

Meeting: EXECUTIVE

Council Agenda Item:

Portfolio Area: Resources

6A

Date: 12 FEBRUARY 2013

GENERAL FUND BUDGET 2013/14

KEY DECISION

Author – Clare Fletcher Ext 2933
Lead Officer – Scott Crudgington Ext 2185
Contact Officer – Clare Fletcher Ext 2933

1. PURPOSE

- 1.1 To consider the Council Tax and General Fund Budget 2013/14 for recommendation to Council following the Budget consultation process.

2. RECOMMENDATIONS

- 2.1 That the following proposals be recommended to Council on 27 February 2013.
- a) That the Budget summarised at Appendix A to this report, be the Council's General Fund Budget for 2012/13 and 2013/14. A further update on the 2012/13 budgets will be given at the March Executive as part of the quarterly monitoring process.
 - b) That approval be given to a General Fund Net Budget Requirement for 2013/14 of £10,155,822 a contribution to balances of £8,502 and a Band D Council Tax of £188.52 (assuming a council tax freeze), as reflected in the draft Council Tax Resolution at Appendix B to the report.
 - c) That approval be given to a General Fund Revenue Account Contingency Sum in the Budget and Policy Framework for 2013/14 of £400,000.
 - d) That the advice of the Strategic Director (Resources) on the robustness of the draft budget and the adequacy of reserves (Appendix C) be noted.
 - e) That the Fees and Charges increases (Appendix F) be noted.
 - f) That the contribution from the Collection Fund for 2013/14 of £27,393 be noted.
- 2.2 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 15 January 2013 and continues to meet the financial objectives set by the Chief Finance Officer.

3. BACKGROUND

- 3.1 The Council's Financial Strategy (MTFS) was reported to Executive in July 2012. This outlined the impact of the United Kingdom budget deficit at a national, local and Stevenage level. At the national level public sector debt was predicted to be higher than previously forecast and to fall at a slower rate than forecast which has implications for deeper public spending cuts. The Council's MTFS in July forecasted a loss of Government grant of 42% between 2010/11-2016/17. With an assumed reduction in Government Support of 8% in 2013/14 (£383,857) and a further 8% and 7.55% for 2014/15 and 2015/16 respectively.
- 3.2 The financial position for Stevenage has been difficult in recent years but Members have approved savings in excess of £8million from the General Fund budget since 2007/08 and despite the recession and increasing pressures on services Members have set a balanced budget since 2010/11 with a minimal draw on General Fund Reserves.
- 3.3 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 2013/14 Budget.
- 3.4 In January the Executive considered a report on the draft General Fund Budget 2013/14 incorporating the General Fund Revenue Savings, Pressures and Growth Proposals. The Executive recommended the draft General Fund Budget for consideration by the Resources Policy and Development Scrutiny Committee as part of the 2013/14 Budget process.
- 3.5 The provisional 2013/14 and 2014/15 Finance Settlement was received on 19 December 2012 and a 4.83% and 15.77% reduction in grant was reported in the January Executive report. The reported draw on/contribution to balances for 2012/13 and 2013/14 was £286,668 (draw) and £36,643 (contribution) respectively. The January report did not include the impact of the approved National Non Domestic Business Rates (NNDR) tax base for 2013/14 which will be included within this report.
- 3.6 This report presents the Council's final General Fund net expenditure for 2013/14 taking account of the savings, pressures and growth items. The General Fund Budget 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; 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.

- 3.7 Consideration of the Budget is a matter for Council and a recommendation contained within in the front of the report notes the 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 21 January 2013 to consider the budget proposals. The Strategic Director (Resources) and the Assistant Director (Finance) outlined the current budgetary position, including the impact of the on-going economic climate on the Council.

- 4.1.2 Members were given a short presentation on the introduction of Localisation of Business Rates and its impact on the General Fund, Members discussed Business Rates risks and reward. Members were informed that the local government funding settlement was contributing to the need for an ongoing level of savings required for the General Fund and that a different approach would be required to deliver £3Million of savings over the next three years.

