

CABINET

15 December 2011

14

Report Title	THE GENERAL FUND REVENUE BUDGET 2012/13 AND MEDIUM TERM FINANCIAL PLAN 2011/12-2015/16
Purpose of Report	To consider the Council's financial position over the medium term and set a budget requirement and the level of council tax for 2012/13.
Decision(s)	<p>Cabinet RECOMMENDS to Council (subject to the Governments final settlement announcements):</p> <p>a) to approve the budget proposals as set out in Appendix A including a proposed council tax Band D rate of £186.93 (0% increase) for the services provided by Stroud District Council;</p> <p>b) to approve the changes to the reserves as set out in Section 10 of the report and Appendix C;</p> <p>c) to approve the Medium Term Financial Plan as set out in Appendix B subject to any decisions made at (a) and (b) above.</p>
Consultation and Feedback	<ul style="list-style-type: none"> • Budget holders on budgets and savings • Residents and Business budget telephone survey • Youth Council budget consultation event (Oct 2011)
Financial Implications and Risk Assessment	<p>The General Fund (GF) budget has been prepared based on the information available at the time of writing the report. The Government Grant settlement for 2012/13 is provisional and final figures will not be known until January 2012. The budget pressures facing the Council reported on in September have, as far as possible, been built into the budget.</p> <p>The risks are set out more fully in the report but in summary centre around the continuing unstable economic situation and the impact this is likely to have on the public sector, changes to Government funding in future years and the level of the Council's spend financed from balances from 2014/15 onwards. It is under these circumstances that holding balances at a higher level for the time being is the most appropriate course of action to protect the council from the financial uncertainty ahead.</p> <p>Sandra Cowley, Head of Finance Tel: 01453 754136 Email: sandra.cowley@stroud.gov.uk</p>

Legal Implications	<p>Section 32 of the Local Government Finance Act 1992 as amended places a duty on the Council, as Billing Authority, to calculate before 11 March 2012 its budget requirement for 2012/13.</p> <p>Under 25 of the Local Government Act 2003, the Section 151 Officer must report on the robustness of the estimates for the purposes of making the appropriate calculations and of the adequacy of the Council's proposed financial reserves.</p> <p>Lisa Jones, Principal Solicitor Tel: 01453 754364 Email: lisa.jones@stroud.gov.uk</p>
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Portfolio Holder	<p>Councillor Nigel Cooper, Cabinet Member for Finance Tel: 01452 813870 Email: nigel.cooper@stroud.gov.uk</p>
Options	<p>The Council must set a budget in time to start collecting council tax by 1st April 2011. These proposals will be subject to consultation and scrutiny prior to Council approval.</p>
Performance Management Follow Up	<p>Budget Monitoring report to Cabinet in February 2012. Outturn report to Cabinet in July 2012.</p>
Background Papers	<p>Appendix A - Budget Proposals of the Administration Appendix B - Medium Term Financial Plan Appendix C - Review of Earmarked Reserves</p>

Section 1 - Background

1. The Cabinet considered the Council's financial position as shown by the Medium Term Financial Plan (MTFP) for the General Fund at its meeting in September 2011 and agreed a strategy for setting the budget for 2012/13.
2. At that time, the MTFP, having been updated to take account of the outturn position and other known budget changes, showed that the General Fund balance at the end of the 5 years of the plan was £1.6m.
3. The report also identified a series of budget uncertainties faced by the Council for example the outcome of the Resources Review including the business rates retention and the localisation of support for Council Tax. Other budget pressures identified include inflation, fees and charges and investment income.
4. This report looks in more detail at these uncertainties and pressures and wherever possible, provision has been made for them within the MTFP. At the time of writing the report, confirmation of the formula grant for 2012/13 had not been received from the Government.
5. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (nominated Section 151 Officer) to make a statement to the Council on the robustness of the estimates and adequacy of financial reserves. The Council is under a statutory obligation to have regard to this when making its decision on the proposed budget.
6. This report sets out all the assumptions that have been made in preparing the budget for 2012/13 and the MTFP 2011/12-2015/16 and forms the basis of the Statement of the Chief Financial Officer set out in Section 13 of the report.

Section 2 - Local Government Finance Settlement 2012/13

7. The final Local Government Finance Settlement announced on 7 February 2011 covered funding for the period 2011/12 and 2012/13. The settlement saw a reduction in Government support for Stroud of 16.2% in 2011/12 and a further 14.2% in 2012/13, a total in cash terms of £1.877m.
8. These decreases were the largest faced by any local authority in the country and were much higher than had been expected following the Comprehensive Spending Review announced in October 2010. Although the settlement only covered a 2 year period, the MTFP assumed further cuts in funding of 2.5% and 7.5% for 2013/14 and 2014/15 respectively.
9. Confirmation of the Formula Grant allocation for 2012/13 is expected in early December 2011 and was not available at the time of writing this report. It is possible that there will be further changes to the Formula Grant amount for 2012/13 following the Autumn Statement given by the Chancellor on 29 November.
10. The MTFP has been updated to include New Homes Bonus for 2012/13 following confirmation of the amount by the Government on 1 December. New Homes Bonus is calculated based on the growth in the Council's tax base from October 2010 to October 2011. At this stage, no changes have been made to the amount of Formula Grant for 2012/13 and future years from that reported in February 2011.

