

BUDGET 2013/14 AND MEDIUM TERM PLAN 2014 to 2018
(Report by the Head of Financial Services)

1 PURPOSE

- 1.1 The purpose of this report is to allow the Cabinet to make its recommendations to Council on 20 February on the Council's Budget, Medium Term Plan and Council Tax level for 2013/14.

2 BACKGROUND

- 2.1 The Budget Update Report in December gave the following position (further detail at Annex A):

December Update	FORECAST	BUDGET	MTP			
	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
<i>Remaining revenue reserves EOY</i>	10,902	8,404	6,495	5,373	5,373	5,373
COUNCIL TAX LEVEL	£128.51	£131.08	£135.67	£140.42	£145.33	£150.42
% increase	3.50%	2.00%	3.50%	3.50%	3.50%	3.50%
£ increase	£4.34	£2.57	£4.59	£4.75	£4.91	£5.09
Unidentified Spending Adjustments still required	0	0	-1,114	-1,079	-1,261	-1,201

- 2.2 This was based on the Government's announcement that only Council Tax increases of over 2% would be regarded as excessive.

- 2.3 The report also stressed the point that the Government's funding announcement had not been received and this could have a significant impact on the Council's position.

3. GOVERNMENT FUNDING CONSULTATION

- 3.1 The key points were:

- Grant of 1% for two years for any Council not increasing its Council Tax in 2013/14
- Increases of more than 2% would be regarded as excessive unless the authority is a District Council (in a two tier area) with a Council Tax level in the bottom 25% when the increase can be up to £5. (HDC is in the bottom 13%). It is

only if an increase exceeds these limits that the Government requires local people to support it in a referendum.

- A reduction in the levy that the Council would have to pay before increases in retained Business Rates could be retained. This means the Council will receive 20% (was 8%) of any overall gain but have to meet 40% (was 39%) of any loss.
- The combination of Revenue Support Grant (RSG) and retained business rates for 2013/14 is fairly close to the December report assumptions after including the relevant parts of the risk contingency.
- The figures for 2014/15 were also announced and showed a 24% reduction in RSG which is a significantly greater reduction than had been forecast.
- The consultation runs to 15 January and the results had not been published at the date of completing this report (25 January).

3.2 The position after 2014/15 has been reviewed and, based on the Local Government Association's interpretation of Government announcements, could result in grant reductions of 7.5% per year for the following 4 years. Some Finance Officers in other authorities are assuming even higher reductions.

3.3 An additional complexity has subsequently emerged as the Council was informed on the 24 January that in order to demonstrate that any increase in Council Tax is within the Government's limits an artificial tax level for 2012/13 has been created (called the Alternative Notional Amount or ANA). Adding £5 to the ANA means that our maximum increase in Council Tax for 2013/14 is not £5 but £4.67 for a Band D property. The consultation on the ANA runs until 31 January and it is not known when the definitive figures will be published.

3.4 To simplify this report an assumption on Council Tax rises has been made: **£4.67 per year for 2 years and then reverting to the Council's current plan of 3.5% per year**. Section 7 of this report gives members the opportunity to consider the impact of alternative levels of increase. On this assumption the table below shows the impact of the changes in funding:

FUNDING	REVENUE					
	F'CAST	BUDGET	MTP			
	2012	2013	2014	2015	2016	2017
	2013	2014	2015	2016	2017	2018
£000	£000	£000	£000	£000	£000	
Variations (-ve is <u>LOSS</u> of funding)						
New Homes Bonus		-4	-286	-490	-317	+146
Special Council Tax Grant 2011/12		-184	-184	0	0	0
Formula Grant (RSG)		-3,216	-4,030	-4,591	-5,131	-5,653
Retained Business Rates		+4,004	+4,127	+4,230	+4,336	+4,444
Collection Fund Surplus		+76	0	0	0	0
Council Tax		-450	-419	-362	-281	-197
Total Variations	0	+227	-793	-1,213	-1,393	-1,260

3.5 The reductions in Council Tax funding result from the reduction in the tax base due to the new treatment of Council Tax support (replacing Council Tax Benefits) from April. The “compensating” grant is now included within RSG.

