

Forest Heath District Council

(This report is a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

Report of the Cabinet Member for Resources, Governance and Performance

CABINET

5 FEBRUARY 2013

CAB13/063

BUDGET AND COUNCIL TAX SETTING: 2013/2014 (Key Decision Reference: FEB13/02)

1. Summary and reasons for recommendation(s)

- 1.1 The Cabinet is required to consider the budget for the Authority and recommend to Council the level of Council Tax required to fund this budget. This report sets out details of the Council's proposed revenue and capital budgets for 2013/2014 together with the medium term forecasts for the period 2014/2015 to 2016/2017.
- 1.2 The Council faces a number of financial challenges and opportunities for the future. The Medium Term Financial Strategy (MTFS) and budget report sets out in general terms how these will be met over the coming years.
- 1.3 The most significant challenge that the Council faces is the continuation of public expenditure cuts and the reduction in central government grant funding. The Council also faces a number of challenges in ensuring that its expenditure is constrained in the face of declining interest receipts, increased employers' pension contributions and increased demand on front line services such as Housing Benefits. 2013/2014 also marks the start of a new era in the way that Local Government is funded with the introduction from April 2013 of the Government's new Business Rates Retention Scheme and the implementation of the Localised Council Tax Support Schemes.
- 1.4 The proposed 2013/2014 net revenue budget is £10.458m compared to the 2012/13 net budget of £10.984m. Efficiency savings from shared services with St Edmundsbury Borough Council, together with local savings initiatives, of £1.120m are being proposed.
- 1.5 It is estimated that £7.393m will be spent on the Council's capital programme during 2013/2014, to be funded from a combination of grants and contributions (£0.215m) and usable capital receipts reserves (£7.178m).

2. Recommendation(s)

2.1 That, subject to the approval of full Council:-

- (i) the net revenue budget for 2013/2014 (see Appendix 1), together with the shared services and local savings proposals be approved;**
- (ii) the revised five year capital programme, attached as Appendix 2, be approved;**
- (iii) the Fees and Charges as set out in Appendix 9 be approved and the statutory notices be placed where required;**
- (iv) having taken into account the conclusions of the Head of Resources and Performance's report on the adequacy of reserves and the robustness of budget estimates (Appendix 7), including the Scenario Planning and Sensitivity Analysis (Appendix 3) and Medium Term Financial Strategy (MTFS) attached (Appendix 4) and all the other information contained in this report, Cabinet establish the level of council tax for 2013/2014;**
- (v) the Head of Resources and Performance, in consultation with the Portfolio Holder for Resources, Governance and Performance, be authorised to transfer any surplus on the 2013/2014 revenue budget to the General Fund, and to vire funds between existing Earmarked Reserves (as set out at Appendix 6) as deemed appropriate throughout the year.**

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3. Corporate priorities

- 3.1 The budget underlies all services provided by the Council and the recommendations meet the objectives of its Strategic Plan and particularly the priority of being an efficient and effective Council.
- 3.2 The approach taken to financial management over the period of the Medium Term Financial Strategy (MTFS) seeks to achieve the following objectives:
- keep council tax increases at a minimum;
 - deliver the necessary savings to continue to live within our means;
 - continuously improve efficiency by adopting new ways of working

- maximising revenue from our assets; and
- systematically reviewing how services are provided.

The key strategy to deliver the above objectives is the shared services initiative between Forest Heath District Council and St Edmundsbury Borough Council, together with the programme of work associated with Forest Heath's transformation agenda.

4. Key issues

4.1 Changes to local government finance – 2013/2014

4.1.1 2013/2014 marks the start of a new era in the way that Local Government is funded with the introduction from April 2013 of the Government's new Business Rates Retention Scheme (Report No CAB13/062 – 5 February 2013) and the implementation of the Localised Council Tax Support Schemes (Report No COU13/610 refers) and associated powers for councils to reduce the levels of council tax discount and exemptions for second homes and some classes of empty properties (Report No COU13/611 – 16 January 2013 refers).