Section 3 - Corporate Delivery Plan 2011-15

11. The Council's vision as set out in the Corporate Delivery Plan 2010-14 forms the basis for modelling the MTFP. The plan states that Stroud District Council will work to ensure efficient and effective service delivery for the people who live in, work in and visit Stroud and will work with its partners to create a great future for Stroud.
12. The four areas of focus are:
 - Climate Change - Help the community minimise its carbon footprint, adapt to climate change, recycle more and send as little waste to landfill as possible
 - Affordable Housing – Provide affordable and decent housing
 - Resources – Provide value for money to our taxpayers and high quality services to our customers
 - Economy – Help local people recover from the recession and grow the local economy
13. Along with these four priorities, we also have an aim to focus our internal work:
 - Making sure that all our services are meeting the demands of local people and any statutory responsibilities in the most efficient and fair ways possible
 - Maintaining robust and business-like Medium Term Financial Plans
14. In previous budget setting rounds, the Council has been able to direct resources to support the areas of focus through the identification of efficiency savings year on year. For 2011/12, given the significant reduction in Government support, the ability to achieve this was limited although some additional resources were allocated to key priorities.
15. For the forthcoming year, having been very successful in the delivery of budget and efficiency savings, there is scope for some resources to be allocated to fund one-off initiatives that support key priorities for the Council.

Section 4 - The Medium Term Financial Plan (MTFP) Forecast

16. The MTFP, prior to the addition of service improvements, proposes a net revenue budget of £13.419 million in 2012/13 rising to £13.817 million by 2015/16. With the additional budget and efficiency savings identified, this represents a 1.9% decrease compared to the original budget for 2011/12 of £13.677m.
17. A statement showing the analysis of the movement from the 2011/12 original budget over the years 2011/12 to 2015/16 is shown in the table below. A more detailed analysis of the MTFP, including the budget proposals of the administration, is shown in Appendix B.

Table 1 – Movement Statement

	Original 2011/12 £'000	Revised 2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Original Budget 2011/12	14,275	14,140	14,133	14,133	14,133	14,133
Less: Addn Homelessness Prevention Grant	(30)					
Less: Budget & Efficiency savings already identified		(331)	(666)	(666)	(666)	(666)
Restated Service Revenue Expenditure	14,245	13,809	13,467	13,467	13,467	13,467
Technical Adjustments	(736)	(40)	(115)	(165)	(165)	(165)
Corporate Income & Expenditure	0	5	12	(1)	(15)	(13)
Inflation	50	0	125	125	125	125
Base Budget	13,559	13,775	13,489	13,426	13,413	13,415
TOTAL Service Changes	143	143	194	167	186	223
TOTAL Budget Pressures	(14)	(14)	(264)	(199)	(18)	195
TOTAL Budget & Efficiency Savings	(11)	0	0	(16)	(12)	(16)
TOTAL Service Improvements	0	0	0	0	0	0
Proposed Net Revenue Budget	13,677	13,903	13,419	13,377	13,569	13,817
Other Specific Grants	202	552	1,135	932	932	730
Use of / addition to (-) Reserves	(212)	(334)	(515)	(245)	233	630
Budget Requirement	13,686	13,686	12,799	12,691	12,405	12,457