3.6 The apparent increase in funding in 2013/14 is offset by the payment of a grant to Town and Parish Councils, to offset the impact of their loss of Tax base, and the rolling into RSG of the Homelessness Grant. Both of these items are shown in the spending variations.

4. CHANGES IN SPENDING ASSUMPTIONS

4.1 The table below shows the changes in spending since the December Update Report (which provided details of all the spending variations already proposed) and how the changes in the use of reserves and the required level of unidentified savings balance this with the change in Funding:

SPENDING VARIATIONS (+Ve = extra cost)	REVENUE					
	F'CAST	BUDGET	MTP			
	2012	2013	2014	2015	2016	2017
	2013	2014	2015	2016	2017	2018
£000	£000	£000	£000	£000	£000	
Car Parking - reduced income target	41	145	198	465	497	656
Grants to Local Councils re Tax base	0	357	357	357	357	357
Remove Homelessness Grant (now in RSG)	0	85	85	0	0	0
Risk Provision						
Remove provision for grant reductions in 2013/14	0	-184	-184	-184	-184	-184
Adjust Grant reduction re New Homes Bonus	0	-214	-318	-324	-330	-330
Remove Provision for Business Rates Growth	0	0	86	177	272	372
Adjust Provision for lower completions of New Homes	0	0	-35	-49	-24	90
Adjust Provision for Demographic Growth	0	0	-11	-23	-45	-76
Reduce Provision for non-achievement of Car Park charges	0	-30	-40	-130	-140	-180
Create Provision for Homelessness	0	0	100	100	100	100
Create Provision for Council Tax limitations	0	0	38	88	177	275
Create Provision for A14 Funding Contribution	0	0	0	0	200	200
Other items						
Reorganisation of Senior Managers	40	-53	-103	-103	-103	-103
Remove Collection Fund adjustment (technical)	0	-31	-31	-31	-31	-31
Interest	0	50	50	51	54	56
Adjust Forecast 2012/13	-252	0	0	0	0	0
Schemes B/F and C/F	351	0	0	0	0	0
Revenue Inflation @@	-74	-143	-423	-493	-767	-1,027
Roundings	0	1	0	-1	0	1
Spending Variation	+106	-17	-231	-100	+33	+176
PLUS Use of reserves Variation (-ve = more used)	-106	244	-175	-336	0	0
PLUS Unidentified Savings Variation (-ve = higher requirement)	0	0	-387	-778	-1,426	-1,436
EQUALS Funding Variation	0	+227	-793	-1,213	-1,393	-1,260

@@ Includes lower provision re utilities, inclusion of 10% car parking charges increase for April 2016 and adjustment to bring unidentified savings to 2013/14 prices. Annex H shows inflation and interest rate assumptions.

5. RISK PROVISION

5.1 The Risk Provision after these latest adjustments totals:

RISK PROVISION	2013	2014	2015	2016	2017
	2014	2015	2016	2017	2018
	£000	£000	£000	£000	£000
Proposed Risk Provision (details in Annex B)	340	1,078	1,598	2,567	3,085

5.2 This provision is included in the proposed budget and is detailed in Annex B. The Annex also shows illustrations of the impact of some additional items together with the extra cost if these all occurred.

5.3 Annex C then provides a list of other risks that could affect the Council during the MTP period for which no financial adjustment has been made. If they result in an increase in net cost, this will have to be met from revenue reserves until other savings can be achieved.

