

REVENUE AND CAPITAL BUDGETS 2013/14

Submitted by: Executive Director (Resources and Support Services)

Portfolio: Finance and Budget Management

Wards(s) affected: All

Purpose of the Report

To review progress on the completion of the revenue and capital budgets for 2013/14 following agreement of the 5 year Medium Term Financial Strategy.

Recommendations

- (a) That the assumptions set out in the report be approved.**
- (b) That the Cabinet confirm that no Council Tax increase is proposed in 2013/14.**
- (c) That the Transformation and Resources Overview and Scrutiny Committee be asked to consider what comments it wishes to make on the draft Budget and Council Tax proposals before the final proposals are considered at Cabinet in February 2013.**

Reasons

To enable the Cabinet to recommend a robust and affordable budget for 2013/14 to the Council meeting on 27 February 2013.

1. Background

- 1.1 The Council is committed to achieving excellence in its service delivery. Integral to this ambition is the need to effectively target its financial resources in line with its stated aims and objectives, as set out in the Council Plan.
- 1.2 The work of the council in 2013/14 is focused on its new vision of “creating a borough that is prosperous, clean, healthy and safe”, an aspiration reflected in the council’s four corporate priorities of:
 - A Clean, Safe and Sustainable Borough
 - A Borough of Opportunity
 - A Healthy and Active Community
 - Becoming a Co-operative Council which delivers High-Quality, Community Driven Services

These four priorities re-developed alongside the vision within the Council’s new outcome-driven Council Plan 2013/14 to 2015/16, form the basis for the work the council is currently doing and what it is planning to do.

- 1.3 There has been good progress in the current year, 2012/13, with high standards of service delivery and the following notable achievements so far in 2012/13:

- Rationalisation of accommodation in the Civic offices to provide the letting space for co-location with key partners (County June 2012, and Police October 2012). Frontline police staff now present at the Guildhall and Kidsgrove Town Hall.
- First two phases of the public realm work are complete, which included changes to the layout of the bus station, the bus lane on Barracks Road, and entrance to the Ironmarket
- Recruitment of a Town Centres Manager
- 47 affordable housing units completed this year, adding to the programme of planned developments.
- Funding secured from the Health Service, West Midlands Ambulance and Safer Nights to provide a First Aid Triage Hub to support 10 operations as a pilot commencing April 2013.
- Progress with engagement of partners in developing key projects such as Let's Work Together and Troubled Families continues.
- Newcastle was the lead authority for a new postal contract with other local authorities, procured through a procurement framework agreement with anticipated savings per year of approximately £41,000 savings. Overall procurement savings with various contracts identified this year totalling approx. £129,000.
- Recycling & Waste undertook a review of how street sweepings are processed resulting in a saving of approximately £50,000 for the Borough Council and £80,000 for the County Council.
- Street Pastor scheme has 10 volunteers currently being trained and three churches of various faiths signed up to the scheme's Charter and the second phase of the CCTV Volunteer project has seen a further 6 volunteers engaged.
- Successful delivery of the Community Engagement Framework has led to a further expansion this year due to a higher number of volunteer groups and individuals involvements.
- In partnership with other Staffordshire authorities, Newcastle has led a successful funding application for £39,000 from IEWM to support the councils to develop their trade waste and trade recycling services.
- Negotiated a two year price increase freeze with the Council's recycling contractor and also the green and food waste contractor making a saving of £10,000 in this financial year.
- Recycling & Waste has won two awards; Recycling Awareness Campaign 2012 and Best Local Authority 2012 UKAD & Biogas Association.
- Several awards gained by the Operations section; Gold standard in Britain in Bloom for 11th year running, Bronze award at Tatton Park, 9 green flags (highest in Staffordshire and third in West Midlands). Bereavement services gained gold standard in the Charter for the Bereaved.
- Working in partnership with Aspire to improve collection facilities in multi-occupancy properties and all schools now engaged in recycling with the authority.
- Kidsgrove Swimming Pool re-opened in November.
- Throughout July and August over 400 activities, ranging from craft activities, to learn to swim or to own a pony for the day, were promoted as part of the summer holiday programme for young people.
- Progress with consolidation of ICT software to improve efficiencies, reduce costs and make the best use of ICT.
- Customer Service has received the Customer Service Excellence award for the second year running.
- Commissioned projects to be delivered by the Third Sector.