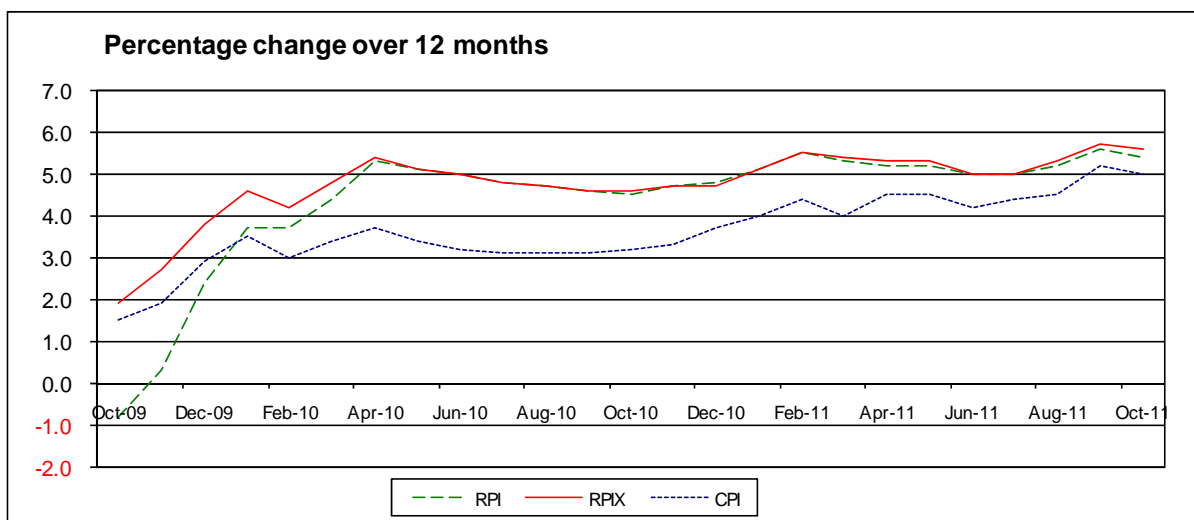
Interest Rates and Investment Income

18. As set out in the MTFP agreed at Cabinet in September 2011, the interest rate assumptions used for the MTFP projections have been fully revised.
19. The Bank of England base rate has remained at 0.5% since March 2009. Sector, the Council's Treasury Management advisers, has forecast that base rates will remain at 0.5% until June 2013 and rise slowly to 1.5% by June 2014. However, a number of previous forecasts have predicted base rate rises that have subsequently been revised to no change. This Council is adopting a cautious outlook with regard to interest rates in estimating future interest earnings on investment and will estimate on the basis of no change in interest rates over the medium term. This will be amended in future forecasts if the outlook demands it.
20. A proportion of the investment income received is payable to the Housing Revenue Account as some of the balances being invested belong to the HRA. This includes interest on the HRA's negative Capital Financing Requirement (CFR) balance of £6.7m. With the introduction of HRA Self Financing credit interest in relation to the CFR will cease as the HRA CFR will no longer be negative, but a proportion of investment income will be payable in relation to HRA reserve and cash flow balances.

Pay and Price Inflation

21. It is estimated that non-pay inflation will cost £117,700 in 2012/13, and this is included in the revenue service budgets. Provision has also been made for a pay award of 1% in 2012/13 following a 2 year pay freeze. The outcome of pay negotiations will not be known for some time.
22. The Council has set a standstill budget for a number of years now and only added inflation where we are contractually-bound using specific relevant inflation factors. For 2012/13, the impact of contract inflation is estimated to be £96,900, or 3%.
23. Other price inflation increases are for increases in Business Rates (which are linked to CPI) and energy prices. The impact of these inflationary pressures is £24,500.
24. General price inflation has remained relatively high during 2011/12. CPI, the Government's preferred measure of inflation, has remained well above the target of 2.0%. The latest inflation figures (October 2011) show CPI at 5.0% and RPI at 5.4%, with the Bank of England anticipating inflation to remain above the 2% target throughout 2012.

Table 2 – Inflation changes October 2009 to October 2011



Local Government Pension Scheme

25. The level of the Council's contribution to the Local Government Pension Scheme (LGPS) is determined by the actuarial valuation that takes place every 3 years. At the last valuation, 31st March 2010, the overall fund was 67% funded. Employers' contribution rates are calculated at each valuation to achieve full funding of its part of the scheme over the average future working life of that employer's active members.
26. With the continued pressure on the Pension Fund and the potentially unsustainable increases in employer's contributions, a stabilisation increase in the employer contribution rates was agreed with the Actuary last year, limiting the year-on-year change to +/-1.0%. The employer's contribution to the pension fund in 2011/12 equates to 25.5% of pay. An increase to 26.5% has been assumed in the MTFP for 2012/13 with further 1% increases year on year.
27. The Council has used the Pension Fund reserve to smooth the impact on the revenue budget of the increased employer contributions to the fund. This reserve will be depleted by the end of 2014/15 based on the current employer contribution forecast.

28. The Public Service Pensions Commission, chaired by Lord Hutton, undertook a fundamental structural review of public service pension provision and he presented his final report in March this year. The Government accepted Lord Hutton's recommendations as a basis for consultation with public sector workers, unions and others. The Government issued statutory consultation on 7 October 2011 which will close on 6 January 2012. The proposals set out a way to deliver cost savings through a mix of increasing employee contributions and adjusting the accrual rate.
29. For the purposes of the MTFP, no assumptions have been made about the outcome of the consultation and the subsequent impact on employers and employees contribution rates. The outcome is not likely to be known before the budget is set.

Icelandic Investments

30. The litigation process for the Council's investments with Glitnir Bank in Iceland has reached a conclusion. The Icelandic Supreme Court upheld the decision of the High Court that local authorities will receive priority status in the recovery of the deposits. At the time of writing the report, we had not received confirmation that the decision for the test cases would be applied to the non-test cases. In the event that the decision is applied to non-test cases, Stroud will receive the full amount of its investments and possibly early in the New Year.
31. The Council successfully applied for a 'capitalisation direction' in December 2009 which allowed the Council to write-off any losses over a 20 year period. When the accounts were closed for 2009/10, this direction was used to capitalise £2.25m of the £3m plus interest. The Council had a negative Capital Financing Requirement prior to exercising the capitalisation direction and this means the Council was effectively using set aside capital receipts and did not have to borrow to fund the capital expenditure. This has also resulted in the Council not having to make a charge to the revenue account to write down the capital expenditure.
32. Should the deposits be fully recovered, the Council could choose to set aside an amount equivalent to the capitalisation which would simply re-create a set aside capital receipt which could be used to fund capital expenditure. There is no obligation to do this and the alternative is to treat the amount received as a revenue receipt.
33. The recovery of these investments has not been included in the MTFP at this stage as, although the probability of recovery is high, the exact amount that will be received is not clear. Some interest is due but this is still subject to some negotiation. The effect on the MTFP of receiving the investments is that General Fund balances will increase by approximately £2.2m, the value of the capitalisation.

