

MAIDSTONE BOROUGH COUNCIL

**CORPORATE SERVICES OVERVIEW AND SCRUTINY
COMMITTEE**

8 JANUARY 2013

REPORT OF CORPORATE LEADERSHIP TEAM

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1. BUDGET STRATEGY 2013-14 ONWARDS

1.1 Issue for Decision

1.1.1 This report is produced annually to update the Cabinet on the budget strategy following the provisional announcement of government grant. This year the government has made significant changes to local government finance and the provisional settlement figure, in the form of business rates retained rather than grant, will be provided later than usual. It is however essential that the Cabinet considers an update on other local and national factors that have an effect on the strategy and the strategic revenue projection.

1.1.2 This report also enables the Cabinet to consult the Overview and Scrutiny Committee on the current situation in relation to the budget strategy. Such consultation is a requirement of the Constitution.

1.2 Recommendation of Corporate Leadership Team

1.2.1 That Cabinet agree the provisional allocation of the local council tax support funding as set out in Appendix A be notified to parish councils along with their tax base.

1.2.2 That Cabinet agree the revised strategic revenue projection at Appendix B which incorporates the changes outlined in sections 1.6 and 1.7

1.2.3 That Cabinet agree the proposed savings as set out in Appendix C.

1.2.4 That Cabinet consider, and amend if desired, the assumptions used in the development of the available resources as detailed

throughout the report.

- 1.2.5 That Cabinet agree to defer consideration of the use of the additional capital resources identified in paragraph 1.13.3 pending the final cost of the Museum East Wing project.

1.3 Background

- 1.3.1 On 25th July 2012 the Cabinet considered the initial budget strategy for 2013 onwards. At that time a strategic revenue projection (SRP) was agreed, including a provisional level of Council Tax as a planning and consultation tool. The agreed SRP included increases for inflation based on information provided by key officers and projection data from sources such as the office of budget responsibility. Cabinet chose to set no inflation increase for supplies and services budgets and instructed officers to produce a corporate fees and charges report proposing increases for all fees and charges in line with the Council's fees and charges policy.

- 1.3.2 The SRP, that was agreed, estimated resources at £18.8m and predicted expenditure including new budget pressures of £20.8m, leaving a need to find savings in 2013/14 of £2m. At that time a number of risks were considered by Cabinet and these were:

- a) The government's welfare reform plans;
- b) The outcome of the consultation on the retention of business rates;
- c) The localisation of council tax support;
- d) Council tax levels, including the effect of any Local Council Tax Support scheme finally agreed;
- e) The level of income achievement;
- f) A series of local pressures including health and safety risks, such as King Street Multi Storey Car Park, and the Local Development Framework.

- 1.3.3 The capital programme was considered in a separate report on the same agenda and at that time and it was agreed that:

- a) The capital strategy be amended to including the principle of prudential borrowing where this achieves commercial development;
- b) Officers should develop and present proposals that achieve the Council's objectives through commercial development;
- c) Resources would be provided to enhance the asset management programmes, to demolish King Street Car Park and to support the second phase of the High Street Regeneration project.

1.3.4 Funding of the current programme was provided and some additional resources identified and schemes were agreed according to the principles set out above. Long term funding remained an important issue, work on the infrastructure delivery plan was progressing and this would lead to the development of a community infrastructure levy charged on developments in the borough in addition the future of the New Homes Bonus payments remained at risk due to the continuing economic climate and threat of further austerity measures, and the risk remained that additional resources would not be sufficient to support a future programme. It was however identified that new homes bonus of at least £1.8m would be available next year.

1.3.5 Since the initial reports in July 2012 a number of the factors have changed and these are considered in this report. At this time the government has not announced the finance settlement and the report cannot therefore consider the provisional figures that will be provided in that announcement. The report does consider a set of figures calculated from the most recent announcements and consultation documents produced by Government.

1.4 The Autumn Statement

1.4.1 The Autumn Statement is one of two major statements made by the Chancellor of the Exchequer each year. The other is the budget usually presented in March. The Chancellor presented the Autumn Statement to Parliament on 5th December 2012. This is later than in previous years and as a consequence has delayed the annual announcement by the Department for Communities and Local Government (DCLG) regarding local government finance.

