m. In addition to this value there is over £1m of balances provisionally set aside for specific uses.

1.6.5 Along with the quarterly budget monitoring reports, Cabinet has received quarterly performance reports. The performance report to September 2011 shows that over 73% of KPI and LPI are forecast to end the year at or above target.

1.7 Review of Revenue Resources

1.7.1 **Formula Grant**

1.7.2 On 8th December 2011 the Government announced the 2012/13 provisional formula grant settlement for consultation. The provisional grant for Maidstone Borough Council is £5.703m, which is identical to the advance notification received in February 2011 along with the confirmation of the 2011/12 formula grant.

1.7.3 The reduction in grant, when compared to the grant received in 2011/12 is 12%. However the government measures the reduction in terms of "revenue spending power". The Council's reduction, measured on this basis, is less than the Government set maximum of 8.8%.

1.7.4 This announcement is for consultation and the Council is able to comment only on the factors used in the formula, such as population and tax base. However the Council's grant is restricted by damping and the Council is in the highest damping group. Any changes successfully obtained through the consultation process are unlikely to affect the grant after damping.

1.7.5 This is expected to be the final year of formula grant and the government has already consulted on the planned localisation of business rates. The scheme should be in place for the 2013/14 financial year. The Council has responded to the consultation.

1.7.6 **Council Tax**

1.7.7 The Council's current Council Tax charge has been stable for the two years 2010/11 and 2011/12. The Council's band D rate of tax is £222.39.

- 1.7.8 In 2011/12 the Council set a zero percent increase and is now in receipt of Council Tax freeze grant of £0.335m per annum for the four years 2011/12 to 2014/15. In 2015/16 the strategic revenue projection identifies the loss of this grant as a budget pressure.
- 1.7.9 At its September 2011 meeting Cabinet agreed a strategic revenue projection for planning and consultation purposes that included an increase in Council Tax income of 3%. This represented a 0.5% increase in the tax base and a 2.5% increase in the Council Tax.
- 1.7.10 A 2.5% increase in the level of Council Tax, for Maidstone Borough Council's element of the charge, equates to £5.56 per annum for a band D tax payer. This is 10.7 pence per week. This is because the borough council charge is only 15% of the total charge. The value of a 2.5% increase at band D for each preceptor is detailed in the table below.

	2011/12	2011/12	2012/13	Increase	% Effect
Tax Charges	Precept	Band D	if +2.50%	Yr on Yr	on tax bill
	£	£	£	£	%
Maidstone Borough Council	13,410,811	222.39	227.95	5.56	0.38
Kent County Council	63,184,382	1,047.78	1,073.97	26.19	1.77
Kent Police Authority	8,362,834	138.68	142.15	3.47	0.23
Kent & Medway Fire	4,097,596	67.95	69.65	1.70	0.12
		1,476.80	1,513.72	36.92	2.50

- 1.7.11 Since that meeting central government has announced a second phase of Council Tax freeze grant. However this grant is for one year only, 2012/13. The grant would have a value equivalent to a 2.5% increase in Council Tax.
- 1.7.12 The grant for this second phase is greater in value than the grant for the first phase because of the increase in the tax base. On 14th December 2011 the General Purposes Committee agreed a tax base of 60,985.3 which is 1.1% greater than the tax base for 2011/12. As stated above the strategic revenue projection agreed by Cabinet in September 2011 included a 0.5% increase in the tax base.
- 1.7.13 The decision not to increase Council Tax in 2011/12, leading to the acceptance of the Council Tax freeze grant, has had a significant impact on the Council's future financial situation. As an indicative example, for the ten years 2011/12 to 2020/21, allowing for the receipt of the grant for years and compounding at 2.5% the foregone revenue totals £2.4m.
- 1.7.14 The second phase of the Council Tax freeze grant will have a greater impact over the same time period. This is because it is a larger sum

and the grant is only available for one year. Projected forward to 2020/21 the foregone revenue is £3m.