Section 5: Budget & Efficiency Savings

34. As set out in Table 1 of this report, the base budget estimates for 2012/13 to 2015/16 include budget savings and efficiencies. Table 4 below sets out the main budget efficiencies already achieved. These are covered in more detail in the General Fund Revenue Estimates Cabinet Report, agenda item 12 to this meeting.

Table 4 – Summary of Budget & Efficiency Savings

	Revised				
	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000
Workforce Planning Savings	(251,100)	(262,900)	(262,900)	(262,900)	(262,900)
Operational Savings	(79,500)	(402,900)	(418,900)	(414,900)	(418,900)
TOTAL	(330,600)	(665,800)	(681,800)	(677,800)	(681,800)

35. The identification of these savings has been key to setting the budget for 2012/13. The total saving of £3.038m over the MTFP has significantly reduced the gap between the level of expenditure and the funding available. Work on this is continuing as the Council needs to reduce annual costs further in future years as Government support continues to be reduced.

Section 5 - Service Improvements

36. Following the continuing success of the budget and efficiency savings programme, the allocation of New Homes Bonus in 2011/12 and a positive outturn position in 2010/11, the Council is in a position to fund one-off revenue or capital proposals. Given the projected shortfall in annual resources to fund expenditure plans from 2014/15, projects which commit the Council to ongoing spending would not be advisable.
37. Capital resources are also very limited and with the reduction in capital grant funding from the Government for Private Sector Housing schemes, any resources available may need to be directed to support these schemes.
38. The budget proposals of the administration are shown at Appendix A to this report and have been incorporated in the MTFP shown at Appendix B.

Section 6 - Risks and Uncertainties

39. The Council's budget is prepared using best estimates for the level and timing of expenditure, budget & efficiency savings and available resources. However, a number of uncertainties exist which could have an impact on the budget of the Council:
- Government Support – following the Chancellors Autumn Statement on 29th November, it is possible that Local Government may see further reduction in the amount of financial support provided by the Government
 - Icelandic Deposits – still awaiting confirmation that the decision for the test cases will be confirmed for the non-test cases
 - Global & UK economic position – a continuation and significant worsening of financial stability of many countries making investment decisions very difficult. The fallout of higher unemployment and changes to the benefit system etc all impact on the Council's resources.
 - Interest rate forecasts – assumptions made about interest rate movements this time last year have proved to be optimistic and so a very cautious approach has been taken in the MTFP forecasting for 2012/13 onwards.
 - Inflation forecasts – inflation beyond 2012/13 has not been provided for in the MTFP. It is likely that pay awards will continue to be zero or very low for some time. The November 2011 Bank of England Inflation Report suggests inflation is thought to be around its peak and is set to fall back sharply through 2012 towards the 2% target
 - Resources Review – From 2013/14, the financing of Local Government is likely to change significantly. There will be no formula grant but the retention of business rate growth will be introduced. Until more details are known, it is not possible to provide any reliable forecast of the impact this will have on the Council's finances.
 - Welfare Reform – April 2013 sees the introduction of the Localisation of Support for Council Tax replacing Council Tax Benefit. The locally designed schemes will be required to cost 10% less than they currently cost annually and there will be a corresponding reduction in Government support. This cost will be

shared with the County Council but again, insufficient information is available with which to forecast costs with any certainty. The new Universal Credit is introduced in October 2013 which will have significant implications for benefit recipients and staff within the Benefits Team

- Localism Act – The passing of the Act sees a whole host of changes that to a greater or lesser extent may impact on the Council's resources, for example, the introduction of referendum to determine Council Tax increases could have a significant impact on the Council's finances.

Section 7 – Government Support (waiting for 2012/13 to be announced)

40. Grant allocations for each authority are calculated on the basis of the following four-block model:

- a relative needs allocation using a Relative Needs Formulae (RNF), which is similar to the former 'Formula Spending Share'
- a negative amount based on relative resources (the ability of authorities to raise council tax)
- a central allocation based on a per head amount
- an allocation to ensure a minimum decrease in grant (floor damping)

41. The following table shows a breakdown of the Formula Grant for Stroud District Council. The figures for 2012/13 may change following the Formula Grant announcement for next year.

Table 7 – Breakdown of Formula Grant

Settlement	2010/11 £m	2011/12 £m	2012/13 £m
Relative Needs Amount	2.261	1.625	1.463
Relative Resources Amount	(2.954)	(1.850)	(1.840)
Central Allocation	8.000	5.561	5.009
Floor Damping	(0.122)	0.150	0.038
Formula Grant	7.184	5.485	4.669

42. Table 8 below summarises the Specific Grant allocations that have been announced as part of the settlement. There may be further specific grants yet to be announced.

