

MEETING: COUNCIL
Portfolio Area: Resources

Agenda Item:

5

Date: 29 FEBRUARY 2012

GENERAL FUND BUDGET 2012/2013

KEY DECISION

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1. PURPOSE

- 1.1 To consider the Council Tax and General Fund Budget 2012/13 for recommendation to Council following the Budget consultation process.

2. RECOMMENDATIONS

- 2.1 That the Budget summarised at Appendix A to this report, be the Council's General Fund Budget for 2011/12 and 2012/13. A further update on the 2011/12 budgets will be given at the March Executive as part of the quarterly monitoring process.
- 2.2 That approval be given to a General Fund Budget Requirement for 2012/13 of £10,722,700, a contribution from balances of £242,528 and a Band D Council Tax of £188.52 (assuming a 0.0% increase), as reflected in the draft Council Tax Resolution at Appendix B to the report.
- 2.3 That approval be given to a General Fund Revenue Account Contingency Sum in the Budget and Policy Framework for 2012/13 of £400,000.
- 2.4 That the advice of the Strategic Director (Resources) on the robustness of the draft budget and the adequacy of reserves (Appendix C) be noted.
- 2.5 That the Fees and Charges increases (Appendix F) be noted.
- 2.6 That the contribution from the Collection Fund for 2012/13 of £81,442 be noted.
- 2.7 That it be noted that Council may, at its discretion, agree to vary the budget, in the course of its considerations.
- 2.8 That it be noted that the General Fund Medium Term Financial Strategy remains largely unchanged from that reported to the meeting of the Executive held on 17 January 2012 and continues to meet the financial objectives set by the Chief Finance Officer.

3. BACKGROUND

- 3.1 In July 2011, the Executive approved a revised Medium Term Financial Strategy (MTFS), which assumed a reduction in Government Support of 10% in 2012/13 and a further 8% for the following two years. The MTFS assumes a 2% increase in grant in 2015/16. The reduction in grant combined with other General Fund pressures meant a £750K savings target was required in 2012/13, to deliver a sustainable financial strategy, a balanced annual budget with resources in line with expenditure, and a prudent level of balances to cover unexpected liabilities, costs or pressures.
- 3.2 Following the approval of the July report, Challenge Board (officer led) and Leader's Service Priority Group (LSPG) scrutinised and challenged savings and growth proposals put forward by officers and recommended by the Council's Strategic Management Board (SMB). The November Executive approved the range of saving and budget proposals and revenue forward plan items to be included in the 2012/13 Budget.
- 3.3 In January the Executive considered a report on the draft General Fund Budget 2012/13 incorporating the General Fund Revenue Savings, Pressures and Growth Proposals identified above. The Executive recommended the draft General Fund Budget for consideration by the Resources Policy and Development Scrutiny Committee as part of the 2012/13 Budget process.
- 3.4 In February the Executive considered the updated General Fund Budget 2012/13 and approved the report subject to the deletion of the savings proposal relating to the management fee at the Council's Children's Centres (£17,020) given the Equalities Impact Assessment.
- 3.5 This process forms part of the Council's Budget and Policy Framework. Under Article 4 of the Constitution, the Budget includes: the allocation of financial resources to different services and projects; proposed contingency funds; the council tax base; setting the council tax; decisions relating to the control of the Council's borrowing requirement; the control of its capital expenditure; and the setting of virement limits.
- 3.6 Consideration of the Budget is a matter for Council and it is noted that Council may agree to additional expenditure, or variations to the budget.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Resources Development and Scrutiny Committee

- 4.1.1 The Resources Development and Scrutiny Committee met on the 19 January 2012 to consider the budget proposals. The Strategic Director (Resources) and the Head of Finance outlined the current budgetary position including the impact of the on-going economic climate on the Council. Members sought clarification and asked questions on a number of issues, these are summarised below:
 - The use of cash reserve balances or internal borrowing rather than borrowing at a higher rate of interest.

