

Council Budget and Council Tax 2012/13 and Medium-Term Financial Strategy 2012/13 to 2015/16	Agenda No: 6a
<p>Corporate Priority: We deliver excellent, cost effective and valued services</p> <p>Portfolio Area: Efficiency and Resources</p> <p>Report presented by: Councillor C Siddall</p> <p>Report prepared by: Trevor Wilson, Head of Finance</p>	
<p>Background Papers:</p> <p>Council Budget and Council Tax 2011/12 (including Medium-Term Financial Strategy) report to Cabinet 14th February 2011 and Full Council 23rd February 2011; Medium-Term Financial Strategy 2011/12 to 2014/15 Update report to Cabinet 1st September 2011; Medium-Term Financial Strategy 2011/12 to 2014/15 Update report to Cabinet 5th December 2011; 2012-13 Local Government Finance Settlement received by email from DCLG on 8th December 2011.</p>	<p>Public Report</p>
<p>Options:</p> <p>To accept or amend the budget and capital projects for 2012/13 for recommendation to Full Council.</p>	<p>Key Decision: No</p>
<p>Executive Summary:</p> <p>The financial planning undertaken by the Council in setting, in February 2011, a four-year plan for 2011/12 to 2014/15 provided a clear plan of action to address the estimated reduction of one third of the value of Government Grant over the four-year period. With the reduction in grant being front-loaded at £2.43million or 26.7% over the first two years a significant amount of work was undertaken to identify efficiencies and savings to be delivered across the two years: £2.17million in 2011/12 and £1.35million in 2012/13.</p> <p>The savings identified for 2012/13 together with the various assumptions made in the financial plan have been subject to review, with the Cabinet considering and agreeing updates to the proposed budget for 2012/13 and Medium-Term Financial Strategy for 2012/13 to 2015/16 at its meetings on 1st September and 5th December 2011.</p> <p>During this time a consultation exercise has been undertaken to establish if the priorities identified by the Council and its partners are still relevant to residents. The outcomes from which are being used to inform spending plans.</p> <p>On 5th December 2011 the Cabinet agreed the initial budget proposals, revenue and</p>	

capital, for 2012/13 and also considered the projected financial position for 2013/14 to 2015/16.

Government Grant allocation

The provisional figure of the Formula Grant for 2012/13 issued by the Government in January 2011 of £6.679million was confirmed on 8th December 2011. This represents a reduction of £1.048million or 13.6% over the grant received for 2011/12. The Government will not be issuing any indication of the financial support to local authorities for 2013/14 onwards until it has concluded its review of Local Government Resourcing. The Autumn Statement presented by the Chancellor of the Exchequer on 29th November 2011 however has set plans for public expenditure in 2015/16 and 2016/17 which will be in line with the reductions established under the Government's 2010 Spending Review. On this basis the assumption for the Council's grant allocations is revised with the level now expected to reduce by an anticipated 40% (£3.645million) between 2010/11 and 2016/17.

Confirmation of no change to the Formula Grant for 2012/13 obviously required no amendment to the budget; however, revisions have been required to the assumptions regarding inflation, interest rates and specified grants.

Budget Assumptions and Pressures

Pay award to staff and Members has been reduced from 2% to 1% for 2012/13 and 2013/14 in recognition of the Government's request for continued pay restraint in the public sector. Pay award in Local Government is not set by the Government but is subject to separate negotiation between the Employer's Organisation and the Unions. Provision for an increase of 2% per annum is allowed for 2014/15 onwards.

Changes to the provisions for inflation on other expenditure headings and for interest earned have been made following reviews of individual estimate headings. Inflation rates ranging from 2.37% to 12.6% have replaced the previous assumption of 2%. The average rate of interest assumed for investments is reduced from 1.25% down to 0.7% based on the current investment policy of placing investments for a maximum of one month. This has reduced in recent months from one year duration as a reaction to the uncertainties in the financial markets.

Focus on Priorities

Whilst the overall level of the Council's resources is reducing it is important that a clear focus is maintained on matching funding to priorities. Proposals with a total value of £212,500 are included for funding to continue with campaigns and services commenced under the Green Heart of Essex Campaign; improving access to information regarding Licensing and Planning applications; support to the Braintree, Witham and Halstead Citizens Advice Bureau and Braintree District Voluntary Support Agency; and a budget of £30,000 for activities in the district leading up to the 2012 Olympics.

