

Subject:	Revenue Budget, Council Tax and Medium Term Financial Strategy 2012/13	Status:	For Publication
Report to:	Overview & Scrutiny	Date:	6 th February 2012
Report of:	Head of Finance	Portfolio Holder:	Finance and Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Community Impact Assessment:	Required: <input type="checkbox"/>	Yes /No	Attached: <input type="checkbox"/> Yes /No
Biodiversity Impact Assessment	Required: <input type="checkbox"/>	Yes /No	Attached: <input type="checkbox"/> Yes /No
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1.	RECOMMENDATION(S)
1.1	That Members consider the report and make any appropriate recommendations to Cabinet.

2. PURPOSE OF REPORT

- 2.1 The Purpose of the report is to enable Members to consider the Revenue Budget and level of Council Tax for 2012/13, together with implications for the Council's Medium Term Financial Strategy (MTFS).

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **A Clean and Green Rossendale** – creating a better environment for all, this priority focuses on clean streets and well managed open spaces.
 - **A Healthy and Successful Rossendale** – supporting vibrant communities and a strong economy, this priority focuses on health inequality, building resilient communities and supporting businesses.
 - **Responsive and value for money local services** – responding to and meeting the different needs of customers and improving the cost effectiveness of services.

4. RISK ASSESSMENT IMPLICATIONS

- 4.1 As part of the final recommendations to Council Section 25 of the Local Government Act 2003 places a requirement on the Chief Financial Officer of each local authority (in Rossendale this is the Head of Financial Services) to advise councillors during the budget process on “the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves”. This provision is designed to ensure that councillors have information which will support responsible financial management over the longer term.

5. BACKGROUND AND OPTIONS

- 5.1 This report is the culmination of the Council's sixth budget under the Cabinet system. The report includes the considerations for final recommendation to the Full Council. The report is made on the basis of: available resources, being consistent to the previous year and the continuation of current operations and services.

5.2 FINANCIAL CONTEXT

- 5.3 Last year the Government announced a two year settlement for Local Government finances. 12/13 is therefore the second year of that plan. As part of the Council's MTFs this Council set aside resources in the form of a Transitional Reserve to assist in balancing its cost base with known resources. The budget for 12/13 will not rely on Transitional Reserves.
- 5.4 At Full Council (14th December 2012) Members recommended that Rossendale Borough Council accepts the Governments proposals for freezing Council Tax for 2012/13. This is therefore reflected in the budget assumptions for 2012/13 and will result in a one-off grant from central Government of £138k.
- 5.5 The budget for 2012/13 reflects a continuation of the 2011/12 costs base together with the continuation of savings identified in previous years, further efficiencies introduced by Officers together with known technical and volume adjustments. The table below summarises the cost of meeting current service levels for 2012/13:

	£'000
Base Budget 2010/11	10,548
Pay inflation	0
Employee contractual pay increments	50
Other inflation	81
Savings	(926)
Volume & Technical changes	(100)
Movement in reserves	176
Base Budget 2011/12	9,829

- 5.6 Overall this represents a decrease in net expenditure of 6.8%. The draft detailed budget is attached at appendix 1

5.7 **MEDIUM TERM FINANCIAL FORECAST & STRATEGY**

- 5.8 A considerable amount of savings were planned and implemented during 2011/12 and will continue into 12/13. However, as noted last year the Council still faces a severe financial hurdle over the medium term as RSG resources continue to be reduced and cost pressures increase.

- 5.9 Over the medium term the Council has assumed the following assumptions:

- Pay freeze for 2012/13 for all staff, with 1.5% for each of the following years, plus associated employment costs.
- An annual pension cost increase as a result of the 2010 actuarial valuation
- Pension savings from staff changes within operational departments will be redirected to continue to fund the projected pension's deficit.
- A prudent view of general inflation at 4% on significant service contracts and 0% for income.
- Council Tax for 2012/13 is increased by 0% and 3% in each of the following years thereafter. This is as per the previously agreed MTFs strategy with the setting of Council Tax subject to annual Member approval.
- Annual deferral of income receipts that are deemed volatile to market conditions, this gives the Council a 12 month warning on high risk income areas such as those associated with waste recycling.
- The Governments settlement for 2013/14 and 2014/15 will be in line with total resource

reduction as identified in the October 2010 Comprehensive Spending Review (CSR). This therefore implies an overall decline in RSG of 39% on the 10/11 base grant.