Table 8 – Breakdown of Specific Grants

Grant	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Council Tax Freeze Grant 2011/12 to 2014/15	0.000	0.202	0.202	0.202
Council Tax Freeze Grant 2012/13 only	0.000	0.000	0.203	0.000
Housing/Council Tax Benefit Administration	0.801	0.665	0.600	tbc
New Homes Bonus (2010 delivery)	0.000	0.350	0.350	0.350
New Homes Bonus (2011 delivery)	0.000	0.000	0.380	0.380
Preventing Homelessness	0.041	0.071	0.071	tbc
Total	0.842	1.288	1.806	0.932

Section 8 - Council Tax

43. In October this year, the Government announced their intention to support a further council tax freeze for 2012/13. Local authorities who freeze their council tax for 2012/13 will receive a grant to fund the resultant loss of income at a rate of 2.5% for 1 year only. This has been provisionally calculated by CLG as £203,104 for Stroud.

44. It is recommended that the Council freeze the Council Tax for 2012/13 to take advantage of the Government funding available. However, it should be noted that if this funding is used to support ongoing revenue expenditure, a council tax increase of at least 2.5% will be required in 2013/14 to continue funding this expenditure.
45. The Council will continue to receive funding of £201,975 per annum for the period 2011/12 to 2014/15 for freezing the council tax in 2011/12.

Section 9 - Review of Earmarked Reserves

46. The Council should periodically review its reserves to ensure they are adequate. The outturn position on the reserves was reported to Council in July 2011 including movements to and from reserves during 2010/11.
47. A review of the Council's earmarked reserves has been undertaken since they were noted by Cabinet at its meeting in September 2011. The review has identified some reserves that need to be increased to meet future commitments. Appendix C details all the reserves held by the Council, updated for movements during 2011/12.
48. The Capital Programme currently includes provision for capital works to Council buildings. There is no further budget provision beyond 2011/12. A recently undertaken building condition survey has indicated that approximately £100,000 each year for the next four years is needed to complete a programme of maintenance works. The Property Maintenance reserve balance is £608,512 as at 31/03/11 and in 2011/12 is required to meet the cost of emergency works to a damaged culvert and roofing works at Stratford Park Leisure Centre (SPLC) totalling £131,000. It is recommended that approximately £250,000 is held as a contingency for emergency works. To meet the ongoing capital commitments it is necessary to re-instate the annual contribution to the reserve at a level of £70,000 starting in 2011/12.
49. Some major works have been carried out at SPLC in the months preceding the letting of the new contract. Further mechanical and electrical works are required which have been programmed over the next 13 years. In order to fund these works, the annual contribution to the SPLC Sinking Fund needs to be increased from £30,000 to £40,000 each year from 2012/13. Works to the building are met from the Property Maintenance reserve.
50. The Council holds a Planning Appeal Costs reserve to meet the cost of defending planning cases at an appeal or judicial review. The Corporate Risk Register identifies both generic risks, such as planning decisions made on inadequate evidence or information and avoidable planning appeals as well as specific cases such as Chestnut Park, Sellars Farm, Wind Turbines and Gloucestershire Gateway MSA.
51. The expense of defending a planning decision is compounded where the case is lost and the adjudicator believes that the Council made an incorrect decision. In these cases full or partial costs are awarded effectively doubling the outlay. The reserve needs increasing by £200,000 in the current year to provide for a high number of refusals, many of which are against officer advice. Success on appeal is greater when the advice is taken.
52. All the changes are detailed in the appendix and effectively increase the value of reserves held. Cabinet is asked to recommend to Council that the changes to reserves set out in Appendix C be approved.

Section 10 - Housing Revenue Account

53. The financial position of the Housing Revenue Account (HRA) is included as part of the Council's overall financial strategy. Whilst there are significant differences in the way that the HRA and General Fund are financed, many of the budget pressures facing the General Fund will also impact on the HRA, particularly interest rates, pension costs and the efficiency and savings agenda.

54. From 2012/13, the complex housing subsidy system will no longer exist. Under the new Self Financing regime, the Council will take on £92.186m of the Government debt and no longer have to contribute to the subsidy system. As a result, the HRA budget for 2012/13 has changed significantly to take account of this reform.
55. The details of the budget changes are set out in agenda item 10 to this meeting but in essence, the main change is the replacement of a £6.8m negative subsidy payment to the Government with approximately £3.2m of interest on the debt settlement amount. The actual rate of interest will not be known until 26 March 2012.
56. The impact of this change is that there will be a significant increase in the HRA capital programme over the next few years as there will be more resources available to improve and possibly increase the Councils housing stock. The details are still subject to consultation and so there will need to be a further report to Council.
57. The policy for rent setting for 2012/13 is following that of previous years which is to work towards formula rent under rent restructuring. This requirement will not change under Self Financing.
58. A full report on the HRA budget for 2012/13 is being presented to this Cabinet meeting. It should however be noted that the debt settlement amount and dwelling rent levels contained within the budgets are based on the draft determinations received from CLG. The final detailed determinations will not be known until the end of January 2012.

