

BABERGH DISTRICT COUNCIL

From: Strategic and Financial Planning Task Group	Report Number: M147
To: Strategy Committee	Date of meeting: 14 February 2013

FINANCIAL OUTLOOK AND 2013/14 BUDGET

1. Purpose of Report

- 1.1 To advise Members on the medium term financial outlook and the SFP Task Group's views on this along with their proposals relating to the 2013/14 General Fund Revenue Budget and Capital Programme, which will be a 'Transitional Budget', with a view to deciding upon the final proposals to be recommended for approval by the Council on 26 February 2013.
- 1.2 This report updates the position on the financial outlook and the draft Budget for 2013/14 that were presented to Strategy Committee at their meeting on 17 January 2013. Key amendments and additional information since that report was presented are included in this report and are either shown in italics or in the various appendices.
- 1.3 To provide key information on the above including the New Homes Bonus and how it is proposed this should be used.
- 1.4 Specifically, the Government have announced a one-off 'efficiency grant' for rural councils in the final settlement. Babergh will receive £15k and this will need to be reflected in the final Budget that is approved by Council.
- 1.5 The General Fund Budget must be considered alongside a statement from the Chief Financial Officer under section 25 of the Local Government Act 2003 covering the Robustness of Estimates and Adequacy of Reserves.
- 1.6 To consider the views of the Scrutiny Committees before recommending the final Budget proposals to Council.

2. Recommendations to Council

- 2.1 That Members note the information in the report on the financial outlook and the indicative further additional significant reductions in Government funding in 2014/15 and beyond.
- 2.2 To approve the General Fund Budget of £8,845k for 2013/14 based on:
 - (a) A District Council Tax precept of £4,367k reflecting a freeze in Council Tax
 - (b) *Subject to more detailed consideration by Members*, using the New Homes Bonus as indicated in the report (and as also summarised in Appendix E)
 - (c) The potential cost pressures, savings and income referred to in the report.

- 2.3 To approve the proposed General Fund Capital Programme for 2013/14 as shown in Appendix D.
- 2.4 To approve the statement from the Chief Financial Officer under section 25 of the Local Government Act 2003 covering the Robustness of Estimates and Adequacy of Reserves set out in Appendix H.
- 2.5 To approve the following in relation to War Widows Benefits Disregards:
- (a) That the existing housing benefit and council tax benefit modified schemes detailed in this report be amended to confirm the existing full disregard of War Widows and War Disabled Pensions (which includes Guaranteed Income Payments from the Armed Forces Compensation Scheme), above the statutory £10 per week disregard, as income in the assessment of housing benefit;
 - (b) That the Babergh Council Tax Reduction Scheme shall contain provisions to disregard any War Widows or War Disabled Pension (which includes Guaranteed Income Payments from the Armed Forces Compensation Scheme) as income in the assessment of any council tax reduction as detailed in this Report from 1st April 2013.
- 2.6 To note and approve the prescribed wording on empty homes discounts and premiums contained in Appendix F.
- 2.7 To also note that the Council is passing on 100% of the discretionary grant relating to the Council Tax Reduction Scheme to Town and Parish Councils.
- 2.8 To note the estimated Business Rates Income for 2013/14 as per the NNDR 1 return shown in Appendix G.
- 2.9 To approve the 2013/14 transfers to and from reserves shown in Appendix D, subject to final adjustment for use of the earmarked integration reserve.
- 2.10 To approve that the minimum safe contingency level of unearmarked reserves is £1.2m.
- 2.11 That it be noted that the Budget continues to include the net cost of car parking in the District of around £180k per annum and that a clear proposition to remove or reduce this cost in relation to future Budgets remains under review, with a view to this being resolved in 2013 and in time for setting the 2014/15 Budget.

3. Financial Implications

- 3.1 Detailed in the report.

4. Risk Management

- 4.1 This report is most closely linked with a number of the Council's Significant Business risks. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
O3. Failure to act upon the requirements of the Welfare reform Act 2012 and Funding Reforms could lead to unpreparedness for changes due to come into effect in April 2013 and beyond.	Unlikely	Bad	Devised and consulted on a scheme to respond to the proposed Council Tax benefit changes. Consider opportunities and risks relating to the Government's new Business Rate Retention proposals, including adopting a countywide pooling approach.
SIT6. Failure to plan early and identify options to meet the medium term (3 year) and 2013-14 budget gap of both councils to minimise or avoid reductions in service provision.	Unlikely	Bad	Early and rigorous discussions to agree how savings and additional income are to be achieved for the next 3 years and the draft budget proposals for 2013-14.
SIT10. BMI financial milestones are not achieved leading to savings not being realised.	Unlikely	Bad	Set and Review project budget and financial targets alongside the Councils' normal financial governance mechanisms.

4.2 The Chief Financial Officer's statement under section 25 of the Local Government Act 2003 covering the Robustness of Estimates and Adequacy of Reserves is attached at Appendix H.

5. Consultations

5.1 The Council has undertaken a wide ranging Community Engagement exercise to inform its strategic priorities going forward.

5.2 These will inform future resource allocation and Budget re-alignment in terms of achieving agreed outcomes linked to these strategic priorities.

6. Equality and Diversity Impact

6.1 Equality Analyses have been undertaken for the respective service areas where significant changes have been proposed. There have been no negative impacts identified. Copies of the equality analyses can be obtained from the respective Heads of Service.

7. Shared Service / Partnership Implications

7.1 Babergh and Mid Suffolk have worked closely together in formulating joint budget proposals, including joint financial projections. The proposed Budget for 2013/14 reflects this in terms of sharing the costs and savings relating to integration and aligning budgets and charges for services where appropriate.

8. Key Information

Financial Outlook and Strategic Context

- 8.1 Achieving financial sustainability must be one of the Council's key priorities given that the current austerity measures and public sector funding reductions are likely to continue up to 2018.
- 8.2 It has been recognised and accepted that, in order to achieve the outcomes that we want to achieve and rise to the challenge of continued reductions in resources over the next 5 years, 2013/14 is very much a year of Budget transition. Significant changes from integration and transformation will shape and inform future Budgets from 2014/15 onwards.
- 8.3 Looking ahead, it is crucial that Members and officers grasp and understand what the Council's future medium term financial picture may look like. Previous forecasts suggested that Babergh would need to save £3.5m over the next 3 years. *This amount had already risen from a previous assessment of £3m due to the additional measures the Government appeared likely to take in terms of their deficit reduction programme. An initial review and update suggests that this needs revising further to £3.9m, as follows:*

Year	£m
2013/14	1.5
2014/15	1.4
2015/16	1.0
Total	3.9

This will be reviewed further. The aim is then for an updated Medium Term Financial Strategy (MTFS) to be produced in the first half of 2013.

- 8.4 It is clear, therefore, that further 'salami slicing' of budgets will not deliver what is required and that detailed budgets will look very different in future due to the changes in funding arrangements that are taking place. The new integrated management and staffing structure and future service delivery outcomes will be based on the new strategic priorities and be reflected in future Budgets.
- 8.5 The 2013/14 Budget will, therefore, provide the starting point for both Babergh and Mid Suffolk to realign future resources to the new strategic priorities and undertake specific projects to achieve agreed outcomes related to these. So, although a balanced Budget can be achieved for 2013/14, there will clearly be further spending reductions over the next 5 years.