- 1.7.15 Should the Council choose to accept the Council Tax freeze grant for a second year, the future net revenue resource foregone would total £5.5m by 2020/21. The full calculation of this sum is attached to this report as **APPENDIX A**
- 1.7.16 A decision on the level of increase in Council Tax need not be taken at this time. The income in 2012/13 from accepting the Council Tax freeze grant is equivalent in value to the 2.5% increase in Council Tax built in to the current strategic revenue projection. The effect of the Council deciding to take the freeze grant will become a budget pressure in 2013/14. Cabinet may wish to consider the issue further, await the views of Corporate Services Overview and Scrutiny Committee in January 2012 and make a final decision on a recommendation to Council at the February 2012 Cabinet meeting.
- 1.7.17 Elsewhere on this agenda Cabinet has considered a report on the Collection Fund adjustment. The recommendation of that report was a nil adjustment for 2012/13. Combining this proposed value with the formula grant settlement and the Council Tax level gives the budget requirement for the Council. This value for each year of the strategy is given in the table below. In order to achieve a balanced budget, these are the maximum values for net revenue expenditure that the Council can budget for in the years from 2012/13 onwards.

	2012/13 £,000	2013/14 £,000	2014/15 £,000	2015/16 £,000	2016/17 £,000
Formula Grant	5,703	5,635	5,207	4,947	4,700
Collection Fund Adj.	0	0	0	0	0
Council tax	13,902	14,319	14,749	15,191	15,647
Budget Requirement	19,605	19,954	19,956	20,138	20,347

1.8 Review of Strategic projection

- 1.8.1 Since Cabinet agreed the strategic revenue projection in September 2011 officers have continued to work on balancing growth and savings to ensure a balanced budget is achieved.
- 1.8.2 A number of budget pressures outlined in the strategic revenue projection have been considered and it is proposed to modify the strategic projection as follows:
- a) **Local Development Framework (LDF)** – Officers have completed the required analysis of funding for the LDF. The estimated level of expenditure has not changed, however

management action has identified additional resources, from within base budgets and agreed carry forwards and these provide an additional £0.13m. The overall result of this work is that the three year programme previously reported to Cabinet now requires funding of £0.77m rather than the £0.9m previously reported. It is proposed that the budget pressure be reduced in 2012/13 by £0.13m to £0.17m. This approach would add an immediate need for £0.13m in 2013/14 to ensure a total resource of £0.77m is identified by 2014/15. It is intended that officers will review progress on the LDF budget annually for consideration as part of the budget strategy process.

- b) **Interest on Investments** – the Council’s Treasury Management Strategy ensures that risk takes precedence over reward in investment decisions and declining interest rates have meant that the level of income received from investments has declined in recent years. In addition the advice received from the Council’s treasury management advisors has reduced the range of institutions with which the Council invests. In contrast the Council’s cash flow is healthy. Resources held in balances and for the capital programme mean that the interest from investment is expected to be resilient to these pressures and the current budget pressure of £80,000 will not be required.
- c) **Car Parking** – the strategic revenue projection has provisioned an annual reduction of £50,000 in income levels. This is intended to support any actions taken as part of the developing parking strategy and, in recent years, as protection from the effects of the recession on demand. It is proposed that this provision is removed and, for future years, this budget pressure is linked to the development of the actual parking strategy and any budget pressures are brought forward in specific detail.

1.8.3 In addition to the proposed reductions detailed above, there are two service areas where additional pressures are developing.

- a) **Housing Homelessness** – the continuing economic climate has had a negative impact through increasing demand for this service. The work of the team on both homeless prevention and temporary housing costs for the homeless have increased significantly during 2011/12. An assessment of the current levels of service suggests a net annual increase of £60,000 is required. This would maintain, into the future, the level of provision that exists today. In addition to this action management are reviewing alternative methods of provision

that may reduce this cost in future years and will be the subject of a report to Cabinet during 2012/13.