4.1.2 The introduction of Business Rates Retention will have a significant effect on councils, as future changes to the Business Rates yield will directly impact on council funding levels, with both the risks and rewards of Business Rate growth (or contraction) being shared between central government, precepting authorities and billing authorities. In order to help manage this risk, and to maximise the potential value of business rates that are retained within the Suffolk area, Suffolk local authorities have agreed to enter into a business rates pooling arrangement (Report No CAB13/062 – 5 February 2013) . Pooling also provides an incentive for Suffolk authorities to collaborate to achieve economic growth in the region.

4.1.3 The 2012 Welfare Reform Act abolished Council Tax Benefit (CTB) and replaced it with a requirement for local authorities to create their own Local Council Tax Support (LCTS) schemes, to come into effect in April 2013. The Council's LCTS scheme was approved by full Council on 16 January 2013 (Report No COU13/610 refers) and, in line with the Government announcements, provides for a reduction of council tax benefits for working age claimants (claimants to pay a minimum of 8.5% of the council tax) and the abolition of second adult rebates. Whereas Council Tax Benefits were previously 100% funded by central government, government funding of the LCTS scheme will be through a cash limited annual grant, the amount of which is at least 10% less than previously received under the Council Tax Benefits scheme. The shortfall in funding is to be met by the above changes to benefit entitlement, discounts and exemptions, as mentioned in paragraph 4.1.1 above.

4.2 Local Government Finance Settlement 2013/2014

4.2.1 The Local Government Finance Settlement was announced on 19 December 2012. The settlement covered 2013/2014 and included indicative figures for 2014/2015. Subsequent years' headline figures are to be announced in the next Comprehensive Spending Review (CSR) in 2013 as outlined in the Chancellor's Autumn Statement on 5 December 2012.

4.2.2 The Council's total formula grant for 2013/2014 (including Revenue Support Grant and Baseline Funding from retained business rates but excluding the new council tax support grant) is £3.929m. This compares with total formula grant of £4.163m for 2012/2013, a cut of 6%. This brings the total grant cut to 29.8% over the first 3 years of the 2010 CSR. The indicative formula grant settlement for 2014/2015 shows a further 2.27% cut in funding to £3.840m. This represents a cumulative cut in government funding over the 4 year period of the 2010 CSR of £1.755m, or 31.37%, with the prospects of further cuts in government funding being announced in the forthcoming 2013 CSR.

4.3 **The Government's Council Tax Freeze and Referendum requirements 2013/2014**

4.3.1 The Government has once again offered to subsidise all councils which agree to freeze council tax levels by providing a grant equivalent to 1% council tax increase (based on the previous method for calculating the tax base for the district). Unlike the 2011/2012 council tax freeze grant, which was awarded for four years, (ie. a payment of 2.5% of council tax is made to the council every year for four years) and the 2012/2013 grant which was a one off award, the 2013/14 grant will be paid to all participating Councils for 2 years (ie 2013/2014 and 2014/2015). The impact of accepting the council tax freeze grant is shown in Table 1 below:

Table 1: Impact of accepting council tax freeze grant

Council Tax Freeze Grant	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Grant awarded in 2011/12 *	61	61	61	61
Grant awarded in 2012/13	-	63	-	-
Grant offered for 2013/14	-	-	25	25
Total Grant received if we freeze Council Tax in 2013/14	61	124	86	86

* Grant awarded in 2011/12 now forms part of the 2012/13 formula grant, line 13a and 13b of Appendix 4. Likewise for the 2012/13 grant which forms part of the 2013/14 formula grant.

4.3.2 It should be noted that accepting successive years' council tax freeze grants provides only a short term solution and has a cumulative detrimental impact on the Council's finances as year on year council tax levels fail to rise in line with inflation. This impact has already been factored into the Medium Term Financial Strategy.

