

Report to Cabinet

Subject: Council Plan 2013/14 (including General Fund Revenue Budget and Service Plan)

Date: 14 February 2013

Author: Senior Leadership Team on behalf of Leader of the Council

Wards Affected

Borough wide.

Purpose

This report presents the Council Plan 2013/14 (General Fund Revenue Budget and Service Plan) for approval.

Key Decision

This is a Key Decision.

Background

- 1.1 The Constitution of the Council details the Budget and Policy Framework Procedural rules. Section 2.01(c) concerns budget and performance plans. It contains the specific requirement for the Leader to present, before 21 February each financial year, a draft Budget and Performance Plan to the Cabinet for approval, highlighting budget priorities, growth items and proposed cuts.
- 1.2 The Executive are required to consider any comments made on the draft Budget and Performance Plan and present the final drafts to Council for adoption in accordance with the statutory requirements. To fulfil these requirements the 2013/14 Council Plan will be presented to Budget Council on 4 March 2013. The Borough Council has a statutory responsibility to determine its Council Tax by 10 March.
- 1.3 This report ensures these requirements will be met for the 2013/14 budget process.

- 1.4 The Council Plan has been built around delivery of the Borough Council's Vision and Values agreed by Council in October 2011.
- 1.5 The severe financial pressures that the authority continues to face following the prolonged downturn in the economy and the announcement of further reductions in Government Grant Settlement make this another extremely challenging budget round. As the Council relies heavily on central funding to deliver its services any funding reductions require the Council to make budget cuts and efficiencies to deliver a balanced budget in the medium term. This may make it more difficult for the Council to develop a Council Plan that demonstrates progress towards priorities. There is limited potential for growth in the immediate revenue budget with new budget pressures needing to be met from other budget savings and reductions.

Proposal

2.1 Service Planning

The Service Planning elements of the Council Plan are attached at **Appendix 1**.

Service planning has taken place against the backdrop of the severe financial pressures highlighted above. In developing proposals to take forward, particular emphasis has been placed on: -

- Targeting resources at maintaining the highest levels of performance with those services that residents consider to be most important
- Protecting services and activities that support the most vulnerable
- Prioritising activity that helps to get the local economy back on its feet

For 2013/14, five priorities (People; Homes; Jobs; Place and Performance), are proposed, underneath each of which sit a series of objectives. These have been updated to reflect the principles outlined above.

For each objective, a number of priority actions are identified to be taken forward in the year ahead. These include actions to: -

- Delivery of £1.1 m investment in Arnold Town Centre
- Deliver Gedling Country Park
- Implement the Local Council Tax Reduction Scheme
- Expand Citizen's Advice Bureau Service by an extra day
- Extend Gedling Borough Council's Mortgage Scheme

- Support local businesses to provide apprenticeship and work experience placements in the private sector
- Support Gedling businesses to access Growth Investment Funds
- Implement Get Gedling Building project for stalled development sites and the Grow Gedling programme
- Implement Sustainability Strategy/Action Plan
- Carry out a programme to return empty properties into use
- Identify and implement further opportunities to co-locate and/or share services with partners
- Develop and implement a local history trail

Accountability for each action is shown clearly, with each action having an accountable manager, a lead director and a lead portfolio holder.

Should the recommendations be agreed, these priority actions will form the high level actions against which progress will be managed and reported to members through the Covalent performance management system.

Further work is in progress to identify performance indicators for each objective and these will be the subject of a separate report to Cabinet in April 2013.

It is intended that a user-friendly, electronic version of the plan will be created for distribution to members, employees and partners in due course

2.2 Proposed General Fund Budget 2013/14

The Council's overarching Financial Strategy sets out the framework for overall financial control and administration for the Council. It also details how individual items such as Central Government Funding, Taxation levels, Resource Developments etc. impact on the annual budget and this has been taken into account in presenting this annual budget and Medium Term Financial Plan (MTFP) Summary.