Future Funding Arrangements

- 8.6 These are changing significantly with less general Formula Grant in future and more income expected to come from the retention of 50% of Business Rates. Business rates growth will be a significant factor in maintaining the council's level of income in future years. There is also the significant change in funding on Local Council Tax Support, which also impacts on Town & Parish Councils.

8.7 Members are reminded that Babergh has already seen a 25% cut in Formula Grant over the last 2 years. Future funding from the Government is being targeted and incentivised e.g. based on economic growth, supporting local infrastructure projects and more radical service transformation. Further information on the funding position, based on the Government's spending announcements in late December 2012 is set out below:

- Overall reduction in Formula Funding for England of 1.6%
- Shire Districts reduction 6.8%, continuing previous trends of this sector taking the biggest hit (Shire Counties -5.2%)
- The settlement figures have produced a further increase in the funding gap between rural and urban authorities and the settlement is very bad news for rural areas – see note below
- Babergh's headline Formula Funding in 2013/14 is reduced by £248k or 6.1%
- The Start Up Funding Assessment for Mid Suffolk (which is the new description of the combined previous RSG element of Formula Grant plus the new business Rates element) is 5% less than the equivalent 2012/13 figure
- Looking ahead to 2014/15, the indication is that this will **reduce by a further 12.8% in 2014/15** (national reduction 8.5%).

Note: The July 2012 consultation implied a (post-damping) circa 2.5% closure of the gap in grant funding per head of population between urban and rural areas. SPARSE, supported by rural councils, made strident representations about the fact that some 75% of the gain they proposed in acknowledging (after years of chronic underfunding) the extra costs of serving rural communities was shown to be lost to damping.

However, there looked to be a slight closure of the funding gap. Rather than a slight closure, a comparison of formula funding between 2012/13 and 2013/14 reveals larger year on year reductions in predominantly rural and significant rural areas than in urban areas. Even before these reductions urban areas received about half as much more funding per head as rural areas and this settlement further widens the gap. The figures show overall:

Predominantly Rural Councils - 3.81% reduction in formula funding compared to an Urban - 2.04% reduction

Significant Rural Councils - 5.21% reduction in formula funding compared to an Urban - 2.04% reduction.

8.8 It must be emphasised that the Start Up Funding Assessment is not a fixed guaranteed amount as it is now dependant on variations in business rates income. This will have to be carefully monitored in future as a key performance indicator.

8.9 In relation to Business Rates, the Council has signed up to a Countywide Pooling arrangement. In summary, the terms of the pool are as follows:

- No authority will be worse off as a result of the pooling. £1m will be retained in the pool to establish a future safety net

- The second £1m will be split 50-50 between the Borough/Districts and a Public Sector Leaders fund
- The remainder of the pooled rates income will be split 40% to the Borough/Districts, 40% to the Public Sector Leaders Fund and 20% to SCC
- Suffolk Leaders will recommend how the Leaders fund is spent and each Council will delegate responsibility for taking decisions on behalf of each Council to enable that to happen
- The Leaders fund will be used to support projects coming forward as a result of an agreed county wide economic growth strategy – i.e. on projects of strategic importance to growth across the county
- If agreement cannot be reached on the spending of the Leaders fund it will be distributed 60% to the Borough/Districts and 40% to SCC
- The distribution of the Borough/District share will be split between the 7 councils according to the following formula - 50% on the basis of each council's spending baseline and 50% on basis of growth in each District – so each District still incentivised to deliver growth in their district.

Financial Planning and the 2013/14 Budget

8.10 Specific details of the overall approach to this year's financial planning and Budget setting process are set out below:

- Medium Term savings forecasts have been reviewed and updated throughout the year based on an evolving picture, more recently with the focus on 2013/14
- Further updates for years 2 and 3 have been undertaken based on the details of the Government's spending announcement
- In relation to the 2013/14 Budget, identifying and critically reviewing cost pressures and potential savings or additional income
- Reviewing existing capital programmes - where appropriate reflecting any immediate issues in relation the new strategic priorities.

8.11 If the various proposals and details contained within this report are supported then a balanced budget will be achieved for 2013/14, albeit with some continued temporary use of the New Homes Bonus (NHB) and reliance on further significant savings from integration.

8.12 The draft Budget is based on taking the Government's grant for a further Council Tax freeze, (equivalent to 1% of Council Tax and which will be received for 2 years only).

Assumptions

8.13 A number of key assumptions have been made in formulating the draft Budget proposals and these are seen as the most reasonable that can be made at this point in time. Some of the key aspects are outlined below:

- Integration – additional staff savings of £350k in 2013/14 as a result of voluntary redundancies and implementing the Operational Delivery Teams (ODT's). Provision for a further £100k saving on non-staffing costs

- Aim to achieve additional savings from transformational reviews and a Zero Based Budgeting approach, which will need to continue into subsequent years
- Joint procurement and commissioning reviews – £100k saving target in 2013/14 with further opportunities in 2014/15 when the grounds maintenance service is up for review, the CSD contract ends and in relation to the Future Back Office Services Review (FBOR)
- A range of other savings and additional income totalling over £800k. Appendix B provides further details
- New Homes Bonus – Continued use of £134k (as in 2012/13) to support the Budget generally. Further use of £243k to temporarily support the realignment of staff resources in the ODT's. Remainder of around £1.3m available for strategic priorities - see further details in Appendix E
- Fairly significant sums of income (of around £340k) are included in the proposed Budget that are one-off and that will largely not be available, subject to Member decisions, in 2014/15
- Any costs relating to dealing with Ash Dieback disease to be met from reserves.
- Current Budget (2012/13) assumes £100k general savings/underspend for the year. Assumed this will reduce slightly to £75k in 2013/14
- Given the potential further reduction in Government funding in 2014/15, this creates a big financial challenge that will need to be addressed. The SFP Task Group fully recognise the challenge and will ensure an early start to financial planning in 2013 to arrive at a clear position for 2014/15 onwards.

Note: Further work has been undertaken on assessing the overall position on the Local Council Tax Support Scheme including grants to Town & Parish Councils, which the Council is passing on 100% - overall, the reduced Council Tax income for councils is offset by Government grant - at least for 2013/14.

- 8.14 Members are asked to note that the Budget still includes the net cost of car parking as no firm proposition or conclusion has yet emerged from the discussions with Sudbury Town Council and local businesses on an arrangement to manage car parks and reduce costs. If this does not produce a way forward by the summer of 2013, the Council will have to consider other alternatives as part of the strategic and financial planning process for the 2014/15 Budget.
- 8.15 Contained within this report are the revenue budget estimates for the General Fund and Council Tax for 2013/14. These are summarised later in the report and result in a Budget Requirement of £8,845k. This balances to the resources available and assumes no increase in Council Tax.
- 8.16 The Strategy Committee is required to determine a recommended Budget for consideration by Council on 26 February 2013.
- 8.17 The estimates in this report are based on the recommended capital programme for 2013/14 as well as the Treasury Management Strategy and Prudential Indicators that are being considered elsewhere on today's agenda. Any changes may have a marginal effect on the revenue budget and these will be reflected in the information that is prepared for Council.

2013/14 Budget

- 8.18 A summary of the potential available funding (subject to any final review) is shown below.

	£000
Provisional finance settlement from Government*	3,842
Council Tax Support Grants	469
Council Tax Freeze Grant 2013/14	49
Council Tax Freeze Grant 2011/12	116
Collection Fund Surplus	2
Council Tax (no increase)	4,367
Total	8,845

* *Note: The Government have announced a one-off 'efficiency grant' for rural councils in the final settlement. Babergh will receive £15k and this will need to be reflected in the final Budget that is approved by Council.*

- 8.18 A summary of the 2013/14 General Fund revenue budget estimates is included in the table below, showing a budget requirement of £8,845k in line with the resources available detailed elsewhere in the report.