4.3.3 The Government has announced that, should a local authority wish to raise their level of council tax by more than 2%, they will need to hold a local referendum giving their local electorate the opportunity to approve or veto the increase. This compares to a 3.5% trigger point for 2012/2013.

4.3.4 There are some exceptions to the 2% excessiveness principle, covering shire district councils, Fire and Rescue Authorities and Police and Crime Commissioners whose 2012/2013 own Band D council tax is in the lower quartile for their category of authority. Forest Heath is within the lower quartile and as such a referendum need only be held where the increase in the relevant

basic amount of council tax for 2013/2014 is greater than £5 and higher than 2%.

- 4.3.4 Should Cabinet and Council decide to set a 0% increase on council tax, the Council will have frozen council tax for three out of the five years, as set out in Table 2 below.

Table 2: Council tax increases over the five years to 2013/14

	2009/10	2010/11	2011/12	2012/13	2013/14
Council tax increase	3.50%	2.97%	0%	0%	0% (proposed)

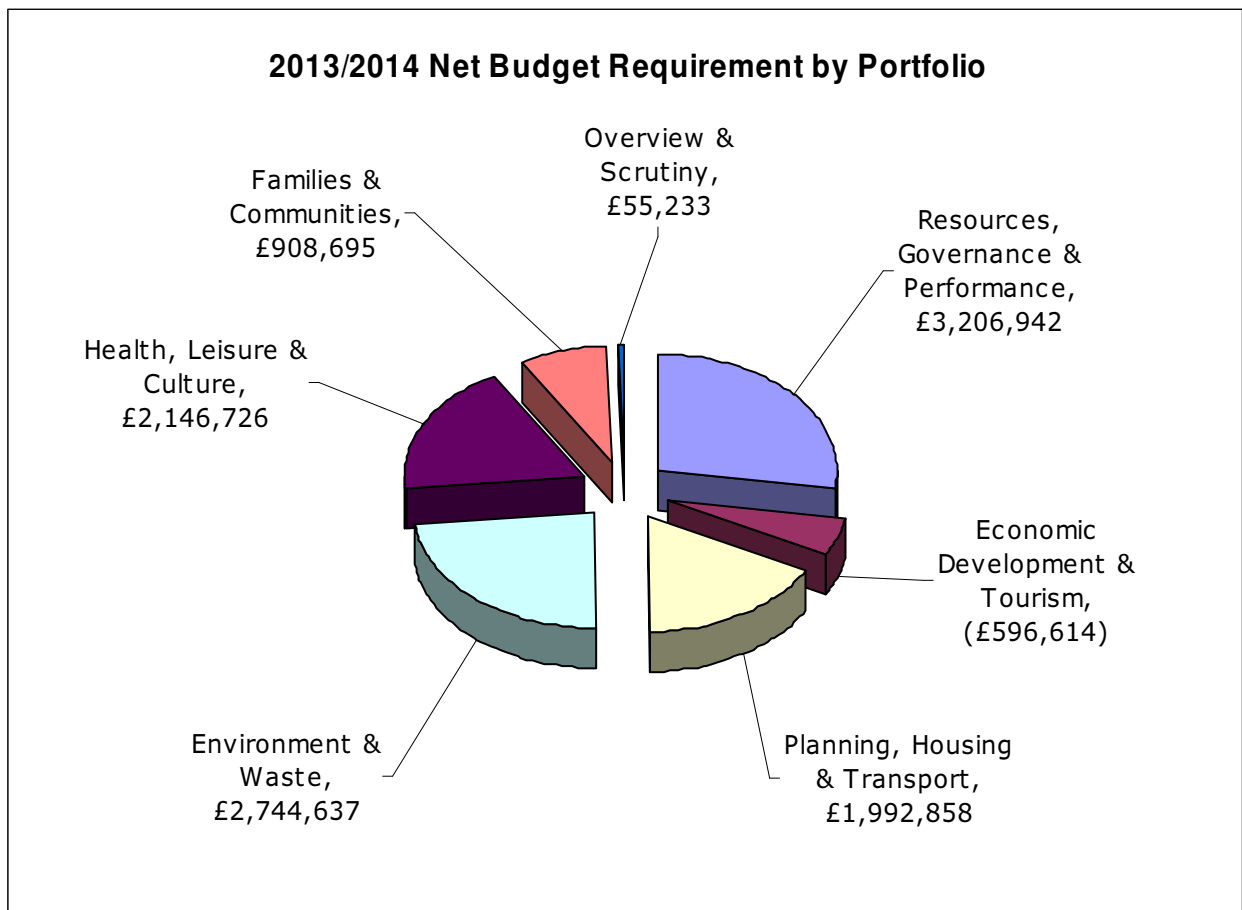
4.4 **New Homes Bonus (NHB)**

- 4.4.1 The Government introduced the NHB from 2011/2012. It is an additional amount of money linked to Council Tax on new properties built in the district, so the more properties that are built in a council area the more money that council receives. This grant is non-ring fenced, which means it can be spent on any council service. The Council received £562k in 2011/2012 and £1,435k in 2012/2013, and expects to receive a further £1,678k in 2013/2014. The MTFS (Appendix 4) includes an estimate of NHB funding of £1,678k for 2014/2015. No assumptions have been made with regard to NHB allocations beyond 2014/2015 as there is a likelihood that future payments of the NHB will be funded at a national level by top slicing revenue support grant or by retaining a proportion of Business Rate monies that otherwise would be available locally.

- 4.4.2 In line with the report "Strategic Plan 2012-2016" (Report No CAB12/001) which was taken to Cabinet and subsequently approved by Council on 21 June 2012 (Report COU12/575), a significant proportion of the New Homes Bonus from 2011/2012 and 2012/2013 has been allocated to support the delivery of corporate priorities.

4.5 **Setting the Budget**