2.2.1 Local Government Finance Settlement

The Local Government Finance Settlement determines how much grant Central Government will give to each local authority in England in 2013/14

The provisional Settlement figures for 2013/14 and 2014/15 were announced on 19 December 2012 and a full analysis was reported to Cabinet on 10 January 2013. The consultation period on the Settlement closed on 15 January 2013. The final Settlement figures were announced on 4 February and these contained some very minor changes from the provisional announcements as detailed in the paragraphs below.

2013/14 Settlement

The final Settlement figure, now known as **Formula Funding** for 2013/14 totals £5,804,085 and this remains unchanged from the provisional announcement. This represents the aggregate of Revenue Support Grant of £3,485,366 and estimated retained Business Rates of £2,318,719 (the actual amount of business rates funding will be determined by the actual amount of rates collected and movements in the business rates base). The Formula Funding settlement figure of £5,804,085, which excludes specific grants, represents a cash reduction of £331,311 or 5.4% from the comparative 2012/13 figure.

Final figures for non-ringfenced specific grants have been confirmed at £923,194, £59 less than the provisional announcement of £923,523, with the reduction being in the Council Tax Reduction Scheme Grant. Non-ringfenced specific grants have been rolled into the total funding figures which when taken together with Formula Funding of £5,804,085 will be known as the **Start-up Funding Assessment** totalling £6,727,279 for 2013/14.

Non-ringfenced specific grants are detailed below:

- the Council Tax Freeze grant of £138,901 which will be received for a period of 4 years to finance the Council Tax freeze implemented in 2011/12;
- Homelessness Grant of £78,027 (no change from 2012/13);
- Council Tax Reduction Scheme Grant of £706,266 (10% less than the previous benefit subsidy amount).

2014/15 Settlement

Updated provisional Settlement figures for the 2014/15 **Start-Up Funding Assessment** have been announced at £5,862,309, an increase of £384 on the original figures. This represents a cash reduction of £864,970 or 12.9% on the 2013/14 figures. It has been assumed that the 2014/15 reductions will result in the removal of the current floor damping protection of £344,000.

In total this further reduction in 2014/15 coupled with reductions in the first 2 years of the spending round (starting 2011/12) means that this authority has had its Central Government grant reduced by £3.072m or 38% in cash terms. Government grant support is now back to the cash levels received in 1993 when Council Tax was introduced and are programmed to fall even lower in the next spending review period.

Future Spending Review Period

The Government has also given its first indication of public expenditure for the next spending review period 2015/16-2018/19. Totally Managed Expenditure is set to fall at the same rate as over the Spending Review 2010 period, equivalent to 30% in real terms. The current Settlement allocates a significantly higher proportion of Revenue Support Grant compared to Business Rates than in previous years and so the Council remains heavily reliant upon Central Government Funding and is therefore at significant risk of future funding reductions equivalent to 30%.

Council Tax Freeze Grant

The Government have announced that further funds of £450m will be available to local authorities which freeze council tax for a further year in 2013/14. Councils that do so will get a grant equivalent to raising their council tax by 1%, adjusted to exclude the reductions given to those receiving council tax support, which equates to £58,148 for Gedling. However, this funding will only be available for two years and not the four years funding provided for the 2011/12 council tax freeze.

Council Tax Reduction Scheme Grant

Central Government grant for the Council Tax Reduction Scheme (CTRS) has been confirmed at £706,266 for 2013/14 which includes an amount to fund the impact of taxbase reductions on local parish precepts. Cabinet at its meeting on 10 January 2013 agreed in principle to the payment of grant funding to the Parish Councils to offset the taxbase reductions following implementation of the CTRS, on the basis that actual grant amounts be determined in accordance with final taxbase figures in January. Final taxbase figures indicate that the impact on Parish Councils as a whole is a precept reduction of £28,400 and this figure is now included in the following General Fund budget proposals. This grant will be reviewed annually.

Council Tax Increase Referendum Trigger

The Localism Act 2011 gives powers to the local community to either endorse or veto Council Tax rises that are above a limit which is to be set annually by the House of Commons. If a local authority decides to implement a council tax increase above the government set limit this will trigger a referendum so that local voters can either support or reject the proposed rise. For 2013/14 the limit has been set at **2.0%**. Any Council which sets an increase greater than 2.0% and does not get support from the electorate via the referendum will have to revert to a council tax level that is compliant.

