

11 January 2012		ITEM 12 01104069
Cabinet		
GENERAL FUND DRAFT 2012/13 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY		
Report of: Councillor J Kent, Leader of the Council		
Wards and communities affected: All	Key Decision: Yes	
Accountable Head of Service: Sean Clark, Head of Corporate Finance		
Accountable Director: Martin Hone, Director of Finance & Corporate Governance		
This report is: Public		
Purpose of Report: To propose the draft General Fund revenue and capital budgets for consultation.		

EXECUTIVE SUMMARY

This report sets out the assumptions for the General Fund 2012/13 revenue budget and seeks to determine the level of Council Tax for the forthcoming year.

The report also sets out the resource assumptions for the General Fund 2012/13 capital budget and lists the capital bids that have been submitted. This does not include the programmes for Transport, Education and the Housing Revenue Account (HRA) that will be brought to Cabinet later in the budget cycle.

The revenue and capital assumptions, along with the recommendations to this report, set the draft budget. This will be scrutinised in accordance with the agreed budget timetable.

1. RECOMMENDATIONS:

That Cabinet

- 1.1 Confirm a zero percent increase in Council Tax for 2012/13 on the basis of receiving a one year Council Tax grant from central government.**
- 1.2 Note the key assumptions in the budget.**

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- 1.3 Agree to the principal of ring fencing £1m of General Fund reserves for any unbudgeted demographic growth or other pressures.**
- 1.4 Note the estimated capital resources for the General Fund.**
- 1.5 Note the capital schemes that have been submitted.**
- 1.6 Note that the capital resources and schemes exclude those for Transport, Education and the HRA and that these will be the subject of future reports.**

REVENUE

2. THE 2011/12 BUDGET POSITION

- 2.1** Before considering the 2012/13 position it is worth considering the background of the 2011/12 budget.
- 2.2** In setting the budget for 2011/12 savings of £11.461m had to be identified and delivered during this financial year.
- 2.3** Two months into the financial year it became obvious that there were again significant cost pressures in 2011/12. This was as a result of number of factors, including a re-evaluation of savings proposals, increased inflation and demographic costs, and an adverse financial impact due to changes in legislation.
- 2.4** A report to Cabinet on 6 July 2011 set out this position and officers took action to identify mitigating factors. At the time of writing this report, officers are confident that the Council will meet its budget targets for the year and will have increased General Fund reserves in excess of £8m in line with the Medium Term Financial Strategy (MTFS).

3 THE 2012/13 DRAFT BUDGET ASSUMPTIONS

- 3.1** The MTFS predicted a budget gap of £6.1m in 2012/13, and £16.690m over the three year period of the forecast. This was due to a net reduction in resources from government grants and Council Tax and unavoidable growth (e.g. demographics, inflation).
- 3.2** I reported last year that the government offered a Council Tax freeze grant of £1.4m for 2011/12. I also commented that the Council still had the option of increasing Council Tax and that, although no additional revenue would be received over the four year life of the grant, it would mean that income would not be available in year five and beyond adding a £1.4m pressure to the MTFS.
- 3.3** Once again the government has announced a Council Tax freeze grant of £1.4m, equivalent to a 2.5% increase. A significant difference is that this only has a one year life and so means that accepting it would create a £1.4m budget pressure in 2013/14. Taking together the grant for 2011/12 and for 2012/13, the Council will have lost £2.8m from its base by 2016/17. The MTFS has assumed that the Council will agree to the grant. To recover this funding in the future would require Council Tax

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increases of 2.5% plus inflation in both 2013/14 and 2016/17 with inflationary increases for each of the intervening years.

- 3.4** In recent years the capital programme has been largely restricted to schemes that have been financed through grants or contributions from government or developers due to the limited capital resources available to the Council.
- 3.5** To finance additional schemes requires:
- Assets to be sold to realise capital receipts. The completion of the Asset Management Strategy should lead to a schedule of surplus assets although it is not expected that significant sums will be achieved in 2011/12; or
 - Prudential borrowing to be approved leading to annual repayments falling on the General Fund. Recent examples include the purchase of the waste service vehicles.
- 3.6** During 2010/11 Cabinet agreed to create prudential budgets for public buildings and ICT and these budgets were endorsed by Council for the 2011/12 financial year. The MTFS assumes £1.5m investment in ICT and a further £1.5m for general schemes in each of the three years of the MTFS.
- 3.7** In addition to the above, the following **key assumptions** form the basis of this draft budget:
- The government announced that there should not be a pay rise for the financial years 2011/12 to 2012/13 with the exception of £250 increases to those earning less than £19,000 per annum. Local Authority pay settlements do not fall under government direction but the assumption is that the Council will not award a pay rise and, in line with the Council stance in 2011/12, not award the £250 increases to those earning less than £19,000 per annum. The MTFS has also been amended to reflect the Chancellor's announcement that pay awards will be limited to 1% for 2013/14 to 2014/15.
- Inflation has been applied to the following areas:
- budgets where there is a contractual commitment;
 - vehicle fuel costs;
 - street lighting; and
 - utilities.
- The New Homes Bonus for 2012/13 has been confirmed and estimates have been included for future years.
 - Confirmation has been received from Government that the Council will continue to receive funding to support social care and health. This has now been built into the base budget for 2012/1.