- b) **Economic Development** – this is a priority service, identified as the only service area where the Cabinet expected to see growth. The service has been set a series of priorities for the future as part of the development of the strategic plan. This work is currently undertaken by staff who are on fixed term contracts that terminate in the near future. No base budget funding exists for this service and the activity is currently resourced by various one off funding sources. The funding required for the two posts on fixed term contracts totals £70,000. During 2012/13 the fixed term contract for one post expires at a cost of £30,000, the second end in 2013/14 at a cost of £40,000. The pressure in 2012/13 would therefore be £30,000.

- 1.8.4 These amendments give a net reduction in the pressure on the budget strategy of £0.17m. Along with the changes to the tax Base discussed under the revenue resources section of this report, the budget pressure for 2012/13 is now £1.602m. The savings targets created by the pressures, as amended, for each year of the strategic revenue projection are tabled below. Cabinet should note that, if the Council Tax freeze grant is accepted for 2012/13, the savings target for 2013/14 will increase by £0.34m.

	2012/13 £,000	2013/14 £,000	2014/15 £,000	2015/16 £,000	2016/17 £,000
Budget Requirement	19,605	19,954	19,956	20,138	20,347
Predicted Budget	21,207	21,187	21,154	21,057	20,832
Saving Required	1,602	1,233	1,198	919	485

- 1.8.5 A revised strategic revenue projection is attached to this report as **APPENDIX B**

1.9 Review of Savings Proposals

- 1.9.1 The savings proposals reported to Cabinet in September 2011 have been reviewed along with the growth items detailed above. This forms part of the review of growth and savings to ensure a balanced budget can be proposed.

- 1.9.2 The savings proposals reported to Cabinet in September 2011 totalled £1.131m. The following actions have since been taken by officers: reviewing the level of savings available from each proposal; considering the possibility of bringing forward any actions proposed for future years; considering any new proposals and reviewing the

level of fees and charges income. The review of fees and charges has resulted in a report elsewhere on this agenda which is summarised in a later section of this report. The other actions have resulted in the following changes to the savings proposals:

- a) **Amended savings levels** – in the case of the revenues and Benefits Partnership and Finance and Customer Services, amended savings levels have been proposed.
- b) **Proposals brought forward** – changes to the Policy and Scrutiny Team, changes to the Democratic Service Team, Delivery of savings in the Waste and Recycling Service, changes to the ICT Team and changes within the Finance Team have all been brought forward from future years.
- c) **New proposals** – the increases from new proposals are all minor issues as major ideas are already identified in the strategic projection of savings. New proposals have come from the Audit Partnership and Democratic Services.

1.9.3 The increase in the value of savings proposals from these actions is £0.32m. A summary of the current savings proposals is attached to this report at **APPENDIX C**. An amended structure for this appendix allows Cabinet to see clearly whether the saving is in the service, structure or income budgets. This format will enhance the monitoring of the delivery of savings during 2012/13.

1.9.4 Cabinet should note that the detailed analysis in APPENDIX C represents the proposals delivered as well as planned, for 2012/13. An example of this is the savings delivered by staffing changes in Revenues and Benefits. The shared service delivered all expected savings in an earlier than planned phase of its development and the savings have been held to meet the needs of the budget strategy. This has had no adverse impact on service delivery.

1.9.5 The savings proposed from the partnership based new contract for waste services is identified in the proposals at the lower end of the range of possible savings. At this time in the development of the new services it is considered prudent to plan only for the lowest level of benefit.

1.9.6 The savings proposals do not, at this time, include the planned changes at the Hazlitt Theatre. A business case is being considered for the most appropriate method of future service delivery. It is expected that this will deliver the hope for reduction in the subsidy provided to the Theatre by the Council. Following a future report to cabinet, any savings that can be released will be built into the 2013/14 budget strategy.