Proposals are also included for three bids, totalling £136,000, which will be funded from the anticipated underspend in 2011/12 or the Business Efficiency Reserve. These are to enable the Modern Apprenticeship programme to continue for a further two years, provide funding support to a number of parish councils to take responsibility for some of the Council's assets in their villages (includes car parks, allotments and public conveniences), and to undertake a review and recommend changes to the refuse and recycling collection routes across the district.

Required Changes to Budgets

In addition to the bids for investment a number of changes to budgets of expenditure

and income have been identified as necessary. These include: the budgets in the current Housing Revenue Account which will transfer to the General Fund on 1st April 2012 following the planned closure of the HRA; increased costs of the joint use agreements at Bramston and Halstead sports centres; reductions to the income budgets for Planning application and Building Control fees; and reductions to the two service level agreement with Greenfields Community Housing.

Council Tax

With regard to the level of council tax for 2012/13, the budget is based on the commitment already given by the Council to maintain at the current level of £162.81 per Band D property. The freezing of the council tax will entitle the Council to receive the second specific grant from the Government, estimated at £218,121, although unlike the grant for freezing the 2011/12 council tax which is receivable for four years this grant will be received for 2012/13 only. An increase in council tax of 2.5% per annum is assumed in the financial profile for 2013/14 onwards.

Savings

The identified savings for 2012/13 have been reviewed to ensure they are deliverable. A number of changes have been necessary, for example, the early repayment of debt is to be deferred until financial market conditions improve and savings from Corporate Management have been reduced pending the conclusion of the latest review which is to take place over the next six months. The revised value of the savings is £912,200.

Further savings, totalling £674,760, delivered through a reduction of expenditure or increased income have been identified. These include variations against budget in the current financial year which are ongoing into future years such as the income from the sale of recycled materials (£385,000) and staff restructuring in Operations management (£40,000). In addition the Efficiency Factor, which is for savings to be identified during the year, has been increased by £100,500 to £337,960 for 2012/13.

Fees and Charges

The Council's discretionary fees and charges have not been increased for two years. It is proposed to increase a number of the Council's fees and charges by 5.2% (Consumer Prices Index at September 2011). Although no increase is proposed for car parking charges at this time. Any change to these charges will be dependent on the outcome of the current trial of 10p after 3.00pm weekdays and Saturdays and all-day Sunday. Housing rents and service charges are to be increased by 6.1% this follows the formula used by Registered Social Landlords and Housing authorities, of RPI September 2011 (5.6%) + 0.5%, under the Government's rent restructuring.

In the current economic climate it would be extremely useful to have flexibility to vary some fees and charges to ensure the competitiveness of council services. Services for which this flexibility would be beneficial are Trade Waste and Town Hall room lettings. It is proposed that delegated authority is given to the appropriate Cabinet Member to agree variations to fees and charges of these services for commercial purposes.

Four-Year Summary

The result of drawing all of the above together is a shortfall of resources in 2012/13 of £425,185 which it is proposed is met from the General Fund unallocated balance. Shortfalls are also anticipated in 2013/14 of £165,125, 2014/15 of £141,776 and 2015/16 of £702,640. A programme of efficiency reviews, a number of which are in progress, is planned over the next three years to identify savings. Whilst this provides a way forward in the short-term there is a level of uncertainty over finances

for Local Government for 2013/14 onwards. The Local Government Finance Bill, which was issued on 19th December 2011, provides draft legislation for a series of key changes in local government finance and funding, including business rates retention, Tax Increment Financing, localisation of council tax benefit schemes and various changes in the way that council tax is levied. In addition, the introduction of the Universal Credit arrangement will impact on the Council's housing benefit service.

Balances

Details of the Council's balances, taking account of all of the proposals, are provided and show that they continue to be above minimum recommended level.

Capital

The report also provides details of the proposed capital projects for 2012/13 and budget provisions for the following three years of the MTFS period. Details of the anticipated capital resources over the MTFS period are also provided.