- How the New Homes Bonus was calculated and the financial reward for the first six years of new homes built in the town. Members were keen to maximise the amount of funding available.
- The inflation assumptions particularly the increases in National Insurance.

Members thanked the Council's Officers for continuing to protect front line services and presenting a balanced budget in what were continuing to be very difficult financial circumstances.

4.2 Consultation with Non Domestic Ratepayers

- 4.2.1 The rate levy for non-domestic ratepayers is outside of the control of Stevenage Borough Council and is set by Central Government. Nevertheless, Section 134 of the Local Government Finance Act 1988 places a duty on the Council to consult with non-domestic ratepayers on the Council's spending plans (both revenue and capital) for the forthcoming financial year.
- 4.2.2 Central government has provisionally set the 2012/13 rate levy at 45.8p in the £, an increase of 5.6% over the 2011/12 levy of 43.3p. The 2012/13 small business rate relief is provisionally 45.0p in the £, an increase of 5.6% over the 2011/12 level of 42.6p.
- 4.2.3 A letter has been sent to the Hertfordshire Chamber of Commerce outlining the changes to the business rates for 2012/13.

5. IMPLICATIONS

- 5.1 **General** - Summaries of the draft General Fund budget net requirements are attached as Appendix A.

- 5.1.1 The 2011/12 working and 2012/13 General Fund draft budget recommended for approval at the January Executive are largely unchanged. A summary of the movements is shown below

	2011/12 Working Budget £	2012/13 Estimates £
Net Expenditure approved January Executive	10,593,980	10,551,910
Adjustments:		
Housing Benefit changes	(10,080)	
Investment/borrowing interest changes	(16,240)	
Reduction in salary and agency budgets	(32,250)	
Recycling income	(46,370)	
Other changes	(7,490)	18,050
Council Tax freeze grant shown in Government Support		135,720
Reduction in savings (February Executive)		17,020
Total adjustments	(112,430)	170,790
Net Expenditure recommended for approval	10,481,550	10,722,700
Government Grant for Council Tax Freeze support		(135,722)

Reduction in surplus from Collection Fund		9,135
(Use of) /contribution to General Fund Balances	368,543	(242,528)
(Use of) /contribution to General Fund Balances (reported January)	256,113	(198,325)
Variance to January Report	(112,430)	44,203

5.2 Brought Forward at 1st April 2012

No carry forwards have been requested for 2012/13 during the budget setting process. Members will be updated with any new requests in the 3rd Quarter Monitoring Report to the March Executive.

5.3 Budget Savings

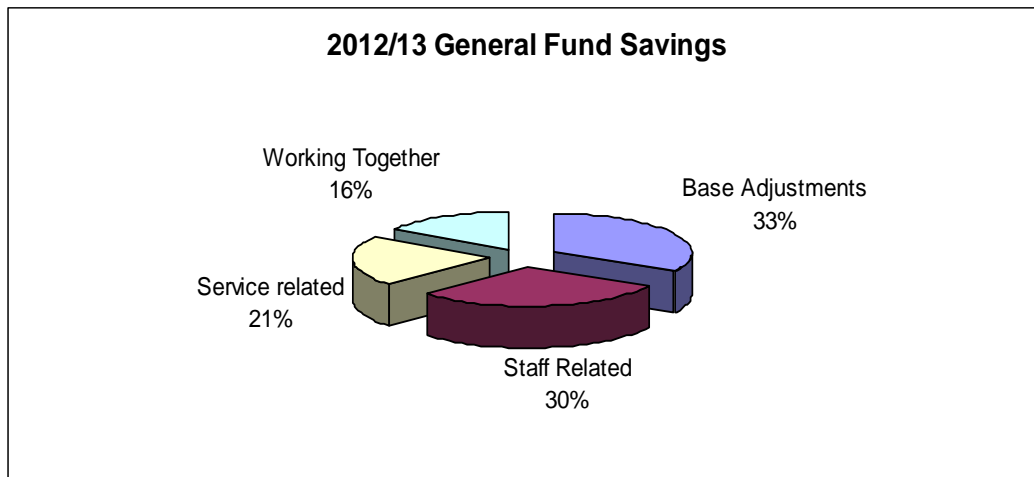
5.3.1 The November Executive approved savings proposals of £745,630 for inclusion in the 2012/13 Council's General Fund budget. These savings have been reviewed and the revised savings total is now £728,610. These savings and budget proposals have been incorporated in the budget summary in Appendix A.

