

EXECUTIVE COMMITTEE

20th February 2012

INITIAL ESTIMATES REPORT 2012/13, 2013/14 & 2014/15

Relevant Portfolio Holder	Councillor Michael Braley, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources
Wards Affected	All Wards
Ward Councillor Consulted	n/a
Key Decision	

1. SUMMARY OF PROPOSALS

This report presents the Estimates at Head of Service level, as well as any high priority bids (revenue and capital) which have been identified for 2012/13, 2013/14 and 2014/15.

2. RECOMMENDATIONS

The Committee is asked to **RECOMMEND** that

- 1) the high bids as identified in Appendix A be approved:

2012/13	£116,000
2013/14	£101,000
2014/15	£101,000;

- 2) the high capital bids as detailed in Appendix B be approved:

2012/13	£1,217,000
2013/14	£1,586,000
2014/15	£1,687,000;

- 3) the use of balances totalling £259,000 be approved;

- 4) Pay Policy Statement at Appendix D be approved;

- 5) it be noted that, if Members consider approving any medium priority bids these will be funded from revenue balances;

- 6) the retention by Redditch Cricket, Hockey and Rugby Club of the sum representing the refund on VAT on the grant funded works undertaken at their grounds in 2005/06 be approved and, in return, the Club agree to relieve the

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Council's of its commitment to provide a sinking fund for the refurbishment/replacement of the all weather pitch (ATP) which will in future be the exclusive responsibility of the Club; and

- 7) the Head of Legal and Democratic Services be requested to prepare an agreement that brings 6), above, about.**

3. KEY ISSUES

Budget Jury

- 3.1 In 2011 a Budget Jury was run for a second time. The Budget Jury was designed to engage residents in the budget-setting process more effectively and involve them from the outset rather than consulting them at a stage when there was little opportunity for their input to be taken into account by senior officers and Members.
- 3.2 From July-October 2011 a series of four meetings was held with a single group of ten residents who were randomly selected. The Director of Resources, the Policy Manager and Policy Officer facilitated each Budget Jury meeting. The reasoning behind using the same participants throughout was to enable them to build up an understanding of the budget setting process and to provide them with the opportunity to articulate their concerns and specify their preferences for Council priorities/purposes, express support for and deliberate particular budget bids and have their questions answered at each stage. Feedback from the budget jury in the consideration of the bids is attached at Appendix C. Their feedback was also considered as part of the Strategic Purpose sessions at the end of last year.

Overview and Scrutiny

- 3.3 On 10th January 2012, a presentation was delivered on budget bids, where all Members were invited to attend. Members later recommended that the bid for an Energy Advisor be reclassified as High. This recommendation has since been adopted.

Financial Implications

Base Budget Information

- 3.4 The net expenditure for initial estimates for 2012/13 and projections for 2013/14 and 2014/15 are as follows:
- a) Base Budget for 2012/13 £11.058m

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- b) Base Budget for 2013/14 £9.931m
- c) Base Budget for 2014/15 £9.878m

The following assumptions have been made for the main elements of the budget:

Pay awards	0% all years
Energy Bills	10% per annum
Other costs	0% per annum
Council Tax	0% 2012/13 2.5% future years
Reduction in Govt Grants	5% per annum
Investment Interest	1.14%
Short-term borrowing	1.34%

- 3.5 Included in the base budget for each year is £350,000 savings relating to vacancy management. In addition there are significant savings to be realised in future years to enable services to be delivered despite the reduction in Grant Settlement.
- 3.6 Also included in the base budget is a reduction in income totalling £72K, this relates to ReddiCard, Golf Course and Car Parking. The income budgets in these areas were not sustainable.

Government Grant

- 3.7 The Formula Grant is simply a means of distributing Government grant. The system takes account of the relative needs of an area and the ability of the Council's areas to raise Council Tax using relative needs formulae to calculate grant payments. Redditch Borough Council's Formula Grant for 2012/13 is £4.212million.
- 3.8 For 2012/13 the Government, as part of the spending review, has encouraged local authorities not to increase Council Tax by offering the equivalent of a 2.5% increase to authorities that freeze or reduce Band D Council Tax. This will be the second year this grant is available so Redditch Borough Council has not increased Council Tax for 2 consecutive years.
- 3.9 The Council proposes to maintain the 2012/13 Band D Council Tax at the 2011/12 level to take advantage of the additional grant offered by the Government.

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- 3.10 It has been assumed in the 2013/14 and 2014/15 budget that there will be a further reduction of 5% on Government Grants received year on year.

Capital Programme

- 3.11 Appendix B details the Capital bids for 2012/13, 2013/14 and 2014/15 for General Fund. The Council already has a Capital Programme for 2012/13 for General Fund which totals £2.439 million to be funded from a mixture of Grants, sale of Assets and Prudential Borrowing. Any further approvals will need to be funded from Prudential Borrowing.