It has also been announced that authorities whose 2012/13 Council Tax was in the lower quartile of their category of authority i.e. shire districts, will be allowed to increase Council Tax by up to £5, even if this is above the 2% threshold.

Gedling's Council Tax level is just outside the lower quartile so this initiative is not applicable.

New Homes Bonus

During 2011/12 Central Government introduced the New Homes Bonus (NHB) which is now a significant and permanent feature of future local government funding. The Government have committed to funding NHB from the centrally retained share Business Rates income which will continue to be paid as a separate non-ringfenced grant.

The principles of the grant are to reward local authorities for each new property completed within their boundary. The value of the reward is linked to the average council tax band D property and each individual award will be for a six year period.

Gedling has been awarded £366,296 for 2013/14 which is in addition to the £749,434 awarded for 2011/12-2012/13, giving a total cumulative New Homes bonus of £1,115,730. The MTFP assumes future increases in grant of £350,000 per annum after 2013/14 reaching a cumulative total of £2,165,700 by 2016/17 which is the end of the six year period after which it is expected to stabilise at this level.

The receipt of the New Homes Bonus has enabled the Council to protect core services and to respond to local priorities by investing in its Economic Development activities through the introduction of free town centre car parking, investment in Arnold leisure centre and theatre facilities and the establishment of an increased and permanent staffing resource for general economic development work.

2.2.2 General Fund Budget 2013/14 Summary

In developing a budget proposal, assumptions on the core budget have to be made and the various assumptions in respect of inflation are shown at Appendix 2. These have been included in both the annual base budget and MTFP calculations. The following table summarises the proposed General Fund Budget for 2013/14. The detailed budgets are presented at Appendix 3 together with an explanation of major variances between the original estimate for 2012/13 and the estimate for 2013/14.

General Fund Budget Summary 2013/14

Portfolio	Original Budget 2012/13 £	Base Budget 2013/14 £	Variance £
Community Development	1,750,900	1,292,900	(458,000)
Health & Housing	832,700	1,024,700	192,000
Public Protection and Communication	1,643,100	1,593,500	(49,600)
Environment	5,104,700	5,146,300	41,600
Leisure & Development	2,705,600	2,877,300	171,700
Finance & Performance	261,700	907,800	646,100
Base Budget	12,298,700	12,842,500	543,800
Presentational Adjustment for Non Ringfenced Grant (see note below)	966,300		(966,300)
Underlying Budget Movement	13,265,000	12,842,500	(422,500)

Note: Non-ringfenced Government Grants of New Homes Bonus and Council Tax Freeze grant and Homelessness Grant have previously been accounted for as reducing the Net Portfolio Budget within specific functions not as General Funding. As these grants are non-ringfenced and many have now been rolled into Settlement funding these will now be presented as General Funding. The 2011 Localism Act now requires Councils to set a Council Tax Requirement after taking into account any funding from reserves, income and General Funding from Government. This variance resulting from this presentational change included in the table above is a grant reduction of £888,300 in Finance and Performance Portfolio and £78,000 in Health and Housing Portfolio. Actual additional resources received in 2013/14 for these grants are detailed in paragraph 2.2.1 above i.e. New Homes Bonus is increased by £366,300 and Council Tax Freeze Grant and Homelessness Grant have remained the same. For full details of budget variances see paragraph 2.2.4 below.

2.2.3 Proposed Revenue Resource Developments 2013/14

Following discussions with the Leader the Resource Developments detailed below are recommended to Cabinet for approval.

Revenue Resource Developments 2013/14

In light of the overall financial position and the need to reduce net revenue expenditure significantly in order to achieve a balanced budget over time, there are only four Revenue Resource Developments included in the budget proposal for 2013/14 all of which are funded by grants or new income streams. The MTFP, at paragraph 3 below, assumes no future ongoing revenue development bids. The schemes proposed are those scoring 25 points and above using the Council's approved methodology. There were no other revenue development proposals for 2013/14.

