

FINANCE, AUDIT AND PERFORMANCE COMMITTEE – 29 OCTOBER 2012
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)
RE: BUDGET STRATEGY 2013/14

1. **PURPOSE OF REPORT**

To inform members of the Budget Strategy for 2013/14.

2. **RECOMMENDATION**

That the Committee note the Budget Strategy for 2013/14 which will be formally approved by Executive.

3. **BACKGROUND TO THE REPORT**

- 3.1 This budget strategy is presented within an overall national scene of reduced central government funding and the drive towards greater localism with the associated financial uncertainties that this presents, particularly with regard to the localisation of business rates and council tax reform. The national economic and financial challenges have a significant impact on the budgets of this Council and therefore necessitate an even more robust and managed process of budget setting whilst at the same time allowing Members to have some flexibility built into the process in order to act quickly during the financial year to meet specific service demands in priority areas. This strategy aims to provide a framework that will provide for this robustness of budget setting whilst building in an element of flexibility to ensure that the Council continues to deliver quality services to the communities of Hinckley and Bosworth.
- 3.2 When members set the Council Tax for the forthcoming year, 2013/14, the Deputy Chief Executive (Corporate Direction) and section 151 Officer will have a duty under Part II of the Local Government Act to report on the robustness of the budget and the adequacy of the reserves. Clearly the Deputy Chief Executive (Corporate Direction) and section 151 Officer will have significant responsibilities in delivering a robust budget, particularly in determining the resources available and in making the link between the affordability of spending plans and the implications for council tax over the life of the Medium Term Financial Strategy (MTFS).
- 3.3. The Local Government Finance Settlement is the main source of funding and has a gearing effect with the Council Tax. The Comprehensive Spending Review 2010 identified that funding would reduce by up to 28% over the review period. The allocation for 2013/14 is not yet known but will be impacted by certain changes included in the current consultation on Business Rates. Proposed changes include adjusting allocations to ensure that sparsely populated areas receive compensation for lower levels of Council tax. The final allocation for 2013/14 will not be known until December 2012.

3.4. The key issues that impact on the MTFs and therefore the setting of the 2013/14 budget are:

- Current Financial Position including Working Balances/Level of Reserves
- Local Government Finance Settlement
- Outcomes of consultations on Business Rates Retention
- Outcomes of decisions of pooling of Business Rates
- Implementation of a Local Council Tax Benefit Scheme
- Further advancements in Welfare Reform (ie Universal Credit)
- Availability of government funding including New Homes Bonus
- HRA Budget and the impact of Self Financing and rent convergence
- Transformation of services

3.5 The Council's MTFs includes a number of scenarios for the 2013/14 budget based on the potential financial settlement that the Council will receive. The potential requirement from reserves and balances identified by this process frames the key objective of the 2013/14 and the need to ensure that reserves and balances remain stable in the Medium Term:

	2013/14 Standstill (£)	2013/14 Financial Settlement -5% (£)	2013/14 Financial Settlement -10% (£)
Net Budget Requirement after use of Balances and Reserves	10,640,098	10,371,474	10,102,851
Finance Settlement including New Homes Bonus	6,255,096	5,986,472	5,717,849
Total balance and reserves movement	(519,346)	(787,969)	(1,056,593)
Levels of General Fund Balances	1,831,380	1,562,757	1,294,133
Minimum Level of Balances	1,064,010	1,037,147	1,010,285

2013/2014 Budget Assumptions

3.6 The 2013/14 base budget is to be based on the 2012/13 original budget

3.7 All one-off items in the 2012/13 original budget are to be removed and full year effects of part year reductions in 2012/13 implemented. Any savings or additional income identified as part of the last budget round but not being implemented until 2013/14 must be adjusted for the budget

3.8 The following inflation assumptions will be used in the budget process:

3.8.1 *Employees*

- i) Inflationary Increase – 1%
- ii) National Insurance – apply a rate of 7.1%

- iii) Employers Pension Contributions – An Employers Contribution rate of 18.5% will be used with an additional 1.6% being included for Ill Health retirement insurance. These have been confirmed with the Pension Scheme provider.
- iv) A net salary saving of 4% will be applied as in previous years.

3.8.2 *Supplies and Services*

- i) Non Contract – minus 1%
- ii) For contracts it is anticipated that the average rate of RPI will be added to the Council's payments. As such a rate of 3.2% (July 2012) will be applied to 2013/14 contractual costs which is slightly higher than the 3% factored into the MTFS. Where budget holders have knowledge of price rises that differ, adjustments can be made to these budgets to reflect actual price changes

3.8.3 *Fees and Charges*

Where an inflationary increase is called for, the RPI rate of 3.2% will be applied.

3.8.4 *Growth*

It is highly unlikely that any additional money will be available for growth in 2013/14. 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..

3.8.5 *Investment Income*

The Bank of England base rate is currently 0.5%. There is currently little prospect for an upward movement, with some forecasts instead assuming the rate will be decreased in 2013. For prudence, an investment rate of 0.5% will be assumed for 2013/14.

3.8.6 *Savings*

Savings in excess of £0.3million have been identified by COB members and will be factored into the 2013/14 budgets.

4. **FINANCIAL IMPLICATIONS (KB)**

All implications will be picked up in the Budget process and reflected in the 2013/14 Revenue Budget

5. **LEGAL IMPLICATIONS (AB)**

None raised directly by this report.

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:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
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:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: Medium Term Financial Strategy

Contact Officer: Katherine Bennett (Accountancy Manager)

Executive Member: Cllr K Lynch