1.4.2 The key messages in the Chancellor's statement for local government finance were that a spending review would occur as early as the first half of 2013 which would set the departmental spending plans for 2015/16 onwards. Also that further reductions in public sector spending were immediately required at 1% in 2013/14 and 2% in 2014/15. Only the 2014/15 reduction of 2% would directly affect local government.

1.4.3 Other issues were:

- a) The extension of the period of doubling of the small business rate relief by a further 12 months. The implications for business rates retention are not yet known;
- b) The exemption of all newly built commercial property (completed between October 2013 and September 2016)

from empty property rates for 18 months. The implications for the growth incentive of the business rates retention proposal are not yet known but could be significant;

- c) The provision of additional resources of up to £2bn into transport infrastructure, up to £600m into ultra-fast broadband in designated cities and over £1bn into education. The government intended that much of this resource would be channeled through the local enterprise partnerships and the Council's route to securing funding from these proposals for Maidstone would be through bids to the SELEP.
- d) Most welfare benefits would increase by 1% per annum over the next two years with state pension and disability benefit increases being greater.

1.4.4 The statement was linked to the latest office of budget responsibilities economic and fiscal outlook which was published to coincide with the Autumn Statement. This suggested that GDP would fall this year by 0.1% before growth commenced in 2013 at 1.2% per annum and rising to 2.7% per annum over the period to 2016. The forecast suggested that a further year of austerity measures would be required over those previously predicted as the Chancellor had revised his deficit reduction target date by one additional year to 2017/18.

1.4.5 The implications of this statement for future years are that further austerity measures will fall on local government with an additional 2% reduction in funding in 2014/15. The years beyond 2014/15 will be made clearer on the announcement of the findings of the spending review. At this time it is expected that the effects will be as severe as the reductions experienced as a consequence of the last spending review in 2010.

1.4.6 The implications for 2013/14 will, in the main, arise from the changes to the business rates retention scheme and will not be clear until the DCLG makes its funding announcement on 19th December. As this is the same day as the Cabinet meeting any clear and significant information will be presented at the meeting followed up by a full briefing if necessary.

1.5 Review of Current Performance

1.5.1 The current year's financial performance is reported to the Corporate Leadership Team and to the Cabinet on a quarterly basis. The first two quarterly reports show a reasonably stable under spend against profiled budget of just over £0.3m. The

predicted outturn for the year, as at the end of September 2012, was a £0.4m under spend comprised mainly of salary vacancies.

- 1.5.2 The capital programme as approved by the Council in March 2012 has been amended by the Cabinet's quarterly monitoring to allow scheme slippage into 2013/14. Additional schemes have been added to the programme to demolish King Street Multi Storey Car Park and to provide phase 2 of the High Street Regeneration project, these scheme were agreed by the Cabinet in July 2012 following the identification of funding.
- 1.5.3 The combined value of asset sales and other funding is currently above target by approximately £0.16m and the options this gives are dealt with later in this report.
- 1.5.4 The Cabinet has considered the use of balances this year and a series of proposals to utilise the significant under spend from 2011/12 have been considered by the Corporate Services Overview and Scrutiny Committee and with some minor changes will be submitted to the Leader of the Council for final approval prior to this Cabinet meeting. The maximum amount available from the 2011/12 under spend is approximately £1.1m and proposals to further the key priorities of the Council, totalling £0.83m, have been submitted for approval.

1.6 Review of Revenue Resources

Business Rates Retained

- 1.6.1 As stated earlier in this report the DCLG will announce the finance settlement for this council on 19th December 2012 which will set the provisional the level of business rates retained by this council. This will be as a result of setting the business rates baseline, the values of the initial payment to central government, the county council and the fire authority and the level of tariff to be paid to the government. This will leave, by deduction, the value of business rates retained.
- 1.6.2 Based on the consultation data and other announcements from central government the current estimate is that the business rates retained will be the sum of the following elements:

	£,000	
Formula Funding	5,080	<i>Closest comparable figure to 2012/13 formula grant and indicative of a 10.3% reduction in funding</i>
2011/12 CT Freeze Grant	335	
Local Council Tax Support Funding <i>(including parish share)</i>	1,463	<i>A Year 1 transitional grant is also included</i>
Homelessness Prevention	101	
Total business rates retained	6,979	

