

Subject: Revenue Budget, Council Tax and
Medium Term Financial Strategy
2011/12

Status: For Publication

Report to: The Cabinet

Date: 17th February 2011

Report of: Head of Finance and Property Services

Portfolio

Holder: Finance and Resources

Key Decision: Yes – Recommendation to Council

Forward Plan General Exception Special Urgency

1. PURPOSE OF REPORT

1.1 The Purpose of the report is to enable Cabinet to recommend to Full Council the Revenue Budget and level of Council Tax for 2011/12, together with implications for the Council's Medium Term Financial Strategy (MTFS)

2. CORPORATE PRIORITIES

2.1 A financial strategy is not an end in itself but is a means of demonstrating how resources available are used to deliver policy objectives. For this reason it is necessary to firstly review the Council's current corporate priorities.

2.2 Over the last few months a number of sessions have taken place for Members to consider and debate the areas of priority for the Council. Priority areas determine those projects where officers spend their time and where resources are allocated.

2.3 A specific priority setting event took place with the Chief Executive in addition to two Overview and Scrutiny meetings where Members have vocalised what is important to them. Cabinet have on 26th January 2011 previously recommended the following areas of importance:

- **A clean and green Rossendale** – creating a better environment for all, this priority focuses of 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** –This priority focuses on responding to and meeting the different needs of customers and improving the cost effectiveness of services.

3. RISK ASSESSMENT IMPLICATIONS

3.1 All the issues raised and the recommendations in this report involve risk considerations as set out below:

- 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. A draft report is attached at Appendix 1 and includes an estimate of potential financial risk exposure together with measures to mitigate these risks.

4. BACKGROUND AND OPTIONS

This report is the culmination of the Council’s fifth budget under the Cabinet system. The report represents the considerations of Cabinet for recommendation to the Full Council.

4.1 FINANCIAL CONTEXT

4.2 The financial context for preparation of the budget is set out in the report to the Special Cabinet of 26th January 2011.

4.3 The final 2 year settlement has now been confirmed. In addition to the Revenue Support Grant (RSG) we have now also received a one-off “Transitional Grant”.

4.4 The Transitional Grant has been allocated to those councils whose combined spending power (essentially Council Tax, RSG and specific grants) would have been reduced year on year in excess of 8.8%. This is a one-off grant and does not continue beyond 2011/12.

4.5 Following our response to the settlement consultation, additional RSG resources have also been received via increased “floor dampening”. This is again a temporary funding resource as “floor dampening” is a mechanism to ensure that the councils RSG allocation does not fall below a minimum level – in the Councils case 15.2% for 2011/12.

4.6 In total we have now received £444k in addition to the provisional settlement notice as follows:

- Additional RSG (2011/12 £135k, 2012/13 £86k)
- Transitional Grant (2011/12 only, £223k)

Total resources are summarised as follow:

	2010-11	2011-12	2012-13
	£'000	£'000	£'000
RSG	6,270	4,694	4,051
Concess' Travel	(711)		
Other	(24)		
	5,535	4,694	4,051
Reduction		(841)	(643)
% Reduction		-15.2%	-13.7%

	2010-11	2011-12	2012-13
	£'000	£'000	£'000
Transitional Grant	0	223	0

- 4.7 In addition and as previously reported the Council will receive £137k in return for setting a 0% council tax increase. This has been previously recommended by Cabinet. This funding stream will be received for the next 4 years and is equivalent to a 2.5% C Tax increase for 2011/12. This additional grant is thought to remain fixed for the 4 year period.
- 4.8 As a result of the one off additional resources it is recommended to create a transitional reserve as part of the Council's Medium Term Financial Strategy (MTFS). The MTFS is considered further in the report.
- 4.9 The table below summarises the cost of meeting current service levels and has been the basis on which the Council has consulted on the budget for 2011/12:

	£'000
Base Budget 2010/11	11,858
Pay inflation	0
Employee contractual pay increments	83
Other inflation	190
Savings	(1,616)
Volume & Technical changes	32
Base Budget 2011/12	10,547

- 4.10 Overall this represents a decrease in net expenditure of 11.0%.
- 4.11 Cabinet at its meeting of 26th January 2011 made various recommendations; these are included in the above base budget for 2011/12 the detail of which is included in the attached budget book at appendix 2. In addition the matter concerning Rossendale Markets was deferred at the same Cabinet for further consideration at this meeting and is detailed in Appendix 3.

MEDIUM TERM FINANCIAL FORECAST & STRATEGY

4.12 A considerable amount of savings have been planned for 2011/12, equivalent to 13.7% of the previous year's net budget. Yet despite this achievement the Council still faces a severe financial hurdle over the medium term as RSG resources continue to be reduced and cost pressures increase.

4.13 Over the medium term the Council has assumed the following assumptions:

- Pay freeze for 2011/12 and 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 pensions deficit.
- A prudent view of general inflation at 4% on significant service contracts and 0% for income.
- Council Tax for 2011/12 is increased by 0% and 3% in each of the following years thereafter. Central Government compensation, by an additional special grant, of £137k for the next 4 years in return for a 2011/12 Council Tax freeze is included in Council resources.
- 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 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 see an overall decline in RSG of 39%
- The funding of leisure facilities is in line with the 2009/10 Leisure Review and resulting Member recommendations.
- The creation of a Transitional Reserve in order to stabilise the next 3 years of operations