5.3.2 **Savings Proposals** - In setting the Council's budget Members and officers have always:

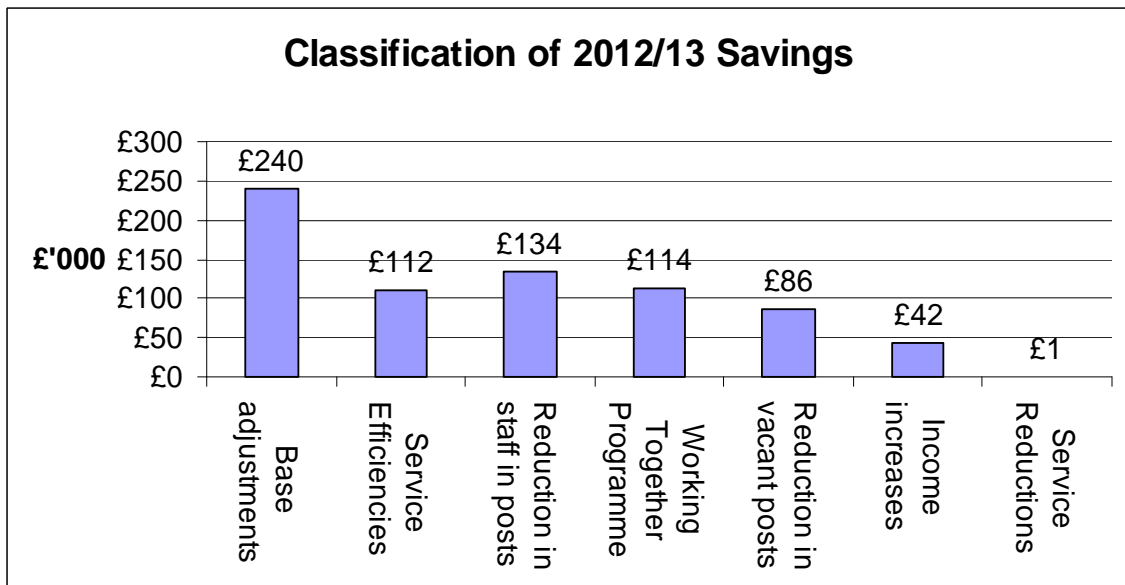
- Targeted and aligned revenue and capital resources to priorities;
- Maximised the value of resources and assets; and
- Had a strong commitment to delivering value-for-money and efficiency for the community.

In 2011/12 the Council made significant savings of £1,652,960 because of the level of government grant reduction (14.59%), combined with rising inflation and lower fees and charges. This meant that service cuts were necessary. In 2012/13 once again as a result of government grant reduction (10%) and high inflation the Council has needed to make savings of £728,610. However the 2012/13 savings have been generated through a number of the Council's change programmes such as 'Working Together' and improved procurement and this has meant that savings were largely delivered through efficiencies rather than service cuts. The Council remains committed to targeting resources to high priority areas, but this may not be achieved in the current parliament through efficiencies alone. The Council is committed to continuing with the 'Working Together' programme which is anticipated to generate £113,900 of the savings for 2012/13 as a means of improving ways of working with other organisations and innovations in service. There are also potential savings to the General Fund with the return of the housing management service from Stevenage Homes Limited.