- The 2011/12 special 4 year grant of £137k pa ends in 2014/15.
- The VAT shelter arrangements with Greenvale Homes, which Council is using to support pension funding, ends in 2015/16.
- Use of the Transitional Reserve in order to stabilise the next 3 years of operations.

It is worth noting that The Chancellors 2011 Autumn statement indicated that reductions in Public Sector financing would continue into 2015/16 and 16/17. Overall Public Sector funding is expected to marginally reduce in real terms. Allowing for inflation this probably means cash variance of +1% to +2%. Given the District Councils generally see the largest cuts we have assumed no change to our settlement over these years, though clearly there is no certainty in this assumption.

5.10 The financial implications and latest forecast for medium term is therefore as follows:

	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000
Budget Estimates	10,548	9,796	9,875	10,153	10,195	10,465
Collection Fund Deficit	9	-	-	-	-	-
Subtotal	10,557	9,796	9,875	10,153	10,195	10,465
Estimated Funding:						
Council Tax	5,502	5,502	5,667	5,837	6,012	6,199
RSG & Transitional (11/12)	4,917	4,051	3,737	3,378	3,378	3,378
ABG - Grant for 0% C Tax uplift 2011-12	138	138	138	138	-	-
ABG - Grant for 0% C Tax uplift 2012-13		138				
	10,557	9,829	9,542	9,353	9,390	9,577
Surplus / (further savings required)	-	33	(333)	(800)	(805)	(889)
Pressures	-	-	(230)	(390)	(390)	(390)
Use of Transitional Funds	-	(33)	563	284	-	-
Surplus / (further savings required)	0	0	0	(906)	(1,195)	(1,279)

NB - The above represents the latest MTFs forecast

Future potential areas of cost pressure are:

Area of Pressures	2013-14 £000	2014-15 £000	2015-16 £0
DWP Admin Subsidy		100	100
Loss of Council Tax Benefit Subsidy		60	60
Increased bad debts - Changes to Council Tax Benefits	30	30	30
Revenue Contribution to future Capital spend	100	100	100
Other Volume & Technical Changes	100	100	100
	230	390	390

5.11 The above therefore indicates that this Council has to identify further efficiencies or other measures to reduce its cost base by in excess of £1.0m. In order to achieve this level of savings, given that Council has already instigated a thorough review and subsequent implementation of efficiencies for 11/12, Council will inevitably be required to plan and make structural changes to the way in it delivers services. Therefore, Council will need to have due regard for the impact of any change on its customer base. With that in mind it is planned in

due course to report on:

- Further outline the financial challenge to Members
- Identify the key budget areas and financial implications to be consulted upon.

5.12 The Council has previously created a tactical reserve as part of its strategy to achieve a balanced budget for 12/13 and beyond. The use of this reserve and its sources is summarised below:

Transition Reserve Movements	2011-12	2012-13	2013-14	2014-15
	£'000	£'000	£'000	£'000
Deficit not covered by Transitional Reserve		(0)	(0)	(906)
Transitional Funds Analysis				
Balance as at 1st April 2011	548			
Add - 2011-12 surplus on Recycling Income	192			
Add - 2011-12 Pension adjustment savings	74			
less 2012-13 usage		(33)		
balance as at 1st April 2013		847		
less 2013-14 usage			563	
balance as at 1st April 2014			284	
2014-15 usage				284

Members should note that last year's MTFs forecast the use of £167k of Transitional Reserves in 2012/13 as opposed to the contribution noted above.

5.13 FEES & CHARGES

Proposed changes to fees and charges are summarised at Appendix 2. Fees and charges are set having given due considerations to: changes in direct costs, inflation and market conditions or competition.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 Financial matters are dealt with above.

6.2 The s151 officer is required, under s25 of the Local Government Act 2000, to report as to the robustness of the budget and adequacy of reserves.

7. MONITORING OFFICER

7.1 Unless specifically commented upon within the reports there are no matters arising.

8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

8.1 Unless specifically commented upon within the report, there are no matters arising.

9. CONSULTATION CARRIED OUT

- 9.1 Directors and Heads of Service.
- 9.2 All Staff.

10. CONCLUSION

- 10.1 The report concludes a net budget requirement for 2012/13 of £9,829,000.
- 10.2 The report also concludes no increase in Council Tax and therefore Band D will remain at £253.40 (excluding Whitworth Town Council).
- 10.3 Members are asked to consider the report and make any necessary comments to Cabinet.

Background Papers	
Document	Place of Inspection
Previous update to the MTFS (Budget Reports Feb 2011)	Rosendale Borough Council website
Monthly detailed financial monitoring statements for each service area	Financial Services