6. PROPOSED MTP

6.1 The Table below shows the proposed budget and MTP with a more detailed table provided in Annex D.

PROPOSED BUDGET/MTP	FORECAST	BUDGET	MTP			
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000	£000
2012/13 BUDGET/MTP	21,722	22,299	22,842	23,611	24,365	25,363
Proposed variations \$\$	306	465	-644	-856	-1,319	-1,136
NEW FORECAST	22,028	22,764	22,198	22,755	23,046	24,227
FUNDING						
Use of revenue reserves	-2,853	-2,254	-2,084	-1,458	0	0
Remaining revenue reserves EOY	10,796	8,542	6,458	5,000	5,000	5,000
New Homes Grant	-1,913	-2,905	-3,505	-4,489	-5,964	-6,832
Special Council Tax Grant 2011/12	-184					
Formula Grant (RSG)	-9,288	-6,019	-4,600	-4,255	-3,936	-3,641
Retained Business Rates	0	-4,004	-4,127	-4,230	-4,336	-4,444
Collection Fund Deficit	-63	-76				
Council Tax	-7,727	-7,506	-7,882	-8,323	-8,810	-9,311
COUNCIL TAX LEVEL	£128.51	£133.18	£137.85	£142.67	£147.67	£152.84
% increase	3.50%	3.63%	3.51%	3.50%	3.50%	3.50%
£ increase	£4.34	£4.67	£4.67	£4.82	£4.99	£5.17
Unidentified Spending Adjustments still required	0	0	-1,500	-1,856	-2,687	-2,637

\$\$ December update report plus items in Para. 4.1 above

- 6.2 Annex E provides the controllable budgets by Head of Service and Annex F shows total cost by Service area. A colour coding is used in Annex E to denote those service developments that require further approval before they can commence.
- 6.3 The Proposed MTP is based on capitalising all expenditure that is permitted by Government regulation. This ensures that the cost of providing an asset is spread over the taxpayers who benefit from it during its useful life. Overview and Scrutiny (Economic Wellbeing) has proposed that consideration should be given to funding shorter life assets from revenue. The implications of this will be examined post-budget to see if any net benefit would compensate for the transition costs.

7. COUNCIL TAX INCREASES

- 7.1 Huntingdonshire continues to have a very low level of Council Tax. In the current year the Council's £128.51 charge (Band D) was 25th lowest of the 201 District Councils which have an average of £166 and a maximum of £310. About two-thirds of Huntingdonshire's properties are in Bands A to C and so have a lower Tax level.
- 7.2 The Government are encouraging authorities not to increase Council Tax for 2013/14 with the offer of a special grant equivalent to 1% of 2012/13 Council Tax income for two years.
- 7.3 Most Councils can only increase their Council Tax by 2% without positive referendum support. However the Government have recognised that low taxing Councils, like Huntingdonshire, have significant problems and are allowing those with the lowest 20% of tax levels to theoretically increase their tax level by £5 (approximately 3.9%).
- 7.4 Paragraph 3.3 above explained the issue that results in the £5 increase not being achievable in Huntingdonshire and early indications suggest that, if the proposed calculation is retained, many authorities will be unable to increase their Council Tax by the headlined £5 or 2%.
- 7.4 The table below shows the impact in terms of extra service savings that would have to be found if various other options on Council Tax increases were taken:

	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
BASE OPTION					
Council Tax Increase	£4.67	£4.67	3.5%	3.5%	3.5%
OPTION 1	3.5%	3.5%	3.5%	3.5%	3.5%
EXTRA SAVINGS	10	11	12	12	12
OPTION 2	2%	2%	2%	2%	2%
EXTRA SAVINGS	118	238	368	511	667
OPTION 3 \$	0	0	0	0	0
EXTRA SAVINGS	186	458	827	1,143	1,482
OPTION 4 \$	0	£4.67	3.5%	3.5%	3.5%
EXTRA SAVINGS	186	190	282	299	315

\$ Options with no increase in 2013/14 include a 1% reward grant for 2 years

8. RESERVES AND THE ROBUSTNESS OF THE 2012/13 BUDGET

- 8.1 The Overview and Scrutiny (Economic well-being) Panel carried out a review on Revenue Reserves last year and concluded that that the 2012/13 level (£4.5M) was adequate but that the position should be reviewed each year.
- 8.2 The Local Government Act 2003 requires the Managing Director (Resources), as the Council's Chief Financial Officer, to report to the Council on the robustness of the estimates and the adequacy of reserves when it considers its budget and the consequent Council Tax. His comments are contained in Annex G and confirm that the budget is adequately robust and that, in his view, the level of revenue reserves is currently above the minimum level required.

