

**FINANCE, AUDIT AND PERFORMANCE SELECT COMMITTEE - 31 OCTOBER 2011**  
**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)**  
**RE: BUDGET STRATEGY 2012/13**

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1. **PURPOSE OF REPORT**

To inform the Select Committee of the Budget Strategy for 2012/13

2. **RECOMMENDATION**

That the Select Committee note the Budget Strategy for 2012/13

3. **BACKGROUND TO THE REPORT**

The Budget and Council Tax setting process for 2012/13 is likely to prove to be a very difficult time. Whilst actions taken by the Council in previous years may well have put us in a position to come through this round of budget setting with fewer difficult decisions to make compared with other Councils there will still be some decisions that will impact on the level of services we provide.

Members will be aware that the Comprehensive Spending Review announced last October (CSR10) envisaged a 25% reduction in the total Central Government funding available to Councils over the period 2011/12 to 2014/15. This announcement formed the basis of the 2011/12 Local Government Finance Settlement that was announced in December 2010. Whilst the CSR10 was silent on the phasing of the reductions in grant support it was assumed that it would be evenly phased over the life of the CSR. However, later in the year, when the Finance Settlement was announced it became apparent that the Grant Reductions were front loaded with this Council losing £908,000 in 2011/12 and a further £700,000 in 2012/13. This equates to a loss of Grant over the two years of 23%. This will be offset by the receipt of £349,000 New Homes Bonus in 2011/12 and the next five years. New Homes Bonus will be allocated to the Council each year based on the additional taxable Housing Stock delivered in the twelve months ending in the October preceding the start of that financial year. This additional resource will last for 6 years. The Government has said that it will protect resources available to certain service areas such as Education and Adult Social Care. This means that resources for other services will be further restricted and as such District Councils will suffer a greater reduction in grant than the 25% overall reductions announced. Grant allocations for 2013/14 and 2014/15 have not been announced yet but could see a total reduction in grant over the four years approaching 35%.

Assumptions to be used in preparation of 2012/13 Base Budget

1. The 2012/13 base budget is to be based on the 2011/12 original budget

2. All one-off items in the 2011/12 original budget are to be removed and full year effects of part year reductions in 2011/12 implemented. Any savings or additional income identified as part of the last budget round but not being implemented until 2012/13 must be adjusted for the budget.

3. Inflation

*a) Employees*

- i) Pay Award – zero
- ii) National Insurance – apply a rate of 7.2%
- iii) Employers Pension Contributions – the Employers Contribution rate should be increased by 1% of the payroll to take account of the impact of the triennial valuation of the Pension Fund currently being undertaken. (An employers rate of 17.5% should be used with an additional 1.6% being included for Ill Health retirement insurance).

*b) Supplies and Services*

- i) Non Contract – no increase
- ii) Contracts, where RPI increases are allowed use a factor of 3.5% otherwise use the factor provided in the contract.

*c) Fees and Charges*

where an inflationary increase is called for then use RPI of 3.5%

4. Growth

It is highly unlikely that any additional money will be available for growth in 2012/13. Consideration will be given to requests where additional resources are required to cover additional expenditure arising from additional statutory requirements or corporate priorities. Requests will need to be supported by both the relevant SLB and COB members and must be accompanied by an explanation as to why the costs cannot be met from existing resources.

5. Funded Employees

Where employee costs are met from external funding in the 2011/12 budget these will be subject to detailed scrutiny. Employees who are on temporary contracts should only be budgeted for as long as the funding is definitely in place. Where funding has ceased these posts will be taken out of the budget and any resulting costs budgeted for.

Where permanent employees costs are being met from external funding which has expired this needs to be highlighted and will be subject to further consideration by SLB.

4. **FINANCIAL IMPLICATIONS (DB)**

All implications will be picked up in the Budget process and reflected in the 2012/13 Revenue Budget

5. **LEGAL IMPLICATIONS (AB)**

There are none

6. **CORPORATE PLAN IMPLICATIONS**

This report supports all aims of the Corporate Plan

7. **CONSULTATION**

None

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

<b>Management of significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating actions</b>	<b>Owner</b>
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	That the strategy is applied to produce a balanced budget and demands are matched to resources	S. Kohli

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

The budget process will impact on all areas of the Borough and all groups within the population

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account: [if you require assistance in assessing these implications, please contact the person noted in parenthesis beside the item]

- Community Safety implications

- Environmental implications
  - ICT implications
  - Asset Management implications
  - Human Resources implications
  - Planning Implications
  - Voluntary Sector
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Background papers: None

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