Treasury Management

The Council's borrowing and investment requirements for 2012/13 are contained in the Treasury Management Strategy and Prudential Indicators and Limits provided in this report.

Finally, the Corporate Director provides confirmation of the robustness of the estimates and the adequacy of the proposed financial reserves as presented in this report.

Decision:

That it be recommended to Council that the following be approved:

1. The budget variations to the current base budget for: inflation (section 5 in the report), investment income (section 6) and reduction in specific grants (section 7);
2. The savings as detailed in Appendices F and G;
3. A new three year service level agreement with the Braintree, Witham and Halstead Citizens Advice Bureau and Braintree District Voluntary Support Agency as detailed in section 3.2;
4. The Investment bids detailed in Appendix B;
5. The three investment bids, listed at Appendix C, be funded from the projected underspend in 2011/12 and from the Business Efficiency Reserve;
6. The unavoidable budget changes detailed at Appendix D;
7. The Council Tax Freeze grant receivable from the Government in 2012/13 be accepted and used to support the General Fund revenue account;
8. The Council's discretionary fees and charges for 2012/13 as detailed in Appendix H;
9. The Council's housing rents and service charges are increased by 6.1% for 2012/13, as detailed in Appendix H;
10. That delegated authority is given to the appropriate Cabinet Member to agree variations to Trade Waste and Town Hall Centre fees and charges for commercial purposes;
11. An allocation of £425,185 from the General Fund unallocated balance in 2012/13;

Capital

12. The General Fund Capital bids for 2012/13 listed in Appendix M;

Treasury Management

13. The Prudential Indicators and limits set out in Appendix O;

14. The Policy on Minimum Revenue Provision as recommended in Appendix O;

15. The Treasury Management Strategy, including annual investment strategy, for 2012/13;

Council Tax

16. The proposed estimates (producing a budget requirement for council tax purposes of £15,415,888) as detailed in Appendix K and the Council Tax for 2012/13 of £162.81 for a Band D property, having taking into consideration:

- The consultation feedback received;
- The assessment of risks in the budget assumptions;
- The Equalities Impact Assessments and
- The Section 151 Officer's report on the robustness of the estimates and the adequacy of balances (Appendix Q to the report).

That the following be noted:

17. The Efficiency Review programme as detailed in Appendix J.

Purpose of Decision:

To determine the budget and council tax level proposals for 2012/13 to be submitted to Full Council for consideration, in accordance with the Budget and Policy Framework Procedure Rules contained in the Constitution.

Any Corporate implications in relation to the following should be explained in detail

Financial:	Provided in report
Legal:	<u>Local Government Finance Act 1992 – Section 106</u> Will any members affected by Section 106 please note that any declarations to that effect should be made on the commencement of the meeting or immediately on arrival if this is later. <i>Under Section 106 a member who has not paid an amount due in respect of their Council Tax for at least two months after it became payable is precluded from voting on any matters affecting the level of Council Tax or the arrangements for administering the Council Tax. (The member is, however, entitled to speak).</i>
Equalities/Diversity	Equalities Impact Assessments, where appropriate, regarding the savings proposals are available on the Council's website (web link is provided at section 8.1 in the report.
Customer Impact:	Considered, as appropriate, under each of the savings proposals
Environment and	Considered, as appropriate, under each of the savings

Climate Change:	proposals
Consultation/Community Engagement:	Details of consultation undertaken on the budget proposals are contained in Section 10.
Risks:	Detailed in the report.
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FINANCE PROPOSALS 2012/13

GENERAL FUND ACCOUNT

REVENUE AND CAPITAL

1. Background

The Medium-Term Financial Strategy 2011/12 to 2014/15 was agreed at Full Council on 23rd February 2011. The process of reviewing the Strategy, developing the budget and setting the council tax for 2012/13 has been undertaken alongside the review of the Corporate Priorities for the period 2012 to 2016.

The Cabinet has received and considered reports, at its meetings on 1st September and 5th December 2011, on the progress of the review and the updating of the Medium-Term Financial Strategy to cover the period 2012/13 to 2015/16.

Following consideration of the reports, the Cabinet agreed the revisions to the assumptions contained in the Medium-Term Financial Strategy, for these to be used in rolling forward the period covered to 2012/13 to 2015/16 and to the initial revenue and capital budget proposals for 2012/13.