SERVICE AREA	2012/13	2013/14
	£000	£000
Communities	1,167	1,172
Corporate Organisation	2,094	1,581
Corporate Resources	1,125	1,958
Economy	1,379	1,474
Environment	2,982	2,910
Housing	310	345
Unallocated Savings/Income	(234)	(489)
Sub Total – Direct Expenditure on Services	8,824	8,951
Capital Financing and Investment Income (net)	211	383
Transfers to Reserves	749	936
Transfers from Reserves	(754)	(1,425)
NET BUDGET REQUIREMENT	9,029	8,845

- 8.19 Budgets for service areas have been amended to reflect the new integrated structure. At present the service integration savings are all shown as unallocated. When the Operational Delivery Team posts are all finalised the savings will be allocated appropriately.
- 8.20 Appendices A and B show the breakdown and further detail of the savings and growth items in the table above and have been analysed according to the Service Area. These have been reviewed and appropriate amendments made since the previous report.

- 8.21 Further details on other aspects of the Budget and associated issues are shown in the other appendices.
- 8.22 The transfers to and from reserves include the New Homes Bonus. There is further detail on this later in the report.

Integration and Transformation

- 8.23 *The final Budget for 2013/14 will allow for estimated costs and savings relating to integration and transformation. Transitional integration costs and the costs associated with transformational reviews will be met from the earmarked reserve. A specific sum for savings from the reviews has not been included in the Budget as these will arise towards the end of the year and are uncertain. It is, however, important that savings are made to help with the 2014/15 Budget savings that will be needed. (Note: Some of these amounts still need to be incorporated in the tables shown elsewhere in the report, but will be included in the final Budget position presented to Council in February).* Transitional costs, including those relating to redundancies, will be capitalised (if possible) or met from either general or earmarked reserves that the Council has agreed to set aside.
- 8.24 The 2013/14 Budget proposals are based on the following assumptions on staffing budgets, including assumed savings from the ODT proposals. A realistic but cautious view has been taken pending the outcome of further work on pay and gradings, as follows:

	Joint Savings £000
Total estimated integration/staff savings to date (Tiers 1-4 and VR's) compared to 2012/13 Budget	1,550
Less: assumed proportion to the HRA	-200
Less: assumed integration savings in 2012/13 General Fund Budgets (staff and non-staff)	-1,100
Additional annual saving	250
Assumed ODT savings in 2013/14 (£560k x 80% to allow for part-year or reduced savings)	450
Total	700
	(£350k per Council in 2013/14)

- 8.25 In terms of integration costs, there is approximately £0.75m in earmarked reserves that is available for further redundancy and other transitional costs in the current and future years. No announcement on further capitalisation directions in 2012/13 or future years has been made by the Government, although the LGA is pressing for one.
- 8.26 Allowing for redundancy costs that were paid out in 2012/13 but accounted for in 2011/12, it is estimated that there will be no further call on the earmarked reserves this year in relation to these, but that £200k to £250k per council could be needed in 2013/14 in relation to the ODT proposals, which could be accounted for in 2012/13 as a 'provision'.

- 8.27 Other joint transitional costs of £100k for each council, as per the business case, are anticipated this year (+ a further £50k estimated for pay protection costs). In addition, an appropriate allowance has also been made in 2013/14 for both of these, as well as providing for any costs relating to the planned transformational reviews.
- 8.28 Costs relating to transformational reviews will have to be met from the remaining balance of around £250k that will be left in earmarked reserves, unless this can be increased as a result of the 2012/13 financial outturn and any additional financial capacity in the Budget for 2013/14.

General Fund Reserves

- 8.30 There was just over £1.2 in earmarked reserves as at April 2012, excluding Government grants of £0.4m that will be used for specific purposes. Most of the £1.2m relates to the Integration reserve, New Homes Bonus and a provision for legal costs. It is anticipated that most of these reserves will be used in either this year or next year (see Appendix D for further details). In addition to this there will be around £1.2m in the General Fund general reserve/ working balance.
- 8.31 The report made by the Chief Financial Officer under Section 25 of the Local Government Act 2003 is attached at appendix H and recommends that non-earmarked reserves be maintained at a minimum of £1.2m i.e. the same level as approved for 2012/13.
- 8.32 Planned transfers to and from reserves that will form part of the final Budget for 2013/14 are shown below (subject to final adjustment in relation to use of integration reserve):

	£'000	£'000
<u>Transfers to Reserves</u>		
Elections Fund	20	
New Homes Bonus	856	
		876
<u>Transfers from Reserves</u>		
Integration	200	
Legal Costs	100	
New Homes Bonus	1,012	
Welfare Reform	3	
General Reserves	110	
		(1,425)
Net Transfer		(549)

- 8.32 The table below shows the potential balance on earmarked reserves at the end of 2013/14 based on known/estimated contributions and withdrawals A more detailed analysis of Reserves is shown in Appendix D.

Estimated balance of earmarked reserves at 1 April 2013	£'000 1,356
Planned additions to earmarked reserves in 2013/14 inc NHB	876
Planned withdrawals from/use of earmarked reserves in 2013/14	(1,315)
Estimated balance of earmarked reserves at 1 April 2014	917

- 8.33 Budget monitoring for 2012/13 shows that it may be possible to make a further contribution to reserves at the end of this financial year, but as this will not be certain until after March 2013, this has not been built into the figures indicated above.

Local Government Finance Settlement

- 8.34 *This is covered earlier in the report. Officers have examined the provisional settlement figures and supporting information and a response made to the Government as follows:*

“Babergh District Council is very unhappy with the proposed settlement as it:

- (a) Totally fails to recognise the additional cost of providing rural services. We fully endorse, therefore, the response submitted by SPARSE Rural/The Rural Services Network.*
- (b) Results in Shire Districts yet again bearing the biggest proportion of the cuts, which has also been the case in previous settlements.*
- (c) Will take, we understand, a further 13% away from the Council in 2014/15. This will mean that total formula grant funding will have reduced by a massive 44% over the 4 years of the Comprehensive Spending Review period – well in excess of the headline 28% average published by the Government.*
- (d) Fails to recognise in any way the innovative approach to integrating and transforming services with our neighbouring council, Babergh.*

In relation to (d) we have met with Brandon Lewis MP, which he fully acknowledged and indicated that this should be recognised in the settlement. We strongly urge the Government to do so and correct (without damping) the unfairness in funding between rural and urban authorities.”

- 8.35 It should be emphasised that the new ‘baseline’ funding is part fixed (the old RSG element) but is also part dependent on business rates income - growth would be anticipated but there could be reductions also. *Members are asked to note the Business Rates Income estimate attached at Appendix G as submitted to the Government (the NNDR 1 return).* The provisional grant settlement is subject to consultation, confirmation and final determination by Parliament in early February.