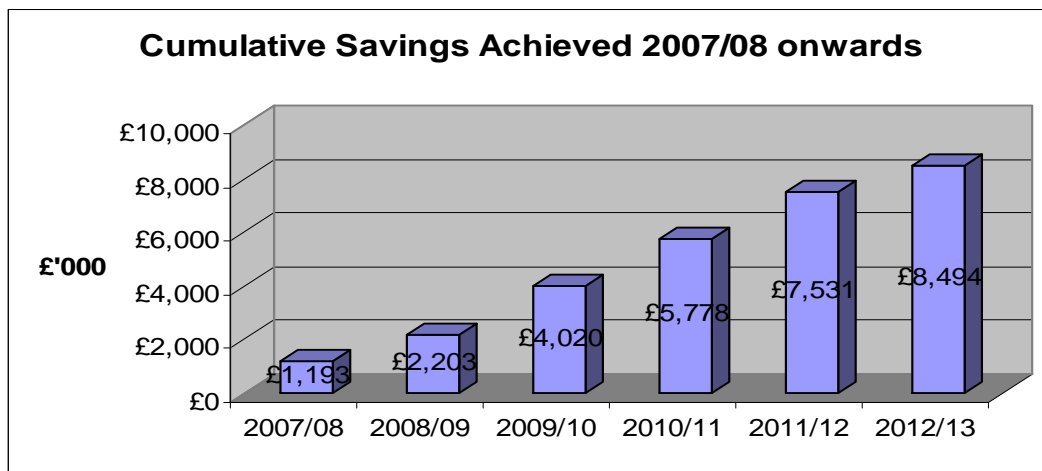
5.3.3 The 2012/13 Financial Planning process delivered 2012/13 savings of £728,610, of which 29% were associated with changes to staffing and 15% were associated with the working together programme as detailed in the chart below:



5.3.4 The savings have been categorised into efficiencies, staff reduction, service reductions and income increases as summarised in the chart below and detailed in Appendix D.



5.3.5 The Council has been successful over the last few years in delivering savings and efficiencies to ensure that a prudent General Fund budget has been set in challenging economic times. This has been coupled with a reduction in Government funding, while at the same time seeking to minimise the impact on the Council tax payer. The chart below shows the savings achieved since 2007/08.



5.3.6 Savings are subject to consultation. However if proposed savings are not achieved as a result of that consultation, alternative savings of an equivalent value will need to be identified and implemented in 2012/13 to maintain a prudent level of General Fund balances.

5.4 Revenue Growth

The November Executive approved a range of growth items totalling £235,820 (Appendix E) for inclusion in the Council's Budget for 2012/13. In 2012/13 a contribution of £44,200 will be made to fund the growth from earmarked reserves.

5.5 Summary

5.5.1 The net totals by portfolio area are as follows:

	Original Budget	Working Budget	Original Budget
	2011/12 £	2011/12 £	2012/13 £
Community Services	5,147,310	5,320,770	5,249,830
Housing Services	1,923,680	2,381,510	1,938,800
Environmental Services	6,896,480	7,227,760	7,041,090
Locality Budgets	212,800	274,370	128,700
Resources	(3,453,000)	(4,660,870)	(3,604,300)
Trading Accounts	17,130	(61,990)	(31,420)
Net General Fund Expenditure	10,744,400	10,481,550	10,722,700