1.10 Other Income

- 1.10.1 As part of the approval of the strategic revenue projection, Cabinet took the decision to not set a corporate target for increases in income from fees and charges. The Council has a corporate policy on fees and charges and the Cabinet decision enabled the use of this policy to guide officers to the most appropriate levels of fees and charges. The results of the officer review is reported elsewhere on this agenda and that report recommends the adoption of new fees and charges for some services that will deliver an additional £0.15m of income. This enhances the reduction in the budget pressure detailed earlier in this report.
- 1.10.2 The Council also receives income from the rent and lease of land and buildings. The majority of these are on agreements that enable occasional negotiation and uplift. Opportunities to negotiate increases in rents and leases are being considered by the Property Services Manager for inclusion in future years of the strategic revenue projection.
- 1.10.3 The final category of income is from grants and contributions. At this time, given the economic climate and the reduction in funding seen throughout the public sector there is little opportunity to identify permanent increases in this income source. One off increases would not form part of the budget strategy as there is no guarantee of future funding from one off grants. The focus of the officers involved in developing this source of income remains mainly fixed upon the Museum and Social Housing at this time.

1.11 New Homes Bonus

- 1.11.1 The Government recently announced the New Homes Bonus (NHB) allocation for 2012/13. This Council will receive an allocation that is slightly lower than the value of the 2011/12 payment. In addition it receives the second year of the 2011/12 allocation and the first year of the affordable homes premium. In total the Council is due to receive just under £1.8m in 2012/13. The detailed breakdown of this figure is given in the table below.

	£
2011/12 Allocation	892,316
2012/13 Allocation	825,216
Affordable Homes Premium	78,120
Total Due 2012/13	1,795,652

- 1.11.2 This payment is a rolling grant that should be maintained by central government for a period of six years.
- 1.11.3 Cabinet should note that the Government also announced that the total allocation is £6m more than the resources available and a claw back would be necessary from a top slice of the baseline for localised business rates in 2013/14.
- 1.11.4 Government consultation on the localisation of business rates has proposed the top slicing of the business rates baseline. The amount top sliced should be the Government's calculated overspend during the full six years of the programme. This means that future payments of NHB may be significantly reduced and this announced £6m over allocation will be a small element of that top slice.
- 1.11.5 At this time it is recommended that future NHB payments be treated as uncertain, due to the fact that they may, in part, need to supplement the receipt of localised business rates in future years. At this time the most appropriate use of this money is for major time limited projects.
- 1.11.6 An effective use of the resources would be to mitigate the cash flow risks currently inherent in the capital programme. As Cabinet is aware the programme relies for resources on identified but as yet unsold assets. Using the NHB payment to substitute for the value of the unsold assets in the medium term will mean that the funding need covered by the unsold assets will slip into future years of the programme and the opportunity to gain best price for the assets is improved.
- 1.11.7 If Cabinet agree this action approximately 10%, £0.18m, of the NHB payment would be available for other uses. It is recommended that this money is placed in balances and a report is brought to the January 2012 Cabinet meeting on potential uses of this money.

1.12 Capital Expenditure

- 1.12.1 The capital programme agreed by Council in March 2011 has been modified by Cabinet during the year. Slippage of £0.684m between 2011/12 and 2012/13 has been agreed. Although this slippage changes the profile of the programme it does not change the underlying value that the Council must resource. In addition Cabinet has approved a scheme to upgrade the heating system at the Hazlitt Theatre and has set aside a provision against potential overspend on the Museum Extension. Both of these schemes were funded from identified revenue balances and have not altered the funding requirements of the programme.

1.12.2 At this time the capital programme ends in 2014/15. A number of projects can be considered to create a future programme and whilst some options can be considered now, the development of the infrastructure delivery plan (IDP) as an element of the core strategy is essential to an assessment of all options.

1.12.3 At this time it is recommended that no proposals for a capital programme beyond 2014/15 be considered until the IDP is completed and cabinet can consider the relative priority of all schemes proposed for the future capital programme.

1.13 Capital Funding

1.13.1 The funding of the capital programme was agreed by Council in March 2011 and includes assumptions about the value of unsold assets. In addition the funding assumes that in 2014/15 the Council may need to borrow to complete the programme.

1.13.2 During 2011/12 a small number of changes to the level of assumed capital receipts, together with four minor receipts that were unplanned, have all but removed any need to borrow for the future of the programme.