1.4 In 2013/14, whilst continuing to deliver high performing, quality services and ensuring efficiencies in Council operations, there are many activities planned towards achieving

Council Plan outcomes, of which examples are set out below:

- Delivery and implementation of a new core CRM system due to go live in the summer of 2013
- Reviews and implementation of new strategies and policies over a wide range of services
- Funded through the European Regional Development Fund, a Newcastle Business Enterprise Coach to support unemployed people to be self-employed.
- Investigate and implement a new kerbside collection for small electrical appliances.
- Complete the gating off of problematic alleyways under the Green Routes scheme.
- Implement outcomes of the community centres review.
- Partnership working with registered providers and the Homes and Communities Agency to deliver new affordable housing in line with the Local Investment Plan.
- Work and Development of Warm Zone Eco brokerage service.
- Completion of public realm improvements in the town centre and introduction of new market stalls.
- Facilitate the commencement of a new community fire station at Loggerheads.
- Seeking to identify a development partner to take forward the retail-led redevelopment of the former Sainsbury/Ryecroft site.
- Consultation to be undertaken by the council with communities on a draft Site Allocation Policies Local Plan around summer 2013.
- Establish a new Procurement Gateway process and progress work where analysis has identified procurement savings.
- Further progress with many of the projects commenced in 2012-13 is also planned.

1.5 The Council has developed a Medium Term Financial Strategy (MTFS) to look at its financial position over the next 5 years. This is aligned to the Council Plan and will be the main vehicle in ensuring efficiency in service delivery and targeting resources to its priority areas.

1.6 It should be noted that the MTFS and the draft 2013/14 Budget have been compiled against a continuing national picture of reduced funding from central government for local authorities, particularly district councils.

1.7 The draft 2013/14 budget is based upon the assumptions made in the MTFS which was approved by the Cabinet at its meeting on 19 October 2012 and scrutinised by the Transformation and Resources Overview and Scrutiny Committee at their meeting on 30 October 2012.

1.8 A Budget Review Group was established, chaired by the Cabinet Portfolio Holder for Finance and Budget Management. The Council Leader and the Portfolio Holder for Regeneration, Planning and Town Centres are group members, together with the Chief Executive and Executive Director of Resources and Support Services and other appropriate finance and corporate support officers. The remit of the group is to oversee all aspects of the budget process, including service review and challenge, longer term planning, development of budget options, agreeing consultation arrangements and consideration of feedback and seeking to deliver service models that drive improvement to front-line services whilst offering value for money. All of the proposals contained in this report have been considered by the Group and are recommended to the Cabinet as a means to produce a balanced and sustainable budget for the Council.

2. **Revised Budget 2012/13**

2.1 Monthly reports monitoring actual spending against budget have shown overall relatively small variances throughout the first eight months of the year.

- 2.2 A major pressure affecting the current budget continues to be that some sources of income (e.g. land charges fees, planning fees, market stall rents, commercial property rents, car parking fees) are yielding less compared to what would be expected to be received. All of these are areas which it was predicted would be affected by the current economic situation when the 2012/13 Budget was set in February 2012 and accordingly an allowance of £200,000 was included in the budget to cover such eventualities. Although this allowance now seems insufficient to cover the likely total income shortfall for the year, there are a number of areas where spending is less than budgeted, which, if the trend continues, should to a large extent offset this.
- 2.3 The savings of £2.1m incorporated in the 2012/13 budget have been achieved. This means that altogether over the five years from 2008/09 to 2012/13 some £8.344m of net savings and efficiencies will have been made, as shown in the table below:

	£m
2008/09	0.601
2009/10	1.707
2010/11	1.821
2011/12	2.117
2012/13	2.098

3. **Draft Budget 2013/14**

- 3.1 The MTFS was approved by the Cabinet on 19 October 2012. This illustrated that the Council would have a shortfall of £1.627m in 2013/14 which could be addressed by a combination of actions, such as efficiency measures, reductions in expenditure, increases in income, support from the Budget Support Fund and the Council Tax Freeze Grant.
- 3.2 From 2013/14 onwards government grants payable to local authorities to support their revenue budgets will differ significantly from the previous regime on account of the introduction of a business rates retention scheme from 1 April 2013. Formula Grant, comprising Revenue Support Grant (RSG) and NNDR Grant, has been replaced by RSG alone plus a proportion of business rates collected which the Council will be permitted to retain. These two amounts together comprise the Council's "baseline funding", which the government intends to broadly be in line with its previous level of formula grant funding, less a reduction determined by the government reflecting the amount of reduced funding available as a result of public expenditure cuts arising from the need to balance the national accounts due to the ongoing economic recession. When the MTFS was compiled for approval in October, the amount of baseline funding was not known but a reduction in overall government grant support of 5%, amounting to £0.366m, was assumed in line with national expectations. Local authorities were informed of their allocations of RSG and overall baseline funding amount and a number of other smaller grants, comprising the government's total support for their revenue budgets in late December. The actual reduction in support is £0.395m, an additional £0.29m compared to the amount assumed in the MTFS.
- 3.3 New arrangements come into effect from 1 April 2013 in respect of council tax support. The Council previously acted as agent for the Department for Work and Pensions in granting reductions to the council tax bills of eligible claimants in the form of council tax benefit, the cost of which was included in the revenue budget and fully reimbursed by the Department. As reported previously, from 1 April 2013, a local council tax support scheme will operate, which will be funded by grant from the Department for Communities and Local Government (DCLG), but only to the extent of 90% of the previous level of payments. Accounting for the

new scheme will be via the Collection Fund and will affect the calculation of the council tax base and the surplus/deficit on the Fund. This will have an effect upon the General Fund in that the tax base will be reduced, thereby increasing the amount of tax levy for a given amount of expenditure. There will be a similar effect on the accounts of the County Council and the Fire Authority. Because the transactions will henceforth be accounted for in the Collection Fund, and effectively be shared between this council and the other two authorities, the direct cost of council tax support will no longer appear in the General Fund budget. The costs of administering the scheme will, however, continue to be part of the budget and will continue to be partly met from government grant. The Council will receive a grant from DCLG equivalent to the amount of its share, (based on levy proportions) of the cost of council tax support (the other two authorities will receive similar grants directly in respect of their shares). This will be shown as income in the budget and should offset the effect of the reduction in the tax base. The budget has been compiled on this basis and on the assumption that the cost of support will not adversely affect the Collection Fund balance, i.e. that costs will be contained within the total amount of government grant available to all three authorities.

3.4 There have been a small number of changes required to the MTFS since its approval in October, including in relation to RSG as outlined in paragraph 3.2 above, totalling an additional £156,000. This means that the “gap” now stands at £1.783m for next year. The changes relate to the following items:

- Difference between central government support via the RSG and the amount assumed in the MTFS (£29,000).
- Notification has been received from the Government that the amount of Benefits Administration Subsidy for 2013/14 will be reduced by £38,000.
- E-procurement becomes mandatory for contracts dealt with under European Union rules (£5,000).
- Additional staffing cover in the Democratic Services Section (£15,000).
- The Council's Customer Relations Management software maintenance costs payable to the joint provider, Staffordshire Connects, will increase (£10,000).
- Enhanced testing and monitoring of staff in relation to work related health issues will be required by the Council's insurers (£21,000).
- A contribution is to be made to provide a banksperson at Newcastle bus station (£5,000).
- The Council has a statutory responsibility to protect and monitor lone workers. Monitoring devices will cost around £13,000.
- There is a need to investigate and remediate possible contaminated land within the Borough at a cost of £20,000.