General Fund Revenue Resource Development 2013/14 (25 points or above)

DESCRIPTION	2013/14 Gross Revenue Bid	Note	TOTAL SCORE
<u>Health and Housing</u>	£		
Housing Debt Advice	10,000	Funded by grant – 2 year scheme	25
<u>Public Protection and Communication</u>			
Expansion of Citizens Advice Bureau	15,000	Funded by earmarked reserve – 2 year scheme	25
<u>Finance and Performance</u>			
Council Tax Collection Admin	20,800	Funded by Council Taxbase increases	25
<u>Leisure and Development</u>			
Community Infrastructure Levy Admin Officer	34,000	To be funded by future developer contributions	25
Total	79,800		

2.2.4 Major Budget Changes

Budget Pressures/Growth and Efficiency Savings/Budget Reductions

As Members are aware the economic downturn is continuing to place significant pressure on the Council's financial position in terms of reduced Government Grant Settlement, increased running costs and reduced income levels. Recovery of income to pre-economic downturn levels are not now expected within the period of the MTFP. In order to mitigate reduced grant/increasing costs, the base budget and MTFP include proposals for budget reductions and efficiency savings.

In summary, the table below highlights the areas of major variance in expenditure/income which have been reflected in the base budget 2013/14 and the main proposals for budget reductions and efficiency savings:

Major Budget Changes 2013/14

	Budget Impact 2013/14 £	£
Original Budget 2012/13		12,298,700
Presentational Adjustment Non Ringfenced Grants (see 2.2.2 above)		966,300
Adjusted 2012/13 Base Budget		13,265,000
<u>Revenue Budget Pressures</u>		
Inflation (Pay 1% 2013/14/NNDR/Fuel/Contracts)	182,200	
Cost of Capital (Borrowing Principal and Interest)	132,500	
Housing Benefit Caseload/Rents Level/Overpayment Recoveries	123,400	
Reduction in Housing Benefit Admin Grant	53,900	
Move from Council Tax Benefit to Discount (offset by Taxbase/Grant in Financing – see MTFP para 3)	172,200	
Additional Staffing – Legal Services/Housing Private Property	22,200	
Reduced Income – Leisure/Recycling/Trade Waste/Business Units	112,200	
VAT – Partial Exemption Management – Option to Tax Arnold LC (see Note (a) below)	38,000	
Other Minor Variances (net)	(7,600)	
Total Pressures		829,000
<u>Revenue Budget Growth</u>		
Community Fund	25,000	
Housing Debt Advice (2 years)	10,000	
Grant to fund Housing Debt Advice	(10,000)	
Expansion of Citizens Advice Bureau Service (2 years)	15,000	
Reserve contribution to fund expansion of Citizens Advice Bureau	(15,000)	
Council Tax Administration Officer (funded by increased Taxbase in Financing)	20,800	
Community Infrastructure Levy (CIL) Administration Officer (to be funded by future developer contributions)	34,000	
National Armed Forces Day (one off budget 2013/14)	5,000	
Total Growth		84,800
<u>Revenue Budget Efficiencies</u>		
Business Process Review:		
Reduced Members Special Responsibility Allowances	(9,400)	

	Budget Impact 2013/14 £	£
Restructure of Revenues Service (rising to £110,700 in 2014/15)	(72,900)	
Redesign of Parks and Street Care Working Arrangements (rising to £150,000 in 2014/15)	(80,900)	
Waste Management Staffing Restructure	(22,500)	
Redesign of Leisure Working Arrangements and Accommodation (rising to £95,000 in 2014/15)	(10,000)	
Other - across all services	(131,900)	
Procurement:		
External Audit Fee – change in provider	(29,100)	
Reduced Utilities contract prices	(33,900)	
Deletion historically underspent budgets	(40,000)	
Other – various across all services	(30,000)	
Assets:		
Repairs/Vehicle Procurement/Lease Rental	(16,500)	
Invest to Save:		
Cash Office – redesign service (proposal agreed 2012/13)	(29,500)	
Carlton Forum Health Suite (rising to £20,600 by 2015/16)	(6,100)	
Income Opportunities:		
Hackney Carriage Licensing	(66,100)	
Grounds Maintenance works	(10,000)	
Total Efficiencies		(588,800)
<u>Revenue Budget Reductions</u>		
Removal of 2012/13 Pay Award 1% not required	(128,800)	
Removal of Superfast Broadband (one off budget 2012/13)	(90,000)	
Removal of Special Constable support (one off budget 2012/13)	(25,000)	
Removal of CIL consultancy (one off budget 2012/13)	(25,700)	
Removal of Parish Aid	(75,000)	
Savings from changes to National Insurance thresholds	(33,000)	
Fewer employee Bank Holiday payments (One off 2012/13)	(28,700)	
Additional income – investment interest	(85,300)	
Additional income – Planning/Vehicle Sales/Office Rental	(118,000)	