1.13.3 The Council agreed, as part of the budget strategy for 2011/12, to develop a funding mechanism from revenue resources over the three years from 2011/12 to 2013/14. By 2014/15 this fund will generate an annual contribution from revenue of £0.35m. This resource will be available in the years following the current capital programme.

1.13.4 If Cabinet agree to the recommendation, in this report, on the use of the New Homes Bonus allocation the major assumed asset sale will also be available to resource a programme beyond 2014/15. Future work on the capital programme as outlined in the section above will need to include assessment of the means of funding the future schemes from resources such as new homes bonus, community infrastructure levy, further asset sales, revenue contribution and prudential borrowing.

1.14 Balances

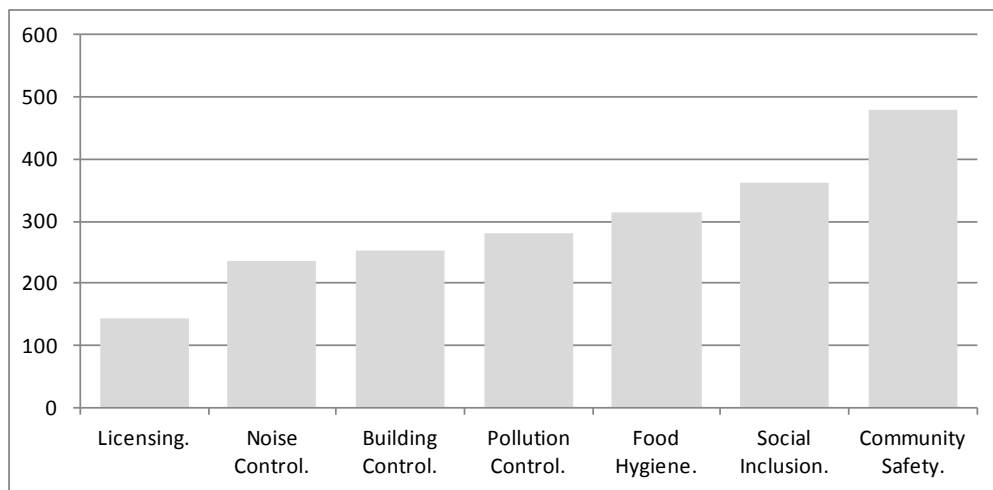
1.14.1 The budget strategy for 2011/12, as approved at Council in March 2011, estimated the level of general balances as at 31 March 2012 as £2.67m.

1.14.2 An additional contribution to balances from the under spend reported at outturn 2010/11 increased this estimate to £3.671m.

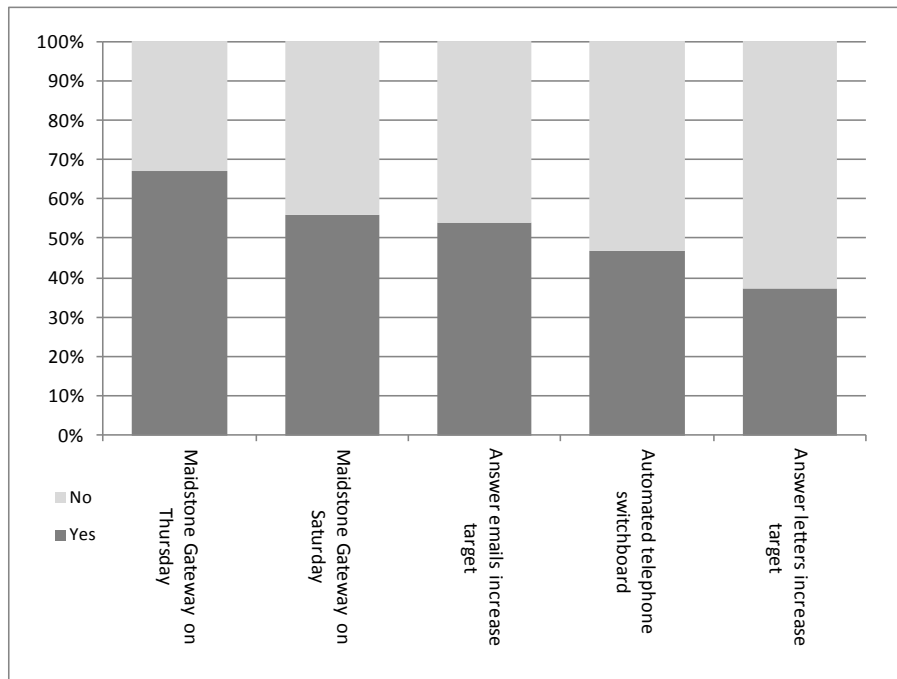
The use of balances by Cabinet in relation to Capital programme items then reduced the general balance to £3.361m.