The table below shows the factors which give rise to the “gap” for 2013/14:-

CHANGES TO BASE BUDGET	
<u>ADDITIONAL INCOME</u>	£'000
Fees and Charges	105
TOTAL ADDITIONAL INCOME (A)	105
<u>ADDITIONAL EXPENDITURE & LOSS OF INCOME</u>	
Loss of Revenue Support Grant and NNDR Grant	366
2012/13 Council Tax Freeze Grant - one year funding only	172
Planning Delivery Grant exhausted	100
Pay Awards	132
Incremental Rises	50
Superannuation increase in employers contribution	148
Reduced Vacancy Factor allowance	65
Price Increases e.g. energy, fuel, rates, insurances, supplies & services	71
Loss of Investment Interest due to less capital available to invest	59
New Initiatives (Apprentices, Home Security & Town Centre Partnership)	80
Adjustments re One-Off items included in Base	(90)
Additional Items since MTFs approved in November 2012 (see 3.4 above)	156
TOTAL ADDITIONAL EXPENDITURE AND LOSS OF INCOME (B)	1,309
<u>OTHER ITEMS</u>	
USE OF BUDGET SUPPORT FUND IN 2012/13 BUDGET (C)	179
CONTRIBUTION TO INSURANCE FUND TO REPLENISH BALANCE (D)	100
ADDITIONAL INCOME SHORTFALLS PROVISION (see 3.5 below) (E)	300
NET INCREASE IN BASE BUDGET (B+C+D+E-A)	1,783

- 3.5 In recognition of the continuing shortfall in income owing to the present economic recession, a further amount of £300,000 in addition to the £200,000 already included in the base budget has been provided to offset this, bringing the total amount of provision to £500,000 which better reflects the current situation. The amount required in future budgets will be kept under review as the economy begins to move out of recession at some stage and income levels improve.
- 3.6 A number of proposals have been identified to bridge the £1.783m "Gap", following a service challenge process initiated by the Budget Review Group and subsequent consideration of options for producing a balanced budget by the Group. Some consist of savings in expenditure whilst others involve increasing income. These proposals total £1,898,000 and are summarised below and set out in detail at Appendix A.

Category	Amount	Comments
	£'000	
Procurement	330	Smarter procurement and reductions in the amount of supplies procured
Additional Income	355	Includes new sources of income and additional income arising from increased activity. This amount is additional to the amount of £105,000 included in the MTFs in respect of a general 2% increase in fees and charges.
Good Housekeeping Efficiencies	328	Various savings arising from more efficient use of budgets
Staffing Efficiencies	524	No redundancies arise from these proposals.
Better Use of Assets	6	Streetscene plant and equipment efficiencies
Additional and Accumulated New Homes Bonus	204	The amount of NHB payable increases each year in line with new homes completed. £204k is half of the estimated additional sum available. The remaining £204k is to be used to support the housing element of the capital programme.
Implementation of Council Tax Reforms	81	Additional income arising largely from changes in respect of empty property and second homes. This is the Council's share of the total additional income which may arise.
Council Tax Freeze Grant 2013/14	70	See 3.7 below
Total	1,898	

3.7 It is not proposed to increase the Council's Council tax for 2013/14. The Council would be permitted to increase tax by up to 2.0 per cent, above which it is required to conduct a referendum to determine the views of taxpayers. The government again wish to see no increase in Council Tax for 2013/14 and are once more offering to pay a non specific grant to those councils which do not increase their council tax for 2013/14. The basis is less than the previous two council tax freeze grants, being payable at a rate equivalent to a 1.0 per cent increase in the authority's 2012/13 basic amount of council tax multiplied by its council tax base. For Newcastle, this would result in a grant of around £70,000 being payable, which is included in the table of proposals to close the budget gap at paragraph 3.6 above. The grant will be payable for two years, 2013/14 and 2014/15, no more payments being made after 2014/15. The grant of £173,000 in respect of the 2011/12 freeze will continue to be paid in 2013/14 and 2014/15, after which it will cease and is included in the base budget, so does not represent additional income.

3.8 **Corporate Priorities.** A number of Council priorities have been provided for in the formulation of the MTFs, these include:

- Town Centre Partnership (£30,000). The development/improvement of the two main

town centres (Newcastle and Kidsgrove) has been identified as a clear priority. In order to demonstrate that the Council is able to support and develop the town centres as vibrant places where people want to visit, work, invest and shop, the Council will seek to work in partnership with local businesses to develop an action plan for improving the economic prospects of the town centres.