Council Tax, the Taxbase and Council Tax Support Scheme

- 8.36 The Council tax base, expressed in “Band D equivalents”, to be used when setting the 2013/14 Council Tax has been set at 30,353.35 - a reduction of approaching 10% on the 2012/13 figure, which is a combination of growth and the impact of the new Local Council Tax Support Scheme, offset by the reduction in discounts for second and empty homes.
- 8.37 The reduction in taxbase is because the total cost of the new Local Council Tax Support (Reductions) Scheme is now part of the Taxbase calculation. Using this new taxbase and the current Band D council tax figure of £143.86, the Council will be able to raise £4,367k from Council Tax in 2013/14, which is £463k less than in 2012/13. The reduced Council Tax income that results from this is made good by a specific Government Grant towards the cost of the Local Council Tax Support scheme. These changes have been built into the proposed final Budget.
- 8.38 The impacts of the new arrangements for Local Council Tax Support (Reduction) Schemes on Town & Parish Council taxbases for 2013/14 and the level of grant we will pass onto them under the Government’s new funding arrangements has been finalised and Parishes notified accordingly. *The funding and grant position for 2014/15 onwards is, however, unclear for districts and parishes. It appears that there may be no specific ongoing financial provision by the Government for this and parishes have been advised accordingly. The council will need to keep this under close review and work with parishes as necessary.*
- Note: In relation to disregard of War Widows pension for Council Tax Support, it is proposed that this continues. Appendix F sets out some further information relating to this and also, for the avoidance of doubt, summarises the position on future discounts and premiums relating to empty homes (as agreed by the Council in December 2012).*
- 8.39 It currently appears that a significant number of Councils nationally may not be accepting the Government’s Council Tax freeze grant. However, it appears that all of the other Suffolk Councils other than perhaps Ipswich will not have an increase in Council Tax. Having a Council Tax increase next year could result in potentially negative publicity and would only raise around an extra £50k a year - based on a maximum increase below the Government’s new trigger for a referendum of 2%.New Homes Bonus.
- 8.40 Based on notification from the Government, the Council will receive £856k New Homes Bonus in 2013/14, Further details of the cumulative sums received and the forecast use up to and including 2013/14 are set out in Appendix E. Members will note that some use is proposed in 2013/14 to realign staff resources as part of the ODT proposals.
- 8.41 Assuming similar future growth, an estimate of the NHB allocations that might be received in the next few years is provided in the table below. After 2016/17, the Government’s current intention is that this will reduce gradually over the six years that follow i.e. from 2017/18:

Year of growth	14/15 £000	15/16 £000	16/17 £000
2011/12	295	295	295
2012/13	335	335	335
2013/14	226	226	226
2014/15	300	300	300
2015/16		300	300
2016/17			300
Total	1,156	1,456	1,756

8.42 In terms of temporary use of NHB to support re-alignment of the ODT's to deliver its strategic plans, it should be noted that this funding is time-limited.

8.43 In terms of using the remaining funding to support projects and activity that will produce clear outcomes in relation to the Council's strategic priorities and plans, Strategy Committee are asked to consider and endorse the following broad principles and strategy for 2013/14 in terms of financing the Council's strategic plans and priorities:

- Use some NHB to temporarily fund the realignment of resources and develop the capacity of the ODT's to deliver the Council's strategic priorities i.e. a Transition Fund
- Use the remainder to support the overall Growth and Economic Generation Strategy and generate future revenue/income
- Allocate and spend most of the remaining £2m on specific projects or activities that are linked to the above and the new strategic priorities – with an appropriate capital/revenue split, linked to specified outcomes and, where appropriate, the capital strategy
- Ensure that most of this (say 80%) is aimed at schemes that generate income and the remainder (20%) is spent on other projects.

8.45 Allocation of NHB to specific priorities and projects will take place in the first half of 2013 as part of the next phase of the Strategic and Financial Planning process. Future NHB sums i.e. from 2014/15 onwards will be allocated as part of future annual strategic and financial planning processes. As part of this, a clear view will be needed on removing the £134k annual amount of NHB that is currently being used to support the Council's Base Budget.

Capital Strategy and General Fund Capital Programme

8.46 Officers are reviewing the capital strategy and, subject to the outcome of this review, have only made one major change/addition to the current capital programme, which is to include an annual provision for opportunity land/asset purchases/regeneration projects of £300k a year to support the Council's strategic priorities.

- 8.47 Based on this, indicative additional borrowing levels for the next 4 years for the Council (depending on capital receipts/asset disposal levels) are as follows:

Year	£000
2013/14	624
2014/15	1,868
2015/16	915
2016/17	2,564
Total	5,971

- 8.48 These are significant amounts and annual costs of these levels of borrowing will have to be funded from future revenue budgets - depending on interest rates and the nature/level of additional external borrowing each year.
- 8.49 The proposed programme (which has been amended slightly since the last report) is attached at Appendix D. Approval is sought to the items in 2013/14, with the future items being included for illustrative purposes. The council housing programme, including the plans for the first five years will be agreed as part of the HRA Business Plan.

Indicative Council Tax for 2013/14

- 8.50 The budget (precept) requirements of Parish / Town Councils must be aggregated with the requirement of this authority, against which Government support is deducted in order to arrive at an average Council Tax figure for the district / parish purposes. This figure however is totally hypothetical and will not be paid by any taxpayer (other than by coincidence). Total parish precepts are deducted from the average amount of Council Tax for Band D properties where no Parish / Town Council precept applies. Individual Parish / Town Council precepts are then added to the basic amount to determine the level of tax applicable to each parish area. A schedule of the precept requirements from Parish / Town Councils will be reported to Council on 26 February.
- 8.51 Government support by way of the Local Government Finance Settlement is paid directly to each principal authority. Therefore, the County and Police and Crime Commissioner's precept requirements reflect the amount required solely from Council Tax.
- 8.52 The legally required calculation is set out below, based on the **estimated** Parish / Town Council precepts and the **anticipated** precepts from Suffolk County Council and the Police and Crime Commissioner:
- 1) The General Fund budget requirement for the District Council purposes will be based on no increase in Council Tax, currently £143.86 for a Band D property.
 - 2) The County Council precept requirement based on the recommendation to its Members at a meeting on 15 February. This would require a Band D Council Tax of £1,126.53 – no increase on the previous year.

- 3) The Police and Crime Commissioner's precept requirement will be considered at a Members meeting on the 8 February. At the time of preparing this report, it is understood that the Police and Crime Commissioner is considering no increase in Council Tax, currently representing a Band D Council Tax of £166.77.
- 4) At the time of preparing this report, not all Parish / Town Councils had supplied formal notification of their 2013/14 precept. The final figure, when known, will be inserted and the papers for Council will include the final figures together with a complete list of Town / Parish precepts.

Calculation of Council Tax Levels 2013/14

	2013/14 Budget Requirement £	2013/14 Council Tax at Band D £	2012/13 Budget Requirement £
Babergh District Council			
General Fund Budget Requirement			
- District Council Purposes	8,895,130	293.05	9,079,360
- Estimated Parish / Town Council Precepts (net of Council Tax Support Scheme grant)	2,154,060	70.97	2,236,311
	11,049,190	364.02	11,315,671
Government RSG / NNDR Distribution	-3,842,280	-126.59	-4,089,760
Surplus on Collection Fund in 2013/14	-2,300	-0.08	6,230
Council Tax Freeze Grant 2011/12	-115,980	-3.82	-115,980
Council Tax Freeze Grant 2013/14	-48,660	-1.60	0
Homelessness Prevention Grant	-50,000	-1.65	-50,000
Council Tax Support and Transition Grant	-469,280	-15.46	0
BDC's basic amount under section 33 of the 1992 Local Government Act	6,520,690	214.83	7,066,161
Less: - Estimated Parish / Town Council Precepts	-2,154,060	-70.97	-2,236,311
Basic amount under section 34 of the 1992 Act for dwellings to which no special items relate	4,366,630	143.86	4,829,850
SCC precept requirement	34,193,959	1,126.53	37,821,262
Suffolk Police and Crime Commissioner's Requirement	5,062,028	166.77	5,599,009
Estimated Basic amount for areas where there are no special items	43,622,618	1,293.30	48,250,121

8.54 The amount of Babergh District council tax, by each council tax band is summarised below. There is no change to the Council Tax figures compared with 2012/13.