4.2 Consultation with Non Domestic Ratepayers

- 4.2.1 The rate levy for non-domestic ratepayers is set by Central Government and is included in the calculations for the assumed proportionate shares to be paid to the Government (50%) and the County Council (10%). A 1% increase in growth of the NNDR tax base would mean additional income of £89,000 to Stevenage Borough Council. 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. The Chief Financial Officer did a presentation on the Localisation of Business Rates to the Business Forum.
- 4.2.2 Central government has provisionally set the 2013/14 rate levy at 47.01p in the £, an increase of 2.65% over the 2012/13 levy of 45.8p. The 2013/14 small business rate relief is provisionally £46.2p in the £, an increase of 2.65% over the 2012/13 level of £45.0p.

5. IMPLICATIONS

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

- 5.1.1 The 2012/13 working and 2013/14 General Fund draft budget recommended for approval at the January Executive are largely unchanged. A summary of the movements for 2012/13 are shown overleaf and total a reduction of £81,870:

<u>General Fund Budget 2012/13</u>		
	£	Comments
January MTFS	10,766,830	Reported at January Executive
Net Changes:		
Recycling income	10,000	A pressure of £70,000 was reported at the January Executive which related to a reduction in prices and tonnages collected for 2013/14. A pressure of £10,000 has been identified in 2012/13.
Commuted sums	(9,980)	A review of commuted sums held on the balance sheet concluded that additional income could be budgeted for in 2012/13.
Additional net interest earned on investments	(34,930)	A review of investment balances and those attributable to the General Fund has meant additional net income.
Garage Income	(15,550)	Increase in garage income due to backdated rent collected.
Vacant Posts	(31,410)	
Total Adjustments	(81,870)	
February Final Budget	10,684,960	

5.1.2. The final General Fund budget for 2013/14 has reduced by £123,950 but the projected Government Support has also reduced by £152,090, resulting in a contribution to balances of £8,502.

<u>General Fund Budget 2013/14</u>		
	£	Comments
January MTFS	10,271,270	Reported at January Executive
Net Changes:		
Recycling income	(59,260)	A pressure of £70,000 was reported at the January Executive which related to a reduction in prices and tonnages collected. This projection has now been revised down to a pressure of £10,740.
Minimum Revenue Provision (MRP)	(24,000)	Capital grants on the Council's balance sheet have been reviewed and £167,000 utilised in preference to borrowing which has reduced the MRP due in 2013/14.
Council Tax Support 'transitional grant'	(22,510)	Grant was shown in Government Support in MTFS, now shown under net General Fund expenditure-neutral no impact.
S38 Highways income	(10,000)	A review of income budgets (compared to 2011/12 actual and 2012/13 to date) concluded that additional income could be budgeted for in 2013/14.

Commuted sums	(9,980)	A review of commuted sums held on the balance sheet concluded that additional income could be budgeted for in 2013/14.
Other	1,800	A review of income and expenditure budgets between the January and February Executive has resulted in additional net expenditure of £7,620.
Total Adjustments	(123,950)	
February Final Budget	10,147,320	
Government Support	(5,647,949)	reported to January Executive
Council Tax Support 'transitional grant'	22,509	Grant shown in net expenditure-neutral impact
Reduction in Retained Business Rates	16,504	The retained Business Rates assumed for 2013/14 are lower than the governments assumptions (as approved at the January Executive)
NNDR admin grant	113,077	This grant was not included as a separate payment to the Council but was included within the Government Settlement, but not identified separately.
Total Adjustments	152,090	
Total Government Support	(5,495,859)	
Council Tax	(4,632,570)	reported to January Executive
Contribution from the Collection Fund	(27,393)	reported to January Executive
Contribution to Balances	(8,502)	This was reported as a contribution to balances of £36,643 at the January Executive (adverse variance £28,141)

5.2 Brought Forward at 1st April 2013

5.2.1 No carry forwards have been requested for 2013/14 during the budget setting process. Members will be updated with any new requests in the 3rd Quarter Monitoring Report to the March Executive.