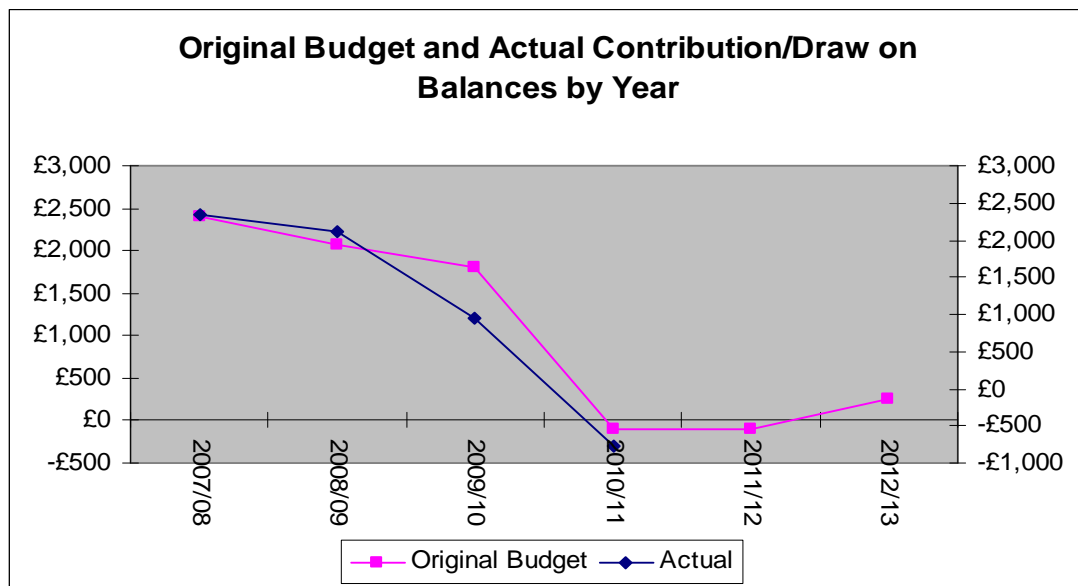
5.6 Balances & Reserves

5.6.1 At the January Executive a risk assessment was undertaken to determine the level of balances required in 2012/13. The risk assessment identified that balances of at least £2,544,839 were required. A sufficiently high level of balances is recommended as from 2013/14 as there are risks to the General Fund for the implementation of localisation of Business Rates and Council Tax benefit, and uncertainty around the level of further Government Grant cuts. Furthermore there needs to be a sufficient level of General Fund balances to allow for any delay in the implementation of savings options. The draft budgets (Appendix A) show projected General Fund balances of £2,847,412, which is £302,573 higher than the risk

analysis of required balances. Therefore the General Fund balances are considered to be adequate to meet annual deficits. Any increase in General Fund balances can be used to reduce the 2013/14 savings target currently forecast to be £892,000.

5.6.2 Total General Fund balances as at 1 April 2012 are estimated to be £3,089,940, in addition there are also earmarked reserves of £1,108,718 which are ring fenced for known expenditure, e.g. single status implementation. These balances are needed to meet unforeseen expenditure and/or income losses arising in the year and to meet expenses arising before income is received.

5.6.3 Prior to setting the 2010/11 budget, the Council had used General Fund balances to support in year expenditure. The MTFs recognised that this was unsustainable and has over the last few years identified and achieved savings to allow for a net contribution to balances. This was achieved for the 2010/11 and 2011/12 original budget. In 2012/13 there is a net draw on balances of £242,528 which is sustainable for the year as the projected level of General Fund balances exceeds the minimum required balances of £2,544,839. The graph below shows the transition from being reliant on General Fund balances to fund services to contributing to balances.



5.6.4 The Council also holds earmarked reserves which are ring fenced for specific revenue expenditure requirements. These reserves are reviewed quarterly. A new reserve relating to New Homes Bonus was set up in 2011/12 and no assumptions have been made in the report about the use of those funds. Officers are currently reviewing viable schemes for Member approval. A summary of the projections on the remaining earmarked reserves are shown below.