- 4.5.1 Attached at Appendix 1 is the revenue budget Summary, which provides an overview of the proposed net service expenditure revenue expenditure for 2013/2014, by individual portfolio. The total proposed net revenue expenditure in 2013/2014 is £10.458m, details of which are shown in the following chart.



4.5.2 The external economic pressures referred to above have put new and changing demands on the revenue budget. Undoubtedly the most significant change is in the cut in government grant (set out in 4.1 above).

4.5.3 Appendix 5 sets out how the 2013/2014 indicative budget that was presented in March 2012 compares to the proposed budget for 2013/2014. The majority of changes relate to those budget pressures that have already been reported to members as part of the delivering a sustainable budget report (Report No CAB012/041 – 6 November 2012) and shared service savings.

4.6 Efficiency savings – Shared Services and Local Savings Proposals

4.6.1 In order to respond to the very significant Government grant cut, the Council has had to make significant savings. The key strategy to deliver savings over the next two years is the shared services initiative between Forest Heath District Council and St Edmundsbury Borough Council, together with a range of other local savings initiatives (ie. savings which are not related to shared services).

Shared Services

4.6.2 Significant progress has been made over the past year in the delivery of the shared services initiative with St Edmundsbury Borough Council, including the appointment of a shared Chief Executive and Joint Leadership Team and the joint delivery of a range of services, including ICT, communications, property services, internal audit, environmental health and housing. This builds on work

already in place in respect of shared waste management services and shared vehicle workshop facilities. These initiatives are already on course to achieve savings during 2012/2013 for this Council of £0.485m. Further savings from shared services totalling £2.35m are projected for 2013/2014. Forest Heath's share of these savings totals £1.020m, arising from:

- (i) the full-year impact of savings initiatives commenced during 2012/2013; and
- (ii) the implementation of shared services across the remainder of Council services including leisure services, finance, legal, democratic services, human resources, policy and performance and community development / neighbourhoods.