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- That interest rates will remain low throughout the financial year allowing a £1.8m contribution to services in 2012/13.
- That the first £3m of capital receipts for 2012/13 be used to redeem prudential debt creating an annual saving to the General Fund of £0.66m.
- All savings agreed by Cabinet at their meeting in October 2011 will be achieved.
- The Council's Formula Grant will be reduced by 5.79%, (equivalent to £3.512m) in 2012/13. The overall impact of reduction in central Government allocations is £3.317m when considering the Medium Term Financial Strategy due to some increases in specific grant funding.

4 RESERVES AND DEBT RESTRUCTURING

- 4.1** As set out earlier in this report and in previous reports to Cabinet, the debt restructuring exercise has created significant savings to increase the level of reserves.
- 4.2** These savings will continue whilst interest rates are low but officers are aware that should interest rates start to rise there will come a point where the exercise will start to cost money. As such, officers are monitoring the situation with the Council's advisers Arlingclose and will seek to switch to fixed rates at the appropriate time.
- 4.3** The General Fund uncommitted reserve is forecast to be in excess of £8m as at 31 March 2012 and this is in line with the Director of Finance and Corporate Governance's recommended level. In addition, there has been a balance sheet review, including the status of S106 contributions, that has realised a further £1m. It is proposed that this be held as a contingency as part of the budget for 2012/13 to meet any unforeseen demographic or other pressures.

CAPITAL

5. RESOURCES AND SUBMITTED BIDS

- 5.1** As previously mentioned in this report the resources that have been available for capital investment have mainly been grants or contributions from third parties, mainly central government, for education and highways. Although welcome, the issue for the Council is that these are ring fenced and so there has been little provision for investment in areas outside of these services.
- 5.2** For 2011/12 the Council agreed to a prudential budget of £3m for ICT and £1.5m for public buildings and operational services. Further budgets are proposed over the life of the MTFs of £1.5m for each annually.
- 5.3** The Council agreed an Asset Management Strategy in March 2011. A significant amount of work has taken place since then and a refresh to the strategy will be considered by Cabinet in February 2012. It is essential that the Asset Management Strategy provides a schedule of surplus assets for disposal to raise capital receipts,

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although there may be a significant lead in time before any sales are completed due to the current financial climate.

- 5.4 The Council's only other option for funding its Capital Programme is through prudential borrowing. This allows the Council to incur a notional debt to finance schemes with the repayment being a charge to the General Fund budget.
- 5.5 Cabinet should note that there has been no prioritisation of schemes at this time and that bids received to date are in excess of available resources. Before coming forward in February 2012 at the budget meetings each service area will have prioritised their own schemes and the Capital Programme Management Group would have prioritised between services against the Council's Corporate Plan.

6. **IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT**

- 6.1 The budget should reflect the priorities set out within the Corporate Plan and so impact on all service provision.

7. **Consultation (including Overview and Scrutiny)**

- 7.1 As part of the budget process the Council has undertaken a range of consultations with various stakeholders including local businesses. The consultation process included: local residents via the 'Lets Talk' campaign; local businesses through the business conference held in November; Corporate O&S, Health and Well-Being O&S; Planning, Transport & Regeneration O&S, Children's' Services O&S.
- 7.2 The public consultation was held for six weeks between 1 November 2011 and 15 December 2011. Respondents were able to participate online by recording their votes on the Council website by completing a feedback form available in the local press. The total number of votes received were 753 (517 voted in response to the savings and 236 voted in response to the growth proposals). The saving proposals and growth proposal were analysed separately. Of the saving proposals - 78% of the votes cast were in favour of the savings proposed whilst 22% of the votes cast were against. Concerning the suggested growth items, less than half 43% were in favour of the growth proposals and 57% of the votes cast were against.
- 7.3 Consultation with the Overview and Scrutiny committees is ongoing and will continue over the following weeks; feedback from Overview and Scrutiny will be included in the budget setting process.
- 7.4 Over 200 local businesses attended the business conference on 4 November. The majority of businesses are in favour of the Council's budget saving proposals.