Overall Position

- 3.12 Based on the assumptions, proposed pressures and savings, the current position for each of the three years is as follows:

	2012/13 £'000	2013/14 £'000	2014/15 £'000
Base cost of General Fund Services	10,991	10,002	9,770
Pressures – High bids	116	101	101
Savings			
Revenue Implications to Capital Bids	-	133	133
Financing Charges	(357)	(357)	(357)
Superannuation	1,412	1,545	1,724
MRP	700	800	800
Capital charges reversed	(1,396)	(1,396)	(1,396)
Bad Debt Provision	50	50	50
Vacancy Management	(406)	(350)	(350)
Job Evaluation	248	(156)	(156)
New Homes Bonus	(308)	(450)	(450)
Parish Precept	8	9	9
Net Expenditure	11,058	9,931	9,878
Government Grant	(4,212)	(4,002)	(3,801)
Council Tax	(5,929)	(5,929)	(6,077)
Transfer from Reserves	(658)	-	-
Transfer from Balances	(259)	-	-
Overall Shortfall	-	-	-

The table shows a balanced position over the 3 year period. The assumption has been made that significant savings will be realised from shared services and transformation.

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- 3.13 The shortfall for 2012/13 of £259,000 is to be funded from General Fund Balances.

Council Tax Collection Fund

- 3.14 The Council is required to calculate the estimated position on the Collection Fund at the 31st March 2011. Any estimated surplus or deficit arising from Council Tax transactions must be apportioned between the County Council, Hereford and Worcester Fire and Rescue Authority, the Borough Council and the Police Authority.
- 3.15 This year there is not expected to be any surplus or deficit on the fund.

Balances

- 3.16 The General Fund revenue balances at the 31st of March 2011 was £1.564 million.

General Fund balances	£'000	£'000
As at 31st March 2011	1,564	
Allocations during the year (2011/12)	<u>(404)</u>	
		<u>1,160</u>
Allocation to meet shortfall for 2012/13		<u>(259)</u>
Available for allocation in future years		<u>901</u>

- 3.17 The Local Government Act 2003 requires the Chief Finance Officer to report on the adequacy of financial reserves when consideration is given to the General Fund budget requirement for the year.
- 3.18 In February 2003 CIPFA published a guidance document on Local Authority Reserves and Balances. The guidance does not prescribe the minimum level of balances to be held but recommends that consideration is given to the strategic, operational and financial risks facing the authority. During the consultation on this document it was suggested that the recommended minimum should be 5% of net expenditure and this has been followed by a number of authorities.
- 3.19 5% for Redditch would mean maintaining balances at or around £650k. However, just a 1% variation in gross income and gross expenditure is equivalent to £746k which would result in a significant reduction in

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balances. The increased pressures on limited resources as demonstrated by the projected increases in formula grant, the increases in utility costs, and the fluctuations in income receipts and interest rates together with the impact of the economy on increased service demand may impact on the delivery of services within existing budgets over the 3 year period. In addition, there will be initial costs associated with the delivery of the longer term savings as a result of joint or shared service working. These costs could be funded from general fund balances if sufficient funds were available.

- 3.20 It is therefore considered, taking the above issues into account that a general fund revenue balance of £750k is a prudent minimum level.

Fees and Charges

- 3.21 Fees and Charges are proposed to be increased by 2.5%, they are included in a separate report to this meeting. The additional income from this is estimated to yield £75,000 for future years.

Local Government Act 2003

- 3.22 There are a number of requirements that the Council's Section 151 Officer (the Council's designated Senior Finance Officer) has to include in the budget report. These are set out below, together with S.151 comments on each of the issues:

- a) The level and use of reserves to be formally determined by the Council must be informed by the judgement and advice of the Chief Financial Officer (CFO).

Section 151 Officer's comments: Review of general fund balances included above in report (4.17).

- b) The CFO to report the factors that have influenced his/her judgement in the context of the key financial assumptions underpinning the budget, and ensure that his/her advice is formally recorded. Where that advice is not accepted, this should be formally recorded in the minutes of the meeting.

Section 151 Officer's comments: The main assumptions included in the calculation of the budget are included within the report. The budget updates and considerations at previous Committee meetings have been formally recorded.

- c) The report should include a statement showing the estimated opening balance on general fund reserves for the year ahead,

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any contribution to/from the fund, and the estimated closing balance.

Section 151 Officer's comments: statement included in this report (4.17)

- d) The report should show the extent to which reserves are financing ongoing expenditure.

Section 151 Officer's comments: included in the report. Balances to fund 2012/13 only no further recommendations to finance ongoing expenditure.