Section 11 - Capital Programme

59. Over the MTFP, the Council's capital resources are essentially committed to fund the existing capital programme. Should the estimates for the resources available not be realised e.g. less council house sales, or the capital spending is greater than estimated, e.g. the demand for disabled facilities grants, there may be a shortfall in the funding available.
60. It is likely that capital receipts from the sale of Council Houses will in the future, have to be used to fund affordable housing and may even be ring-fenced to the HRA to repay debt or build new homes. This will restrict the Council from undertaking other capital schemes in terms of the capital resources available. Revenue contributions will also be limited with the ongoing pressures on the revenue budget.
61. The Council is also involved in its largest ever capital scheme with the restoration of the canal and a number of engineering related contracts have recently been let in respect of this. The Council has committed £3.8m to the £25m project with the National Heritage Lottery Fund providing £11.9m. There is a small contingency within the Capital Reserve above which any overspend on this project would have to be met from revenue resources or borrowing and would require further Cabinet and Council approval.
62. The Capital Grants for Private Sector Housing Renewal Schemes have also been cut and Government are now only funding the Disabled Facilities Grants. The continuation of capital schemes such as the Warm and Well Grants or other Private Sector Housing schemes are increasingly met from revenue contributions.

Section 12 - Equalities Impact Assessment

63. A number of changes have been made to the way services are provided in order to reduce costs. Service Managers are responsible for undertaking Equalities Impact Assessments for any changes they make to any services they provide and where appropriate, EIAs have been undertaken.
64. The equality duties do not prevent the Council from making difficult decisions such as reorganisations and relocations, redundancies and service reductions nor do they

stop the Council making decisions which may affect one group more than another. The equality duties enable the Council to demonstrate that they are making financial decisions in a fair, transparent and accountable way, considering needs and rights of different members of the community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different equality groups.

Section 13 - Statement of the Chief Financial Officer

65. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to make a statement on the robustness of the estimates and adequacy of financial reserves when considering its budget, council tax and housing rents. The Act requires Councillors to have regard to the report in making decisions at the Council's budget and council tax and rent setting meeting.
66. The basis on which the budget for 2012/13 and the MTFP have been prepared has been set out very clearly in this report. I am satisfied that the budgets for the General Fund, the Housing Revenue Account and the Capital Programme have been based on sound assumptions.
67. The grant settlement for 2011/12 and 2012/13 had a significant impact on the Council's finances and the current economic climate continues to challenge the financial affairs of the Council. However, with the planning that has taken place over the last 3 years and the budget and efficiency savings that have been identified, the Council is able to set a balanced budget for 2012/13 with no increase in Council Tax and a programme of one-off service improvements.
68. From 2014/15 onwards, the Council is increasingly dependent on General Fund balances to support its annual spending plans. Action needs to be taken to ensure that, in future years, the Council's spending plans are reduced to match the resources available.
69. There are other income streams that may be available to the Council in the future e.g. increased planning fees to fully recover costs, New Homes Bonus and the retention of Business Rates growth but these have not been included in the budget at this stage as the estimates would be unreliable until further details become available.
70. The Council has a good record for only including in the budget income and savings estimates when they have been identified and we are certain they are deliverable. It is on this basis that I am satisfied the estimates are robust.
71. The risks and uncertainties are clearly set out in the report and have been provided for as far as possible. Significant adverse changes to the grant settlement are a key risk which is unlikely to affect the Council's ability to set a budget for 2012/13 but may affect the Council's MTFP.
72. I will review and update this statement as a result of any changes in the final Government Grant Settlement to be announced imminently and confirmed at the end of January and the budget proposals of the Administration being considered and included in this report.

Financial Reserves

73. The requirement for financial reserves is acknowledged in statute. Section 32 and 43 of the Local Government Finance Act 1992 requires billing authorities to have regard to the level of reserves needed for meeting future expenditure when calculating the budget requirement.
74. The Council's earmarked reserves have been reviewed as set out in the report. Clearly there is an opportunity cost to holding reserves and so a regular review is essential to ensure the Council does not hold money in reserves unnecessarily. That

- said, there are some reserves that need to be increased recognising the pressures they will be under over the coming years.
75. The General Fund balance is currently higher than would normally be advised and this is due in the main to a successful budget and efficiency savings agenda but also in anticipation of the outcome of the Resource Review. 2013/14 will see the introduction of business rates retention, the localisation of support for council tax and the Universal Credit. Until the impact of these changes is fully understood, the level of balances held is reasonable.
 76. Overall, I am satisfied that the projected levels of reserves and balances held by the Council are adequate for the forthcoming year but will continue to review the position as necessary during the course of the year as the Governments future plans become clearer.

