

## MAIDSTONE BOROUGH COUNCIL

### REPORT OF THE CABINET HELD ON 8<sup>th</sup> FEBRUARY 2012

#### BUDGET STRATEGY – CORPORATE REVENUE & CAPITAL BUDGET 2012/13 ONWARDS

##### **Issue for Decision**

To consider the proposed Revenue and Capital Budgets for all portfolios for 2012/13, including service savings and growth previously agreed, in accordance with the agreed budget strategy and to consider the proposals for 2012/13 in the context of the draft Medium Term Financial Strategy and the Medium Term Financial Projection.

To calculate and approve the Council Tax requirement for 2012/13.

##### **Recommendations Made**

1. That the revised revenue estimates for 2011/12 be agreed as set out in **Appendix A** (circulated separately).
2. That the minimum level of General Fund Balances be set at £2m for 2012/13.
3. That the proposed Council Tax of £222.39 at Band D for 2012/13 (a second year freeze at 2010/11 values) be agreed.
4. That the revenue estimates for 2012/13 incorporating the growth and savings items set out in **Appendix A** be agreed.
5. That the Statement of Reserves and Balances as set out in **Appendix A** be agreed.
6. That the Capital Programme, as set out in **Appendix A** be agreed.
7. That the funding of the Capital Programme as set out in **Appendix A** be agreed.
8. That the Medium Term Financial Strategy as set out in **Appendix A** be agreed.
9. That the Medium Term Financial Projection, as set out in **Appendix A** as the basis for future financial planning be endorsed.
10. That it be noted that, at the meeting of the General Purposes Group on 14<sup>th</sup> December 2011, the Group calculated the Council's Council Tax base for the year 2012/13 in accordance with regulations made under Section

33 (5) of the Local Government Finance Act 1992, as 60,985.3 being the amount calculated in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) regulations 1992.

11. That it be noted that, as detailed in **Appendix B**, the Council Tax Base for each of the Parish Areas, calculated in accordance with Regulation 6 of the Regulations, are the amounts of its Council Tax Base for the year for dwellings in those parts of its area to which a special item relates (Parish precepts).
12. Calculate that the Council Tax requirement for the Council's own purposes for 2012/13 (excluding Parish precepts) is £13,901,596
13. That the following amounts now be calculated by the Council for the year 2012/13 in accordance with Section 31A, 31B and 34-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011:-
  - (a) £94,194,616 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
  - (b) £79,516,251 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c) £14,678,365 being the amount by which the aggregate at 13(a) above exceeds the aggregate at 13(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act).
  - (d) £240.69 being the amount at 13(c) above (Item R), all divided by the figure state at 10 above (Item T in the formula in section 31A(4) of the Act), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
  - (e) £1,115,812 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix B).
  - (f) £222.39 being the amount at 13(d) above less the result given by dividing the amount at 13(e) above by the tax base given in 10 above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
14. That it be noted that for the year 2012/13 Kent County Council, the Kent Police Authority and the Kent and Medway Towns Fire Authority have stated the following amounts in precepts issued to the Council, in

accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

<b><u>Valuation Bands</u></b>	<b><u>KCC</u> £</b>	<b><u>KPA</u> £</b>	<b><u>KMTFA</u> £</b>
A	698.52	92.45	45.30
B	814.94	107.86	52.85
C	931.36	123.27	60.40
D	1,047.78	138.68	67.95
E	1,280.62	169.50	83.05
F	1,513.46	200.32	98.15
G	1,746.30	231.13	113.25
H	2,095.56	277.36	135.90

15. That, having calculated the aggregate in each case of the amounts at 13 (d), and 14 above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets out in **Appendix C**, the amounts of Council Tax for the year 2012/13 for each of the categories of dwellings shown.

### **Reasons for Recommendation**

At its meeting on 8<sup>th</sup> February 2012 Cabinet considered the latest details on the Budget Strategy for 2012/13 onwards. This was considered alongside response to consultation with Corporate Services Overview and Scrutiny Committee and Audit Committee.

From that consideration, Cabinet agreed the recommendations to Council that are set out in this record. The recommendations are based upon the factors considered by Cabinet on 8<sup>th</sup> February 2012 as set out in the Cabinet consideration below, the requirements of the Local Government Finance Act 1992 as amended by the Localism Act 2011 and the precept levels notified to the Council since the Cabinet meeting.