For information, a copy of the General Fund Revenue profile for 2012/13 to 2015/16 as presented to the Cabinet meeting on 5th December 2011 is provided at *Appendix A*.

At the meeting on 1st September 2011, the Cabinet received brief details of a series of consultations for proposed changes to local government funding by the Government. The consultations covered:

- Business Rates Retention;
- Localising support for Council Tax in England; and
- Housing Benefit Fraud Service.

References were also made to other areas which are the subject of review or change by the Government, these included:

- Integration of Housing Benefit with Working Tax Credit, Child Tax Credit, Income Support Income Support, etc into a new Universal Credit – provided under the Welfare Reform Bill; and
- Review of the Local Government Pension Scheme to achieve savings identified in the Government's spending review for 2013/14 and 2014/15.

Since the last meeting in December 2011, work has continued on the refinement of the assumptions and the updating of details as more up-to-date information has become available, for example, the assumption regarding future grant allocation has been adjusted following analysis of the Chancellor of the Exchequer's Autumn Statement.

This report consolidates all of the changes to the assumptions and savings included in the Medium-Term Financial Strategy 2011/12 to 2014/15, as agreed at the previous Cabinet meetings, together with the refinements and proposals which have

been developed since the last report to the Cabinet. This results in a proposed budget, revenue and capital, for 2012/13 and a financial profile and Medium–Term Financial Strategy for 2012/13 to 2015/16.

2. Strategic Approach

The strategic approach in establishing budget proposals for 2012/13 and setting financial plans over the medium-term follows the principles established over the last few years. The key elements in identifying areas for efficiencies and savings being:

- Focussing on the services and functions over which the Council has discretion;
- Focus on improving efficiencies in the back office functions and processes;
- Maintaining frontline services;
- Identifying other areas for detailed review and improvement over the following three years of the Strategy period; and
- Maintaining the focus on residents' priorities.

The Council's budget strategy is to:

- Be a low council tax rate authority;
- Have plans to deliver a balanced budget over the four-year period of the MTFS; and
- Maintain a minimum level of unallocated balances of £1.5million.

3. General Fund Revenue Account

3.1 Budget 2011/12 Update

A projection of the outturn for 2011/12, based on income and expenditure at the half-year, was presented to Cabinet on 5th December 2011. This identified a predicted positive variance of £348,050 against the original budget, which results mainly from the implementation of a number of the planned efficiencies earlier than anticipated and the receipt of income from the sale of mixed dry recyclable materials.

Where variances occur against budget in the current year and the change is ongoing then these are included in the schedules of savings or additional income presented within this report.

3.2 Investment on Priority Areas

Whilst the overall level of the Council's resources is reducing it is important that a clear focus is maintained on matching funding to priorities. Proposed bids for revenue to finance either new areas/ services or to continue with existing service improvements, totalling £212,500 to be funded in 2012/13, with a further £136,000 proposed which will be funded from other resources are as follows:

Green and Sustainable

- Green Heart of Essex Campaign – whilst elements of the two-year programme will be absorbed into work streams of service areas it is proposed that funding of £20,000 be approved for campaigns, school programme and volunteering activities for 2012/13;
- A budget of £25,000 per annum to continue with the increased frequency of landscaping and maintenance of roundabouts across the district, which was started under the Green Heart of Essex Campaign;

- The Council is to introduce a Community Infrastructure Levy (CIL) to replace the majority of Section 106 agreements, made in relation to the granting of planning permission. It is proposed to engage temporary support to assist with the development of the required charging schedule and to liaise with infrastructure providers on the introduction of the CIL. A budget provision of £40,000 is proposed for 2012/13.

Improving Efficiency and Access to Services

- Improving and expanding the access to information for members of the public regarding licensing and planning applications. A bid for capital funding together with this revenue bid, of £8,500 for ongoing maintenance costs, is made for the implementation of the IDOX Public Access Module system.

Business is Encouraged

- Bid for £66,000 in 2012/13, reducing to £30,000 per annum from 2013/14, to meet proposed increased activity by the Economic Development service to deliver events and provide support for young people unable to access employment, education and training; increase business engagement across the District; and develop a Broadband and Digital Strategy and action plan for how to deliver Broadband investment and infrastructure into the District.