4.6.3 For clarity, Members should be aware that the shared service savings figures quoted above do not include the cost of change, such as redundancy/early retirement payments and ICT investment costs. The Council's share of these costs to date is in the order of £0.924m. It should be noted that the costs of change are "one-off" costs whilst the resultant savings recur every year. Costs associated with the next planned phase of shared services cannot at this time be accurately assessed, but will include further significant investment in shared ICT systems together with further staff restructuring costs. It is proposed that Forest Heath's share of these costs will mainly be met from the Council's Cost of Change Reserve. At this stage it is envisaged that approximately one third of the restructuring costs will be met from within the base budget, and as such the figures presented include these costs.

4.6.4 In addition to the need to deliver savings from shared services, work has continued to secure a range of other local savings which primarily relate to cost savings on the Council's Leisure Services (£100k). Taken together these savings initiatives are estimated to produce savings of £1.120m in 2013/2014.

Description	2013/14 In Year Savings £000	2013/14 Cumulative Savings £000
<u>Shared Service Savings</u>		
Learning & Development	7	10
ICT	0	91
Communications	0	22
Property	3	11
Internal Audit	7	27
Environmental Health and Housing	19	78
Planning	67	67
Payroll	1	3
Joint Management with St Edmundsbury	170	435
Sub-Total:	274	744
Shared Services to be progressed	262	276
Total Shared Service savings	536	1,020
Local Savings - Leisure Services	100	100
Total savings	636	1,120

4.6.5 Going forward into 2014/2015, savings across the two Councils from shared services are expected to amount to around £2.6m, of which Forest Heath will benefit from savings of £1.111m.

4.7 Capital Programme

4.7.1 The capital expenditure of the Council has an impact on the revenue budget and is part of the overall preparation of the revenue proposals for the coming year, and the attached five year capital programme at Appendix 2 has been already reviewed by Cabinet.

4.7.1 It is estimated that £7.393m will be spent on capital programme schemes during 2013/2014 which are to be funded by a combination of grants and contributions (£0.215m) and usable capital receipts reserves (£7.178m).

4.7.1 Looking ahead, the total approved capital spend of the Council over the next four years is approximately £11.107m. Appendix 2 shows the planned capital expenditure in the current and future years, together with information on the funding of that expenditure (ie. grants and contributions and use of usable capital receipts reserve) and is summarised in Table 3 below:

Table 3: Planned Capital Expenditure over four years to 2016/2017

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Gross Capital Expenditure	7,393	2,266	688	760	11,107
Funded by:					
Capital Receipts	7,178	2,091	673	745	10,687
Grants & Contribs	215	175	15	15	420

4.7.2 Members will be aware that while depreciation is charged to the net cost of services there is an adjustment to replace these costs with the Minimum Revenue Provision (MRP).

4.7.3 The MRP included in the revenue estimates is as follows:

Table 4: Minimum Revenue Provision over four years to 2016/2017

Minimum Revenue Provision (MRP)	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
MRP	144	138	133	128

4.7.4 The Treasury Management and Annual Investment Strategy included elsewhere on this agenda (Report No CAB13/064) and the Prudential Indicators, which are to be provided to full Council on 4 March 2013, provide a framework within which the borrowing limits for the Council are established and will confirm our MRP policy for 2013/2014. The current position is that the level of capital reserves and the current borrowing are sufficient for the short term programme of expenditure.

4.7.5 A further review of the Council's Capital Strategy is to be undertaken during 2013/2014. This review will encompass the Council's usage of existing assets and wherever possible will look to identify potential surplus assets which could be disposed of to realise additional capital funding.

4.7.7 The above capital programme is sustainable in the short term, however over the five year period of the Council's MTFs, the balances on capital receipts will reduce significantly. The Council will therefore need to address the funding requirements for future capital projects. Consideration of the affordability of any major capital expenditure proposals, including options for funding, will need to be included in the forthcoming review of the capital programme.

4.7.8 The calculation of interest income used in the MTFs is based on the use of existing and anticipated capital expenditure and receipts. Changes in the level and timing of these cashflows has a direct impact on investment returns and revenue funding requirements. The revenue costs of the capital programme are reflected in the MTFs at Appendix 4.

