



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	27 SEPTEMBER 2012
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	BUDGET STRATEGY 2013/2014
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 This report forms the basis of preparation and planning for the 2013/2014 Council budget.

2.0 RECOMMENDATIONS

2.1 That Council is recommended to approve the following parameters for the preparation of the 2013/2014 budget:

- (i) Proposals be brought forward for a 2.5% increase in Council tax;
- (ii) Increases in fees and charges to be 3.5% - 4.5% on a cost centre heading basis excluding VAT and only those charges officers recommend above or below this figure to be considered by the relevant policy committee;
- (iii) Efficiencies to be maximised;
- (iv) Options for service cuts to be provided. These proposals to be considered by the Resources Working Party and the Policy and Resources Committee.

3.0 REASON FOR RECOMMENDATIONS

3.1 The proposals will ensure the Council sets a balanced budget for the forthcoming year with minimal impact on Council services.

4.0 SIGNIFICANT RISKS

4.1 The significant risk is that efficiencies cannot meet the shortfall and cuts to front line services will be required. This is mitigated through a whole Council approach to savings identification and investment proposals leading to savings through budget review, shared services and service reviews. Notwithstanding this work it is almost

certain that service cuts will be required to balance the budget (see risk matrix).

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 The budget strategy is a key process affecting all service delivery and linking to the Council Plan and all of the strategic plans as well as providing the means for attaining the Council's objectives and priorities.
- 5.2 Major public consultation on the 2011/2012 budget was undertaken through the residents' panel, and on line through a procured software tool. Further public consultation will be required as work on the budget and requirements are undertaken. Early consideration of options for cuts by members will facilitate timely and meaningful consultation.

REPORT

6.0 REPORT DETAILS

- 6.1 The annual budget setting process for the Council will necessitate the identification of savings to deliver a balanced budget. The Medium Term Financial Plan (MTFP) as approved by members with the Council's Financial Strategy in February 2012 set out the projected financial position. At that time the Council set a 0% increase in its part of the Council Tax bill for 2011/2012. This was supported by additional Government grant equivalent to a 2.5% increase in Council tax.
- 6.2 Within the MTFP projection was the need to identify approximately £600k efficiency and cuts for the 2013/2014 budget. This position was based on the following assumptions:
- Further Cuts to Government grant of 7.1% 2013/2014
 - A Council Tax increase of 2.5%
 - Pay Inflation of 1%
 - Price inflation of 3%
- 6.3 There are a number of key influences on the finances of the Council for 2013/2014 which then impact on the budgetary position. These include:
- Government grant
 - Council Tax increase
 - Income from Fees and Charges
 - Issues arising from the current year
 - Pay and price inflation
 - Revenue effects of the Capital Programme
- Government Grant**
- 6.4 The Council has no indication at present of the likely level of Government Grant for 2013/2014. Details of the provisional grant settlement are expected in early December 2012. This announcement may also provide a provisional figure for 2014/2015.
- 6.5 The significant uncertainty arises from the ongoing recession and state of the public finances together with a fundamental change in the way that central government funding is provided to Local Authorities. This latter point involves the Business Rate Retention Scheme grant to replace the current formula based allocations. Some formula based element will also be involved, however over forthcoming years this latter element is expected to be cut significantly.

6.6 In drafting the projections for 2013/2014 in February 2012 the assumption was of a further cut in Central Government funding of 7.1%, equivalent to c£225k. This was considered a prudent estimate and was a greater cut than most North Yorkshire authorities had included in their medium term financial plans.

6.7 The following table sets out the reductions in grant over recent years for RDC:

Year	Government Grant	Reduction
2010/2011	4,520k	
2011/2012	3,599k	20.4%
2012/2013	3,207k	10.9%

6.8 The estimate for grant income for 2013/2014, based on consultancy advice is that a cut of only 10% would be a good outcome from the Authority. It is possible at this level that Ryedale would see one of the lowest cuts to District Council funding. This is in part reflective by some formula review work undertaken which has increased the weightings for sparsity. It is quite probable that the cut will be higher than the 10% quoted above not least as the calculation assumes the use of New Homes Bonus as revenue funding which RDC has not done to date.

6.9 The basic operation of the Government Support for RDC in 2013/2014 is as follows:

- The Council continues to collect Business Rates.
- 50% is paid over to the Government.
- Of the remaining 50%, 9% is paid to the County Council and 1% to the Fire and Rescue Service.
- The Council will be provided with a set amount of the remainder it must pay (the Tariff) over to the Government (whatever the business rate income is, with a safety net for falls of over 10%). RDC keeps the rest.
- On top of the retained business rates the Council will receive 'Revenue Support Grant (RSG) on a formula based approach.
- The Council will also receive direct funding for Localised Council Tax Support and New Homes Bonus. Homelessness grant will be part of the RSG allocation, presently the Council receives separate funding of £85k.
- Specific funding to finance the New Homes Bonus up to 2017/18 has been taken out of the total funding for Local Authorities. In the early years more funding is being removed than required and some form of 'rebate' to authorities may be paid. There is little clarity on the operation of this at present and a different option is also under consideration.
- Growth in business rates above the average could lead to an increase in RDC resources, however the amount retained is only a percentage of the growth.
- Annex A to this report provides a step by step exemplification of the Business Rates Retention Scheme from the Department for Communities and Local Government.