9. CONSULTATION AND COMMENTS

- 9.1 This report will be considered at a meeting of the Overview and Scrutiny (Economic Wellbeing) Panel on the 7 February and a consultation meeting with members of the business community on 8 February. Comments from both meetings will be reported to Cabinet.

10. PRUDENTIAL CODE

10.1 The Prudential Code sets various limits relating to the budget and this has been included as an annex to the Treasury Management Strategy elsewhere on the Cabinet's agenda.

11. CONCLUSIONS

11.1 The Update Report in December included all the spending variations identified at that time. Members may wish to bring this to the meeting with them (pages 11 to 42 of the December Council Book).

11.2 A number of adjustments have subsequently been made. The most significant ones relate to:

- Transferring the part of the previous Car Parking savings target, for which there are not yet definite proposals, to Unidentified Savings.
- Providing grants to Town and Parish Councils to protect them from losing funding as a result of the Government's new approach to dealing with Council Tax Support (previously Council Tax Benefits).
- Adjustments to the Risk Provision – some as a result of the Government's Funding Announcement
- Lower funding levels – Government Grant plus retained Business Rates.

11.3 Although generally anticipated, this Council's Government "grants" (including the permitted retention of business rates) fell by 5.1%. The Government have recognised the immense difficulties this creates for low taxing Councils such as Huntingdonshire and so are allowing them to raise their Council by £5 (currently technically limited to £4.67) without it being regarded as excessive and so requiring referendum support.

11.4 The Council is faced with finding further savings of £1.5M in 2014/15 rising to £2.6M in 2017/18 which will require difficult decisions over the coming months. Section 7 shows the extra savings required for lower levels of Council Tax increase which would require up to a further £1.5M of savings. About 2/3rds of properties are below Band D and so their Tax increase would be proportionately lower than the Band D figures quoted.

11.5 The Council still faces a challenge of minimising tax levels whilst maintaining the range and quality of services that local people expect and need. In the difficult financial situation the Council faces it is recommended that a Council Tax rise of £4.67 is approved and that the planning assumption for future years be £4.67 in 2014/15 and then 3.5% per year.

11.6 It is important that the identification of savings items is concluded in sufficient time for the £1.5M savings target for 2014/15 to be delivered.

11.7 The Council's Chief Financial Officer considers that the budget for 2013/14 is sufficiently robust and that there are adequate reserves.

12. RECOMMENDATIONS

Recommend to February Council:

- Approval of the proposed MTP, budget and Financial Plan (Annexes D to F)
- A £4.67 per year increase in the Council Tax for 2013/14 i.e. a Band D charge of £133.18.

ACCESS TO INFORMATION ACT 1985

Grant Settlement Information – Files in Financial Services

Working Papers - Files in Financial Services

Project Appraisals

2012/13 Revenue Budget and the 2013/17 MTP

Forecast Report

December 2012 Update Report

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ANNEXS

- A Position in December Update Report
- B Proposed Risk Provision
- C Other Potential Risks
- D Proposed Budget and MTP
- E Controllable costs by Head of Service
- F Budget by Service Area including recharges
- G Managing Director's statement on robustness of budget and adequacy of reserves.
- H Inflation and interest rate assumptions