	Budget Impact 2013/14 £	£
Fees and Charges income inflation (see para 2.2.6)	(79,000)	
Discontinuation of Commercial Trade Recycling - not achieving break even position as required for services provided to business (see note (b) below)	(30,000)	
Reduction of Portfolio Holder project budgets – with no ongoing commitments	(19,000)	
Reduced contribution to Town Twinning	(10,000)	
Total Budget Reductions		(747,500)
Net Decrease in Budget 2013/14		(422,500)
Proposed 2013/14 Net Budget		12,842,500

Note:

- (a) In the light of programmed capital expenditure at Arnold Leisure Centre, it is anticipated that the Council's Partial Exemption de-minimis limit will be breached in 2013/14, resulting in a potential repayment to HMRC of £125,000. It is also estimated that due to the increasing number of VAT exempt lettings being made by the Council that there is likely to be an ongoing breach of partial exemption limits resulting in an ongoing repayment to HMRC of £67,000 from 2014/15. To mitigate the potential losses, the 2013/14 budget includes the impact of a proposed "option to tax" at Arnold Leisure Centre which brings it into line with Richard Herrod which has been the subject of an option since 4 July 2000. This will make all supplies from Arnold Leisure Centre subject to VAT, irrespective of the usual VAT treatment of the supply. It is not currently anticipated that fees and charges would rise to recover the tax paid to HMRC, resulting in a corresponding loss of income to the Leisure Centre of £38,000. This issue will be subject of a separate report to Cabinet in the near future.
- (b) Following the review of the Trade Waste Recycling budget for 2013/14 the service was projected to make a loss of £68,200 due to reducing demand and increasing costs (an increased deficit of £20,100 when compared 2012/13 budget). As the Council provides this service on a commercial basis i.e. it is provided to businesses in competition with other business providers, it is required to break even and not run at a loss. As the demand for the service has never reached anticipated levels, and would need to increase significantly to achieve a break even position, a report will shortly be presented to the Portfolio Holder proposing that the service be discontinued as soon as current contractual commitments and notice periods with customers are satisfied. This is estimated to deliver an immediate cashable saving in 2013/14 of £50,100 compared to the projected 2013/14 estimate for continuing the service, rising to £55,400 in 2014/15. There will be some minor residual costs in respect of some spare capacity of a vehicle but this is expected to be absorbed by growth in the general refuse rounds over the short to medium term.

In addition to the above 2013/14 budget changes the MTFP/base budget includes the following:

- Service demands arising from an increasing number of households and ageing population are anticipated in the MTFP to the value of £100,000 in 2014/15 rising to £400,000 in 2017/18; Efficiency Targets to offset the service demands pressures are also anticipated in the MTFP.

- Efficiency savings in terms of cash limited supplies and services budgets of approx £95,000 per annum;
- Glass Collection – the Service Plans for 2013/14 include a project to review and redesign the fortnightly Glass Collection service. Demand for the fortnightly collection is currently not at full capacity with many households not putting out full boxes or only putting out boxes on a monthly basis.

The review will consider the option of moving to a monthly collection of glass, with effect from February 2014, which is expected to collect the same number of tonnes as the fortnightly service and generate efficiency savings in the region of £125,000 in a full year, of which £22,900 relates to direct vehicle costs (mainly fuel). A larger bin or extra boxes can be made available to those households which generate more glass.