People Take Pride in Their Local Area

- Citizens Advice Bureau. At the Cabinet meeting on the 5th December 2011, it was agreed that a review of the funding arrangements for the Braintree, Halstead & Witham Citizens Advice Bureau (CAB) be undertaken and that consideration be given to extending the duration of the Service Level Agreements for both the CAB and Braintree District Voluntary Support Agency (BDVSA) to a three-year period. Following this, the proposals now being put forward are that:
 - Braintree Witham & Halstead Citizens Advice Bureau to receive core service funding at the same monetary level as in the current financial year, the rate fixed at £147,830 for each year under the new three-year Service Level Agreement. This will avoid the need to reduce existing opening hours and consequent reduction in the number of clients advised, at a time when demand and complexity of enquiries is increasing. This level of funding under a three-year Service Level Agreement will have a significant impact on the morale of staff and volunteers who play a vital role in the quality and quantity of the advice services provided. In addition, to receive a subsidy towards premises costs, at £29,448 per annum, for the duration of the Service Level Agreement.
 - Three-year Service Level Agreements 2012/13 to 2014/15 are provided for CAB and BDVSA. BDVSA also to receive funding fixed at the same monetary level as in the current year of £22,720. This will improve the organisations' sustainability and future development, enabling them to plan ahead and improving their ability to leverage in funding from other sources.
- Bid for budget provision of £30,000 for activities in the district leading up to the 2012 Olympics.

A schedule of the Investment bids is provided at *Appendix B*.

In addition to the above investment there are three bids which it is proposed can be funded from either the projected underspend on the General Fund in the current

year, of £348,050 as reported at section 3.1 above, or from an earmarked reserve. These bids are:

Business is Encouraged

- Funding of the current Modern Apprentices programme was agreed in 2009 and whilst this has been supplemented through working in partnership with Essex CC the funds will be exhausted in October 2012. It is proposed to continue the programme for a further two years (providing for 6 apprentices in year 1 -NVQ2 level and 3 apprentices to progress to NVQ level 3 in year 2) at a cost of £61,000. It is proposed to set aside this sum from the projected underspend in 2011/12;

People Take Pride in Their Local Area

- Transfer of local car parks, allotment and public conveniences to parish councils. Discussions are in progress regarding the transfer of responsibility for these assets, with the respective parish councils, and these have resulted in requests for revenue funding in the short term. It is proposed that a budget provision of £60,000 be established to ensure the successful transfer and that this is set aside from the projected underspend in 2011/12; and

Improving Efficiency and Access to Services

- The current refuse and recycling collection routes were introduced, following a review in September 2009. It is apparent that some of the routes have spare capacity and therefore a further review is now proposed. It is estimated that the review will cost £15,000 and it is proposed that this, invest to save expenditure, be met from the Business Efficiency Reserve (current balance £19,940).

These additional three requests for funding are listed in the schedule at *Appendix C*.

In addition to the proposed further investment in services outlined above, proposals are made for a number of unavoidable changes to budgets, totalling £491,290, which require either an increase to expenditure or a reduction to income budgets.

3.3 Expenditure Budget Increases

- Changes to the Joint Use Agreements for Bramston and Halstead Leisure Centres have increased the costs to the Council in the current financial year and the impact will continue into 2012/13. A budget provision of £37,000 is required.
- The Artificial Grass Pitch and Multi-Use Games Area facility at Great Notley Country Park, opened in November 2009, was funded jointly between Essex CC, Gt. Notley Parish Council, the Football Foundation and this Council. A stipulation of the Football Foundation grant is a programme for the development and increased participation in football over the first five-year period. As neither ECC nor this Council has resource to be deployed to deliver this programme, NACRO has been engaged to undertake this role on a part-time basis until 31st March 2012. It is proposed that the contract with NACRO be extended to 31st March 2013 at a cost of £15,000;
- Health and Safety equipment for staff/members or at council offices, depot, etc. At present any spending required is met from monies set aside in an earmarked reserve. It is estimated that the reserve will be depleted at 31st March 2012. It is proposed that a budget provision of £8,000 per annum will be required.