- Apprenticeships (£40,000). In order to improve the opportunities and training prospects of young people in the Borough, the Council will provide further apprenticeship opportunities through the establishment of a 'shared apprenticeship scheme' in partnership with other local organisations within both the public and private sectors.
- Home Security Support for Vulnerable Residents (£10,000). Helping vulnerable people, including the elderly is a key priority of the Council. Community safety and fear of crime also remain an important theme for the council and partner agencies. In relation to home security there are two key issues: firstly the standard/condition of the property and secondly, the likelihood of the resident being targeted by a criminal. The Council seeks to address these issues by responding to resident requests for assistance and proactively targeting areas high crime in partnership with the Police.

3.9 **Revenue Investment Fund.** In order to allow further initiatives to be brought forward in 2013/14 and/or future years it is intended to establish a "Revenue Investment Fund" which can be used to fund suitable projects. Accordingly, a sum of £100,000 has been included in the draft budget as an initial contribution to set up the fund. Depending upon the Council's future budget position, further contributions to the fund may be made in the following years to enable this process to continue.

3.10 **Invest to Save.** During the budget challenge process a number of "invest to save" proposals were identified, which although requiring some expenditure to be incurred in the first instance could be capable of producing savings in future years. These require further study to determine their viability so nothing in relation to them has been included in the draft 2013/14 budget. However, it is proposed that viable proposals could be financed from the Budget Support Fund with the fund being "repaid" out of the revenue budget as resulting savings arise. Once the fund has been repaid the full amount it originally financed in respect of a particular proposal, the savings will be retained within the revenue budget, thereby providing an ongoing benefit. The balance that will be available in the Budget Support Fund at 1 April 2013 is estimated to be around £450,000. It is not proposed to make any contribution from the Budget Support Fund to support the 2013/14 budget. The fund should, therefore be able to sustain financing a reasonable number of "invest to save" projects. The repayment of its original funding via savings made could make further funding available if further "invest to save" proposals are identified in future years.

3.11 It is proposed that the Council sign up to the Living Wage initiative, whereby all of its workers will be paid at least the minimum wage (currently £7.45 per hour). The cost of bringing the small number of employees who currently fall below the minimum level is estimated to be £15,000. A separate report on this is included elsewhere on the agenda.

3.12 Bringing together all the above results in a balanced draft budget, as shown in the table below:

	£'000	Report Reference
Changes to Base Budget	1,783	3.4
Savings/Increased Income	(1,898)	3.6
Establishment of Revenue Investment Fund	100	3.9
Living Wage Initiative	15	3.11
BUDGET SHORTFALL ('GAP')	-	

4. **Medium Term Financial Strategy - 2014/15 to 2017/18**

4.1 The MTFs is being continually reviewed for 2014/15 to 2017/18. The current shortfalls are estimated as:

- £0.797m in 2015/16
- £0.655m in 2016/17
- £0.657m in 2017/18

Because the 2013/14 council tax freeze grant is only payable for two years, 2013/14 and 2014/15, a further £70,000 will have to be added to the shortfall for 2015/16.

4.2 As well as the amounts for 2013/14, the Government have notified provisional funding amounts for 2014/15. Analysis of the data supplied by the government indicates that there will be a reduction in funding compared to that for 2013/14 of £1.047m, which is a decrease of 12.8 per cent. The MTFs assumed a 5.0 per cent reduction in funding, amounting to £0.348m, so there is an additional £0.699m to be added to the 2014/15 shortfall of £0.810m reported to Cabinet in October 2012, making an overall shortfall of £1.509m in 2014/15.

4.3 The current anticipated shortfalls need to be addressed by a combination of measures such as efficiency savings, reductions in expenditure or income increases and consideration of the need for Council Tax increases. Work is already ongoing by your officers, working in conjunction with the Budget Review Group, to identify solutions. In particular, savings, efficiencies and additional income which can be applied to the 2014/15 budget have already been identified totalling £0.305m during the service challenge process.

4.4 The Budget Review Group will continue to develop a strategy for bridging the entire 2014/15 gap and for eliminating the shortfalls in respect of the remaining years up to 2017/18. The outcome of this work will be reported to Cabinet upon completion.