- The removal of spinal column point 4 from the Council's pay scales as part of the commitment to progress towards implementation of the Living Wage, as contained in the Notice of Motion agreed by Council on 18 December 2012.

2.2.5 Review of Balance Sheet Reserves and Provisions

Reserves and Provisions on the balance sheet have been reviewed to ensure appropriate levels of funds are retained for specific future purposes and risks and all are assessed as appropriate with no changes necessary.

2.2.6 Income Inflation

Discretionary fees and charges have been increased by 3% equating to £79,000. Specific charges are at the discretion of individual Portfolio Holders provided that the overall level of increase is achieved. Changes in expected volumes of customers, both upwards and downward have also been anticipated, again in line with market expectations.

Some of the services operated by the Council are not included in the general fee inflation increase due either to: the sensitivity of demand to price changes e.g. Leisure DNA or; being operated on a commercial basis and therefore required to break even e.g. Trade Waste Services and Building Control. The level of fees which are set in these areas are considered separately and the base budget has been amended to ensure appropriate fees are set.

2.2.7 Financing of the Capital Programme

As detailed in the Capital Programme report earlier on this agenda borrowing is required to finance part of the capital programme in 2013/14. Borrowing has an impact on the revenue budget in terms of interest costs and principal repayment.

This is reflected in the General Fund Revenue budget summarised in paragraph 2.2.2 above and the Medium Term Financial Plan.

2.2.8 Business Ratepayers Consultation

Statutory consultation with 90 business ratepayers has been undertaken and any responses will be reported at the meeting.

3. MEDIUM TERM FINANCIAL PLAN

3.1 The implementation of the Local Government Act 2003, which introduced requirements for the Council's Chief Financial Officer to comment on the robustness of the Council's estimates, and the need to look at the medium term (3 years) in order to produce the required indicators as detailed in the Prudential Code, means great emphasis needs to be placed on the Council's medium term financial planning. Although an absolute requirement to look over three years is required, it is considered good practice to look over as long a period as is reasonable. This Council has a history of producing a medium term financial plan over a 5 year horizon and this is still considered the appropriate period for this authority.

3.2 The following table (A) identifies the impact of all the options that are proposed in this report:

- i) The incremental increase in base revenue expenditure from 2012/13 and budget growth items (paragraph 2.2.3)
- ii) Fees and charges to be increased by an average 3%.
- iii) Anticipated cost of borrowing to finance the capital programme for 2013/2014-2017/18.
- iv) The achievement of the budget reductions and efficiency savings in 2013/2014 (paragraph 2.2.4 above)

(A) MEDIUM TERM FINANCIAL PLAN 2013/14 TO 2017/18-HIGH LEVEL SUMMARY

	2013/14	2014/15	2015/16	2016/17	2017/18
	£	£	£	£	£
Total Net Projected Expenditure	12,842,500	13,201,600	13,614,500	13,935,400	14,345,600

Less: Net External Support (including non ringfenced grants)	(6,727,300)	(5,862,300)	(5,294,200)	(4,897,100)	(4,529,800)
New Homes Bonus	(1,115,700)	(1,465,700)	(1,815,700)	(2,165,700)	(2,165,700)
NNDR Growth	(85,000)	(100,000)	(112,500)	(125,000)	(137,500)
Collection Fund Surplus	(52,200)	0	0	0	0
Less: Amount (from)/to Balances	402,700	(382,700)	(872,300)	(1,095,900)	(1,726,000)
Council Tax Requirement	5,265,000	5,390,900	5,519,800	5,651,700	5,786,600
Percentage Council Tax increase	1.8%	1.95%	1.95%	1.95%	1.95%
Tax Base	34,396	34,546	34,696	34,846	34,996

Expected balances at year end	5,049,100	4,666,400	3,794,000	2,698,100	972,100
Required balance (7.5% projected expenditure)	963,200	990,100	1,021,100	1,045,200	1,075,900
(Surplus)/Deficit on required balances	(4,085,900)	(3,676,300)	(2,772,900)	(1,652,900)	103,800