POSITION SHOWN IN DECEMBER REPORT

ILLUSTRATIVE SUMMARY	FORECAST	BUDGET	MTP			
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000	£000
NEW FORECAST	21,921	22,782	22,816	23,632	24,439	25,488
FUNDING						
Use of revenue reserves	-2,747	-2,498	-1,909	-1,122	0	0
<i>Remaining revenue reserves EOY</i>	10,902	8,404	6,495	5,373	5,373	5,373
New Homes Grant	-1,913	-2,909	-3,791	-4,979	-6,281	-6,686
Special Council Tax Grant 2011/12	-184	-184	-184			
Formula Grant (RSG)	-9,288	-9,235	-8,630	-8,846	-9,067	-9,294
Collection Fund Deficit	-63					
Council Tax	-7,727	-7,955	-8,302	-8,685	-9,091	-9,508
COUNCIL TAX LEVEL	£128.51	£131.08	£135.67	£140.42	£145.33	£150.42
% increase	3.50%	2.00%	3.50%	3.50%	3.50%	3.50%
£ increase	£4.34	£2.57	£4.59	£4.75	£4.91	£5.09
Unidentified Spending Adjustments still required	0	0	-1,114	-1,079	-1,261	-1,201

PROPOSED RISK PROVISION - The Low End Assumption is included in the Budget/MTP.

LOW END ASSUMPTION Risk Provision in MTP	Extra savings needed (+):					HIGH END ASSUMPTION	Extra savings needed (+)				
	13/14	14/15	15/16	16/17	17/18		13/14	14/15	15/16	16/17	17/18
	£M	£M	£M	£M	£M		£M	£M	£M	£M	£M
Reduction in New Homes Bonus grant due to slower housing completions from 2014/15											
10% lower		0.050	0.150	0.300	0.450	20% lower		0.100	0.300	0.600	0.900
Reduction in Government Grant due to insufficient New Homes Bonus funding											
All bodies share loss			0.100	0.200	0.200	Local Authorities share loss			0.200	0.300	0.400
Financial Contribution to A14											
£5M over 25 years				0.200	0.200	£8M over 25 years				0.320	0.320
						Further reduction in Government Grant					
						1% per year for 3 years			0.400	0.800	1.200
Increase in net spending every year to cover cost of increased population. There is no provision for demographic growth in the forecast.											
0.425% #		0.090	0.180	0.270	0.240	0.85% #		0.180	0.360	0.540	0.600
						Change to NI Contributions re new Old Age Pension Proposals					0.300
Homelessness											
		0.100	0.100	0.100	0.100			0.200	0.200	0.200	0.200
Pay Protection and Performance pay @											
	0.320	0.640	0.960	1.300	1.600		0.320	0.640	0.960	1.300	1.600
MMI Drawdown											
		0.140						0.140			
Proposed Council Tax increases not permitted by Government											
£4 in 14/15 and 15/16 then 2.5%		0.038	0.088	0.177	0.275	£3 in 14/15 and 15/16 then 2%		0.096	0.204	0.341	0.489
						Increase in Business Rates retained					
						1% growth per year		-0.110	-0.220	-0.330	-0.440
						Loss of income in 2014/15 and 2015/16 excluding leisure and some other areas\$					
						2.5%		0.110	0.110		
						No leisure price increase					
						in 2014/15		0.170	0.170	0.170	0.170
Partial non-achievement of 2013 increase in car park charges											
10%	0.020	0.020	0.020	0.020	0.020	20%	0.040	0.040	0.040	0.040	0.040
PROPOSED RANGE FROM . .	0.340	1.078	1.598	2.567	3.085	TO....	0.360	1.566	2.724	4.281	5.779
						Extra cost of high end assumption	0.020	0.488	1.126	1.717	2.694

Cost of extra refuse round included in MTP for 2017/18 set-off

\$ Excludes Car parks (separate provision) Planning (no price rise) and Rents (based on leases)

@ Past budgets included 3.5% to cover cost of living and performance pay. 2% for potential cost of living increases is included in inflation. This Provision is the balance pending the results of a Pay Review which is underway. The Review will clarify what provision will be needed for future performance payments, transition costs and any protection that may need to be paid to staff.