- 1.14.3 During the year a further receipt from HM Revenue and Customs in relation to a VAT Rebate was received and Cabinet agreed to transfer this sum to balances.
- 1.14.4 As part of the use of balances in 2011/12, as agreed by Council in March 2011, a sum of £0.15m was set aside to fund any transitional costs of the transfer of the concessionary fares function to the County Council. This sum has not been used and it is proposed to return this sum to balances.
- 1.14.5 Following all of these changes the estimated level of balances as at 31 March 2012 will be £3.593m. The use of balances leading to this figure is detailed in **APPENDIX E**.
- 1.14.6 Cabinet should note that a provisional figure has been reserved from within general balances. This is as a contribution to the potential over spend on the Museum Extension project.
- 1.15 Consultation
 - 1.15.1 At its September meeting Cabinet considered options for consultation on the budget for 2012/13. The chosen approach was a continuation of the 2011/12 consultation under the banner of "MY Council, what matters to ME".
 - 1.15.2 In 2011/12 the key consultation questions assessed public opinion on the plans of Cabinet, requested ideas to assist the Cabinet with identifying savings and requested an evaluation of eight major discretionary services.
 - 1.15.3 This year the consultation followed a similar format requesting ideas for savings beyond those already identified. In addition it requested an evaluation of 7 statutory services that were not placed as high priority in the Cabinet's priority matrix.
 - 1.15.4 Cabinet agreed a target of 500 responses to the consultation on the basis of the reduced budget available for this activity, the majority of the budget having been saved as part of the 2011/12 strategy. The actual response received was 518. Of these 428 were responses received from the public at road show events and 80 were responses to the online survey run on the Council's website. The online survey replicated the road show survey.

- 1.15.5 The consultation process commenced later this year in line with the budget strategy process in general. Evaluation of the results and comparisons with earlier consultation exercises is required.
- 1.15.6 In relation to some areas of the consultation, further customer survey work could be linked to the current review of the customer care policy currently being undertaken by the Head of Finance & Customer Services. For example, where possible post code data has been collected from respondents and this will allow analysis of opinion by location.
- 1.15.7 In general the responses collected show a consistent trend and identify many areas where the data can be followed up during 2012.
- 1.15.8 The chart below identifies the responses to the evaluation. The chart shows services moving from left to right in increasing order of public priority. The "X-Axis" indicates the number of respondents identifying the service as a priority.



- 1.15.9 In addition Cabinet requested that the consultation assess public opinion on the potential savings available from variations in the level of customer service. Five areas were identified where savings could be made. The results displayed in the chart below indicate the acceptability to the public of the change in customer service given the reduction in cost available to the Council.



1.15.10 This direct representation of the results confirms that Cabinet’s current proposals for the budget strategy are in line with public opinion. For example Licensing, Building Control and environmental and regulatory Services are all areas where budget strategy has had some focus for 2012/13 onwards.

1.15.11 The Council has been reviewing the options for an automated telephone answering system for switchboard calls and the survey suggests slightly over 50% of respondents were happy for this saving. Consideration has previously been given to the opening hours of the Gateway and further work on this and many other areas remains ongoing.

1.15.12 Much of this information will enable actions during 2012/13 to develop proposals for the budget strategy process for the forthcoming year. It is intended to bring forward reports on these matters during 2012/13 as they will assist the Council in preparing for the significant risks the Council may face in that year. In preparation for this there is an additional amount of work to be completed in assessing the level of savings for these proposals and to ensure there is no effect on the Council’s key outcomes under the corporate and customer excellence priority.