Band	Taxable Properties in Each Band *		Proportion of Band D	2013/14 Babergh Council Tax £
	No.	%		
A	4,536	11.7	6/9ths	95.91
B	11,446	29.5	7/9ths	111.89
C	7,905	20.4	8/9ths	127.88
D	6,918	17.9	9/9ths	143.86
E	4,016	10.4	11/9ths	175.83
F	2,156	5.6	13/9ths	207.80
G	1,584	4.1	15/9ths	239.77
H	172	0.4	18/9ths	287.72
Total	38,733	100.0		

* To be updated for latest figures

9. Summary

- 9.1 The proposed Budget for 2013/14 includes the potential cost pressures and the various proposals for savings and additional income, as outlined in Appendices A and B of this report. If these proposals are supported, a balanced budget can be achieved for 2013/14.

10. Appendices

Title	Location
A - Savings and Income - 2013/14 Budget	Attached
B - Cost Pressures - 2013/14 Budget	Attached
C - Proposed Capital Programme for 2013/14 to 2016/17	Attached
D - General Fund Reserves	Attached
E - New Homes Bonus	Attached
F - Council Tax Reduction Scheme	Attached
G - Business Rates Income - Initial estimate for 2013/14	Attached
H - Section 25 report on the robustness of estimates and adequacy of reserves	Attached
I – Views of the Scrutiny Committees	Attached

11. Background Documents

Local Government Finance Settlement.

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Corporate Manager - Finance

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SAVINGS AND INCOME - 2013/14 BUDGET

	Amount £000
<u>Corporate Resources</u>	
Integration and transformation including Zero Based Budgeting	350*
Joint commissioning and procurement savings	100
Integration and transformation - non-staff costs	100
Shared Revenues Partnership	77
Savings on IBS Licences and realignment of Software licence costs (resulting from SRP)	51
Reduction in contribution to Welfare Reform Reserve	40
Misc Items under £10k	48
<u>Economy</u>	
Additional income from 15% increase to planning fees	57
Potential fees from Chilton Woods Planning application	125
Pre Application (Planning) charges/S.106/TIC add'l income	30
Misc Items under £10k	4
<u>Environment</u>	
Additional recycling credits	122
Increase in Garden Waste customers	66
Increase in rebate from MRF recycling facility due to improved selling prices	19
Saving on CSD Public Access Charge (Joint Waste Contract)	20
Additional licensing income from self-set fees	13
Misc Items under £10k	36
<u>Housing</u>	
Additional Homelessness Grant	10
<u>Corporate Organisation</u>	
Misc Items under £10k	14
<u>Central Items</u>	
MMI Claim	130
Collection Fund surplus	8
Council Tax Freeze Grant – one off in 2013/14	49
Sub Total	1,469
Council Tax Support and Transition Grant	469
TOTAL	1,938

Note: Additional efficiency grant of £15k announced by the Government on the 5 February still to be reflected.

POTENTIAL COST PRESSURES - 2013/14 BUDGET

	Amount £000
<u>General Service Items</u>	
Housing Benefit/Council Tax Benefit costs	40
Reduction in vacancy management target	75
Pension Contributions	39
<u>Inflation</u>	
Pay/Major/other contracts	134
Other supplies/services	11
Premises/transport	7
Utilities	3
<u>Corporate Resources & Corporate Organisation</u>	
Land Charges income reduction	18
Various software costs	17
Reduced income from CTax summons costs	12
Reduced Transitional relief from NNDR revaluation	11
Misc Items under £10k	34
<u>Communities</u>	
Misc Items under £10k	10
<u>Housing</u>	
Babergh Response service being run down	29
Misc Items under £10k	18
<u>Economy</u>	
Building control income reduction	135
Planning fees income reduction	57
Planning costs (Chilton Woods)	100
Misc Items under £10k	9
<u>Environment</u>	
Trade Waste Income – reduced customers	45
Waste Gate Fees	36
Recycling Banks – net change in expenditure & Income	30
Parking Excess Charge Notices	15
Misc Items under £10k	29
<u>Central Items</u>	
Reduction in the use of general reserves	50
Reduced Investment income	8
Estimated increase in General Fund borrowing costs	164
<u>Reduction in Government Grants etc.</u>	
Formula Grant	248
HB/CTB Admin Grant	91
Sub Total	1,475
Council Tax Base reduction (net of reduction in discounts)	463
TOTAL	1,938

PROPOSED CAPITAL PROGRAMME FOR 2013/14 TO 2016/17

	2013/14 Budget £'000	2014/15 Budget £'000	2015/16 Budget £'000	2016/17 Budget £'000
General Fund				
Private Sector Housing				
Mandatory Disabled Facilities Grant	248	335	335	335
Discretionary Housing Grants	90	100	100	100
Grants for Affordable Housing	166	50	50	50
Total Private Sector Housing	504	485	485	485
Waste and Environmental Services				
Replacement Refuse Freighters - Joint Scheme	150	150	-	1,650
Air Quality Management	2	-	-	-
Total Waste and Environmental Services	152	150	-	1,650
Cultural and Community Services				
Planned Maintenance / Enhancements - Car Parks	40	40	40	40
Street Parking Improvements	8	8	8	8
Planned Maintenance / Enhancements - Kingfisher	112	114	65	65
Planned Maint / Enhancements - Hadleigh Pool	25	25	25	25
Play Equipment	25	25	25	25
Broadband Development	50	-	-	-
Community Development Grants	198	129	129	129
Total Cultural and Community Services	458	341	292	292
Contracts and Property				
Planned Maint / Enhancements - Hadleigh HQ	45	35	35	35
Planned Maint / Enhancements - Other Corp Bdgs	60	40	40	40
Carbon Reduction	150	100	-	-
Belle Vue Refurbishment / Replacement	400	400	-	-
Total Contracts and Property	655	575	75	75
Corporate Services				
ICT - Web Site Enhancements	25	-	-	-
ICT - E-Mail Archiving	10	-	-	-
ICT - Hardware / Software Refresh	40	40	40	40
ICT - Disaster Recovery Plan	10	10	10	10
ICT - Information Strategy Outcomes	15	-	-	-
ICT - Shared Service Working	40	-	-	-
ICT costs related to joint working with Mid Suffolk	517	252	-	-
Regeneration Fund	300	300	300	300
Total Corporate Services	957	602	350	350
Total General Fund Capital Spend	2,726	2,153	1,202	2,852
General Fund Financing				
External grants and contributions	346	222	222	222
Capital Receipts	1,756	63	65	66
Borrowing - unsupported	624	1,868	915	2,564
Total General Fund Financing	2,726	2,153	1,202	2,852

GENERAL FUND RESERVES**General Reserves**

	2011/12	2012/13	2013/14
	Actual	Original*	Budget
	£000	£000	£000
Opening balance - 1 April	2,043	1,731	1,321
(Use)/Addition	(312)	(410)	(110)
Closing balance - 31 March	1,731	1,321	1,211

* Including estimated Budget Carry Forwards from 2011/12

Earmarked Reserves

	BMI	Legal Costs	Elections Fund	Welfare Benefits Reform	New Homes Bonus	Total
	£000	£000	£000	£000	£000	£000
Opening Balance 1/04/2012	736	150	0	10	346	1,242
Addition 2012/13			20	100	578	698
Use 2012/13	(400)	(50)			(134)	(584)
Estimated Balance 31/03/2013	336	100	20	110	790	1,356
Addition 2013/14			20		856	876
Use 2013/14	(200)	(100)		(3)	(1,012)	(1,315)
Available Balance in 2013/14	136	0	40	107	634	917

Note

The estimated use of earmarked reserves indicated in 2012/13 and 2013/14 depends on when costs and expenditure is incurred, some of which is outside the Council's control. In relation to the use of New Homes Bonus an assumption has been made that 50% of the sum available will be spent in 2013/14.