- 1.6.3 The figures tabulated above include the funding of the government's proposed localisation of council tax support that will replace council tax benefit from 1st April 2012. At its meeting on 21st November 2012 the Cabinet approved the proposed scheme for recommendation to the Council on 12th December 2012 and this funding represents 90% of the government's predicted expenditure on council tax benefit, had the scheme continued in 2013/14.
- 1.6.4 Part of this element of the retained business rates relates to the benefit paid to claimants in parished areas and the proposed local scheme will affect parish precepts. The level of effect was considered by the General Purposes Group when it set the Tax Base for 2013/14. It is clear from the figures given in the government consultation documents that the value has been modelled at a district level and no national attempt has been made to model the effect at a parish level. The government has confirmed that it wishes to pass the funding to district councils and expects appropriate consideration of the funding of parish councils to be made. It has not legislated for the payment of this grant on to parishes.
- 1.6.5 Should the Council wish to pass on funding to parish councils a method that reflects the loss of income from the reduced ability to generate council tax would be equitable. If such a method is not used then parishes with relatively high levels of benefit claimants and low levels of precept could find themselves disproportionately disadvantaged. One such method, given the work completed to calculate the Tax Base for each parish, is to apportion the funding based upon the value of benefit currently claimed in each area, as any loss through reductions in council tax income will be proportionate to that value.
- 1.6.6 The Tax Base represents the number of taxable properties in an area expressed as a proportion of the Band D value. It enables the individual charge for each property to be calculated from the

precept value provided by each parish to the council. The calculation for 2013/14 includes an adjustment to allow for the discount now granted to previous benefit claimants through the new LCTS scheme and it is this calculation that gives an equitable method of distributing the funding.

1.6.7 In addition to using an equitable allocation method it is appropriate that all resources received by this Council should be distributed as a single value. The sums received have been calculated by central government on a block basis and the lowest level of area it considered is a district council. This means that the government's distribution is not based upon the transaction levels in each parished or non-parished area separately but for the borough council area as a whole. Added together the standard funding now rolled into retained business rates plus the first year transitional grant totals £1.463m and attached at **Appendix A** is a table that provides the necessary distribution of the total funding on the basis outlined above. The level of funding that would remain within the Council's own budget strategy is £1.38m. Consideration of how this resource does not fully finance the council's loss from the scheme is dealt with under the consideration of the resources available from council tax.

1.6.8 Using this figure to calculate this council's share of retained business rates gives the following estimate:

	£,000	
Formula Funding	5,080	<i>Closest comparable figure to 2012/13 formula grant and indicative of a 10.3% reduction in funding</i>
2011/12 CT Freeze Grant	335	
Local Council Tax Support Funding (excluding parish share)	1,379	<i>A Year 1 transitional grant is also included</i>
Homelessness Prevention	101	
Total business rates retained	6,895	

1.6.9 This estimate is the best available at this time and the Cabinet may wish to give consideration to the views of the Corporate Services Overview and Scrutiny Committee on the apportionment of the LCTS scheme funding to parishes before formal approval of the proposal however it would be necessary for parish councils to be given the provisional figures at this time so that they can continue to prepare their budget forecast for 2013/14 and set their local precepts.