5. **Capital Programme 2012/13 - 2013/14**

5.1 Attached at Appendix B is the updated capital programme 2012/13 to 2013/14 based on current commitments and agreed schemes plus a number of new schemes which are vital to ensure continued service delivery. New schemes total £615,500 plus £1,114,000 relating to the Housing Capital Programme, which is the subject of a report elsewhere on the agenda. The remainder of items included in the Programme relate to continuing expenditure on current schemes, funding for which has already been approved. A summary of the new items included in the Programme and how they are proposed to be funded, is set out below:

Scheme	Cost	Funding		
		New Homes Bonus	Disabled Facilities Grant	Capital Receipts
	£'000s	£'000s	£'000s	£'000s
Housing Programme				
Disabled Facilities Grants	864	350	514	
Social Housing	65	65		
Empty Homes	30	30		
Health and Safety	50	50		
Warm Zone	60	60		
Home Improvement Agency	40	40		
Landlord Accreditation Scheme	5	5		
Vehicles Replacement	280			280
Waste Bins	50			50
Stock Condition Works				
Museum	15			15
Clayton Community Centre	15			15
Knutton Community Centre	30			30
Red St Community Centre	75			75
Commercial Portfolio	40			40
Civic Offices	50			50
Footpath Repairs	25			25
Play Area Refurbishment *	25			25
Railings/Structures Repairs	10			10
TOTAL	1,729	600	514	615

* Included in Replacement/Repair of Play Equipment

- 5.2 There is clearly a direct link with the revenue budget as there may be revenue implications arising from new capital projects and the requirement to spend capital funds will lessen the ability to earn interest on the cash that is invested. It is therefore vital that the revenue and capital budgets are integrated.
- 5.3 Continuation of the capital programme beyond 2013/14 is dependent upon the achievement of a programme of receipts from the disposal of assets. It is essential that sufficient capital receipts are generated from these asset sales to enable essential capital investment to take place.
- 5.4 The Council's overall capital strategy was most recently updated in February 2012. A further updated strategy, covering the period 2013 to 2016, together with an updated asset management strategy, is included elsewhere on your agenda.
- 5.5 The Capital Strategy position is set out in section 11 of the Strategy and it is worth highlighting the points set out in paragraphs 11.1 to 11.6:

11.1 *During the period covered by this Strategy, there will be a need for some items of capital investment to be made in order to ensure continued service delivery or to comply with statutory requirements or to ensure health and safety of staff and public.*

Examples of these include: operational building repairs and maintenance; replacement of vehicles, plant and equipment required to deliver services; disabled facilities grants.

- 11.2 *Funding for additional projects not essential to operational continuity will depend on capital receipts from asset sales. Appendices to the Asset Management Strategy 2013-2016 set out the assets which will be available for disposal during this period and the arrangements to be adopted for public consultation concerning their disposal. Additionally, the appendices indicate a larger number of potential assets for disposal towards and beyond the end of the said strategy. It is intended that the planning merits of those assets be determined during the preparation of the Council's Site Allocation and Policies Local Plan (likely to be completed around the end of 2014/15).*
- 11.3 *Work is ongoing to compile a basic programme containing those projects which it can be foreseen will be necessary to ensure service delivery or to comply with statutory requirements or ensure health and safety. The programme will also contain projects which are fully funded by external parties and which meet corporate priorities. The overall size of the programme will be determined by the resources estimated to be available to fund it.*
- 11.4 *It will be essential to apply a robust prioritisation process to determine which projects are included in the capital programme and are subsequently proceeded with. No projects should be considered in isolation. They must be required to be measured against all other competing projects to determine which should go forward. This process should also apply to any projects which are proposed subsequent to the approval of the programme, to ensure that only those projects with a high priority are proceeded with and funds are not diverted to projects of a lesser priority.*
- 11.5 *Funding for this basic programme is likely to be available to some extent from the following sources:*
- *Further capital receipts from asset sales*
 - *Right to Buy capital receipts*
 - *Government grants*
 - *Other external contributions*
 - *Internal lease repayments*

All of the above funding sources are likely to be limited so the programme can only include affordable basic projects.