OTHER POTENTIAL RISKS

The most fundamental issue continues to be the economic impact of the various international financial issues. There are many conflicting views on the scale of the problems ahead for the UK and the eurozone. There may be further financial impacts on the UK and these could lead to:

- Lower income from planning fees, building control fees and leisure charges.
- Lower New Homes Bonus (10% provision)
- More applicants for housing and council tax benefit
- Higher homelessness costs (£100k provision from 2014/15)
- Reductions in Government Grant (some provision)

Other issues include:

- Delivery of the items contained in identified savings
- Identification and delivery of items to achieve the level of unidentified savings required in future years.
- Levels of pay awards, inflation and interest rates
- Results of Pay Review
- Ability to maintain income levels
- Impact of variations in retained Business Rates (possibly favourable)
- Change in Pension Fund contributions payable from April 2014 as a result of the three yearly revaluation (possibly favourable).
- Impact of changes to the benefits systems on homelessness levels and the ability to collect Council Tax.
- High priority service developments not already in the MTP and any unavoidable spending requirements (e.g. planning appeals)
- The potential for costs relating to “orphan” contaminated land sites
- Repayment of past land charge fees
- Low demand for sites in Huntingdon e.g. assumed sale of County land at California Road and plot fronting St. Mary’s Street.

IMPACT OF EXPENDITURE CHANGES	Impact on saving requirement				
	13/14	14/15	15/16	16/17	17/18
	£000	£000	£000	£000	£000
Pay (1% higher award each year from 2014/15)		206	415	629	848
Expenditure excluding pay (1% higher inflation each year)	23	45	68	92	118
Interest Rates (1% higher level each year)	149	163	187	203	214
Pension Fund contributions (1% change from April 2014)		153	153	154	155

ANNEX D

PROPOSED SUMMARY BUDGET AND MTP

PROPOSED BUDGET/MTP	FORECAST	BUDGET	MTP			
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000	£000
2012/13 BUDGET/MTP	21,722	22,299	22,842	23,611	24,365	25,363
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NEW FORECAST	22,028	22,764	22,198	22,755	23,046	24,227
FUNDING						
Use of revenue reserves	-2,853	-2,254	-2,084	-1,458	0	0
Remaining revenue reserves EOY	10,796	8,542	6,458	5,000	5,000	5,000
New Homes Grant	-1,913	-2,905	-3,505	-4,489	-5,964	-6,832
Special Council Tax Grant 2011/12	-184					
Formula Grant (RSG)	-9,288	-6,019	-4,600	-4,255	-3,936	-3,641
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Unidentified Spending Adjustments still required	0	0	-1,500	-1,856	-2,687	-2,637
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Forecast Capital Spending	7,278	8,863	2,789	3,647	3,866	3,967
Permitted capital borrowing EOY net of MRP	28,056	35,514	36,550	38,077	39,564	40,761
Average net borrowing in year	12,821	22,361	28,777	31,830	34,066	35,407
Net Interest and Borrowing Costs						
- total	827	1,536	2,103	2,483	2,846	3,358
- as % of total net spending	4%	7%	9%	11%	12%	14%