Council Tax

- 1.6.10 The Council's current council tax charge has remained stable at the 2010/11 level of £222.39 per annum for a band D property. Set against this stable tax level has been a council tax freeze grant claimed from central government for the two years of a 0% increase. In 2013/14 one of the two grants will cease and the other, as detailed earlier, will remain until 2015/16 but be included in the retained business rates income. Had the council raised the same level of resources from a council tax increase the reduction in resources would not occur and the additional income available to the Council in 2015/16 would be in the region of £0.67m. This would be sufficient to resource the budget pressures outstanding for 2014/15 as set out later in this report.
- 1.6.11 At the meeting on 25th July 2012 the Cabinet agreed a SRP for planning purposes that included an assumed 3% increase in council tax income. This represented a 2.5% increase in the council tax charge and a 0.5% increase in the tax base arising from new property.
- 1.6.12 Since that meeting the Government has announced support towards a further council tax freeze. This announcement offers a grant equivalent to a 1% increase for two years and reduces the level at which a council would be required to conduct a referendum over any proposed increase to 2%.
- 1.6.13 As the Cabinet are aware, from consideration of a 0% increase as part of the budget strategy over the previous two years, resources not gained through a council tax increase are only supported over the period during which the grant is payable. Considering the ten year period from 2011/12, when the first grant was accepted, the Council will have foregone approximately £8.8m in resources by 2020/21. This additional arrangement available from the Government for 2013/14 would, if accepted, mean a further level of resources foregone of £1.8m bringing the maximum foregone income to £1.3m per annum and in total £10.6m by 2020/21.
- 1.6.14 By the time of this meeting the General Purpose Group will have considered a tax base of 55155.1 which is approximately 10.3% lower than the tax base for 2012/13. This is due to the need to discount the tax base by the consequences of the LCTS scheme that commences on 1st April 2012. Excluding this discounting the underlying tax base has increased by 1.1%. The decision of the General Purpose Group will be reported verbally by officers at the Cabinet meeting as part of the discussion on this report.

- 1.6.15 Considered together the reduced tax base and a further freeze on council tax charge levels would generate £12.266m in 2013/14. An increase of 1.99% in the charge, just below the referendum level, would increase income by £0.244m and therefore generate a total of £12.510m in 2013/14. This would increase band D tax levels by £4.43 per annum to £226.82.
- 1.6.16 A decision on the level of council tax increase that the Cabinet would wish to recommend to the Council need not be taken at this time however the revised SRP given at **Appendix B** includes 1.99% increase to replace the 2.5% planning assumption to ensure it does not breach the referendum limit.
- 1.6.17 Elsewhere on this agenda the Cabinet has considered a report on the collection fund adjustment. The recommendation of that report is to distribute approximately £0.2m across the major preceptors and this council. The share calculated for this council is £32,000 and this can be added to the resources available from the council tax charge detailed above.
- 1.6.18 Combining the resources available to this council from the current estimated level of retained business rates, the council tax income and the collection fund adjustment would produce resources for the period of the revised SRP as tabled below. The Cabinet should note that the level of resources available from retained business rates given for years 2015/16 and beyond assume the effects of the spending review announced by the Chancellor. Although a projection is given, no actual detail is available to suggest the rate at which the resources available to this council will reduce or whether the reduction will be seen through the retained business rates or through another source of government funding.

	2013/14 £,000	2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000
Retained Business Rates	6,895	6,404	5,589	5,170	4,782
Collection Fund Adjustment	32	0	0	0	0
Council Tax	12,510	12,822	13,139	13,464	13,795
Available Resources	19,437	19,226	18,728	18,634	18,577

1.7 Review of Strategic Projection

- 1.7.1 When the Cabinet agreed the SRP in July 2012 officers were set the task of continuing to review the budget pressures and identify additional savings to balance the budget. Since that time officers have reviewed all of the pressures outlined in the SRP and it is now proposed that the following amendments should be considered.

- a) **Lost income from regeneration** – this budget reflected the issues being considered for King Street Multi Storey Car Park and the possibility that the asset would be sold and revenue income lost. The decision of cabinet to demolish the car park and provide a surface level car park is estimated to be cost neutral in revenue terms and the budget is no longer required.
- b) **Local Development Framework** – following the decision on strategic sites within the core strategy, the profile of expenditure on the local development framework has been reassessed. It is now clear that while the same level of resources will be required overall, the timing of the funding need has slipped and the resources are now programmed as growth in 2014/15.
- c) **Safer Maidstone Partnership** – this provision was original made during the development of the 2011/12 strategy to offset against grant loss. Growth was approved in the 2012/13 budget strategy however the election of the Police and Crime Commissioner has required a reassessment of the appropriate timing for considering the use of the resource. It would at this time be prudent for the Council to remove the growth item and await the plans and strategies set out by the new commissioner to be published before reconsidering any further action. The council has funded a three year contribution to the domestic violence advise work being coordinated across Kent by the Kent Probation Service. A budget of £16,700 per annum was funded from the Leader’s contingency.
- d) **Growth provision** – this is an annual provision for growth outside of the specific items reported during the development of the annual budget. The resource available in 2012/13 remains an unallocated balance within the Leader’s portfolio and no bids for resources are expected in the remainder of 2012/13. With the full balance available from 2012/13 it is not necessary to resource a new balance in 2013/14.