4.14 The financial implications for the next four years are therefore as follows:

	2011-12	2012-13	2013-14	2014-15
	£'000	£'000	£'000	£'000
Draft budget including savings achieved	10,547	10,216	10,377	10,616
Collection fund Deficit	9	0	0	0
Budget	10,556	10,216	10,377	10,616
Estimated Funding - Council Tax	5,502	5,673	5,849	6,030
- RSG & Transitional (11/12 only)	4,917	4,050	3,737	3,378
- ABG (for 0% C.Tax uplift in 2011-12)	137	137	137	137
Funding	10,556	9,860	9,723	9,545
Funding (Gap) / Surplus	(0)	(356)	(654)	(1,071)
<i>Additional Savings Initiatives</i>				
Work in Progress	0	24	71	71
Recycling Income deferred	0	165	165	165
Surplus / (further savings required)	(0)	(167)	(418)	(835)

4.15 The above shows the increasing cumulative value of additional efficiencies that are required over the medium term totalling in excess of £800k by 2014/15. Given the need to find additional savings the Council has the opportunity to implement further changes in a managed and stable way by using the temporary additional resources it has received from central government (as noted above) together with a more phased approach in relation to pension costs to create and then use a Transitional Reserve.

4.16 As detailed in 4.8 above the Transitional Reserves is as follows:

Transitional Reserve			
	RSG	Pensions	Total
	£000	£000	£000
Create			
2011/12	344	204	548
2012/13	0	37	37
Use			
2012/13			(167)
2013/14			(418)
Balance			0

4.17 This does not imply that the Council can or is relaxed in its efficiency agenda, however, it does give the Council more time to plan and implement the additional savings which it must deliver in due course. Future savings which are identified and which can be implemented immediately give the opportunity to roll any remaining transitional reserve monies into 2014/15.

4.18 Member should also be aware of the following longer term implications:

- The 2011/12 special grant of £137k ends in 2014/15
- The VAT shelter arrangements with Greenvale Homes, which Council is using to support pension funding, ends in 2015/16. This is equivalent to 7% of payroll.

FEES AND CHARGES

4.19 Appendix 4 summaries recommendations regarding the Councils charging policy for 2011/12. Fees and charges are set having given due considerations to: direct costs, inflation and market competition.

COMMENTS FROM STATUTORY OFFICERS:

5. SECTION 151 OFFICER

5.1 Financial matters are dealt with above.

5.2 The Section 151 officer is required, under s25 of the Local Government Act 2000, to report as to the robustness of the budget and adequacy of reserves. The draft report can be found at Appendix 1 with the final report being made to Full Council.

6. MONITORING OFFICER

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

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

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

8. CONCLUSION

8.1 Based on the above and attached appendices Cabinet is able to recommend a balanced budget.

8.2 This year in particular given the recent general settlement announcement, Cabinet must have in place plans to balances resources over the longer term.

8.3 The Council faces the challenge to deliver further savings over the medium term. Any savings initiatives deferred simply create additional pressures for the future.

8.4 Any budget needs to strike a balance between saving, investing and taxation. The 2011/12 Budget Proposals for consultation detailed the resources available and the areas of cost pressure being faced by the Council. The intention of the budget process is to allow the Council to continue its improvement journey,

protect front line services and to move the level of Council Tax in Rossendale closer to the average. However, this year the position with regard the level of Council Tax has been influenced by the Coalition Governments agenda and its Comprehensive Spending Review 2010.

- 8.5 It must be remembered that the Rossendale element is only about 16% of the total bill. The total bill is currently expected to remain at the 2010/11 level with no overall increase. Lancashire County Council (17/02/11), the Police (09/02/11) and Fire (14/02/11) will formally set their individual precepts latter in the month as noted.

9. RECOMMENDATION(S)

- 9.1 That the Cabinet considers and recommends to Council a net budget requirement for Rossendale Council for 2011/12 of £10,547k.
- 9.2 That Cabinet recommends to Council a provision of £9k in relation to the collection fund deficit.
- 9.3 That the Cabinet recommend to Council a 0% increase in Council Tax and that the Band D equivalent for 2011/12 remains at £253.40.
- 9.4 That the Cabinet recommends to Council the creation of a transitional fund as noted in paragraph 4.16 in order to achieve sustainable services over the medium term.
- 9.5 That the Head of Finance and Property Services be instructed to prepare the technical resolutions necessary to give effect to these proposals.
- 9.6 That Cabinet approves the recommendations as per Appendix 3
- 9.7 That Cabinet approves the fees and charges schedule as per Appendix 4
- 9.8 That the Cabinet, in agreeing to recommend the budget proposal to Council note the contents of Appendix 5 and the implications for the Councils Medium Term Financial Strategy.
- 9.9 That an update to the Medium Term Financial Strategy is considered by Cabinet during 2011/12.

10. CONSULTATION CARRIED OUT

- 10.1 The Council has been consulting on options available within the budget. This year the consultation was influenced by the option proposals surrounding the councils need to save c £3m over the medium term due to known and anticipated reductions in the Revenue Support Grant.
- 10.2 Budget options have been invited via the Councils website and a special Cabinet meeting was held on 26th January 2011 at which options were debated and recommendations made.

10.3 A separate meeting of the Overview and Scrutiny Management Committee (2nd February 2011) has considered the Council's budget consultation document. Comments made at the committee and the resulting minutes are attached at Appendix 5.

11. COMMUNITY IMPACT ASSESSMENT

Is a Community Impact Assessment required Yes / ~~No~~

Is a Community Impact Assessment attached Yes / ~~No~~

12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required ~~Yes~~ / No

Is a Biodiversity Impact Assessment attached ~~Yes~~/ No

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Background Papers	
Document	Place of Inspection
Budget Consultation / Committee Reports / Community Impact Assessments / Working Papers	Website / Finance Office
2010/11 Financial monitoring reports to Cabinet	Cabinet agenda items (website)