

**DRAFT BUDGET 2012/13 AND MTP**  
**(Report by the Overview and Scrutiny Panel (Economic Well-Being))**

**1. INTRODUCTION**

- 1.1 At its meeting held on 1<sup>st</sup> December 2011, the Overview and Scrutiny Panel (Economic Well-Being) considered the report by the Head of Financial Services on the Draft Budget 2012/13 and MTP. The following paragraphs summarise the Panel's discussion on the report.

**2. THE PANEL'S DISCUSSIONS**

- 2.1 The Executive Councillor for Resources stated that there would be lean times for a number of years and many of the Council's decisions would be influenced by external events. He then presented an outline on the current situation, including:

- a. The progress that has been made towards achieving the current and next year's targets, helped in part by efficiency savings being higher than expected
- b. Some of the significant variations in the Financial Plan including the introduction of the New Homes Bonus
- c. Savings still needed to be made over the MTP period.

Subsequently, following the presentation by the Head of Financial Services, the Panel considered in detail each section of the report.

*Spending Variations*

- 2.2 Prior to an in depth analysis a view was expressed that the report's format could be clearer and more detail provided on explicit changes to revenue variations as the year progressed. It was agreed that a group of Members will meet with the Head of Financial Services to discuss these points and report back to the Panel in due course. **The panel accepted the proposed variations as outlined in Annexes A1 and A2** and congratulate the Cabinet and Officers on the significant progress in both the efficiency and savings measures identified for the next two Financial Years. **However, appreciating the current economic climate and the many unknown factors, it is recommended that further investigation be undertaken to determine the feasibility of achieving some savings earlier than planned.**

- 2.3 With regard to the supplementary capital estimate for Huntingdon multi-storey car park, the Panel was briefed that the project had already been approved and the only change is that Trinity Place Car Park will now not be sold thereby leaving a £300K deficit. In view of the urgency to meet the necessary legal agreements so that the project can proceed on the agreed timescale, **the proposed supplementary capital estimate of £300K is supported.** However, the Panel has requested an updated sensitivity analysis on the project and **Members will notify the Chairman of the Panel and the Executive Councillor for Resources if there are any matters they want the Cabinet to take into account when the final decision is made.**

### *Funding*

- 2.4 New Homes Bonus (NHB) and Formula Grant (FG). The Panel noted the possible relationship between the NHB and the FG, especially the lack of sufficient government funding for the former. They sought reassurance that the planning projections for future years were accurate. It was noted that the retention of Business Rates might possibly replace the FG in future years and its possible implications.
- 2.5 **The Panel recommends that the Council should not accept the proposed Council Tax Freeze Grant.** It was noted that £210K of additional savings needed to be identified as a result of accepting the 4 Year Reward Grant and that the acceptance of the second tranche would require the Council to find further savings in excess of £200k by 2015/16. It is understood that a significant number of other local authorities are unlikely to accept the CT Freeze Grant.
- 2.6 Council Tax (CT). The Panel noted that the CT Base is £25K better than forecast, also that the Government is expected shortly to announce the Council's grant for 2012/13 and the level of Council Tax increase that would trigger a referendum. There are clear indications that the referendum legislation will replace capping and is likely to be enacted by February 2012. This will put the Council in a more informed position on which to make a decision on next year's Council Tax than has been the case in previous years. In that context, and **before the Council Tax is set for 2012/13, the Panel recommends that the Cabinet should identify those services that might be retained for a range of increases in Council Tax within the referendum limit.**
- 2.7 Reserves. The Panel noted that the paper proposed to increase the minimum level of General reserves from £3M to £4M. Several Panel members questioned whether the new proposed level was adequate in light of the unknown. For example, the NHB represents 25% of the Council's predicted income in 2015/16 and a reduction in home building is already included in the Risks and Unknowns section of the report. This could therefore be a significant risk and the Council should make greater provision to protect itself. Although in the past the Auditor has effectively required the Council to reduce its reserves the general consensus is that it is desirable for the Council in the current economic climate to hold greater reserves. However, the Panel recognised that such action would place an insurmountable burden on the savings programme in the short term. **The Panel, therefore, recommends that the minimum level of reserves should be £4M for now but that this should be reviewed in two years and if it is reasonable should be increased to £5M. This should be tested and considered in the forecast report each year and built into the draft budget if deemed necessary.**

### *Assumptions and Risks*

- 2.8 The Panel noted that the Low End Assumptions were already built into the MTP at page 16. **However it questioned if the pay award assumptions in Annex C should be included in the paper as this raised expectations. More so as actual pay awards have been negotiated for the next few years.** As regards the Risks and Unknowns section of the report the Panel recommend that the following should be included:

- the implications of planning fees from the Enterprise Zone should be assessed and either included in the financial plan or identified as a risk / unknown;
- the Panel are concerned about the projected levels of homelessness and the increased demand for Disabled Facilities Grants. The Cabinet is requested to verify that the figures on which the respective budgets have been prepared are reliable.

### **3. CONCLUSION**

- 3.1 The Panel supports the Conclusions and Recommendations within the report and Cabinet is invited to consider the discussions of the Overview and Scrutiny Panel (Economic Well-Being) as part of their deliberations on this item.

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#### **Background Documents**

Report and Minutes of the meeting of the Overview and Scrutiny Panel (Economic Well-Being) held on 1<sup>st</sup> December 2011.