Following notification of the precept for each major preceptor and parish, the tables given in Appendices B and C show the actual value of Council Tax that will be charged in each area, subject to agreement of the recommendations in this record.

### **Cabinet Consideration**

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.

The Corporate Services Overview and Scrutiny Committee considered this budget strategy at its meeting on 1<sup>st</sup> November 2011.

The strategy and strategic revenue projection were then updated to take note of all consultation responses.

At its meeting on 21<sup>st</sup> December 2011 Cabinet considered a corporate review of fees and charges. This review was in line with the Council's policy. The agreed increases produced an estimated increase in income of £0.14m which was incorporated into the budget strategy report considered later on the same agenda.

At that same meeting, on 21<sup>st</sup> December 2011, Cabinet reconsidered the budget strategy and agree a strategy for formal consultation with Corporate Services Overview and Scrutiny Committee in January 2012. Combined with the agreed increase in fees and charges discussed above, Cabinet agreed the following:

- a) That the revised strategic revenue projection at Appendix B to the report of the Corporate Leadership Team, which incorporates the review of strategic projection, be agreed.
- b) That the proposed savings for 2012/13 Onwards, as detailed at Appendix C to the report of the Corporate Leadership Team be agreed, subject to an additional saving of £10,000 from adjustments to the support service budget within the Corporate Services portfolio.
- c) That the proposed use of the New Homes Bonus as outlined below be agreed. [*For use in funding the Capital Programme thus reducing the current level of risk*]
- d) That no capital programme be set for 2015/16 at this time, awaiting a report from officers on prioritisation of options once the infrastructure delivery plan is sufficiently detailed for evaluation.
- e) That the issues relating to revenue resources, including the council tax levels, the tax base and the provisional revenue support grant be noted.
- f) That the results of the budget consultation and the issues identified for future years of the medium term financial strategy and the strategic plan be noted.
- g) That the utilisation of a one-off £100,000 from general balances to support the concurrent functions grant process during 2012/13 to allow for consultation to be completed and the delivery of the new parish services scheme be agreed.

The Budget Strategy has been developed in parallel with the Cabinet's consideration of a number of other plans. It is the intention of the Budget Strategy to address the financial consequences of the government's actions to reduce the budget deficit in a sustainable manner. This has required a significant level of budget savings over the five years of the medium term financial strategy. However the proposals in this report deliver a balanced

budget without the use of balances to finance long term commitments. In particular the Budget Strategy incorporates the following:

- a) The Strategic Plan/The Sustainable Community Strategy – the budget strategy has been developed in parallel with the revisions to the strategic plan. The medium term financial strategy has been produced to ensure the efficient use of the Council’s resources in delivering the strategic objectives.
- b) The People Strategy – budget provision is included for employee costs. Some changes to the pay structure have been proposed to the Employment and Development Panel and funding exists for any pressure this places on employee costs in the 2012/13 estimates. Provision to meet the conditions of the Government’s proposed pay freeze has also been included.
- c) The Asset Management Strategy – the budget requirements identified in the strategy have been previously included within the budget strategy and have been maintained for 2012/13 onwards. The asset management strategy recognises the pressure on the capital programme from the need for future funding and assesses options for the appropriate utilisation of assets, the pressures upon the capital programme are considered as a complete package and not as individual schemes.
- d) ICT Strategy – the resources for this strategy are limited due to available funding however resources for invest to save developments in ICT remain available and the ICT steering group promote projects of this nature.
- e) Strategic Risk Register – the strategic risks are reviewed regularly by Audit Committee and Cabinet. The responses to the risks are, where appropriate, incorporated into the budget strategy.
- f) Other Plans and Strategies – appropriate resources to aid other plans and strategies are also incorporated into the budget strategy. These include Climate Change, Equalities, Regeneration, Integrated Transport, Community Development and the Improvement Plan.

### Corporate Services Overview and Scrutiny Committee

The committee, at its meeting on 10<sup>th</sup> January 2012, debated both the budget strategy decision and the fees and charges decision made by Cabinet on 21<sup>st</sup> December 2011. The committee considered all aspects of both reports and the Council’s ability to produce a balanced budget.

