



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	29 SEPTEMBER 2011
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	BUDGET STRATEGY 2012/2013
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 This report forms the basis of preparation and planning for the 2012/2013 Council budget.

2.0 RECOMMENDATIONS

2.1 That Council is recommended to approve the following parameters for the preparation of the 2012/2013 budget:

- (i) Proposals be brought forward for a 2.5% increase in Council tax (unless the Government provides additional specific grant to enable a nil increase);
- (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.

REPORT

5.0 BACKGROUND AND INTRODUCTION

- 5.1 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 2011 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.
- 5.2 Within the MTFP projection was the need to identify approximately £700k efficiency and cuts for the 2012/2013 budget. This position was based on the following assumptions:
- Government grants of £3,113k for 2012/2013 (this is the provisional announcement and may be subject to change)
 - Additional cost pressures from borrowing to finance the capital programme for the Brambling fields project
 - A Council Tax increase of 2.5%
 - Pay Inflation of 1%
 - Price inflation of 3%

6.0 POLICY CONTEXT

- 6.1 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.

7.0 CONSULTATION

- 7.1 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 considered as further work on the budget and requirements are undertaken.

8.0 REPORT DETAILS

- 8.1 There are a number of key influences on the finances of the Council for 2012/2013 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

- 8.2 The Comprehensive Spending Review 2012 (CSR12) announced in December 2010 details of the provisional grant settlement for all authorities. The following table sets out the figures for RDC:

Year	Government Grant	Reduction
2010/2011	4,520k	
2011/2012	3,599k	20.4%
2012/2013	3,113k	13.5%

8.3 The above figure for 2012/2013 is expected to be confirmed in late November/early December. Whilst the provisional stated amount is not guaranteed only minor variation to this figure is expected.

8.4 There have been no announcements for 2013/2014 or beyond and this uncertainty will cause difficulty in preparing for the 2013/2014 budget. Central Government issues such as the proposed Localisation of Council Tax Benefit with a 10% funding reduction, the Localisation of Business Rates and the implementation of the Single Universal Credit add to the concerns over 2013/2014.

Council Tax Increases

8.5 The Council's MTFP is predicated on a 2.5% increase in Council Tax for 2012/2013. The 2011/2012 charge was £176.72 per band D property. This rise would therefore 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.

8.6 The grant provided to enable the freeze Council Tax for 2011/2012 of £94k is expected to continue for 2012/2013, although this has not yet been officially confirmed.

Income

8.7 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. Current inflation rates range from 4 - 5% depending on the index chosen.

Current Year issues (2011/2012)

8.8 Detailed monitoring of in year spend and income is undertaken and reported to the Resources Working Party and this Committee. The significant financial pressures on the Council in 2011/2012 revolve around inflationary increases in the cost of fuel and utilities. Further assessment of these pressures will be undertaken in preparing the 2012/2013 budget.

Pay and Price inflation

8.9 The 2011/2012 budget included provision for a £250 pay rise for those earning under £21k. A 2 year pay freeze has been in place for 2010/2011 and 2011/2012 and the employers' side made no offer. This generates a saving of £35k in preparing the 2012/2013 budget.

8.10 The 2012/2013 MTFP which identifies a savings target of £707k includes a 1% provision for the pay award. National negotiations are ongoing and regional views have been sought on an employer offer for next year, Councillor Acomb is the Council's representative on the Employers' Committee.

Revenue effects of the Capital Programme

- 8.11 The MTFP incorporate predictions around revenue impact of Capital Decisions. Council decided that the costs of the Brambling fields Junction upgrade in total £2.37m, is in part to be financed by borrowing (£2.07m initially). The repayment of debt and interest carries an annual revenue cost of £145k, which is also built into the MTFP. In the event that either or both schemes do not progress a saving against projections would be made.

Progress to Date

- 8.12 Following on from the success of the Council's One-11 programme which helped deliver a balanced budget with no significant cuts for 2011/2012, officers were clear that a target in excess of £700k was a significant challenge. Taking into account those savings achieved in the 2011/2012 budget and the reduced base the task was as great if not greater. The Council before 2011/2012 typically found efficiencies and savings of between £300k - £400k in balancing the budget.
- 8.13 A series of ongoing staff briefings have taken place to ensure that employees are aware of the financial projections.
- 8.14 The strategy for the 2012/2013 budget revolves around the following key headings:
- Streetscene Service Review – Target £250k**
This has included revised transfer arrangements for waste and recycling, retendering recycling, round optimisation work and fleet fuel efficiency measures. Officers believe that the target is achievable.
- Local Planning Application Fee Setting – Target £200k**
Planning fees are presently set to a national scale. The authority currently subsidises the Development Management service to around £378k per annum. Consultation on permitting authorities to set their own charges has taken place with a positive response nationally. Authorities are anticipating a statutory instrument to be received shortly to outline which charges can be set on a cost recovery basis and potential start dates. Internal preparation is well underway, however until the formal guidance is received it is not possible to determine the deliverability of the target saving.
- Shared Services and Other Efficiencies – Target £150k**
Details discussions with several potential partners have taken place on several primarily back office services of Legal, Finance, ICT and Human Resources. The Legal services proposal is being progressed to business case which may then be considered by members. Service reviews of the other services will be undertaken to identify efficiencies. Aside from the shared services discussion efficiencies in excess of £100k have been identified from a series of budget review meetings held with senior managers. Further review work is ongoing to identify further efficiencies. It is likely that the target will be achieved.
- 8.15 With the projections above it is 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. Work on options for cuts has been considered as part of the budget review meetings and will be presented to the Resources Working Party.
- 8.16 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.

9.0 IMPLICATIONS

- 9.1 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.

10.0 NEXT STEPS

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

Officers prepare options for discussion at Resources Working Party	22 November 2011 10 January 2012
Member briefing on budget	18 January 2012
Policy and Resources Committee consider 2012/2013 Budget	2 February 2012
Full Council formally set budget and Council Tax	20 February 2012

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Background Papers:

None.

Background Papers are available for inspection at:

N/A.

RISK MATRIX

Issue/Risk	Consequences if allowed to happen	Likelihood	Impact	Mitigation	Mitigated Likelihood	Mitigated Impact
Efficiency savings unable to meet the shortfall therefore cuts required.	Cuts to front line services, reputational damage to Council, possible poor external inspection.	4	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	4	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