Earmarked Reserves	Contributions/ 01/04/2011 Spend in Year		Contributions / Spend in 31/03/2012 £ Year		31/03/2013
	£	£	£	£	£
Deminimus Capital Spend	(195,000)	55,330	(139,670)	(30,000)	(169,670)
New Homes Bonus	0	(53,362)	(53,362)	(579,928)	(633,290)
Capacity Building	(251,080)	63,724	(187,356)	30,000	(157,356)
Interest Equalisation	(294,000)	(73,500)	(367,500)		(367,500)
Single Status	(61,590)	33,595	(27,995)	27,995	0
Planning Delivery Reserve	(346,665)	18,830	(327,835)	44,200	(283,635)
ICT Reserve	0	(5,000)	(5,000)	(75,000)	(80,000)
Total	(1,148,335)	39,617	(1,108,718)	(582,733)	(1,691,451)

5.6.5 The Local Government Act 2003 places a duty on the Chief Financial Officers of Local Authorities to report to the Council, at the time the budget is set, on the robustness of the estimates included in the budget and the adequacy of reserves for which the budget provides. The advice of the Strategic Director (Resources) on these matters is set out in Appendix C.

5.6.6 Due to the further reductions in Government Grant and the affects of inflation there remains an annual savings target for the General Fund of £750,000 and a further £142,000 in 2012/13 for the impact of the Council Tax freeze grant being for one year only. Future savings targets will need to increase if the Government Grant reductions for 2013/14 onwards are higher than estimated in the Council's MTFS.

5.7 Exchequer Finance and Precepting Bodies

5.7.1 The provisional settlement figures were issued on 8 December, and a briefing note on the settlement was provided for all Members and summarised in the December Executive report. The total Revenue Support Grant (RSG) and Business Rate Income (NNDR) receivable was £4,798,217 plus £135,722 for the 2011/12 Council Tax freeze grant. The RSG and NNDR decreased by 10% when compared to the 2010/11 grant (£535,893).

5.7.2 The consultation period ended on the 16 January and there was no change to the final settlement.

5.7.3 The total Council Tax required to be collected by Stevenage Borough Council includes the Hertfordshire County Council and Hertfordshire Police Authority precepts. The County Council and the Police Authority will be setting their precepts on the 21 and 23 February respectively.

5.8 Council Tax

5.8.1 As noted in the background section of this report, the Budget setting process includes consideration of Council Tax levels. The Government has announced it will support Councils that freeze Council Tax for 2012/13 at a level equivalent to 2.5% for one year only. The summary below indicates the estimated 2012/13 position assuming for consultation purposes a Council Tax increase of 0% and estimated Collection Fund surpluses. The Council Tax Base was finalised at the Executive meeting on 21 January 2012 and the projected Council Tax Position for 2012/13 is shown in the table below:

	2011/12	2011/12	2012/13
	Estimate	Working	Estimate
	£	£	£
Net Expenditure	10,744,400	10,481,550	10,722,700
(Use of) /contribution to Balances	105,693	368,543	(242,528)
Total Government Support	(5,334,110)	(5,334,110)	(4,933,939)
Total Expenditure to be funded from Council Tax	5,515,983	5,515,983	5,546,233
Collection Fund Surplus	(87,201)	(87,201)	(81,442)
Council Tax Requirement	5,428,782	5,428,782	5,464,791
Council Tax Base	28,797	28,797	28,988
Council Tax (Band D)	188.52	188.52	188.52
Council Tax (Band C)	167.57	167.57	167.57

5.9 Contingency Sums

The Executive will recall a Contingency Sum needs to be determined by the Council as part of the Budget and Policy Framework in order to avoid the need for Full Council to consider all supplementary estimates during the course of the year. This contingency sum constitutes an upper limit within which the Executive can approve supplementary estimates, rather than part of the Council's Budget Requirement for the year. A sum of £400,000 was agreed as part of the 2011/12 budget setting process, it is proposed that this remains unchanged for 2012/13.