4.8 Medium Term Financial Strategy (MTFS)

4.8.1 The Council's MTFS includes the impact of all known capital and revenue commitments between 2013/2014 and 2016/2017. The MTFS is attached at Appendix 4. Key assumptions in the updated MTFS are shown in Table 5 below:

Table 5: Key assumptions in the MTFS

Type of Expenditure	2013/14	2014/15	2015/16	2016/17
Non-payroll inflation	0%	2%	2%	2%
General income inflation	2%	2%	2%	2%
Employee pay increase*	1%	1%	2%	2%
Energy costs	0%	5%	5%	5%
Government grant	(6%)	(2.27%)	(10%)	(10%)
Return on Investments	2.45%	2.5%	2.5%	2.5%

* no pay award will be made unless in accordance with national negotiations, but an allowance must be made for it in the budget, as information is not received in time for budget setting.

4.8.2 The MTFS is used to assess the longer term implications of budgetary strategies and decisions. It should be noted that by 2016/2017 the budget gap amounts to an annual saving requirement of around £1.4m. Should any of the assumptions listed above change significantly, the gap would also change.

4.8.3 A fundamental review of the council's MTFS is to be undertaken during 2013/2014 which will, amongst other things, take account of updated projections regarding the impact of:

- shared services with St Edmundsbury Borough Council;
- work to transform service delivery, including the impact of the customer access review;
- changes in local authority funding (ie. business rate retention / pooling and the localisation of council tax support);
- review of strategic priorities;
- review of reserves and balances;
- future government grant settlements, including reductions in formula grant and future funding of council tax freeze grants and the new homes bonus;
- future asset management and capital expenditure requirements; and
- the Councils strategy for capital investments beyond the current MTFS period, including exploring prudential borrowing.

4.8.4 The outcome of this review will help the Council to project future savings requirements and will inform the development of future budgetary decisions and strategies for 2014/2015 and future years.

4.9 Revenue Reserves and Balances

4.9.1 The Council holds General Fund balances as a contingency to cover the cost of unexpected expenditure during the year. The Council's policy regarding the level of general fund reserve is to hold a balance of 20% of net expenditure (approximately £2m). By 2016/2017 it should be noted that the expected level of general fund falls slightly below 20% and as such this will be addressed in the review of the MTFS in 2013/2014. The Council can use balances above this minimum to support revenue expenditure and to reduce the level of Council Tax. The budget monitoring report to Council on 12 December 2012 (Report No COU12/608) indicated that the projected outturn for 2012/2013 revenue budget is expected to be in line with the approved budget. As such there is likely to be little or no scope to utilise any underspends arising from 2012/2013 towards future budget pressures.

4.9.2 Appendix 6 provides details of movements in earmarked reserves, which are identified for specific purposes. At the end of the 2012/2013 financial year the Council will have an estimated £4.315m in earmarked reserves. This balance is expected to increase to £4.915m by 31 March 2014, with further increases expected in future years. This is mainly due to unallocated New Homes Bonus grant funding. The level of earmarked reserves and contributions during 2013/2014 has been reviewed and where appropriate annual contributions have been adjusted. Appendix 6 sets out the proposed contributions to and expenditure from, earmarked reserves during 2013/2014.

4.9.3 Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Head of Performance and Resources) to report to Council, as part of the tax setting report, her view of the robustness of estimates and the adequacy of reserves. The Council is required to take these views into account when setting the Council Tax at its meeting on 4 March 2013. The full statement is as attached in Appendix 7.

4.9.4 In summary, the Section 151 Officer's assessment overall, is that the estimates are robust (taking into account known risks and mitigating strategies) and the contingency reserves are adequate for the 2013/2014 budget.

4.10 Scenario planning and sensitivity analysis

4.10.1 Scenario planning and sensitivity analysis is covered in Appendix 7 of this report.

4.10.2 The basis for the adjustments included in Appendix 3 (Scenario Planning and Sensitivity Analysis) is to illustrate the capacity the Council needs to maintain within its earmarked and general fund reserve balances to deal with unexpected changes in budget pressures (see section 4.5 above).