BUDGET PROPOSALS OF THE ADMINISTRATION 2012-13

Climate Change - Help the community minimise its carbon footprint, adapt to climate change, recycle more and send as little waste to landfill as possible

Service Improvement	Brief Description	12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	Total £'000
Household and Business Energy Efficiency Programme	Continuation of successful scheme under the Council's Target 2050 programme. The Council has funded support for businesses, households and community buildings to become more energy efficient for a number of years via a range of initiatives such as T2050, PAYS, WISE and S2S.	50	50			100

See also HRA Budget proposals for renewable energy schemes

Affordable Housing - Provide Affordable and Decent Housing

"Alleviation of fuel poverty.....continues to be a priority for the Council" Cllr Frances Roden, Foreword, Target 2050 Document, October 2011

Service Improvement	Brief Description	12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	Total £'000
Assistance to vulnerable households to help reduce fuel poverty	Continuation of the successful Warm and Well scheme and a Partnership scheme with British Gas. No Government funding is now received for this but the demand for the service remains.	100				100
Homelessness Prevention	Provide additional support for the homelessness prevention team and additional funding for temporary accommodation changes following changes to the benefits system.	30	30	30		90
Disabled Facilities Grant	Currently receive Government funding for this mandatory service but demand greater than funding available.	100				100
First Time Buyers Mortgage Deposit Scheme	Guarantee mortgage deposits of up to 20% so people can buy a home with a 5% deposit	1,000				1,000

See also HRA Budget proposals for affordable and decent housing, reduction in fuel poverty

Resources - Provide value for money to our taxpayers and high quality services to our customers

Service Improvement	Brief Description	12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	Total £'000
Youth service provision	Match the County Council contribution to youth services in the District so enhancing opportunities and high quality service	50	50	50		150
Community initiatives	a) Support for 'one off' community events across the district - Diamond Jubilee/Cultural Olympiad/Olympic Torch/Sheffie's Bandstand	50				50
	b) Support for rural isolation issues including transport initiatives	50				50
Dursley Pool enhancements	New changing cubicle and lockers at Dursley Pool	50				50
Reduction in car park income	Reduce the car parking tariffs in Stroud, Stonehouse and Painswick	25	25	25	25	100
Improved car park service	Various schemes including improved signage as result of car park review consultation	20				20

Economy - Help local people and businesses recover from the recession and grow the local economy

"We are concerned about growing unemployment.....we will work hard to offer apprenticeships and work placement opportunities and encourage local businesses to invest in the workforce of the future" Cllr Frances Roden, Foreword, Corporate Delivery Plan 2011-15

Service Improvement	Brief Description	12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	Total £'000
Expand our NVQ Apprenticeship and Work Placement Programme	Increase the number of apprentices (from 6 to 10) and placements (from 37 to 50)	15	15			30
Careers Fairs and Sponsorship of Engineering/Green Technology Apprenticeships	Initiatives with Vale and Valley Business Partnership, Secondary School Heads, Stroud College and Job Centre Plus	10	10			20
Market Town Centre Support	Shop Local and Marketing for 5 market towns with Chambers of Trade and town councils	50				50
Capital Projects	Build up Capital Reserve – potential use to benefit economy	500				500
Total	Capital and Revenue Items	2,100	180	105	25	2,410