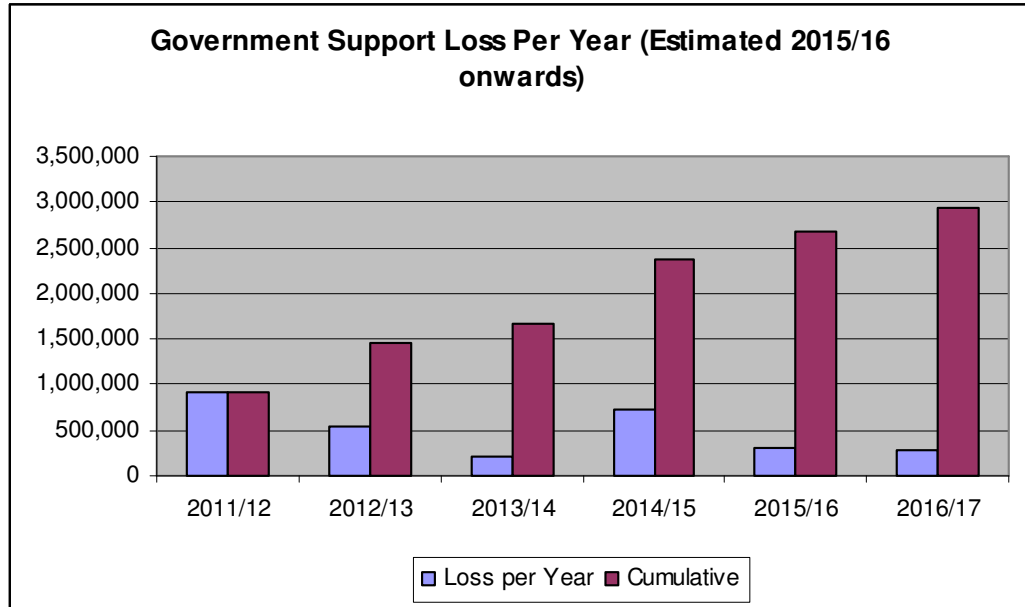
5.3 Budget Savings

5.3.1 The November Executive approved savings proposals of £825,650 for inclusion in the 2013/14 Council's General Fund budget. These savings have been reviewed and the revised savings total is £754,970 as reported at the January Executive. These savings and budget proposals have been incorporated in the budget summary in Appendix A.

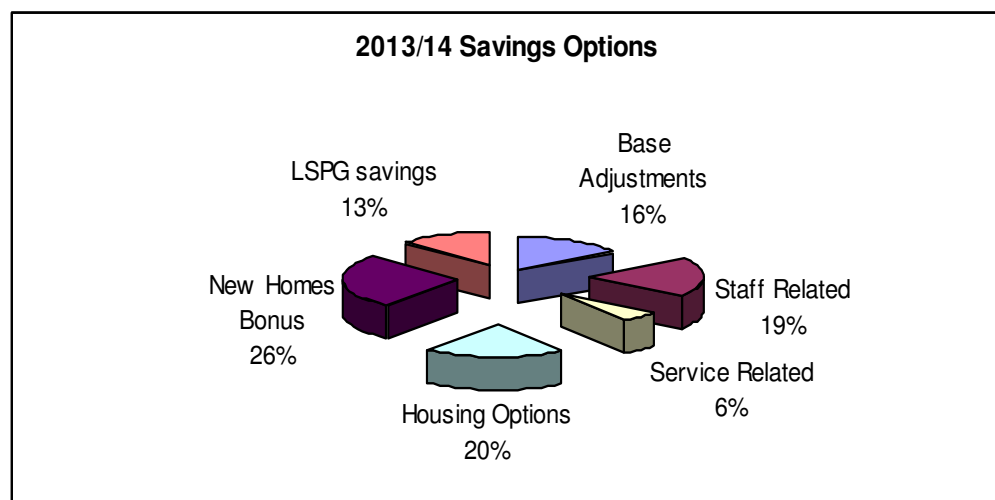
5.3.2 **Savings Proposals** - In setting the Council's budget Members and officers have always:

- 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.