The committee’s conclusion was that the decisions were a comprehensive assessment of the current situation and represented an effective means of producing a balanced budget.

## Audit Committee

The committee, at its meeting on 16<sup>th</sup> January 2012, debated the operational risk analysis of the budget strategy. This risk analysis forms part of the Finance Section's service plan. The individual elements do not represent strategic risks. The committee debated the risks and felt they were a comprehensive list. However for some risks minor amendments were identified:

- a) An amendment was made to the risk score for capital financing, where the score had not been amended to reflect the reduced risk following the decision of Cabinet on 21<sup>st</sup> December 2011.
- b) The committee believed the risk relating to Council Tax levels did not consider fully the medium term consequences of a possible Council Tax freeze.
- c) The committee also felt that the future risks surrounding the localisation of business rates and the changes to council tax benefit should be given greater prominence.

These issues have been adjusted in the risk assessment.

## The Strategic Revenue Projection

The strategic revenue projection is incorporated in **Appendix A** of this record of recommendation and has been updated to account for agreed amendments and other changes that have been identified since the Cabinet meeting on 21<sup>st</sup> December 2011.

For 2012/13 the strategic revenue projection remains consistent with the figures reported and approved at the Cabinet meeting on 21<sup>st</sup> December 2011. As Cabinet chose to include in their recommendations to Council a Council Tax freeze, the projection has received minor modification to show a reduction in income from Council Tax of £0.34m and an increased level of income generation from other grants with no effect on the balanced budget proposed.

There has been one major change to future years of the strategic revenue projection to allow for additional information regarding the localisation of business rates in 2013/14. From that year the resources from business rates will replace the formula grant (or revenue support grant) in the Council future funding calculations. The income for 2013/14 and 2014/15 have both been reduced for the reasons detailed below.

Since the Cabinet meeting on 21<sup>st</sup> December 2011, the Council has received an analysis of the potential levels of business rates that it may be able to retain under the system that will replace formula grant in 2013/14. This information has come from a consultant who has been commissioned through the Kent Finance Officers Association to provide a Kent wide analysis.

The additional detail this provides, does not affect the production of a balanced budget for 2012/13, but does affect the strategic revenue projection in the medium term and hence the financial stability of the Council in the medium

term. It is therefore important for Cabinet to be aware of this analysis.

This initial analysis suggests that the Council's share of the baseline will be £4.93m. Compared to the assumption in the strategic revenue projection reported to Cabinet on 21<sup>st</sup> December 2012 of £5.64m. The reduction from the previous grant expectation to the predicted baseline is £0.71m.

The major reason for this reduction is that the baseline will be set at the level of resources available nationally for formula grant in 2014/15 as set out in the October 2010 spending review. The excess taken in 2013/14 is expected to be returned to local government as a one off grant in 2013/14. The consultant estimates this grant to be £0.46m for this Council.

In addition the Government has announced its intention to "top slice" the unfunded cost of the new homes bonus scheme from the baseline for business rates. The consultant has estimated a figure for this top slice as £0.25m. The Government has also stated that the unused balance of this "top slice" will be returned as a one off grant to local government. By using a formula linked to previous new homes bonus receipts, the consultant has calculated a one off grant to the Council of £0.29m. This is greater than the top slice and may not be a prudent and sustainable assumption as it is based on historic national performance levels and, as this is a new programme, the historic data is only available for two years.

The Government consultation on localisation of business rates does propose the return of these resources taken in advance of need. It also proposes the development of a fund to help balance the inter year variations in the scheme. It does not specify the mechanism by which the money will be returned to local government or whether some will be retained to develop the fund. It is important to be aware of two risks:

- That the Council may not benefit from the proposal in the way modelled by the consultant; and
- That to continue with the assumption, in the strategic revenue projection, that there will not be a further reduction in overall funding in 2013/14 as a result of the move to localised business rates, relies on the use of one off grant to sustain the revenue account and balance the budget.

The strategic revenue projection, given in Appendix A, uses the calculated baseline business rates for each year. It does not include the potential return of excess "top slice" as one off grant. This could be equal to the calculated reduction in resources but is subject to the risks outlined in paragraph 1.6.9 above. The work on the budget strategy for 2013/14 will consider the risk and options in further detail.