New Homes Bonus

(Annual sums received are year-on-year cumulative, including allocations for previous years)

	£000
Amounts Received:	
2011/12	294
2012/13	630
Agreed Use:	
2011/12	-
2012/13	-134
Current Balance	790
2013/14 Allocation	856
Proposed Use:	
2013/14 Base Budget	-134
For re-alignment of staff resources	-243
Available for Strategic Priorities	1,269

Notes

1. 2013/14 cumulative amount includes provisional allocation of £226k.
2. The Council is using £134k as general support to the overall Budget in 2012/13, which is likely to have to be repeated in 2013/14.
3. Some of the £1,269k available for strategic priorities to be used to progress work on the CIL and other projects that will generate additional income and/or future savings.

Council Tax Reduction Scheme**War Widows Benefit Disregards**

- 1.1 The legislation allows the Council to modify both benefit schemes so as to disregard all, or part, of any War Widows Pension or War Disabled Pension as income in the assessment of those benefits, over and above the statutory disregard of £10 per week.
- 1.2 Further legislation in 2007 added Guaranteed Income Payments made under The Armed Forces Compensation Scheme (AFCS) to the definition of War Widows Pension or War Disabled Pension.
- 1.3 This is the only local modification of the two national benefit schemes that the legislation allows.
- 1.4 Following a campaign by the British Legion and other ex-services organisations in the 1990s, every Council in England and Wales has exercised this power, the vast majority, including all seven District and Borough Councils in Suffolk, choosing to disregard the entirety of such pensions.
- 1.5 It is proposed that the Council:-
- a. Continues such disregard in housing benefit;
 - b. Notes the cessation of that disregard in council tax benefit following the abolition of that benefit on 31st March 2013;
 - c. Approves that the Mid Suffolk council tax reduction scheme, which replaces the national council tax benefit scheme from 1st April 2013, continues that disregard in full.

Empty Homes Discounts and Premiums

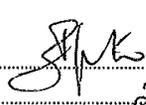
The following prescribed wording to be approved:

Prescribed Class	BDC
A & B unoccupied furnished property	No discount
C unoccupied / unfurnished property	100% reduction for 4 wks then 100% charge
C unoccupied & unfurnished property (empty for at least 2 years)	50% premium
D unoccupied , unfurnished property undergoing structural repairs	30% reduction (12 mths maximum)

When calculating entitlement to a reduction under these classes unoccupied continuous periods prior to the 1st April 2013 will be taken into consideration. Further more in considering whether a dwelling has been in Class C for any period, any one period, not exceeding six weeks, during which it was not in this Class C shall be disregarded.

Business Rates Income - Initial estimate for 2013/14

 <p>Department for Communities and Local Government</p>		<p>NATIONAL NON-DOMESTIC RATES RETURN 1 NNDR1 2013-14</p> <p>Please e-mail to : nndrstatistics@communities.gsi.gov.uk</p> <p>Please enter your details after checking that you have selected the correct authority name.</p> <p>Please check the figures shown in the cells with a blue border and enter your own figures if you disagree with those suggested.</p> <p>A provisional version of the form should be returned to the Department for Communities and Local Government by Monday 7 January 2013</p> <p>The final version of this form, including a signed copy, must also be sent to the Department for Communities and Local Government by Thursday 31 January 2013</p>													
<p>Select your local authority's name from this list:</p>		<table border="1"> <tr><td>A. Ashbury Vale</td></tr> <tr><td>B. Bognor</td></tr> <tr><td>C. Eastleigh and Dagenham</td></tr> <tr><td>D. Barnet</td></tr> <tr><td>E. Barnsley</td></tr> <tr><td>F. Barnwood Furness</td></tr> <tr><td>G. Babergh</td></tr> <tr><td>H. E3531</td></tr> <tr><td>I. Andrew Wilcock</td></tr> <tr><td>J. 01473 432694</td></tr> <tr><td>K. 01473 433972</td></tr> <tr><td>L. andrew.wilcock@pawish.gov.uk</td></tr> </table>		A. Ashbury Vale	B. Bognor	C. Eastleigh and Dagenham	D. Barnet	E. Barnsley	F. Barnwood Furness	G. Babergh	H. E3531	I. Andrew Wilcock	J. 01473 432694	K. 01473 433972	L. andrew.wilcock@pawish.gov.uk
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L. andrew.wilcock@pawish.gov.uk															
<p>Check that this is your authority : Check that this is your E Code : Local authority contact name : Telephone number of local authority contact : Fax number for local authority contact : E-mail address of local authority contact :</p>		<p>Ver 1.4</p>													
1. Number of hereditaments on the rating list on 30 September 2012		3,087													
2. Aggregate rateable value on the rating list on 30 September 2012		£ 68,320,131													
GROSS CALCULATED RATE YIELD			£												
3. Enter line 2 x small business non-domestic rating multiplier (0.462)			26,943,900.52												
MANDATORY RELIEFS															
Small business rate relief			£												
4. Additional yield generated to finance the small business rate relief scheme		417,140.28													
5. Cost of small business rate relief for properties within billing authority area		1,871,519.20													
6. Net cost of the small business rate relief (Line 5 minus Line 4)			1,454,378.92												
7. Cost of relief to charities			1,541,170.01												
8. Cost of relief to Community Amateur Sports Clubs			52,365.79												
9. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops			90,440.59												
10. Cost of relief for partly occupied premises			0.00												
11. Cost of relief for empty premises			897,463.41												
12. Total mandatory reliefs (Sum of lines 6 to 11)			4,035,818.72												
DISCRETIONARY RELIEFS															
13. Cost of relief to charities			38,502.71												
14. Cost of relief to non-profit making bodies			4,728.66												
15. Cost of relief to Community Amateur Sports Clubs			6,860.17												
16. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops			75,083.90												
17. Cost of relief to other rural businesses			21,928.83												
18. Other Section 47 reliefs (Localism Act discounts)			0.00												
19. Total discretionary reliefs (Sum of lines 13 to 18)			147,124.27												
20. Gross Rate Yield after reliefs (Line 3 minus lines 12 & 19)			22,760,957.53												
21. Estimate of 'losses in collection'			209,923.00												
22. Allowance for Cost of Collection			126,602.43												
23. Special Authority Deductions - City of London Offset			0.00												