8 IMPLICATIONS

8.1 Financial

Implications verified by: **Sean Clark**
Telephone and email: **01375 652010**
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The financial implications are set out in the body of the report and appendices.

8.2 Legal

Implications verified by: **David Lawson**
Telephone and email: **01375 652925**
dlawson@thurrock.gov.uk

Local authorities are under an explicit duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This budget and strategy report contributes to that requirement although specific legal advice may be required on the detailed implementation of any options agreed as a result.

8.3 Diversity and Equality

Implications verified by: **Samson DeAlyn**
Telephone and email: **01375 652472**
SDeAlyn@thurrock.gov.uk

Any changes to the budgets and service provision should consider the impact on diversity and equality. Equality Impact Assessments were carried out for all of the savings that have been incorporated into the draft budget proposals.

8.4 Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental

There are no specific implications from this report.

9. CONCLUSION

Based on the MTF attached to this report there is still a budget gap to be bridged. Officers are currently revisiting the Start Chamber papers and other areas of their services and further savings' proposals will come forward during the consultation period.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT:

There are various working papers within directorates and accountancy.

APPENDIX 1

APPENDICES TO THIS REPORT:

Appendix 1 – Medium Term Financial Strategy 2012/13 to 2015/16

Appendix 2 – Capital Resource Assumptions

Appendix 3 – Capital Bids

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MEDIUM TERM FINANCIAL STRATEGY 2012/13 – 2015/16

	2012/13 £000		2013/14 £000		2014/15 £000		2015/16 £000	
Funding								
Council Tax / Council Tax Grant	1,784	58,995	356	59,351	1,988	61,339	1,890	63,230
Spend Funded From Formula Grant	(3,317)	57,746	(3,050)	54,696	(3,050)	51,646	(3,050)	48,596
Health Reablement Funding	1,749	1,700	0	0	0	0	0	0
Early Intervention Grant	32	32	0	0	0	0	0	0
New Homes Bonus	467	467	500	500	800	800	500	500
		118,185		114,290		113,539		112,229
Adjusted Base Budget								
Base Budget	117,477		118,185		114,290		113,539	
(Additional) / Reduction in funding		(708)		3,895		751		1,310
Inflation and other increases								
Pay Increase	0		696		713		731	
Salary Increments	828		750		750		750	
Contract Inflation	1,249		972		997		1,021	
Non Contract Inflation	349		357		366		375	
Increased Fees and Charges	(100)	2,325	(103)	2,672	(105)	2,721	(108)	2,769
Capital Financing								
Prudential Borrowing - General	1,379		632		234		415	
Prudential Borrowing - Funded from Revenue	(455)		(202)		(75)		(133)	
Treasury Management	0		500		0		0	
Contribution from debt restructuring	(1,820)		1,820		0		0	
Savings in debt charges	(660)	(1,556)	0	2,750	0	159	0	282
Cost Pressures Identified								
- Non Achieved 2011/12 Savings	286	286	0	0	0	0	0	0
Delivery Unit								
- Community Cohesion	27		0		0		0	
- TTGDC - Regeneration	250		286		285		286	
- Climate Change Levy	325		300		300		300	
- Performance & Partnerships Manager	26	628	0	586	0	585	0	586
People Services								
- Pressures Across Children's Services Identified 2011/12	765		0		0		0	
- Youth Offending Service	152		0		0		0	
- Munro Enquiry	100		0		0		0	
- Children's Social Care	0		250		250		250	
- Schools Improvements	250		0		(125)		(125)	
- Children Out of School	250		0		0		0	
- CWB Demographic Growth	2,000		1,000		1,000		1,000	
- Growth Linked to PCT Reablement Income	700		(700)		0		0	
- Leisure	0		300		0		0	
- Library	0		(100)		0		0	
- Theatre Operations	78	4,295	0	750	0	1,125	0	1,125
Sustainable Communities								
- Return of Major Development Powers from DC	250		120		32		30	
- Traffic Management Plan	85		5		0		0	
- TAMP Infrastructure Audit	100		70		(120)		0	
- Loss of Morrison Car Park Contract	0		41		0		0	
- Waste Demographic/Non-household waste	50		75		75		75	