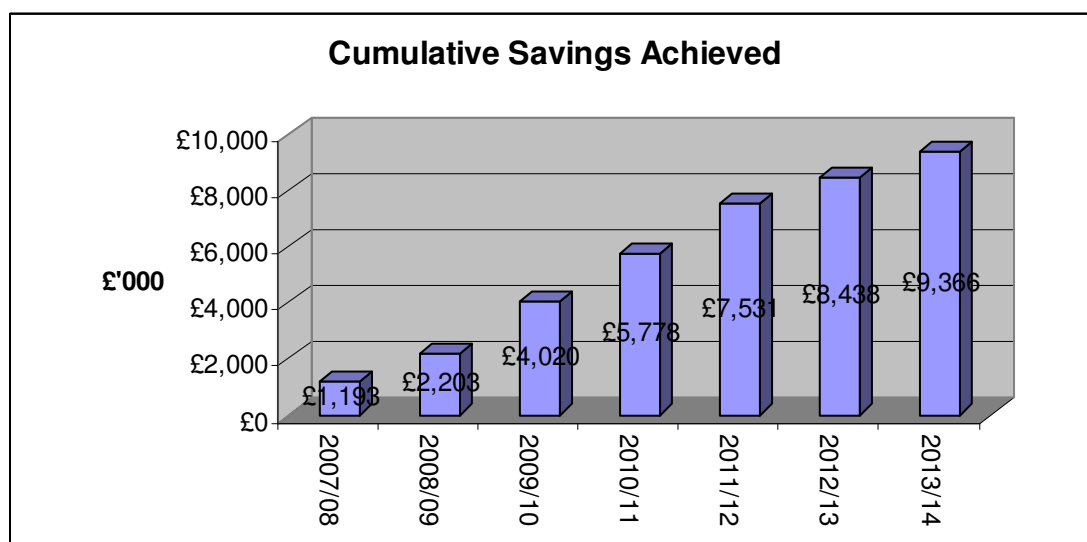
In previous years the Council has approved significant savings (2011/12 £1,652,960, 2012/13 £745,630) because of significant levels of government grant reduction, combined with rising inflation and lower fees and charges. The chart below shows the amount of grant lost since 2011/12 and by 2016/17 assumes a loss of £2,945,972 or 47%.



5.3.3 The 2013/14 Financial Planning process delivered 2013/14 savings of £754,970, of which 39% were associated with changes to staffing (including 20% Housing Options) as detailed in the chart below:



5.3.4 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 despite a significant reduction in Government funding, while at the same time seeking to minimise the impact on the council tax payer. The chart overleaf shows the savings achieved since 2007/08.



5.3.5 The 2014/15 savings target is currently forecast to be £950,000. The Local Government funding settlement is key to the on-going level of savings required for the General Fund, however it will be almost impossible to sustain taking this level of savings without a change of approach. SMB and the Executive have recommended a new methodology for future savings targets which involves evaluating the amount of monies available to spend and allocating those resources to priority services, this will involve a form of zero based budgeting.

5.4 Revenue Growth

5.4.1 The November Executive approved a range of growth items totalling £138,780 (Appendix E) for inclusion in the Council's Budget for 2013/14, these remain unchanged from the January Executive.