NATIONAL NON-DOMESTIC RATES RETURN 1 2013-14		Babergh
Ver 1.4		
Section 2		
Enterprise Zones		
24. Estimated level of discount to be awarded in 2013-14	£	0.00
25. Estimated value of non-domestic rates in the Enterprise Zone area in 2013-14	0.00	0.00
26. Enterprise Zone baseline	0.00	0.00
27. Total estimated value of business rates to be retained in 2013-14 (Line 25 minus line 26)		0.00
New Development Deals		
28. Estimated value of non-domestic rates in the New Development Deals area in 2013-14	0.00	0.00
29. New Development Deals baseline	0.00	0.00
30. Total estimated value of business rates to be retained in 2013-14 (Line 28 minus line 29)		0.00
Renewable Energy Schemes		
31. Total estimated value of business rates to be retained in 2013-14		0.00
32. Net Rate Yield excluding transitional arrangements and rate retention (Line 20 minus the sum of lines 21 to 23, 27, 30 & 31)		22,424,432.10
Rate retention adjustments		
33. Estimate of the change in rateable value between 1 October 2012 and 30 September 2013		1,500,000.00
34. Estimate of the change in receipts as a result in the change in rateable value (line 33 times the multiplier)		693,000.00
This equates to a percentage change of	%	2.57
35. Local authority's estimate of adjustment due to appeals		1,104,958.00
36. Net Rate Yield excluding transitional arrangements but after rate retention adjustments (Line 32 plus lines 34 and minus line 35)		22,012,474.00
Section 3		
Transitional arrangements		
37. Addition revenue received because reduction in rates have been deferred	4,883.56	4,883.56
38. Revenue foregone because increase in rates have been deferred	98,818.61	98,818.61
39. Net cost of transitional arrangements (Line 38 minus line 37)		93,935.05
40. Net Rate Yield after transitional arrangements and rate retention (Line 36 minus line 39)		21,918,539.00
NNDR Summary for : Babergh		
These figures show the percentage shares of the NNDR you estimate your authority will collect in 2013-14. They are based on line 36. See the <i>Tier Split</i> tab for full information		
Amount of NNDR to be paid to central government	£	11,006,237.00
Amount to be retained by Babergh under the rates retention scheme		8,804,990.00
Amount to be passed to Suffolk		2,201,247.00
Certificate of Chief Financial Officer		
I certify that the entries in lines 3, 12, 19, 20, 36, 39 and 40 of this form are the best I can make on the information available to me and that the figures given in lines 1 and 2 used in the calculating the amount shown in lines 36 and 40 are, to the best of my knowledge and belief those shown in the rating list for my authority as at 30 September 2012, subject to any order made before 15 January 2013 under the Local Government Act 1972 implementing boundary changes. I also certify that the authority has made proper arrangements for securing efficiency and effectiveness in relation to the collection of non-domestic rates. I also certify to the best of my knowledge and belief that any amount included as legal costs in line 22 and discretionary relief in line 24 meet the conditions set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.		
Chief Financial Officer :		
Date :	28/1/13	

Section 25 report on the robustness of estimates and adequacy of reserves

1. Background

- 1.1 Section 25 of the Local Government Act 2003 requires Councils, when setting its annual General Fund Budget and level of Council Tax, to take account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves. This report fulfils that requirement for the setting of the budget and Council Tax for 2013/14.
- 1.2 This is to ensure that when deciding on its budget for a financial year, Members are made aware of any issues of risk and uncertainty, or any other concerns by the Chief Financial Officer (CFO). The local authority is also expected to ensure that its budget provides for a prudent level of reserves to be maintained.
- 1.3 The CFO has assessed that the minimum safe contingency level is £1.2m (the same figure as 2012/13).
- 1.4 Section 26 of the Act empowers the Secretary of State to set a minimum level of reserves for which a local authority must provide in setting its budget. Section 26 would only be invoked as a fallback in circumstances in which a local authority does not act prudently, disregards the advice of its CFO and is heading for financial difficulty. The Section 151 Officer and Members, therefore have a responsibility to ensure in considering the budget that:
- It is realistic and achievable and that appropriate arrangements have been adopted in formulating it
 - It is based on clearly understood and sound assumptions and links to the delivery of the Council's strategic priorities
 - It includes an appropriate statement on the use of reserves and the adequacy of these

2. Basis of Advice for Section 25 Report

- 2.1 In forming the advice for this year's Section 25 report, the CFO has considered the following:
- The requirement established in the Council's Medium Term Financial Strategy (MTFS) to ensure that a safe contingency level of reserves is maintained.
 - The degree to which the Council's financial plans are aligned to the Council's statutory obligations, local priorities and policy objectives.
 - The adequacy of the information systems underpinning the Council's financial management processes.
 - Risks associated with the Council's activities, as identified within the risk register.
 - The level of earmarked reserves and unearmarked reserves within the General Fund and the degree to which uncertainties exist within the proposed 2013/14 budget.

3. Robustness of Estimates

3.1 In terms of the overall approach to financial planning and setting the budget, the following aspects increase confidence in the robustness of estimates:

- Management Board and other senior officers have carefully considered changes in cost pressures and income.
- Key assumptions have been made and updated during the budget process to reflect the changing economic position and latest information.
- Existing and new risks and uncertainties have been identified and carefully considered.
- Detailed scrutiny, review and challenge of budgets by finance officers and senior management.
- The Scrutiny Committees have reviewed the proposed Budget for 2013/14 and their views are provided with the Budget report.

3.2 No Budget can, however, be completely free from risk and these are still prevalent in the ongoing financial climate, the changes required of councils and the need to find very significant savings year-on-year. Babergh's integration plans with Mid Suffolk are a key example of this. Assumptions, therefore, have to be made which means that the Budget will always have a certain amount of uncertainty. The following are the main areas identified:

- **Government Funding Reforms** - The Council's funding from 2013/14 onwards now includes a reliance on business rates income. In the past, this was passed over in full to the Government but Councils retain 50% of what is collected from April 2013. The risks of bad debts and rating appeals, therefore, affect the Council's income. An allowance has been made for these and some growth, but the actual amount of income could be higher or lower than this. The Council has included the amount reflected in the Government's 'baseline assessment' in the 2013/14 Budget (High Risk)
- **Benefits Caseload and Welfare Reforms** – Pressures could increase as a result of the economic climate. The Budget for 2013/14 has been put together on the assumption that current levels of activity will continue or only increase slightly throughout next year. An allowance has been included in the Budget to deal with potential cost pressures and the Government's welfare reforms, including non-collection of Council Tax as a result of the new Local Council Tax Support Scheme. There is also a reserve that was created in 2012/13 to help with this. (High/Medium Risk)
- **Shared Revenue Partnership (SRP)** - The SRP between Ipswich Borough Council and Babergh and Mid Suffolk District Councils became operational from May 2011 in Grafton House, Ipswich. The Council's Budget for 2013/14 includes its agreed contribution to SRP under the business case. The Partnership is now well established and overseeing the new shared service, but there is still some financial risk for each of the partner councils. (Low Risk)