1.7.2 In addition to the proposed reductions set out in the paragraph above there are two proposed increases in growth pressure and these are detailed below:

- a) **Pay and contractual commitments** – this growth item has seen an increase due to more accurate knowledge in relation to the indices that are used by each service. In general the office of Budget Responsibility has recently published amended growth and inflation rates. At this time it is not

proposed to further amend this item as the factors relate to general growth that budget managers will be expected to control rather than contractual growth.

- 1.7.3 These amendments, taken in conjunction with the revised assessment of resources available to the Council set a requirement to find savings in 2013/14 of £1.2m compared to the £2m requirement set out in the decision of cabinet in July 2012. The values for each year of the SRP are set out in the table below:

	2013/14 £,000	2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000
Available Resources	19,437	19,226	18,728	18,634	18,577
Projected Requirement	20,563	20,608	19,890	19,488	19,218
Savings Target	1,126	1,382	1,162	854	641

- 1.7.4 The Corporate Services Overview and Scrutiny Committee has worked with officers and the Leader of the Council through a budget working group this year. Initial work has been to ensure that the working group is considering the budget strategy with a complete knowledge of the issues and a number of meetings, including briefings have occurred this year. When the committee considers the decisions of the Cabinet, in January 2013, the members of the group will ensure that the debate is informed in depth on the background issues facing the Council.

1.8 Review of Savings Proposals

- 1.8.1 Savings and efficiency data was not reported in detail to Cabinet in July 2012. The targets were set out and it was identified that some savings proposals existed, in the main these came from long term plans developed for the 2011/12 strategy. The report suggested that, set against a need to find £2m in savings, plans existed to save £0.6m.

- 1.8.2 As stated previously, the revised SRP at Appendix B shows a need to save £1.2m in 2013/14 and attached at **Appendix C** is a more detailed analysis of the previously identified savings and other proposals that have been developed by officers in discussion with Cabinet Members. The value of these proposals, set against the required need for savings in each of the five years considered by the revised SRP, are tabled below.

	2013/14 £,000	2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000
Savings requirement in SRP	1,126	1,382	1,162	854	641
Savings proposals	1,126	788	220	140	0
Savings still required	0	594	942	714	641

1.8.3 The savings proposals set out at Appendix C include the values reported in the fees and charges report elsewhere on this agenda. If cabinet have approved the recommendations in that report the figures set out here are accurate, if Cabinet has amended the recommendation then the figures set out here will require amendment also.

1.9 New Homes Bonus

1.9.1 Along with the finance settlement that is due to be announced on 19th December 2012, it is expected that the DCLG will also announce the allocation of New Homes Bonus for the forthcoming year. This is the third year of the programme and the Council should receive an amount equivalent to last year's payment plus the new sum specifically for housing growth during the period October 2011 to October 2012. As this calculation is based upon the tax base return made to government in October each year it is possible to predict the major element of the payment reasonably accurately.

1.9.2 To date the Council has utilised the resources from new homes bonus payments to support its priorities through regeneration. In the main resources have been directed to the capital programme with a small sum of approximately £0.2m being used for one off revenue projects. When cabinet considered the capital programme in July 2012 it agreed that a sum of £1.8m from the forthcoming new homes bonus payment be directed to the capital programme to finance the second phase of the High Street regeneration project.

1.9.3 Tabled below is the schedule of amounts received and expected along with the amount already utilised by the Council.

	2011/12 £,000	2012/13 £,000	2013/14 £,000
2011/12 Allocation	892	892	892
2012/13 Allocation		825	825
2012/13 Affordable Homes Premium		78	78
2013/14 Allocation			1,045
2013/14 Affordable Homes Premium			n/a
Receipt	892	1,795	2,840
Capital Financing	892	1,615	1,800
Revenue Financing		180	
Balance remaining	0	0	1,040