General Fund Medium Term Financial Plan (MTFP) – 2011/12 to 2015/16

Ref:		Original 2011/12 £'000	Revised 2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
OB1(a)	Original Budget 2011/12	14,275	14,140	14,133	14,133	14,133	14,133
ADJ(e)	Less: Adj Additional Homelessness Prevention Grant	(30)					
ADJ(f)	Less: Budget & Efficiency savings already identified		(331)	(666)	(666)	(666)	(666)
OB1(b)	RESTATED SERVICE REVENUE EXPENDITURE	14,245	13,809	13,467	13,467	13,467	13,467
TA1	Technical Adjustments						
TA1(a)	Icelandic Bank Capitalisation & MRP	40	0	0	0	0	0
TA1(b)	Capital Charges	(861)	(800)	(800)	(800)	(800)	(800)
TA1(c)	IAS 26 Retirement Benefits	150	505	470	470	470	470
TA1(d)	Net transfer to / from (-) Reserves	(65)	255	215	165	165	165
	Subtotal	(736)	(40)	(115)	(165)	(165)	(165)
C1	Corporate Income & Expenditure						
C1(a)	Contingency	50	50	50	50	50	50
C1(b)	Drainage Board	90	90	92	94	95	97
C1(c)	Interest payable & similar charges	80	97	20	25	30	30
C1(d)	Interest & investment income	(220)	(232)	(150)	(170)	(190)	(190)
	Subtotal	0	5	12	(1)	(15)	(13)
	ADJUSTED BUDGET	13,509	13,775	13,364	13,301	13,288	13,290
INF	Inflation						
INF(b)	Pay Inflation (Flat rate increase £250 below £21,000)	50	0	0	0	0	0
INF(c)	Pay Inflation (1% increase after 2 year pay freeze)	0	0	125	125	125	125
	Subtotal	50	0	125	125	125	125
	BASE BUDGET	13,559	13,775	13,489	13,426	13,413	13,415
	Budget Pressures						
P1	Previous Year's Policy Decisions (Service Changes)						
P1(a)	Housing needs tri-annual survey (1999)	0	0	32	0	0	32
P1(b)	Additional properties refuse collection costs	0	0	12	24	36	48
P1(c)	Electrical testing (bi-annual)	(7)	(7)	0	(7)	0	(7)
P1(d)	Recycling (2007)	150	150	150	150	150	150
	Subtotal	143	143	194	167	186	223
P2	Current & Future Year's Changes						
P2(a)	Increase in Employers Pension Contributions	5	0	0	65	130	195
P2(b)	Net transfers to / from (-) Pension reserve	(269)	(264)	(264)	(264)	(143)	0
P2(c)	Increase in Pension Reserve Contributions	250	250	0	0	0	0
	Subtotal	(14)	(14)	(264)	(199)	(13)	195
	TOTAL Budget Pressures	129	129	(70)	(32)	173	418
	Future Year's Budget & Efficiency Savings						
S1	Previous Year's Efficiencies						
S1(a)	Full Year Effect of 2011/12 savings	(11)	0	0	(4)	0	(4)
	Subtotal	(11)	0	0	(4)	0	(4)
S2	Current & Future Year's Changes						
S2(b)	Contracts				(12)	(12)	(12)
	Subtotal	0	0	0	(12)	(12)	(12)
	TOTAL Future Year's Budget & Efficiency Savings	(11)	0	0	(16)	(12)	(16)
	STANDSTILL BUDGET INCLUDING EFFICIENCY SAVINGS	13,677	13,904	13,419	13,378	13,574	13,817
G1	Service Improvements						
G1(a)	Budget Proposals of the Administration	0	0	2,100	180	105	25
	Total Service Improvements	0	0	2,100	180	105	25
	PROPOSED NET REVENUE BUDGET	13,677	13,904	15,519	13,558	13,679	13,842

Review of Earmarked Reserves

Appendix C

Reserve Name	What is the Reserve for?	Officer Responsible	Balance 01/04/11 (£)	Planned Receipts 2011/12 (£)	Planned Payments 2011/12 (£)	Expected Balance 31/03/12 (£)
Climate Change Reserve	To fund climate change initiatives e.g. Installation of PV at Dursley Pool and SPLC	Barry Wyatt	263,500		(211,500)	52,000
Housing	Committed to the GF costs of housing development e.g. Woolaways project	Sandra Cowley & Carl Brazier	244,000			244,000
Capital	Committed to schemes in the capital programme	Sandra Cowley	1,734,779	50,000	(1,306,000)	478,779
Closed Circuit Television	For replacement and upgrading of CCTV cameras in Stroud and Dursley	Phil Sullivan	60,502			60,502
Concessionary Fares	Close 2011/12 - Balance to transfer to GF Balances	Sandra Cowley	200,000		(200,000)	0
Efficiency / Invest to Save	Will be used to fund initiatives that generate savings in the long term	Sandra Cowley	200,000		(37,000)	163,000
Information Communication Technology	ICT infrastructure replacement programme in place	Sandra Cowley & Nick Watkins	276,439		(10,000)	266,439
Legal Counsel	Heavily used. Needs to be kept under review.	Peter Cruden	121,005	30,000		151,005
Pension fund	Close 2014/15 - Balances reducing over time funding increases in employer contributions	Sandra Cowley	690,900	765,000	(779,315)	676,585
Planning appeal costs	One large appeal could use all the reserve. Several appeals currently in the system	Barry Wyatt & Phil Skill	190,737	225,000		415,737
Planning Delivery Grant	Committed to delivering the Core Strategy	Barry Wyatt & Phil Skill	242,079			242,079
Private Sector Housing Loans Scheme	Fully committed in 2011/12	Jon Beckett	50,000		(50,000)	0
Property Maintenance	Annual contributions to be re-instated following outcome of building condition survey	Alison Fisk	608,512	70,000	(131,300)	547,212
Workforce Planning	To fund any costs arising as a result of reducing the workforce	Sandra Cowley & Allison Sharpe	240,810	50,000		290,810
Risk Management & Insurance	Needed to meet uninsured costs and insurance excesses	Sandra Cowley	119,801			119,801
Stratford Park Leisure Centre Sinking Fund	Needed to replace plant & equipment. Annual contribution to be increased.	Ray Figg	286,193	30,000	(192,000)	124,193
S106 Maintenance	Close 2011/12 - Balance to transfer to GF Balances	Sandra Cowley	15,124		(15,124)	0
Warm & Well Grants	Fully committed in 2011/12	Jon Beckett	60,000		(60,000)	0
Economic Development	Some may be committed to fund town centre schemes. Could be reduced?	Barry Wyatt	185,790			185,790
Littlecombe	Established in 2011/12. Rental income set aside to provide for cost of managing the site	Alison Fisk	0			0
Total Earmarked Reserves			5,790,171	1,220,000	(2,992,239)	4,017,932