- **Capital Financing Costs** - These are influenced by variable factors such as cash flow, variations in the capital programme, interest rates, availability of capital receipts and other sources of capital funding and borrowing/financing costs. Complex regulations also exist, which contribute to the difficulty in producing reliable estimates. (Medium Risk)
- **Income** - Whilst the Budget for 2013/14 has been prepared on the basis of trying to ensure that income estimates are realistic and achievable, with specific allowances for increased or reduced income on specific services, it is unknown as to how the economy and customer demand will fare during next year. The amounts included in the Budget, along with estimates for any new/increased charges being introduced from April 2013, are therefore unproven and variances may occur. (Medium Risk)
- **Inflation and Other Cost Pressures** – Allowances for inflation have been made on some budgets including major contracts, where there is a contractual requirement to do so. Where appropriate, higher inflation allowances have been made for major contracts where multi-cost indexing mechanisms apply that reflect energy, fuel and other costs. (Low Risk)
- **Salary Savings from Staff Vacancies Management** – The previous allowance in the Budget of £125k has been reduced to £50k as the Integrated staffing structure will be fully in place in early 2013/14. Any additional vacancy savings that are made will, however, be helpful in terms of the future savings that will be needed from 2014/15 onwards and there will still be an ongoing rigorous challenge of the need to fill vacant posts. (Low Risk)
- **Integration with Mid Suffolk District Council** - The Section 151 Officers of Babergh and Mid Suffolk have prepared estimates based on the business case approved in late 2011 and the latest information on the potential costs and savings for the integration and transformation plans between the two councils. An assessment has been made as to the level of costs and savings that are forecast to arise in 2012/13 and 2013/14 and included within the budget. There is an assumption that the two councils will not be able to capitalise any further one-off staff severance costs resulting from the integration of management and services as the Government has not announced any intention to allow Councils to do this in 2012/13 or 2013/14. There are still variables relating to this, including finalising the integrated staffing structure and the resulting costs and savings in both years, which could impact on the Budget and the amounts to be met from revenue reserves. (Medium/High Risk)
- **Other savings** - There are also allowances for additional non-staff integration savings and from joint procurement and contracts. The level that will be actually saved is, as above, uncertain (Medium Risk).

3.3 Taking all of the above into consideration, the Section 151 Officer's opinion is that the Council's Budget and estimates are not absolutely robust, so she is unable to provide a full assurance that there will be no unforeseen adverse variances. This is an expected and acceptable situation for any organisation that has to deal with a large number of variables and also reflects the context of the general economic situation and the massive changes facing councils. Provided that the minimum safe level of reserves is maintained any variations arising as a result of lack of robustness in the estimates should be manageable.

4 Adequacy of Reserves

4.1 There is no available guidance on the minimum level of reserves that should be maintained. In 2003 CIPFA stated that each authority should determine a prudent level of reserves based upon their own circumstances, risk and uncertainties. Regard has been had to recent guidance that has been issued to CFO's.

4.2 The Council's Medium Term Financial Strategy (MTFS) states that the sum of the Working Balance and unearmarked revenue reserve (General Reserve) will comprise the minimum level of balances needed to provide a safe level of contingency.

4.3 The MTFS sets out the basis for determining the minimum level of unearmarked reserves:

- An amount necessary to cover a 2% overrun in gross expenditure.
- An amount necessary to cover a 2% shortfall in expected gross income.
- Additional amounts necessary to cover specific risk items.

4.4 Although total General Fund Budgets are reducing as a result of the public sector spending reductions, cost pressures and the huge changes, including very significant savings (a further £1.3m for 2013/14) increase the margin of risk. For this reason, the CFO's opinion is that the minimum level of unearmarked reserves should, for the time being, be maintained at the current level of £1.2m without increasing the risk to the Council.

4.5 The Council's unearmarked reserves are forecast to be at this level as at 31 March 2014. Therefore, no action is required within the 2013/14 Budget. This advice may change if significant adverse variations in the identified risks occur before the Budget is approved by Council on 26 February 2013.

4.6 Any improvement in the 2012/13 financial outturn could be used to increase the integration and transformation reserve. In the case of the New Homes Bonus, this will be mainly used for projects that contribute towards economic growth and job creation in the District.

4.7 Levels of earmarked reserves are forecast to be £1.8m at 31 March 2013, which includes the integration and transformation reserve, a strategic priorities reserve and the New Homes Bonus. These will be thoroughly reviewed at the end of the current financial year and any changes/additions proposed as appropriate, but they are currently seen as appropriate and adequate to meet the integration programme and other potential cost commitments at this point in time.

5. Background Documents

Local Government Act 2003; Guidance Note on Local Authority Reserves and Balances – CIPFA 2003; Medium Term Financial Strategy

Barry Hunter
Corporate Manager – Financial Services
(Babergh Section 151 Officer)

Scrutiny Committee views on the Financial Outlook and 2013/14 Draft Budget

Stewardship	Community Services
<p><u>Revenue Budget/Cost Pressures</u></p> <ul style="list-style-type: none"> • Should be no increase in pensions contribution rate in 2013/14 (we are committed to this under the 3 year valuation policy requirement) • Is there sufficient provision for legal costs of ongoing planning decisions? (there is a budget total provision of £128k in 2012/13) • Rent/let empty spaces in building (being looked at as part of Accommodation Strategy) • Community Grants - fundamental review needed of these to see if they represent value for money and achieve the outcomes we want/need (will be done now that strategic priorities have been agreed) • Further breakdown of some of the inflation and borrowing costs should be given (provided in final Budget report) • Clarity needed on previous and current car parking costs. Money being wasted on street lighting 	<ul style="list-style-type: none"> • Savings from spare HQ space? (allowance in Budget for non-staff integration savings. Draft accommodation strategy produced for JMIB consideration). Review long-term plan for the HQ? • More money for community grants in future to support strategic priority outcomes
<p><u>Capital Programme</u></p> <ul style="list-style-type: none"> • £517k ICT integration spend in 2013/14 - necessary in light of FBOR and opportunity for new provider to fund some or this. Look at holistically. Oracle financial system outdated • Kingfisher planned maintenance - this is on top of the SSL revenue funding. Should break-even • Affordable Housing - grants to Housing Associations - can we stop these and fund new build/additional homes from the HRA? (to be determined) • Community Development grants - should review need and provision • Waste Transfer Station - needed? (removed from final proposed programme) 	<ul style="list-style-type: none"> • Review of contracts and their cost - more business-like/VfM e.g. North Street Car Park. (Scrutiny Committee/Procurement Task Group) • East House sae - latest position?

<p><u>New Homes Bonus/ Business Rates growth</u></p> <ul style="list-style-type: none"> • Need decisions on where it should be spent (will be done now that strategic priorities have been agreed as part of the next phase of the strategic planning process) • Don't want a 'straight-jacket in terms of how it is allocated between projects and strategic priorities i.e. Economic growth, those that are income generating and other projects. • Need to spend properly and sensibly. Whole Council needs to decide use. • How/where will additional business rates income be spent? (To be determined in detail) 	<ul style="list-style-type: none"> • Use for 'income generating' projects - is this for the Council or communities/businesses? • Need to be more specific and clear on what we mean by supporting growth - means different things to different people. Local definition needed • Be creative. Think carefully about use • Spread over strategic priorities evenly - put some into community grants, work experience/job creation and environmental spending • Use for new homes/ local needs housing (or use HRA funding?) and amenity areas/open spaces - shortfall in provision? • What is being done to attract businesses? More large employers needed, which will create spin offs for others • Reinstate the reduction in Discretionary Rate Relief from a couple of years ago • Review rate relief for charity shops - unfair advantage
<p><u>Other</u></p> <ul style="list-style-type: none"> • No need for 2 Section 151 Officers in future • Reserve levels - are these too high (further details included in final Budget report) • Can a reserve be created to help with future Council Tax increases? (Officers are giving further thought to this) • Staff redundancies are increasing debt (not the case, debt is only for capital purposes). 	<ul style="list-style-type: none"> • Concentrate on positives and actions, not the difficult financial position • Car parks - transfer to Town Councils/local businesses; importance of free parking to local economy; long-term charging policy not working/administration confusing to the public; lack of clarity on costs and income; net cost represents good value