- e) The report should include a statement from the CFO on the adequacy of general reserves and provisions both for the forthcoming year and in the context of the medium term financial plan.

Section 151 Officer Comments: the Council holds adequate reserves to manage future liability and financial constraints as detailed in 4.17.

- f) The report should include a statement on the annual review of earmarked reserves showing:

- i) list of earmarked reserves
- ii) purpose of reserve
- iii) advice on appropriate levels
- iv) estimated opening / closing balances
- v) planned additions / withdrawals.

Section 151 Officer's Comments: The current reserves are reported on a regular basis through the financial monitoring reports.

Pay Policy

- 3.23 The Localism Act requires English and Welsh local authorities to produce a Pay Policy Statement ('the statement'). The Act requires the statement to be approved by Full Council and to be adopted by 31st March 2012 for the financial year 2012/13. The Pay Policy Statement for the Council is included at Appendix D.

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3.24 The statement must set out policies relating to:

- (a) the remuneration of its chief officers,
- (b) the remuneration of its lowest-paid employees, and
- (c) the relationship between –
 - (i) the remuneration of its chief officers, and
 - (ii) the remuneration of its employees who are not chief officers.

Redditch Cricket, Hockey and Rugby Club

3.25 In 2005/06 the Council facilitated a significant programme of works at the Redditch Cricket, Hockey and Rugby Club which included grant funding from a number of sources. The grant conditions relating to the installation of the all weather pitch required the Council to establish a sinking fund for its future replacement. The financing arrangements for the whole project enabled the Club to claim a VAT refund in respect of this project amounting to £142,000. The Club have asked if they can retain this sum to spend on the pitch when the surface is due for refurbishment/replacement in return they will take on the Council's obligation to provide a sinking fund for this purpose.

Legal Implications

3.26 The Council has a legal responsibility to set a balanced budget under the Local Government Act 2003.

Service/Operational Implications

3.27 The delivery of a balanced budget demonstrates the Council's ability to fund objectives and priorities within a reasonable level of increase to residents.

Customer / Equalities and Diversity Implications

3.28 There were no implications identified.

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4. RISK MANAGEMENT

4.1 The main risks and the mitigating action is included in the table below:

Risk Identified	Proposed Measures
<ul style="list-style-type: none"> • New Homes Bonus income not realised 	<ul style="list-style-type: none"> • Officers have included a prudent level of income and will report progress on the consultation and changes to the scheme to members on a regular basis.
<ul style="list-style-type: none"> • Shared Services and Transformation Savings are not realised to the level anticipated 	<ul style="list-style-type: none"> • Officers have a clear plan within the single business case to deliver shared service savings. Transformation of a number of services is currently underway to ensure further savings are realised.
<ul style="list-style-type: none"> • Employee related costs will be more than assumed 	<ul style="list-style-type: none"> • Figures based on known commitments and estimated future costs. Any further pressures will need to be matched by additional identified savings.
<ul style="list-style-type: none"> • Pension fund contributions will be higher than expected after the next actuarial. 	<ul style="list-style-type: none"> • The financial plan will continue to be reviewed and updated annually for a three year period, based on known changes.
<ul style="list-style-type: none"> • Planned budget reductions will not be achieved 	<ul style="list-style-type: none"> • Close monitoring of budgets will be carried out in each financial year. Alternative savings will be identified, or contingency arrangements agreed.
<ul style="list-style-type: none"> • Government Grant revised to greater /or less than anticipated 	<ul style="list-style-type: none"> • The 2013/14 grant has been estimated and is reduced by 5% compared to 2012/13. This will be reviewed as clarity around future funding arrangements is available. Further efficiency savings will be identified to meet any shortfall in grant.
<ul style="list-style-type: none"> • Income from fees, charges and other sources will not be as high as planned. • Impact of recession has greater impact than first anticipated 	<ul style="list-style-type: none"> • Close monitoring of income budgets will be carried out in each financial year. Alternative savings will be identified or alternative methods of service delivery to generate income will be developed

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	<ul style="list-style-type: none">• Income streams to be monitored monthly with service budget holders to identify any areas of shortfall and to present action plan to redress.
<ul style="list-style-type: none">• Timing of Capital payments may be earlier than estimated	<ul style="list-style-type: none">• Close monitoring of the timing and payments of capital expenditure/income will be carried out in each financial year. Alternative savings will be identified, or contingency arrangements agreed.

5. APPENDICES

- Appendix A - Revenue Bids
- Appendix B - Capital Bids
- Appendix C - Budget Jury considerations
- Appendix D - Pay Policy

6. BACKGROUND PAPERS

Budget timetable.
Budget Guidelines.
Detailed budget working papers are available from Financial Services.

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