6.10 Members should also remember that Council Tax Benefit ceases and each Authority must produce its own schemes of Council Tax Support effective from the 1 April 2013. This also carries financial risk for the authority and will see a significant change in the funding methodology.

Council Tax Increases

6.11 The Council's MTFP is predicated on a 2.5% increase in Council Tax for 2013/2014. The 2012/2013 charge was £176.72 per band D property. The Council has had 3 years of no increase in Council Tax.

- 6.12 A rise of 2.5% would equate to £4.42 per year (8.5p per week). Members should note that the full Band D charge is £1,500.85 taking into the account the charges from the County Council, Fire and Police services. RDC therefore makes up less than 12% of the final bill. A 1% increase in the Council's charge raises approximately £38k.

Income

- 6.13 It is important that the Policy and Resources Committee recommend to Council an outline target for increases in income. Clearly where officers believe that increases in line with the strategy will be counterproductive to overall income, or where there is potential scope for increasing above the target these would be considered by the relevant policy committee. The recommended target increase is 3.5 - 4.5% on a cost centre heading basis excluding VAT.
- 6.14 Members may be aware of the proposed 15% uplift in national planning fees. Whilst welcome, being the first increase since 2008, it is not the expected localisation of planning fees expected following consultation which ended in January 2012. A full assessment of the impact of the 15% increase will be undertaken considering the current year experience and expectations of demand in 2013/2014.

Current Year issues (2012/2013)

- 6.15 Detailed monitoring of in year spend and income is undertaken and reported to the Resources Working Party and this Committee. The only significant pressure in the current year is in car parking income which is £20k below profiled budget at the end of the first quarter. Some realignment of the budget may be required and this will be considered during the budget process.

Pay and Price inflation

- 6.16 The 2012/2013 budget included provision for a 1% pay rise for all employees. The pay freeze has continued and no pay rise has been made in 2012/2013. This unspent provision will provide a saving towards the target in preparing the 2013/2014 budget.
- 6.17 The 2013/2014 MTFP which identifies a savings target of £607k includes a 1% provision for the pay award.

Revenue effects of the Capital Programme

- 6.18 The MTFP incorporate predictions around revenue impact of Capital Decisions, in particular the borrowing to finance the Brambling Fields junction upgrade.

Progress to Date

- 6.19 Following on from the success of the Council's One-11 programme which achieved over £1m of saving and helped deliver a balanced budget with no significant cuts for 2011/2012 and the Going for Gold Programme which delivered efficiencies of over £600k towards the 2012/2013 budget, officers have progressed the Round 3 programme for the 2013/2014 budget.
- 6.20 A series of ongoing staff briefings have taken place to ensure that employees are aware of the financial projections.
- 6.21 The strategy for the 2013/2014 budget revolves around the following key headings:

Establishment of a Business Hub

This has involved the centralisation of support to front line services, with voluntary redundancies and service redesign. Savings in excess of £250k are likely to be achieved.

Senior Management Reductions

On top of significant savings in previous years for the costs of management additional savings in excess of £50k should be achieved towards the 2013/2014 budget.

Other efficiencies

Budget Review meetings are underway to identify other efficiency savings within the budget. Including issues such as the unallocated £50k budget could realise savings of over £100k.

- 6.22 With the projections above it is almost certain possible that there will be a shortfall and cuts to services will therefore be required for the Authority to continue with its current services and levels of service. Officers will seek to maximise efficiencies, however given the level of efficiencies identified over the part three years, significant savings will not be achieved without reducing services or their standard.
- 6.23 Work on options for cuts has been considered as part of the budget review meetings and will be presented to the Resources Working Party. At this stage only unavoidable growth can be accommodated. Within the MTFP £100,000 is included for growth/meeting priorities. Further details on any unavoidable growth will be presented to the Resources Working Party.

7.0 IMPLICATIONS

7.1 The following implications have been identified:

- a) Financial
The financial impacts are detailed within the report.
- b) Legal
There are no new legal issues around the budget strategy.
- c) Other
All savings proposals will be evaluated to identify direct other implications where possible.

8.0 NEXT STEPS

8.1 The following table sets out the timetable for the budget process:

Officers prepare options for discussion at Resources Working Party	20 November 2012 8 January 2013
Member briefing on budget	16 January 2013
Policy and Resources Committee consider 2013/2014 Budget	7 February 2013
Full Council formally set budget and Council Tax	26 February 2013

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Background Papers:

None.

RISK MATRIX

Issue/Risk	Consequences if allowed to happen	Likelihood	Impact	Mitigation	Mitigated Likelihood	Mitigated Impact
Efficiency savings unable to meet the shortfall therefore service cuts will be required.	Cuts to front line services, reputational damage to Council, possible poor external inspection.	5	D	Co-ordinated approach to savings identification, looking at budget as a whole. IT investment to change working patterns and make efficiencies. Ongoing service reviews and budget review of revenue budgets. Any cuts will be fully worked up and considered by members at an early stage	5	C

Score	Likelihood	Score	Impact
1	Very Low	A	Low
2	Not Likely	B	Minor
3	Likely	C	Medium
4	Very Likely	D	Major
5	Almost Certain	E	Disaster