

Subject:	2013/14 Budget, Corporate Priorities and The Medium Term Financial Strategy	Status:	For Publication
Report to:	Cabinet	Date:	28 th November 2012
Report of:	Head of Finance & Property Services	Portfolio Holder:	Portfolio Holder for Finance and Resources
Key Decision:	<input type="checkbox"/> Forward Plan	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Community Impact Assessment:	Required:	Yes /No	Attached: Yes /No
Biodiversity Impact Assessment	Required:	Yes /No	Attached: Yes /No
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1.	RECOMMENDATION(S)
1.1	That Members note the contents of the report and continue the wider public consultation on the implications for the 2013/14 Budget and the Medium Term Financial Strategy.
1.2	That a further report be prepared on which Members will make their 2013/14 Budget and Council Tax recommendations to Council.
1.3	Delegate the preparation and submission of NNDR1 to the Head of Finance & Property Services.

2. PURPOSE OF REPORT

2.1 The purpose of the report is to update Members in relation to the implications of the Medium Term Financial Strategy last updated in June 2012 and in particular consider the setting and preparation of the Council's 2013/14 annual Budget, Council Priorities and Council Tax.

Consultation on a number of financial savings and efficiency options has already commenced, following the June 2012 Cabinet report. The results of this consultation form a separate part of this Cabinet agenda and will continue to be discussed over the coming months and used by Members as part of the democratic process in their decision making.

3. CORPORATE PRIORITIES

3.1 The matters discussed in this report impact directly on the following current 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.

However, a review of the priorities is timely and appropriate and this will be undertaken alongside the budget.

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 Member have information which will support responsible financial management over the longer term. The Section 25 report will accompany the final 2013/14 Budget decision making in February 2013
- 4.2 In setting the 2013/14 Budget Members should continue to plan and give due regard to the financial challenges over the medium term.

5. BACKGROUND AND OPTIONS

- 5.1 For a number of years the Council has continued to reduce its net revenue expenditure in line with, initially its own efficiency agenda and more so of late, the impact of the Governments 2010 Comprehensive Spending Review.
- 5.2 In June 2012 a report was presented to Cabinet highlighting current assumptions in relation to 2013/14 and beyond. At that time we identified a number of assumptions and potential cost pressures which caused a deficit in 2013/14 £599k rising to a £1.3m deficit in 2016/17. Those assumptions and cost pressure have now changed as follows:

Assumptions:

- Council Tax capping at 2% (previously anticipated a 3% increase)
- Central revenue support grants to reduce by a further £116k per annum.

See table on next page

Cost Pressure: current expectations are as follows:

Area of Pressures	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
ICT (Disaster Recovery / Government Connect)	14	14	14	14
Refuse - Bin replacement / capital pressure	30	30	30	30
Bulky Collections (Income reduction)	8	8	8	8
Vehicle Replacement provisions	30	30	30	30
Waste Cost Share	35	35	35	35
Land Charges (Income reduction)	8	8	8	8
Homelessness - temporary accommodation burdens	6	6	6	6
Pensions - Auto Enrolment	60	60	60	60
Insurance inflation @ 5%	12	12	12	12
DWP Admin Subsidy	-	100	100	100
Loss of Council Tax Benefit Subsidy	-	60	60	60
Police Community Support Officers (12/13 final year of earmarked resources)	35	35	35	35
Increase Bad Debts - Localisation of Council Tax Benefit	30	30	30	30
Coll'n Fund (revaluations)	30	30	30	30
Revenue Contribution to future Capital spend	100	100	100	100
Other Volume & Technical Changes	100	100	100	100
	497	657	657	657
<i>Additions since June 2012</i>				

5.3 **Savings:** In the June 2012 update to Members a number of potential savings areas were identified though not all were quantified. The current potential savings expectations are as follows:

See table on next page

Savings Summary	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
A - Savings Achieved	553	565	651	651
B - Potential savings subject to consultation and Member decision				
Review of Refuse and Street sweeping	197	222	222	222
Review of NNDR relief	0	36	36	36
Leisure Savings	0	100	100	100
Customer service reviews	0	43	43	43
Town Twinning	4	4	4	4
Review of Member numbers & election cycle	-	-	-	50
Review of Mayoral role	-	19	19	19
Accommodation review	-	50	50	90
Corporate Subscriptions	4	4	11	11
Review of Whittaker Park Museum		50	50	50
Sub-total	205	528	535	625
C - Potential Savings subject to staff consultation				
Business Service efficiencies	64	77	115	115
Corporate Service efficiencies	30	30	30	30
Staff (Terms & Conditions)	100	100	100	100
Sub-total	194	207	245	245
<i>Identified in the June 2012 MTFS update</i>				

5.4 **Net Revenue:** The impact on 2013/14 net revenue (costs less resources) is as follows:

Medium Term Forecast: Budget Requirements vs Resources

	2012-13	2013-14	2014-15	2015-16	2016-17
	£'000	£'000	£'000	£'000	£'000
Budget Estimates	9,828	9,874	10,001	10,081	10,234
Estimated Funding:					
Council Tax (assuming 2% annual increase)	5,502	5,629	5,742	5,857	5,974
RSG & Transitional (11/12)	4,051	3,737	3,378	3,378	3,378
RSG Adjustment (First indications)		(116)	(116)	(116)	(116)
ABG - Grant for 0% C Tax uplift 2011-15	138	138	138	-	-
ABG - Grant for 0% C Tax uplift 2012-13	138	-	-	-	-
Resources	9,829	9,388	9,141	9,119	9,236
Surplus / (further savings required)		(487)	(860)	(962)	(999)
Savings		399	735	780	870
Pressures		(497)	(657)	(657)	(657)
Use of Transitional Funds		585	229	-	-
Surplus / (further savings required)		0	(553)	(839)	(786)

The above demonstrates an underlying and continuing revenue deficit which in 2013/14, and to a lesser extent 2014/15, is supported through the use of the Transitional Reserve but which is unsupported and increasing in future years.

5.5 Changes in the base budget costs between 2012/13 and 2013/14 are as follows:

	£000s
2012/13 Base Budget	9,828
Use of Earmarked Reserves in 2012/13	183
Pay inflation (1.5%) & increments	135
Contract and other inflation	127
Savings	(552)
Volume and Technical changes	153
2013/14 Base Budget	9,874

5.6 **The level of Council Tax for 2013/14**

The Government has recently announced the offer of an annual 2 year (13/14 & 14/15) grant equivalent to £55k pa in return for a Council Tax freeze for 2013/147. The grant equates to 1% of Current Council tax resources. Given that unlike Council Tax increases, the grant is time limited, (i.e. for 2 years only) the consequence of accepting this offer would be to increase the base budget deficit to £1.116M in 2016/17 (from the above £999k)

The Rossendale Borough Council portion of Band D Council Tax is currently £253.40 and represents 16.1% of the total bill of £1,575.28 (excluding the Whitworth precept of £23.01)

The detailed breakdown is as follows:

Precepting Body	% Share	Band D
		2012/13 £
Rosendale BC	16.08%	253.40
Lancashire County Council	70.36%	1108.30
Lancashire Fire & Rescue	4.04%	63.65
Lancashire Police Authority	9.52%	149.93
Total	100.00%	1575.28
Whitworth Parish Council		23.01
Total Whitworth Parish		1598.29

5.7 Fees & Charges

The annual budget approval also includes any changes to the Councils fees and charges schedule for various services it provides. Para' 5.5 indicates that overall the Council's net budget is increasing by 2% (this is before the requirement to reduce net revenue costs). The September 2012 retail price index indicated general inflation of 2.6%.