4.11 Collection Fund

4.11.1 As the Billing Authority the District Council is responsible for maintaining the Collection Fund for its area. The income from Council Tax is paid into the 'Fund' and the payments out of the Fund are represented by the main precepts from the County Council, the Police Authority and the District Council.

4.11.2 Any balance remaining on the Collection Fund is apportioned between the major precepting authorities pro rata to their precepts. Appendix 2 to this report shows the estimated position for 2012/2013. The projected deficit on the collection fund in respect of 2012/2013 has been taken into account in the 2013/2014 MTFS figures.

4.12 Council Tax Requirement

4.12.1 The following table sets out the high level summary of the budget for 2013/2014 and how it is financed:

Council call on the Collection Fund 2013/14	£	£
District Council Expenditure net of Reserves and Council Freeze Tax		10,458,477
<u>Less:</u>		
Capital, MRP and Depreciation adjustments	(1,884,677)	
Interest on balances	(335,999)	
Sub-Total:		(2,220,676)
Budget Requirement (excluding Parish Precepts)		8,237,801
Collection Fund Deficit		25,877
Parish Precepts (amount to be confirmed)		1,439,472
Budget Requirement (amount to be confirmed)		9,703,150
<u>Less:</u>		
Central Government Grant	(4,324,817)	
Other Government Grants (including New Homes Bonus, Local Services Support Grant and Council Tax Support Grant)	(1,728,753)	
Sub Total		(6,053,570)
Council Tax Requirement (amount to be confirmed)		3,649,580

4.12.2 The total requirement from the Collection Fund of £3.650m (to be confirmed) includes Parish Precepts which total £1.439m (to be confirmed) which are to be met from the General Fund in the first instance.

4.13 Business Rates Retention

- 4.13.1 The new scheme of Business Rates Retention (Report No CAB13/062 refers) is intended to provide incentives for local authorities to drive economic growth, as the authorities will be able to retain a share of the growth generated in business rates revenue in their areas.
- 4.13.2 The Local Government Finance Bill also allows local authorities to form pools for the purpose of business rates retention. Forest Heath has signed up with the other Suffolk authorities and the County Council to be designated as a Suffolk pool. Pooling offers the potential to deliver more benefits to Suffolk and promote closer working between authorities.
- 4.13.3 As part of the funding arrangements, the Department for Communities and Local Government (DCLG) has allocated each council with an amount of business rates they are expected to retain in 2013/2014 if no changes occur, known as the business rates baseline.
- 4.13.4 Any additional income generated over the baseline will be subject to a 50% levy rate with central government. The NNDR1 forecast return has recently been completed and it is estimated that Forest Heath will benefit from an additional £0.093m in business rates to be retained by the district after paying the 50% levy to the government. In addition to this there is an expected additional benefit of £0.042m to the Council arising as a result of being a member of the Suffolk pool. This has arisen mainly as a result of baked in growth for Suffolk Coastal District Council. Both of these amounts have been included in the MTFS for 2013/2014 onwards.
- 4.13.5 The additional income generated from the business rates retention scheme is based upon forecasts and as such will be closely monitored throughout the course of the year.

5. Other options considered

- 5.1 In general, use of reserves to reduce the level of Council Tax in 2013/2014 will require either an increase in the Council Tax in future years or additional efficiency savings above those currently sought.
- 5.2 It is important to note that as the MTFS projection is taken further forward, the degree of uncertainty concerning future budget estimates will increase. This position is even further exacerbated by the unpredictability of the global economic environment.

6. Community impact

- 6.1 **Crime and disorder impact** (*including Section 17 of the Crime and Disorder Act 1998*)
- 6.1.1 None.