- 11.6 *Current estimates of the amount required to be invested in projects to ensure continued service delivery compared with forecasts of likely receipts from asset sales and other available resources indicate that there will be insufficient resources available to fund all of these requirements over the two year period 2012/13 to 2014/15 and possibly beyond this. It is unlikely that significant sales of assets will be achieved within this timeframe, given poor market conditions and the time normally taken before an asset is finally disposed of. The Council may, therefore, have to review its stance with regard to borrowing, if this proves to be the only practical means of funding necessary investment, particularly if a major unforeseen item of capital expenditure were to materialise, for example major repairs to enable an operational building to continue to be used or new legislation requiring capital spending.*

5.6 Consideration has been given to requirements for essential plant and equipment replacements, buildings repairs and maintenance and other work which will be needed over the next few years to enable services to be continued at acceptable levels. A number of these schemes have been included in the proposed capital programme and are set out in Appendix B

6. **Balances and Reserves**

6.1 The Council's Balances and Reserves Strategy for 2012/13 is that there should be a minimum General Fund balance of £1.40m and a Contingency Reserve of £100,000. The Council currently holds these reserves.

6.2 A review of all the Council's Balances and Reserves together with a risk assessment is being undertaken for inclusion in the final report on the budget to the Cabinet on 6 February 2013 and the full Council on 27 February 2013.

6.3 The initial results from the review and risk assessment indicate that the amount at risk should all the risks identified materialise (which is extremely unlikely) is some £1.54m.

6.4 It is proposed, therefore, to make no changes to the amounts held as a minimum balance.

6.5 Included in the risk assessment is a risk relating to claw back of claims in respect of Municipal Mutual Insurance. This company, which has been in administration for many years, used to provide most of the Council's insurance cover. When it went into administration an arrangement was established whereby outstanding claims relating to authorities insured by it (as at the date of entering administration) would continue to be paid by the administrator. The arrangement provided that all or part of the cost of these could be clawed back if the company was finally wound up and had an overall deficit at that point. The Council has recorded a contingent liability for a proportion of this amount in its accounts over the years of around £70,000. Recently, the administrator has lost a supreme court case regarding outstanding claims for persons affected by asbestos which may trigger the winding up of the company and may mean that authorities will be liable to pay amounts to the administrator in respect of clawback. For this council the worst case scenario is that some £721,000 may be payable, although it may well be considerably less than this, depending on the deficit likely to be recorded in the company's accounts. Any payments required are likely to be in instalments rather than the full amount being demanded all at once. When the 2011/12 accounts were finalised an amount of £100,000 was set aside as a provision so the maximum amount which may have to be found from balances is £621,000. At the moment the advice from the Council's insurance advisors and from the external auditor is that 25% of the potential liability (£180,000) should be considered to be at risk of materialising, so that with provision already made for £100,000, this leaves some £80,000 unprovided for. This is currently being reviewed by officers and further details will be incorporated in the final budget report to Full Council.

6.6 It is not proposed to make any contribution from the Budget Support Fund to support the 2013/14 budget.

7. **Legal and Statutory Implications**

7.1 The Council is required to set its Council Tax for 2013/14 by 11 March 2013. However, it is planned to approve the final budget and council tax rates on the 27 February 2013.

8. **Risk Statement**

8.1 Section 25 of the Local Government Act 2003 places a duty on the Chief Finance Officer to

report on the robustness of the budget. The main risks to the budget include:

- Spending in excess of the budget.
- Income falling short of the budget.
- Unforeseen elements e.g. changes to legislation or reductions in government grants.

8.2 Such risks require regular and careful monitoring and it is essential that the Council has sufficient reserves to call on if required (see Section 7 above), for example the Council has a General Fund balance sufficient to cover foreseen risks.

9. **Budget Timetable**

9.1 The current timetable for the setting of the 2013/14 budget and Council Tax levels is:-

Date	Meetings, etc
17 January 2013	Scrutiny Café event enabling all members to obtain information about the 2013/14 budget proposals
24 January 2013	Transformation and Resources Overview and Scrutiny Committee to consider this report.
6 February 2013	Final report to Cabinet taking into consideration the views of the Scrutiny Committee
27 February 2013	Full Council to approve Budget and set Council Tax levels

10. **Earlier Cabinet Resolutions**

Medium Term Financial Strategy 2013/14 to 2017/18 - 19 October 2012.

11. **List of Appendices**

Appendix A - Savings and Efficiencies

Appendix B - Capital Programme 2012/13 to 2013/14.