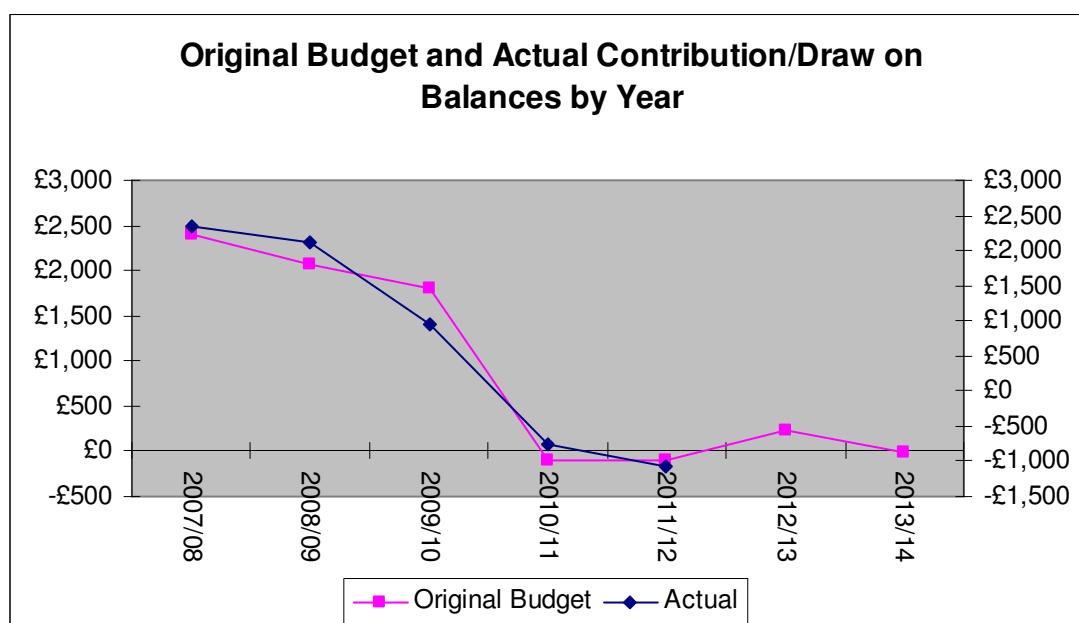
5.5 Summary

5.5.1 The net totals by portfolio area are as follows:

	Original Budget	Working Budget	Original Budget
	2012/13 £	2012/13 £	2013/14 £
Community Services	5,249,830	5,335,330	4,987,700
Housing Services	1,938,800	2,057,900	1,941,090
Environmental Services	7,041,090	6,969,590	6,619,900
Locality Budgets	128,700	161,870	132,000
Resources	(3,604,300)	(3,806,390)	(3,533,370)
Trading Accounts	(31,420)	(33,340)	0
Net General Fund Expenditure	10,722,700	10,684,960	10,147,320

5.6 Balances & Reserves

- 5.6.1 At the January Executive a risk assessment was undertaken to determine the level of balances required in 2013/14. The risk assessment identified that balances of at least £2,464,011 were required, this has increased to £2,502,815 (Appendix G) . A sufficiently high level of balances is recommended as from 2013/14 there are risks to the General Fund with the changes to localisation of Business Rates and Council Tax benefit, and uncertainty around the level of further Government Grant cuts. The draft budget (Appendix A) shows projected General Fund balances of £3,605,736, which is £1,102,921 higher than the risk analysis of required balances. Therefore the General Fund balances are considered to be adequate to meet annual deficits. Increases in General Fund balances could be used to reduce the 2014/15 savings target currently forecast to be £950,000. However the January Executive reported that in future years there is an increasing use of General Fund balances which totals £778,911 by 2016/17.
- 5.6.2 Total General Fund balances as at 1 April 2013 are estimated to be £3,597,234, in addition there are also earmarked reserves of £1,184,692 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 and in 2013/14 there is projected contribution to balances. The graph below shows the transition from being reliant on General Fund balances to fund services to a position of 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 for 2013/14. Officers are currently reviewing viable schemes for Member approval. A summary of the projections on the remaining earmarked reserves are shown below.

Earmarked Reserves	01/04/2012	Changes to reported July		31/03/2013	To/From in Year	31/03/2014
		£	Executive			
Deminimus Capital Spend	(139,670)			(163,300)	(45,000)	(208,300)
New Homes Bonus	(53,362)			(252,291)	(532,642)	(784,933)
Capacity Building	(168,772)	(262,500)	36,000	(395,272)	46,500	(348,772)
Interest Equalisation	(367,500)	367,500		0		0
Single Status Planning Delivery Reserve	(27,995)	(105,000)	115,000	(17,995)	17,995	0
ICT Reserve	(320,034)		44,200	(275,834)		(275,834)
	(5,000)		(75,000)	(80,000)	(75,000)	(155,000)
Total	(1,082,333)	0	(102,359)	(1,184,692)	(588,147)	(1,772,839)

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 effects of inflation there remains an annual savings target for the General Fund of £950,000. Future savings targets will need to increase if the Government Grant reductions for 2015/16 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 19 December, and a briefing note on the settlement was provided for all Members and summarised in the January Executive report. The total Revenue Support Grant (RSG) and Business Rate Income (NNDR) budgeted for is £16,504 less than the Government Support notification. This is because the retained Business Rates approved by Members at the January Executive were lower than assumed by the Government. A summary of the grant allocation is shown below.

	Revenue Support Grant £'000	Base line Funding (Business Rates) £'000	Reduction of retained Business Rates (NNDR1) £'000	Total £'000	
General	2,742.26	1,824.35	(16.54)	4,550.07	Includes NNDR Admin Grant shown in net cost of Services (£113,077)
Council Tax freeze Grant	81.50	54.22		135.72	
Homelessness	42.68	28.39		71.07	Shown in net cost of services
Council Tax support	511.65	340.39		852.04	
Total	3,378.09	2,247.35	(16.54)	5,608.90	

5.7.2 The grant reduction represents 4.41% or £211,682 (which now includes the impact of the NNDR admin grant and the budget saving for discretionary rate relief). The reduction in grant as a result of the NNDR1 projection (£16,504) is below the Government's threshold of 7.5% and does not qualify for any top up funding. The consultation period ended on the 15 January, however at the time of writing the report the final settlement had not been received.