For years beyond 2014/15 the consultant suggests the Council could receive a benefit from RPI increases in the business rate poundage. If this is correct, it would only occur until the Government's next business rates revaluation.

## Revenue Estimates

A summary of the revenue estimate by portfolio is incorporated in **Appendix A** of this record of recommendation. This also summarises the proposed use of balances. This estimate assumes the final approval of all growth and savings identified and approved at Cabinet on 21<sup>st</sup> December 2011. The estimate is based upon the funding available from either a 2.5% Council Tax increase or a Council Tax freeze that provides government grant of an equivalent value. Any alternative decision will require amendment to the revenue estimates.

Detailed portfolio estimates are incorporated in **Appendix A** of this record of recommendation. Included within these estimates are tables of growth and savings incorporated within each portfolio's estimate.

### Revised Estimate 2011/12

The revised estimate 2011/12, given in Appendix A, totals £25.5m which compares to an original estimate of £20.8m as approved by Council in March 2010. This increase reflects the decisions of Cabinet to approve the carry forward of resources from 2010/11 and the use of balances during 2011/12. The changes are detailed below:

	<b>£,000</b>
Cabinet Agreed Carry Forward	2,845
Fleming resources to capital	1,541
Hazlitt Theatre Heating System	310
Age Concern – Bus Service Grant	46
Local Development Framework	203
Reversal of Concessionary Fares	-150
VAT Fleming refund	-82
<b>IN YEAR MOVEMENT IN BALANCES</b>	<b>4,713</b>

### Original Estimate 2012/13

The estimate 2012/13, given in Appendix A, shows a cost of service estimated at £20m. After planned use of balances of £0.1m, the budget requirement for 2012/13 will be £19.9m if a council tax freeze is agreed.

The budget, as proposed in this report, has been based on a number of initiatives completed during the year. These include:



- a) A refresh of the strategic plan that includes a clearer analysis of the outcomes deliverable in the medium term and a prioritisation of the actions required.
- b) A budget consultation exercise to identify public opinion on the importance to the public of services considered low priority to Cabinet and the importance of a range of customer service levels.
- c) A longer term focus from the recognition that the financial year 2013/14 will see the commencement of a number of major initiatives from central government. The effect these initiatives will have upon the Council and its readiness to react once sufficient detail is known is essential to this medium term strategy.

The items of growth and savings incorporated in the estimate for 2012/13 are given in Appendix A following each portfolio of services.

### Statement of Balances

Incorporated in **Appendix A** of this record of recommendation is a statement of the General Fund Balances. The statement identifies in detail the agreed use of balances arising from the 2011/12 budget, approved by Council in March 2011, and subsequent Cabinet decisions. The statement also shows that the estimate of unallocated balances at 31<sup>st</sup> March 2013 is £3.2m.

On 17<sup>th</sup> January 2012 the Council received further confirmation from HM Revenue and Customs regarding the VAT reimbursement claimed under the Fleming arrangements two years previous to this date. The letter confirms a further £0.23m will be paid to the Council, plus interest. It is estimated that interest will mean this sum is in excess of £0.7m when received. Whilst Cabinet have an opportunity to consider the potential future uses of this money, the statement incorporated in Appendix A of this record of recommendation shows this further receipt as a contribution to balances in year and is combined with the receipt of £0.08m received earlier in the year.

During the development of the medium term financial strategy for 2012/13 onwards there has been one proposal for the future use of balances. In addition there are proposals from previous years where funds have not yet been committed and are expected to carry forward into 2012/13. The proposal approved at the Cabinet meeting on 21<sup>st</sup> December 2011 was to utilise £0.1m to retain the current level of resources in the Concurrent Functions Grant system for a further year to allow additional time for consultation to be completed and a new scheme agreed before Parish Council's see a further reduction in funding.

Elsewhere on the Cabinet agenda two reports consider the estimate for the provision of events to celebrate the arrival and departure of the Olympic flame in Maidstone. The statement given in Appendix A includes a contribution of £0.17m has received approval of Cabinet.