1.10 Capital Expenditure

- 1.10.1 The capital programme approved by Council in March 2012 has been modified by Cabinet following the July 2012 report that set out proposals to finance commercial activity, health and safety works (the demolition of King Street Car Park) and the enhancement of the Asset Management Programmes. The current programme and details of available funding are set out in **Appendix D**.
- 1.10.2 During the work in developing the strategy for 2012/13 resources were set aside for the funding of any over spend on the Museum East Wing project. This project is nearing completion of the negotiations about the final account and the level of resources that may be required will be known presently. At this time the resources set aside by Cabinet, although not expressly stated, remain within revenue balances in case of need.
- 1.10.3 At this time the capital programme ends in 2014/15. This issue has been previously considered by Cabinet but a significant number of factors need to be progressed before clarity regarding resources and priorities can be established. In terms of the programme there are three strands:
- a) The standard programme including strategic priority projects, housing grants and housing support;
 - b) The commercialisation proposals;
 - c) The infrastructure delivery plan.
- In terms of funding there are three key risks:
- a) The viability, long term, of the new homes bonus;
 - b) The acceptability and affordability of prudential borrowing;
 - c) The development of a viable community infrastructure levy.
- 1.10.4 Some of the work required to mitigate the risks or develop the necessary proposals are nearing completion but there is a significant risk of misalignment of priorities within the affordable capital programme if all matters are not resolved before the future programme is agreed.

1.11 Capital Financing

- 1.11.1 The funding of the capital programme as agreed by Council in March 2012 is secured, as detailed in the report considered by Cabinet in July 2012.

1.11.2 In addition the confirmation of the revised level of prudential borrowing by Council and the confirmation of the level of new homes bonus by the DCLG should both occur prior to the meeting of Cabinet. Subject to those confirmations the revised programme agreed by cabinet in July 2012 is supported by the required level of resources. Officers can update the cabinet of any unexpected developments and necessary changes to the considerations set out in this report at the meeting.

1.11.3 In addition to the figures provided previously there have been two minor receipts from Golding Homes from the sale of properties that the Council retains a contractual benefit from. These receipts increase receipts by a net sum of £0.16m and are not allocated to any schemes currently within the capital programme. Cabinet may wish to retain the receipts until the final cost of the Museum East Wing project is known and funding is agreed.

1.12 Balances

1.12.1 The current level of general fund balance is £4.4m plus provisionally allocated sums of another £1.5m. After allowing for the proposals considered informally by Cabinet Members and formally by the Leader of the Council and Corporate Services overview and Scrutiny, an unallocated general fund balance of £3.6m remains. A statement of balances is set out in **Appendix E** to this report that incorporates the use of balances to cover the value of bids submitted to the Leader of the Council for approval.

1.12.2 For 2012/13 the Council has set a minimum level of balances of £2m and the Cabinet have agreed to set a working balance of £2.3m below which it is not expected that the Cabinet will utilise balances. In November the Cabinet agreed to set aside the sum of £0.5m when considering a report on potential commercialisation, as a provision against possible scheme failure. This means that unallocated resources of £0.7m and provisionally allocated resources of £2m exist.

1.12.3 Earlier in this report consideration was given to the Chancellor of the Exchequers Autumn Statement and the Economic and Fiscal Outlook report of the Office of Budget Responsibility. Given the significant and detrimental factors facing local government, as set out in that section of this report, Cabinet should be mindful of the level of resources and the potential need that the Council may have for those resources to remain financially stable, before the current economic situation is resolved.

1.13 Consultation

- 1.13.1 During the period in which consultation on the budget strategy would normally occur the local council tax support scheme consultation was ongoing. In order to minimise potential confusion the budget consultation was delayed. Consultation must occur before the final consideration of the budget by the Cabinet in February 2013. The consultation has been designed in a format that will allow those who wish to respond a choice of responding direct through the website, by return of a questionnaire or in person when the consultation road show is in the Gateway.
- 1.13.2 Due to the considerable change in the method of central funding of local authorities this year through the retention of business rates and the national coverage that suggests that 50% of business rates will be retained by local authorities it is important that consultation and briefings occur with local business. This work will be undertaken through the business meetings held by the Economic Development Manager.
- 1.13.3 The results of all of this work will be incorporated into the report to the Cabinet in February 2013 to enable consideration of the responses prior to a recommendation to the Council.
- 1.14 Medium Term Financial Strategy and Strategic Plan
- 1.14.1 The Strategic Plan refresh is reported to Cabinet elsewhere on this agenda. It provides feedback on the achievement of the outcomes required to achieve the priorities of the Council and gives Cabinet an opportunity to consider update actions and outcomes. It is essential that cabinet consider the Strategic Plan and this budget strategy at the same time as the information provided by the budget strategy enables Cabinet to consider the resourcing available for achievement of the proposed outcomes and provides the opportunity for cabinet to amend either resourcing proposals or outcomes to balance plans and resources appropriately.
- 1.14.2 As the DCLG had not announced the finance settlement for 2013/14 at the time of writing this report the MTFS statement has not been updated and for that reason is not appended to this report.
- 1.15 Alternative Action and why not Recommended
- 1.15.1 The production of the budget is an element of the statutory process of setting the council tax each year. In addition the final document and budget is required to be robust and adequate under the Local government Act 2003 and the Chief Financial Officer is required to give a statement to that fact. On this basis the actions outlined in this report must be considered and a balanced budget