MEDIUM TERM FINANCIAL STRATEGY 2012/13 – 2015/16

- Street Cleaning Demographic	8		13		13		13	
- Additional Street Cleaning Demands to Reflect DP world and Lakeside	0		25		55		30	
- 3 x Environmental Health Officers	100		0		0		0	
- Regulatory Officers (DP World)	0		0		0		150	
- 2012 Olympics	0	593	(100)	249	0	55	0	298
Housing								
- Statutory Private Sector Housing duties	125		0		0		0	
- Additional Demands on Homeless Service	250	375	(50)	(50)	0	0	0	0
Finance and Corporate Governance								
- Borough Elections	71		(192)		121		0	
- Asset Management (inc Head of Assets)	150		0		0		0	
- Utility Costs	250		0		0		0	
- Property Services Recharges - change in capital split	200		0		0		0	
- NNDR revision to voids and current budget pressure	181	852	0	(192)	0	121	0	0
Transformation								
- Vertex Contract (Net of upfront payment)	112		0		0		0	
- Financing Cost of Vertex annual payments	(90)		0		0		0	
- DHS	43	65	0	0	0	0	0	0
Savings Identified								
Corporate								
- Senior Management Restructure	(200)		(100)		0		0	
- Vertex	(1,000)							
- Transformation Project	(2,700)		(4,350)					
- Reduction in Debt position following Elizabeth House site	(120)	(4,020)	0	(4,450)	0	0	0	0
People Services								
- End of subsidy to the HRA in relation former supporting people grant	(575)		0		0		0	
- Savings made within Collins House	(70)		0		0		0	
- Saving of Debt repayments on Section 256 PCT balance now cleared	(100)		0		0		0	
- School Improvement	(65)		0		0		0	
- Pyramid	(10)		0		0		0	
- Re provision of Afterschool Clubs	(29)		0		0		0	
- Move out of One Stop Shop	(85)		0		0		0	
- Busy Bees	(8)		0		0		0	
- Early Years	(50)		0		0		0	
- Nursery Catering	(15)		0		0		0	
- Schools Project Management Costs to be Capitalised	(300)		0		0		0	
- Carer recruitment	(20)		0		0		0	
- Restructure SMT	(260)		0		0		0	
- Regarding Sun Shine Centre	(10)		0		0		0	
- Restructure through care team	(160)		0		0		0	
- Budget realignment	(60)		0		0		0	
- CEF Support Functions	(83)		0		0		0	
- ASC Review of Management Levels	(60)		0		0		0	
- ASC Provider Management Review	(50)		0		0		0	
- ASC Review of Residential Schemes for Learning Disabilities	(227)		0		0		0	
- ASC Use of Health Reablement Funding	(100)		0		0		0	
- ASC Crisis Support and Intervention Team	(50)		0		0		0	
- ASC Savings from Previous Director's CWB Budget	(15)		0		0		0	
- ASC Review of Pricing Base	(200)		0		0		0	

MEDIUM TERM FINANCIAL STRATEGY 2012/13 – 2015/16

- ASC Contingency Budget	(30)	0	0	0	0
- ASC Commissioning Team	(10)	0	0	0	0
- ASC Grounds Maintenance	(10)	0	0	0	0
- ASC Equipment in Council Properties to be Funded by HRA	(50)	0	0	0	0
- ASC Training Fund	(20) (2,722)	0 0	0 0	0 0	0 0
Sustainable Communities					
- Reduction in 'bring site' facilities	(10)	0	0	0	0
- Safety camera partnership funding	(104)	0	0	0	0
- Co-location with Europa	(25)	0	0	0	0
- Additional income from trade waste	(10)	0	0	0	0
- Introduce trade waste charges for public buildings and events	(10)	0	0	0	0
- New income from arboriculture service	(5)	0	0	0	0
- Stray Dogs	(10) (174)	0 0	0 0	0 0	0 0
Transformation					
- Transformation Savings - Stationery, Cleaning etc	(240) (240)	0 0	0 0	0 0	0 0
Projected General Fund Net Expenditure	(0)	6,210	5,517	6,370	
Target net reduction in Expenditure	(0)	(2,600)	(5,017)	(5,570)	
Total Funding Available	118,185	114,290	113,539	112,229	