4. **COUNCIL TAX**

- 4.1** The council tax for a band D property for 2012/13 is £150.36. The level of council tax for 2013/14 depends on the extent of service reductions/developments and financial risk issues (see paragraph 5 below) that the Council decides to provide for in the budget for next year. For illustration, an increase in council tax by 1% provides additional funding of £51,600. In the above MTFP an assumed increase of 1.8% has been provided for, this generates income of £93,200 and increases the Council Tax for a band D property to £153.07, a rise of £2.71 per annum.
- 4.2** The Council Taxpayer has to meet the difference between the planned expenditure and the Government grant receivable after the use of any balances are taken into account. It is this difference that is used to calculate individual Council Tax bills for 2013/14.
- 4.3** As detailed in paragraph 2.2.1 Council's that freeze Council Tax in 2013/14 will receive grant equivalent to a 1% increase, adjusted to exclude the reductions given to those receiving council tax support, which equates to £58,148 for Gedling. However, this funding will only be available for two years. If Gedling determined to freeze Council Tax the deficit on required balances by 2017/18 would be £475,000 i.e. an additional deficit of £371,200 when compared to the proposed 1.8% Council Tax increase. An increase above 2% would require a referendum.

5. FINANCIAL RISK ISSUES

- 5.1** A minimum balance of 7.5% of total projected net expenditure on the General Fund is required in accordance with the Council's approved Financial Strategy. The external Auditor regards this level of balance on the General Fund to be satisfactory, and it is also appropriate to reflect uncertainties in the financial process in the medium term. The minimum balance required for 2013/14 is £963,200.
- 5.2** The (surplus)/deficit on balances in the above table (A) shows amounts (above)/below the recommended minimum General Fund balance in any one year. Current spending plans, incorporating a 1.8% increase in Council Tax in 2013/14 which is yet to be determined, show a surplus of £4,085,900 in 2013/14 gradually declining to a deficit on balances of £103,800 by 2017/18. Underlying this is an annual deficit between the amounts of income expected when compared to the anticipated expenditure. Although the MTFP projections show that this can be accommodated within the five-year horizon, further adjustments will be required to rectify this core imbalance with in excess of a further £1.7million reduction per annum being required to ensure balances do not fall below the minimum required beyond the term of this MTFP.
- 5.3** Projections for Council Tax increases in the MTFP are estimated at the current maximum percentage of 1.95% in 2014/15 onwards which is close to the limit of 2% which triggers the requirement for a referendum. Therefore there is no further scope to fund the core imbalance by increasing Council Tax. The extent to which Members will be required to maximise council tax increases will depend upon levels of efficiencies and new income generating initiatives.
- 5.4** The current uncertainty resulting from the economic recession and changes to the Government Grant Settlement results in increased risks in the financial planning process. Specific Risks in the MTFP Assumptions include:
- 5.4.1** The Local Government Finance Settlement provides grant figures for a 2 year period 2013/14-2014/15. It is anticipated that beyond this the Chancellor has indicated there will be a further 30% reduction in settlement for 2015/16-2018/19. The grant figures included in the MTFP for 2015/16 onwards are based on the Government's projections included in the Comprehensive Spending Review announcement. However, there is some uncertainty regarding how these projections will translate to actual grant payments at a local level, given the experience of higher than projected grant reductions faced by District Councils in 2011/12-2014/15. In addition Gedling currently benefits by a protection amount of £344,000 for 2013/14. It is anticipated that this protection will be removed from the base for the purpose of future Grant Settlement decisions.
- 5.4.2** Central Government are implementing a number of initiatives which affect local government funding, namely Universal Credit, Localisation of Council Tax Support and Business Rates Retention:

Universal Credit – This will see a significant transfer of housing benefit expenditure and administration to the Department of Works and Pensions. This will happen in full over the lifetime of the MTFP, however many uncertainties on timing, staff transfer and residual functions exist.

Localisation of Council Tax Support – 2013/14 is the first year of operation of this new discount scheme which replaces Council Tax Benefit. The Council has moved to protect vulnerable groups with also an extension of 'into work' incentives. The budget for this expenditure has been based on modelling of current caseloads but the speed with which these changes have been implemented and the level of protection afforded will require close examination in the first months of operation. The scheme can only be altered annually.