ultimately set by March 2013.

- 1.15.2 A number of the assumptions set out in this report remain uncertain and alternative options are possible. The main examples include:
- a) The level of business rates that may be retained by the Council. At this time the estimate is based on the most up to date information and is reasonably in line with national commentators' assumptions. By the time cabinet consider this report it may well be possible to update the meeting with the provisional settlement figures.
 - b) The calculation used to distribute the LCTS Scheme funding between the Council and the parishes. This proposal is based upon the value of the actual loss by each council and is considered to be the fairest methodology for all.
 - c) The indices used to calculate future inflation and contractual commitment. These indices have been recently updated and a revised set of assumptions could be developed, however the level of change likely to occur is not significant and it is proposed that current resources will be re-prioritised if the level of growth allowed is insufficient

1.16 Impact on Corporate Objectives

- 1.16.1 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 financial resources. This report and the strategic plan report elsewhere on this agenda should be seen as complementary.

1.17 Risk Management

- 1.17.1 The development of the budget strategy follows a process from previous years. The process comprehensively reviews the full budget and brings to these reports the significant issues that the review identifies as significant risks. The work is supported by the quarterly budget monitoring reports to Cabinet a review of the information contained in these reports is given in section 1.#. Material issues identified can result in changes to the SRP but in the main the reports give strength the ongoing assumptions made in the budget strategy each year.
- 1.17.2 All budget strategy reports are submitted to the Corporate Services Overview and Scrutiny Committee for consideration and their work provides a further level of review. During 2012/13 Corporate Services Overview and Scrutiny Committee proposed and set up a

working group on the budget which has met more frequently than the whole Committee to consider, in more detail, the information used in developing the strategy. This group reports back to the Committee and will provide strength to the debate in January when the Committee considers this report and Cabinet's decision.

- 1.17.3 Cabinet should note that the report for 2012/13 identified the factors affecting 2013/14 as major risks at that time. It is clear how significant these factors are by the very fact that the final information has been significantly delayed.
- 1.17.4 As part of the work on the MTFs a risk assessment at an operational level is produced. This risk assessment considers the main risk factors for each assumption used in developing the strategy and is submitted to Audit Committee each January for consideration. The views of the Audit Committee will be reported to the Cabinet at their meeting in February 2013.

1.18 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	

- 1.18.1 The financial implications are all detailed in the body of the report.
- 1.18.2 The budget includes 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.

1.18.3 This report intends to provide Cabinet with proposals that will enable the Council to set a balanced budget and a Council Tax for 2013/14 as it is statutorily obliged to do.

1.18.4 The budget strategy process requires the careful alignment of resources to the priority outcomes identified in the strategic plan. The appropriate alignment of resources means that impact on vulnerable and protected groups is minimised. The appropriate allocation of resources will support vulnerable groups through such actions as those proposed under the corporate and customer excellence outcomes.

1.19 Relevant Documents

1.19.1 Appendices

Appendix A – Apportionment of LCTS Funding

Appendix B – Revised Strategic Revenue Projection 2013/14 Onwards

Appendix C – Savings Proposals 2013/14 Onwards

Appendix D - Capital Programme 2012/13 to 2017/18

Appendix E – Statement of General Fund Balance to 31st March 2014

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because:

Budget Strategy Report

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Wards/Parishes affected:

All

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