It is necessary at this time to consider the level of working balances that Cabinet wish to set for operational purposes in 2012/13. In the past Cabinet

has set this level at approximately 10% on net revenue expenditure. However, for 2011/12, the Government's spending review removed a significant amount of expenditure from the Council's budget through reductions in grant and transfer of responsibilities to other organisations. When considering the level of working balances for 2011/12 Cabinet took the view that the reduction in working balances, that would occur by continuing to set the value at 10% of net revenue spend, would create additional risk to the financial stability of the Council at a time of economic uncertainty. Cabinet decided to hold the level of working balances at £2.3m. As the economic circumstances have not improved since the decision for 2011/12 it is recommended that Cabinet set a similar level of working balances for 2012/13.

At the same time it is necessary to recommend a practical minimum level of revenue balances, below which Cabinet cannot go without the approval of Council. In previous years that maximum limit has been set at £2m. In line with the above recommendation regarding working balances, Cabinet has to recommend continuance of a £2m limit to Council.

In reviewing the pressure on the strategic revenue projection given in Appendix A, the maximum savings requirement for 2013/14 following a zero percent council tax increase in 2012/13 is £1.9m. Savings have been identified for that year that total £0.6m. This leaves a net budget pressure of £1.3m. If funding for that remaining pressure is not identified, unallocated balances will not be sufficient to produce a balanced budget in that year and retain the agreed set aside for the Museum East Wing Extension overspend. This is based on an assumption that £0.9m would be available from general balances and £0.8m would be available from the additional Fleming VAT reimbursement.

### Council Tax Levels

The following guidance was provided to, and was fully considered by, Cabinet in reaching the recommendation for a zero percent Council Tax increase in 2012/13. The strategic revenue projection included in Appendix A to this record has been updated to show the projection following the recommended zero percent increase and the acceptance of the one year Council Tax freeze grant.

The strategic revenue projection given in the Cabinet report was developed in accordance with the previous planning decisions of Cabinet, to include a 2.5% increase in Council Tax charged.

Acceptance of the government offered Council Tax freeze grant by recommending a zero percent increase in Council Tax is an option available to Cabinet without the need to consider changes to the 2012/13 estimates as set out in the report. This is due to the fact that the grant available equates to the income foregone from not recommending the 2.5% increase used as a planning assumption.

The consequences of accepting the Council Tax freeze grant in 2012/13 would create an additional budget pressure for all future years. In order to adequately display the consequences of this option Appendix A to the Cabinet report, whilst

developed assuming a 2.5% Council Tax increase, displayed the savings requirement of the option to accept the Council Tax freeze grant.

Whilst the budget pressure arising from the acceptance of the Council Tax freeze grant of £0.34m is reported in 2013/14, future years display only the incremental increase that has been foregone. The long term consequences of the Council tax freeze can be evidenced by considering the ten year reduction in resources to the Council which has been calculated as £3.4m. In addition a number of regeneration and housing schemes currently stalled due to resource issues could be brought forward to support Council priorities if additional resources were available.

### Strategic Assessment of the Revenue Estimate

The revenue estimate for 2012/13 as detailed in this report requires net resources of £19.94m. This can be balanced by either a 2.5% increase in the Council Tax charged or by acceptance of the government offered Council Tax freeze grant, as detailed in the table below:

	<b>£,000</b>
Revenue Support Grant / NNDR	6,038
Council Tax at £222.39 (Band D), tax base 60985.3	13,563
2.5% Council Tax Increase or equivalent grant	339
<b>TOTAL AVAILABLE RESOURCES</b>	<b>19,940</b>

Should an alternative approach be considered, a 1% change in Council Tax charged is equivalent to a change in the resources available of £135,000. A 1% change, for a Band D property, is equal to a change of £2.22 in a full year or 19p per month. Council Tax freeze grant is absolute and offered only where no increase occurs. It cannot be claimed proportionate to any increase that is less than 2.5%.

This report outlines a series of issues facing the Council in the medium term and the strategic revenue projection incorporated in Appendix A of this record of recommendation identifies the current estimated financial consequence. If, in future years, additional savings are not identified to resource the budget pressures identified, the current level of general balances will not sustain the Councils financial stability beyond 2013/14.

## Capital Programme

The budget strategy incorporates estimates for both revenue and capital expenditure. Incorporated in **Appendix A** of this record of recommendation is the capital programme as currently approved, for the period 2011/12 to 2014/15.