- 6.2 **Diversity and equality impact** (*including the findings of the Equality Impact Assessment*)
- 6.2.1 Shared service and other local efficiency savings have been considered in the light of diversity and equality issues and officers are confident that there are no significant issues to report.
- 6.3 **Sustainability impact** (*including completing a Sustainability Impact Assessment*)
- 6.3.1 None.
- 6.4 **Other impact** (*any other impacts affecting this report*)
- 6.4.1 None.
7. **Consultation** (*what consultation has been undertaken, and what were the outcomes?*)
- 7.1 All shared service arrangements are subject to joint agreement between the two Councils. Formal consultation exercises are undertaken with trade unions and staff regarding restructuring proposals, including staff redundancies and changes to pay and conditions.
- 7.2 Forest Heath and St Edmundsbury are holding Business ratepayers events during February to discuss, amongst other items, the Council's budget and future challenges and opportunities through the Business rates retention scheme for 2013/2014.
- 7.3 A consultation exercise, linked to the Local Council Tax Support scheme together with proposed changes to council tax discounts and exemptions on second homes and some classes of empty properties. Ran for 12 weeks starting on 3 August 2012 and finishing on 26 October 2012, co-ordinated with St Edmundsbury, other Suffolk districts and Suffolk County Council (Report Nos COU13/610 and COU13/611 refer)
8. **Financial and resource implications** (*including asset management implications*)
- 8.1 The financial and resource implications are explained in the body of this report and attached appendices.
9. **Risk/opportunity assessment** (*potential hazards or opportunities affecting corporate, service or project objectives*)
- 9.1 A risk assessment is included at Appendix 3 as part of the Scenario and Sensitivity Analysis and Appendix 7, Adequacy of Reserves and Robustness of Budget Estimates. The Head of Performance and Resources (Chief Financial Officer/S151 Officer) conclusion is that the overall, the estimates are robust, taking into account known risks and mitigating strategies and the reserves are adequate for the 2013/2014 budget plans. Cabinet and Council are advised to have regard to this report when making their decisions on the 2013/2014 budget.

10. Legal and policy implications

10.1 The Local Government Act 2003 imposed duties on local authorities in relation to financial management which covers the following areas:

- A power for the Secretary of State to determine a minimum reserve level for local authorities by regulations. The Government have indicated that their preference was to keep this power in reserve.
- Section 25 of the Act places a requirement on the S151 Officer to report on the adequacy of reserves and robustness of budget estimates as part of the authority's annual budget setting process. The Council is required to take these views into account when setting the Council Tax at its meeting on 4 March 2013. This is included as Appendix 7 of the report.
- Sections 28 and 29 of the Act place a statutory duty on local authorities to monitor their budget and take such action as considered necessary in the case of overspends and shortfalls of income.
- Section 30 of the Act relates to the provisions preventing local authorities entering into agreements following a Section 114 Report which a S151 Officer must produce when it appears that expenditure of the authority in a financial year is likely to exceed the resources available to meet the expenditure.

11. Ward(s) affected

11.1 All

12. Background papers

12.1 Local Council Tax Support (Report COU13/610)
Business Rates Retention (Report CAB13/062).
Strategic Plan 2012-2016 (Report CAB12/001)
Financial Performance Report, April to September 2012 (Report COU12/608)
Treasury Management and Annual Investment Strategy (Report CAB13/064)
Delivering a Sustainable Budget (Report CAB012/041)

13. Documents attached

13.1 Appendix 1 – Revenue Budget Summary - Net Service Expenditure by Portfolio Holder
13.2 Appendix 2 – 5 Year Capital Programme Report
13.3 Appendix 3 – Scenario Planning and Sensitivity Analysis
13.4 Appendix 4 – Medium Term Financial Strategy (MTFS)
13.5 Appendix 5 – Summary of major budget changes
13.6 Appendix 6 – Earmarked Revenue Reserves
13.7 Appendix 7 – Adequacy of Reserves and Robustness of Budget Estimates
13.8 Appendix 8 – Council Tax Collection Fund – Estimated Position 2013/14
13.9 Appendix 9 – Schedule of proposed Fees and Charges 2013/14