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 26 February.

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 2013/14 at a level equivalent to 1% for two years. The summary below indicates the estimated 2013/14 position, assuming for consultation purposes a Council Tax increase of 0%. The Council Tax Base was finalised at the Executive meeting on 15 January 2013 and the projected Council Tax Position for 2013/14 is shown in the table overleaf:

	2012/13 Estimate	2012/13 Working	2013/14 Estimate
	£	£	£
Net Expenditure	10,722,700	10,684,960	10,147,320
(Use of) /contribution to Balances	(242,528)	(204,788)	8,502
Total Government Support	(4,933,939)	(4,933,939)	(5,495,859)
Total Expenditure to be funded from Council Tax	5,546,233	5,546,233	4,659,963
Collection Fund Surplus	(81,442)	(81,442)	(27,393)
Council Tax Requirement	5,464,791	5,464,791	4,632,570
Council Tax Base	28,988	28,988	24,573
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 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 2012/13 budget setting process, it is proposed that this remains unchanged for 2013/14.

5.10 Budget Consultation

- 5.10.1 Due to the nature of this year's budget savings it was proposed that the consultation programme include a mix of face to face engagement with stakeholders who may be directly impacted and engagement with residents through online and social networking pages. This included face to face engagement with voluntary and community sector groups currently in receipt of community funding and engagement with the youth council and other youth related stakeholders relating to specific 2013/14 budget proposals.
- 5.10.2 The Council has provided a number of online opportunities for people to contribute to the budget consultation exercise. There was a dedicated area on 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 included links to the Council's Facebook and Twitter pages, a link to the online community forum and an opportunity to comment specifically on the 2013/14 budget proposals.
- 5.10.3 Feedback that the Council received as part of the community engagement process will continue to be fed into the budget setting process. Information about how the community have been, and can continue to be, involved in the process will be included in any communications around the proposals.

- 5.10.4 A quantitative survey of residents across the town is being planned during 2013 to help inform the Medium Term Financial Strategy. This will enable residents to input into any strategic discussions around longer-term budget savings and the future shape of the Council.
- 5.10.5 A Café Choice event will be held in the town centre early March to consult on the council's key priorities for improvement as outlined in the draft Corporate Plan 2013-2018. These priorities inform the council's policy framework from 2013/14 to 2018 and therefore drive the council's medium term budget setting process.

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 Equality Act 2010 and in particular section 149 which is the Public Sector Equality Duty. The Act replaced three previous equality legislations – the Race Relations Act (section 71), the Sex Discrimination Act (section 76A) and the Disability Discrimination Act (section 49A). The council has a statutory obligation to comply with the requirements of The Act, demonstrating that as part of the decision-making process, due regard has been given to the needs described in the legislation. These duties are non-delegable and must be considered by Council when setting the budget in February 2013.
- 5.11.2 To inform the decisions about the Budget 2013/14 officers have undertaken Brief Equality Impact Assessments (EqIAs) for service-related budget savings proposals. Where there is a potentially negative impact, officers have identified further action needed to inform a final decision and to mitigate the impact where this is possible. These EqIAs are summarised in Appendix H, along with further information on the above legislation.
- 5.11.3 Stevenage Borough Council has developed a full EqIA to assess the impact of historical redundancies and restructures on the Council's workforce since the start of the savings process in December 2010. It identifies the potential impact of the current savings proposals in terms of staff who are affected by possible redundancy and redeployment within the Council this is shown in Appendix I.

BACKGROUND DOCUMENTS

BD1 – Draft General Fund Budget (January Executive 2013)

APPENDICES

- Appendix A - 2012/13 working & 2013/14 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 2013/14
- Appendix E- Growth Bids 2013/14
- Appendix F - Fees and Charges 2013/14
- Appendix G – Risk Assessment of General Fund balances 2013/14
- Appendix H – Equalities Impact assessment
- Appendix I – Equalities Impact workforce assessment
- Appendix J – Localisation of Business Rates