The current budget assumptions, currently, make no allowance for any uplift in fees and charges (subject to volume changes from market sensitivity a 2.6% price increase in fees and charges would add c. £18k to our 13/14 resource assumptions)

5.8 Changes to Local Government Financing

The Local Government Finance Act received its Royal Assent on 1st November 2012. This paves the way for councils to receive 50% of locally raised Non-National Domestic (Business) Rates income. However, given that the councils own base line is based on a series of statistical analysis, as yet not published, we are still not clear as to what our starting resources will be as at 1st April 2013. There is a growing sense amongst council finance officers that this information will come to light latter in the calendar year rather than sooner.

We have seen some analysis that implies a further reduction in resources of £116k (para' 5.2) compared to the assumptions we used in June 2012. This is due to, amongst other things, Officer understanding of the top slicing of national business rates resources to support, amongst other things, the New Homes Bonus.

NNDR1 Form

NNDR1 is the annual National Non-Domestic Rates (NNDR) provisional contributions form which is submitted to the Department for Communities and Local Government (DCLG) and is an estimate of the Council's total business rates income for the following year. Paragraph 5(2) of Schedule 8 to the Local Government Finance Act 1988 requires each billing authority to make a provisional calculation of the amount of its non-domestic rating contribution to the non-domestic rate pool and to notify the amount to the Secretary of State. DCLG have advised that by 30th January 2013 each billing authority must secure council approval of NNDR1. As in previous year it is recommended that this be delegated to the s151 Office (ie The Head of Finance & Property Services).

5.9 Capital Resources

Capital resources to support a desired capital programme will again be scarce in 2013/14 and limited to the Council's ability to raise capital receipts. For the 2012/13 capital budget, Members agreed to approve in the first instance a limited capital programme but delegate authority to the Portfolio Holder for Resources & Finance to increase the capital programme should additional resources in excess of the budget be generated. It is likely that this course of action will be repeated in setting the 2013/14 Capital Budget.

5.10 Council Priorities

Council Priorities should reflect the Council's area of focus. Some initial discussions have indicated that the following priorities would more accurately reflect the Council's area of activity and spend: regeneration, the Council working as a partner and an enabler and a Council that delivers responsive and value for money services. Consultation will continue with a view to a report being presented to Cabinet for due consideration.

6. COMMENTS FROM STATUTORY OFFICERS:

6.1 SECTION 151 OFFICER

6.2 Financial matters are dealt with above

7. MONITORING OFFICER

7.1 No comments required for this report.

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

8.1 The Equality Act 2010 requires the Council to have due regard in the exercising of its functions to three considerations. The need to:

- Eliminate discrimination. Harassment and victimisation and any other conduct that is prohibited by or under the Act.
- Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it.
- Foster good relations between people who share a relevant protected characteristic and those who do not share it.

The amount of regard that is "due" is set out in the Act and will depend on the circumstances of the case. Under the general equality duty there is a requirement to engage with people with protected characteristics and to have an adequate evidence base for Council decision-making.

The duty to inform, consult or involve requires that the council must involve communities and those directly affected at the most appropriate and proportionate level in 'routine functions, in addition to one-off decisions.' Further, under the duty of Best Value the Council is required to consult representatives of a wide range of local people; this should include local voluntary and community organisations and small businesses in such consultation.

The Council has undertaken some consultation in relation to the Council priorities and the budget, this will continue and reported back to influence decision making.

9. CONSULTATION CARRIED OUT

9.1 Cabinet and Management Team

- 9.2 Citizens panel
- 9.3 Members (annual budget briefing)
- 9.4 Public consultation via Council Website – the results of which are the subject of a separate report on this Cabinet agenda.

10. CONCLUSION

- 10.1 The Council must remain focused on identifying and delivering c. £1m of further net revenue savings over the medium term, ensure that all budget resource allocations are core to the function of the district Council and have clear links to its Corporate Priorities.

Background Papers

Document	Place of Inspection
Previous update to the MTFS (Budget Reports Feb 2011 & June 2012)	Rosendale Borough Council website
Consultation feedback analysis	Service Assurance Team