Elsewhere on the Cabinet agenda of 8<sup>th</sup> February 2012 the Budget Monitoring Report to December 2011 included a recommendation on slippage of scheme budgets between 2011/12 and 2012/13. As the proposal in that report was agreed by Cabinet, the programme incorporated in **Appendix A** to this record of recommendation has been amended to take account of the slippage.

It is normal at this time to bring forward proposals to extend the programme into a fifth year, 2015/16. A significant number of the likely schemes that would be brought forward for amendment or extension to the programme are under consideration as part of the infrastructure delivery plan (IDP) as a component part of the Core Strategy.

The work on ensuring the accuracy of the IDP must be completed as an essential first stage. Funding of any schemes, arising from the IDP and forming elements of any future capital programme, will be partly achieved by the setting and charging of a community infrastructure levy. In order to set this levy accurately the work on the IDP must be completed and approved. This work is underway and the expected timescale for consideration of any amendments to the programme is July 2012.

Following the decision of Cabinet on 21<sup>st</sup> December 2011, the capital programme is presented with the inclusion of the use of £1.62m from the 2012/13 new homes bonus awarded to this Council. This has enabled the programme to be reported as fully funded by resources that do not represent the risk carried by the last major asset sale. This asset sale is now assumed to slip into later years and is available to support any programme that is agreed for 2015/16 or future years.

At this time it is recommended that no further changes to the programme be made but to note that extensive work on prioritisation of schemes and the identification of funding will be required in 2012/13 to prepare the Council to charge the community infrastructure levy required to make the IDP affordable.

## Future Actions to Set the Council Tax

As Members will be aware, it is a statutory requirement of this Authority to resolve the level of Council Tax for the area. To achieve this objective the recommendations detailed in this report need to be addressed. In addition the precepts of Kent County Council, the Police Authority, the Fire Authority and Parishes are required. These have been incorporated into this resolution to Council.

At the Council meeting it will be necessary for Council to formally agree the Council Tax requirement. This is a change from previous years where the resolution of Council was to agree the budget requirement. This has been

brought about by amendments to the Local Government Finance Act 1992 by the Localism Act 2011.

In addition it is necessary for the section 151 Chief Finance Officer to give her opinion to Council, when setting the above requirements, that the budget calculations are based upon robust estimates and that the level of reserves is sufficient for the purposes of the budget exercise. Based upon the process undertaken this year, and the information contained within this report, it is not anticipated that this opinion will include any adverse comments.

### Medium Term Financial Strategy

Incorporated in **Appendix A** is the Medium Term Financial Strategy (MTFS).

The MTFS may require amendment following Cabinet's consideration of this report and following consideration by Council on 29<sup>th</sup> February 2012. The final version will be published as part of the budget documents on the Council's website following the Council meeting.

### **Alternative Action and why not Recommended**

Cabinet could recommend to Council the setting of a Council Tax level greater than that used as a planning assumption in the strategic revenue projection. The Department for Communities and Local Government has announced that the level of increase that would be expected to trigger a local referendum on Council Tax increases is 3.5% for 2012/13. Allowing for the influence of minor preceptors, the Council could agree an increase up to 3.4% without triggering a referendum. This is below both RPI and CPI inflation measures and would increase Council Tax resources by a total of £0.46m or £0.12m more than assumed in the current strategic revenue projection.

Any increase above the level of 3.4% would most likely trigger the need to carry out a referendum and result in a reduction in the level of Council Tax and additional cost to the Council.

The setting of a balanced budget is a statutory obligation. To choose not to set a budget and a Council Tax level for 2012/13 is not an option.

### **Impact on Corporate Objectives**

The capital and revenue budgets developed from this budget strategy provide resources for the achievement of corporate priorities and have been developed in conjunction with the refresh of the Strategic Plan.

### **Risk Management**

The budget process is a strategic risk and the robust process followed, along with the Council policy to deliver a balanced budget, ensures that the budget produced is appropriate for the delivery of council services.

The policy on balances addresses the strategic risk of budget pressures arising from unbudgeted spend or the financial consequences of unplanned costs.

The key risks identified during the budget strategy process and in this report are detailed in the risk assessment attached as **Appendix G**. The risk assessment has been considered, amended and approved by Audit Committee in the format given in the appendix.