Business Rates Retention – This scheme is also introduced for the first time in 2013/14 but the overall impact of tariffs, levies and surplus/deficits, along with difficulties in determining the impact of medium term growth (or decline) places greater uncertainty on the projections in the MTFP.

5.4.3 Income figures included in the MTFP are now assumed not to recover due to the prolonged economic downturn.

5.4.4 Initiatives introduced to manage within reduced resources bring increased risks both financially and in terms of service delivery. For example:

- Reduced maintenance budgets – can be accommodated in the medium term but may bring pressures in the longer term as major capital investment plans may need to be accelerated as assets deteriorate faster.
- Earmarked reserves for specific purposes/risk management have been reviewed and will be managed at minimum requirement levels providing less scope for managing emerging risks.
- The ongoing economic situation is continuing to create an increasing demand for services e.g. homelessness, housing benefits, economic development. The full extent of the resulting budget pressures cannot be fully known as the speed of economic recovery remains uncertain.

5.5 The Authority continues with activities undertaken in association with a variety of partners. This requires reliance on partnership funding and/or the delivery of integrated programmes and is an approach which is integral to the Council's efficiency programme. However, a significant number of the Council's partners are public sector organisations which are also facing significant budget pressures and changing roles. This places increasing risk on the Council both directly, in respect of possible withdrawal of partnership funding, and indirectly, with the

Council potentially facing additional burdens resulting from budget cuts in other organisations.

- 5.6** Although there is increased risk arising from these assumptions, it is not considered necessary to increase minimum balances above the 7.5% of total projected net expenditure, as required in the Financial Strategy as the Council is responding to the challenges through efficiency measures and service reductions. Although it is considered that the annual and medium term budgets are robust, given the above risk assessment it is clear that the achievement of the estimated Medium Term Financial Plan is more uncertain than in previous years and that the Council has even fewer avenues in which it can manage downside risks.
- 5.7** Even given the Council's excellent track record for budget management, careful budget monitoring and financial planning, which will continue, a significant structural deficit remains in the Medium Term Financial Plan. Although the Annual Budget for 2013/14 and the early years of the MTFP leave the Council with a higher level of balances than required, our normal management approaches will not deliver the reductions required. **Significant changes to the way that services are delivered and the level of services themselves will need to be challenged.**
- 5.8** Over the next 18 months the Council will have to develop more robust plans in order to balance the MTFP. These plans are not yet sufficiently developed, so although the current financial outlook is positive and 2013/14 estimate are robust, the medium term outlook is negative and therefore Members are advised that the risk levels in this MTFP are higher than in any of the previous years.

6 Key Decision Thresholds

In accordance with the Council's constitution, full Council will in each year determine the financial thresholds for each service or function above which expenditure or saving is regarded to be significant and should therefore be regarded as a Key Decision. Traditionally the threshold has operated at above £0.5m and it is proposed that this value be continued for 2013/14.

Alternative Options

Cabinet could consider recommending an alternative budget and service plan. Recommending an alternative budget may alter the level of recommended Council Tax for 2013/14. If Cabinet chose not to recommend a budget to Council this would be in contravention of the Council's Constitution and would not be in compliance with the Local Government Finance Act 1992.

Financial Implications

As detailed in the report.

Appendices

Appendix 1 – Service Plans

Appendix 2 – Major Price Indices – Medium Term Financial Plan

Appendix 3 – Detailed Portfolio Budgets 2013/14

Background Papers

Finance and Efficiency Strategy

Central Government Report – Local Government Finance in England 2013/14

Treasury Strategy 2013/14

Capital Programme Report 2013/14

Satisfaction Survey 2012 - results

Recommendations

Cabinet are asked to recommend to Council on 4 March 2013:

- i. The financial threshold above which decisions will be regarded as Key Decisions be set at £0.5m for 2013/14.
- ii. a Council Tax increase which balances the financing of a Net Council Tax Requirement of £5,265,000 in 2013/14
- iii. that the detailed budget, priorities, objectives and actions for 2013/14 be approved.

Reasons for Recommendation

To obtain approval of the Council Plan 2013/14 for referral to Council.