1.16 MTFS and Risk Assessment

1.16.1 The review of the Strategic Plan in preparation for 2012/13 onwards is presented to Cabinet elsewhere on this agenda. This draft

Strategic Plan update provides greater clarity on the outcomes required to achieve the priorities of the Council.

- 1.16.2 The current medium term financial strategy is attached as **APPENDIX F**, this document will be updated to incorporate the changes approved during the budget strategy work for 2012/13 and the identification of the new risks that the strategic financial projection covers.
- 1.17 Alternative Action and why not Recommended
 - 1.17.1 A number of alternative assumptions are included within the report and in each case Cabinet could chose to take an alternative action to the one recommended. The recommendations of this report provide a balanced budget and do not apply pressure to make decisions at this time where it is not necessary.
 - 1.17.2 The production of the budget for 2012/13 is an element of the statutory process of calculating the Council Tax for 2012/13. In addition the completed and approved document is required to be robust and adequate under the Local Government Act 2003. A statement to this effect must be given by the Chief Financial Officer. On this basis the actions outline in this report must be considered and a balanced budget ultimately achieved for recommendation to Council in February 2012.
- 1.18 Impact on Corporate Objectives
 - 1.18.1 The budget strategy and the resultant medium term financial strategy involve assessing the level of resources available for the delivery of the Council's key outcomes and is a means by which the Council directs these resources. In particular this report should be seen as complementary to the Strategic Plan report elsewhere on this agenda.
- 1.19 Risk Management
 - 1.19.1 The process of development of this budget strategy followed on from the comprehensive work completed in 2010/11 for the previous budget strategy. It is supported by the budget monitoring reports. Both contain assessment of budget pressures in 2011/12 and future years, consideration of the level of resources available, review of a wide range of factors affecting the budget and consideration of other financial activity of the Council. This work enables Cabinet to address the risks identified in this report and the medium term financial strategy in an effective and consistent manner over the period of the strategy.

- 1.19.2 The projection discussed in this report includes a Council Tax increase that enables a balanced budget to be produced. This increase is considered in light of the recent announcement by central government regarding a further Council Tax freeze.
- 1.19.3 Cabinet should note that the greatest risk in the current strategy lies in the number of factors that will or may affect 2013/14. The potential issues for the medium term financial strategy could be greater than the currently proposed £1.2m savings target. The issues include:
- a) The possible recommendation of a zero percent increase in Council Tax and obtaining the Council Tax freeze grant. This will mean an additional budget pressure of £0.34m in 2013/14;
 - c) The risks surrounding the replacement of Council Tax benefit; and
 - d) The localisation of business rates and potential top slicing of the baseline to fund New Homes Bonus.

1.20 Other Implications

1.	Financial	X
2.	Staffing	X
3.	Legal	X
4.	Equality Impact Needs Assessment	X
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	
9.	Asset Management	

- 1.20.1 The financial implications are all detailed in the body of the report.

- 1.20.2 The budget strategy considers the resources necessary to fund staffing levels and pay increments. In addition the report contains proposals that may produce organisational change following the appropriate consultation.
- 1.20.3 This report intends to provide the Cabinet with firm proposals to enable the Council to set a balanced budget and a Council tax for the year 2011/12 as it is statutorily obliged to do.
- 1.20.4 The equality impact needs assessment is attached as **APPENDIX G**.

1.21 Relevant Documents

1.21.1 Appendices

Appendix A – Council Tax Freeze
Appendix B – Strategic Revenue Projection 2012/13 Onwards
Appendix C – Savings Proposals 2012/13 Onwards
Appendix D – Capital Programme 2011/12 Onwards
Appendix E – General Fund Balances as at 31 March 2012
Appendix F – Medium Term Financial Strategy 2011
Appendix G – Equality Impact Assessment

1.21.2 Background Documents

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan? 21/11/2011

This is a Key Decision because: A budget strategy report

Wards/Parishes affected: All