5.10 Budget Consultation

- 5.10.1 The Council continues to value on-going consultation to design and deliver services in a cost effective way and to assist the Council in making tough choices for the years ahead, prioritising key services ensuring efficiency and value for money. The Council believes that difficult decisions should be informed by robust consultation with those who live and work in Stevenage. Because of our new town heritage we have always worked closely with the community to help them take control of their lives and the services they value. As a co-operative Council we recognise the important contribution that our community groups and residents can make to design, deliver and lead services across the town and have a history of consulting with residents as part of our co-operative Council approach.
- 5.10.2 The Council has provided a number of online and face to face opportunities for people to contribute to corporate priorities which help to shape our budget. Since September 2010 there has been a dedicated area of the Council's website that brings information together in one place about all the avenues available for people to get involved. As well as providing information about meetings and events, it includes links to the Council's Facebook and Twitter and an opportunity to complete online consultation responses.
- 5.10.3 The Council wants to make sure that residents are properly informed about the Council, its role, its policies and its performance so that they can take part in shaping and developing future services and setting priorities. It wants all members of the community, including those in hard to reach groups such as young people, people with disabilities and minority ethnic groups, to have a voice in the democratic process and be involved in open decision-making.

- 5.10.4 We regard consultation events as a valuable opportunity to find out what residents think about priorities and services. With this in mind the Council designed a deliberative community consultation event on 15 November 2011 entitled Your Voice, Your Choice with a wide cross section of residents to inform the medium to long-term budget setting process.
- 5.10.5 In December the consultation event Café Choice took place in a marquee in the town centre and provided residents with the opportunity to give their views on the Council's priorities for service delivery over the coming year. As a result of such events more than 300 people representing a cross section of the community contributed to the consultation process, including 45 people at the conference, and more than 250 at Café Choice.
- 5.10.6 In summary it can be said that there were a range of views on which service areas should be protected, although the majority of delegates at the conference agreed that savings needed to be made and indicated a willingness to protect frontline services by increasing charges.

5.11 Equalities Impact Assessment

- 5.11.1 In carrying out or changing its functions (including those relating to the provision of services and the employment of staff) the Council must comply with the Race Relations Act (section 71), the Sex Discrimination Act (section 76A) and the Disability Discrimination Act (section 49A). In order to comply with the duties the Council must ensure it can demonstrate that due regard has been given to the needs described in the legislation in the decision making process. These duties may not be delegated and must be considered by Council when setting the budget in February 2012.
- 5.11.2 To inform decisions, officers have undertaken Equality Impact Assessments (EqIAs) for service-related budget savings proposals that were considered to have a potentially negative impact. The results of these assessments, which were provided to Executive in November, showed potential negative impact on equalities particularly relating to the socio-economic factor, children and young people, older people and people with disabilities. Mitigating actions were identified and included in the information presented to the Executive.
- 5.11.3 As well as considering the impact on service delivery and equality, an EqIA concerning all strands of potential discrimination has been completed on all proposed redundancies and restructures. This is attached at Appendix H.
- 5.11.4 As the proposals will be delivered over a range of different timescales, the EqIA will be reviewed periodically as decisions are made so that results can be used to inform decision making and the provision of tailored and effective support to at risk staff.

5.12 Risk Implications

- 5.12.1 A risk based assessment of General Fund balances has been undertaken and is included within this report (para 5.6.1) as part of the budget setting process. In addition the Strategic Director (Resources) has a duty to report on the robustness of the estimates and the adequacy of reserves to Council (Appendix C).

6. BACKGROUND DOCUMENTS

- Finance Settlement Notifications

APPENDICES

- Appendix A - 2011/12 working & 2012/13 Summary General Fund Budget
- Appendix B - Draft Council Tax Resolution
- Appendix C - Robustness of the Draft Budget and Adequacy of Reserves
- Appendix D – Savings Proposals 2011/12
- Appendix E- Forward Plan Bids 2011/12
- Appendix F - Fees and Charges 2011/12
- Appendix G – Risk Assessment of General Fund balances 2012/13
- Appendix H – Equalities Impact assessment