CAPITAL RESOURCE ASSUMPTIONS 2012/13

Public Buildings		
Description	Funding	
	2012/13 £'000's	2013/16 £'000's
Total Bids	1486	764
Thameside Complex - Roof extractor fans - all areas (Essential)	15	0
Thameside Complex - 7th Floor plant room HWS Gas Heater - replace inefficient (Health and Safety)	11	0
Thameside Complex - 4th Floor General & Theatre AHU's - Worn, out of balance and obsolete (Essential) ** Already part of 10/11 programme but works to Thameside on hold **	70	0
Remedial works to stairwells	20	20
Replace lighting and rewire to comply with electricity at work regulations. Failure could result in fire.	0	10
Rewire office areas to comply with BS7671 and electricity at work regulations.	68	0
3rd floor plant room extract fans - worn to excess and obsolete.	34	0
Tower Block - staff lift controller - current controller is obsolete and has signs of failure.	25	0
Electrical switch room & rising main equipment.	140	110
Civic Offices 2 - Electrical Hard Wire Testing (Health and Safety)	21	0
Civic Offices 2 - Upgrade emergency lighting in the building and car park areas (Health and Safety)	60	0
Civic Offices 1 - Versatemp Units - These units are now obsolete and spares are in short supply (Energy Efficiency)	14	24
Civic Offices 2 - Pump Replacement - Items are worn and obsolete (Energy Efficiency)	20	0
Civic Offices 1 - Pump Replacement - Items are worn and obsolete (Energy Efficiency)	18	0
CO1 Heating Boilers - loss of heating for whole building.	85	0

CAPITAL RESOURCE ASSUMPTIONS 2012/13

Thameside Complex - Installation of door access system to restricted areas to improve the safety and security of occupants and Council and tenants assets.	30	0
To design, install and fit out a first aid room in the Thameside Complex.	10	0
To seal flooring, to reduce damage to vehicles and plant from the transfer of contaminated substances through the flooring slabs in the Civic Offices basement car park.	25	
Ceiling grid replacement - Civic Offices 1 - Grid could be replaced over a 3 year period.	52	0
Installation of safety equipment to Council Chamber and main Civic Offices 1 roof to ensure compliance with working at height regulations.	24	0
Thameside Complex - Bar Room Chiller renewal	6	0
Thameside Complex - Theatre House Air Handling units renewal	28	0
Thameside Complex - Theatre House Lighting renewal	77	0
Thameside Complex - Replace Theatre lighting	6	4
Thameside Complex - Rewire Theatre	0	47
Thameside Complex - Rewire the projection room	0	7
Thameside Complex - Internal works to Theatre staff rooms	0	12
Thameside Complex - Refurbish Auditorium changing rooms	11	0
Thameside Complex - Replacement of museum electrics to conform with IEE regulations	22	0
Thameside Complex - Auditorium ventilation ducting renewal (urgent H&S)	88	0
Refurbishment of village halls, to keep them in good condition to allow the community to hire them for functions.	55	0
Improvement to Library facilities	83	249
Improvement to Leisure Buildings	484	301

CAPITAL RESOURCE ASSUMPTIONS 2012/13

Transportation & Environment		
Description	Funding	
	2012/13 £'000's	2013/16 £'000's
-		
Total Bids	1181	918
South Essex Rapid Transport (No G Form)	881	918
Replace litter bins with split litter/recycling bins. Also replace dog waste bins.	50	0
Replace park benches, fences and improve footpaths	250	0

CAPITAL RESOURCE ASSUMPTIONS 2012/13

Description	Funding	
	2012/13 £'000's	2013/16 £'000's
-		
Total Bids	1780	3206
Disabled Facility Grants programme - no bid received, but based on 11/12 bid *	900	2700
Health and Safety Works to Traveller Sites	352	506
Pilgrims Lane Improvements	528	0

* £402,000 Government Grant also expected.

CAPITAL RESOURCE ASSUMPTIONS 2012/13

ICT			
Description	Funding		
	2012/13	2013/16	
	£'000's	£'000's	
Total Bids	2950	3600	
Mobile Working	1250	600	
Wide Area Network **	700	0	
Electronic Document Management System.	1000	3000	

** £300,000 Government Grant already included in 2011/12 capital programme

CAPITAL BIDS 2012/13**Capital Resource Estimates and Bid Summary**

<u>Funding Source</u>	<u>Area</u>	Forecast 2012/13 £'000's	Forecast 2013/16 £'000's
Government Grants	Housing GF	402	1,608
	Home Office	0	0
	Defra	0	0
Other Grants		0	0
Prudential Borrowing	General	1,500	6,000
	ICT	1,500	6,000
	Vehicles	0	0
	SERT	881	918
Capital Receipts		500	2,000
Total Resources		4,783	16,526
<i>Submitted Bids</i>			
- Public Buildings		1,486	764
- ICT		2,950	3,600
- Leisure		622	191
- Environment		300	0
- Transportation (SERT)		881	918
- Housing GF		1,780	3,206
Total Capital Bids		8,019	8,679
(Deficit)/Surplus		(3,236)	7,847