SERVICE BUDGET SUMMARY	2012/13		2013/14
	Original	Forecast	Budget
	£'000	£'000	£'000
Environmental Services			
Refuse Collection	3,202	3,303	3,292
Recycling	283	261	300
Drainage & Sewers	667	575	832
Public Conveniences	57	51	54
Environmental Health	2,123	2,068	2,086
Closed Churchyards	6	6	6
Street Cleaning & Litter	1,388	1,339	1,393
	7,726	7,603	7,963
Planning			
Development Control	1,050	1,068	855
Building Control	108	172	82
Planning Policy & Conservation	1,228	1,583	1,233
Economic Development	-977	-761	-747
	1,409	2,062	1,423
Community Services			
Countryside	449	484	472
Community Initiatives	886	819	789
Parks	1,593	1,443	1,560
Leisure Policy	330	350	314
Leisure Centres	2,347	2,701	2,239
Community Facilities	21	39	22
	5,626	5,836	5,396
Community Safety			
Community Safety	404	430	393
	404	430	393
Housing Services			
Housing Services	905	836	826
Private Housing Support	2,384	1,468	2,213
Homelessness	758	873	967
Housing Benefits	1,266	1,267	1,289
	5,313	4,444	5,295
Highways & Transportation			
Transportation Strategy	402	382	788
Public Transport	221	206	219
Street Naming	145	122	142
Car Parks	-343	-206	-326
Environmental Improvements	347	344	349
	772	848	1172
Corporate Services			
Local Taxation & Benefits	1,217	1,192	1,351
Corporate Management	1,193	1,402	1,344
Democratic Services	1,436	1,293	1,347
Legal & Democratic Services	506	493	395
Non Distributed Costs	297	251	272
	4,649	4,631	4,709
Other Expenditure			
Contingency	-134	-27	225
Other Expenditure	-4,032	-3,796	-4,080
Investment Interest	-11	-3	268
	-4,177	-3,826	-3,587
Council Total	21,722	22,028	22,764

The Service based budget includes direct expenditure, the allocation of support costs and depreciation on assets.

This basis has to be used for statistical returns and statutory accounts.

SERVICE BUDGET		2012/13		2013/14
		Original	Forecast	Budget
		£'000	£'000	£'000
Environmental Services				
Refuse Collection	Abandoned Vehicles	37	34	34
	Domestic Refuse	3,173	3,288	3,268
	Trade Refuse	-8	-19	-10
		3,202	3,303	3,292
Recycling	Recycling	376	254	293
	Recycling Sites	-93	7	7
		283	261	300
Drainage & Sewers	Internal Drainage Boards	387	384	396
	Nightsoil Collection	11	7	11
	Watercourses	269	184	425
		667	575	832
Public Conveniences	Public Conveniences	57	51	54
		57	51	54
Environmental Health	Air Quality	127	113	121
	Animal Welfare	152	136	136
	Caravans And Camping	0	4	4
	Contaminated Land	108	146	137
	Health & Safety	205	179	178
	Energy Efficiency	404	411	430
	Environmental Health General	-18	-24	6
	Food Safety	486	510	509
	Health Promotion	43	38	28
	Licences	4	24	7
	Nuisances	291	240	240
	Pest Control	111	99	97
	Private Sector Housing	203	189	190
	Travellers	7	3	3
		2,123	2,068	2,086
Closed Churchyards	Closed Churchyards	6	6	6
		6	6	6
Street Cleaning & Litter	Littering	88	38	58
	Street Cleaning	1,300	1,301	1,335
		1,388	1,339	1,393
Environmental Services		7,726	7,603	7,963
Planning				
Development Management	Advice	605	574	571
	Application Processing	219	274	65
	Enforcement	226	220	219
		1,050	1,068	855
Building Control	Applications	-121	-26	-104
	Promotion & Enforcement	229	198	186
		108	172	82
Planning Policy & Conservation	A14 Inquiry	25	200	1
	Conservation & Listed Buildings	143	110	112
	Local Plan	672	882	762
	Planning Projects/Implementation	211	183	167
	Trees	177	208	191
		1,228	1,583	1,233

SERVICE BUDGET		2012/13		2013/14
		Original	Forecast	Budget
		£'000	£'000	£'000
Economic Development	Business & Enterprise Support	328	315	329
	Markets	-45	15	12
	NNDR Discretionary Relief	30	24	31
	Property Development and Management	-1,349	-1,136	-1,227
	Town Centre Management	59	21	108
		-977	-761	-747
	Planning	1,409	2,062	1,423
Community Services				
Countryside	Countryside Management	132	107	117
	Hinchingbrooke Country Park	198	243	225
	Paxton Pits	102	91	86
	Miscellaneous Countryside Sites	17	43	44
		449	484	472
Community Initiatives	Community Projects	117	125	127
	Community Initiatives Management	344	233	240
	Equal Opportunities	57	92	99
	Miscellaneous Grants	368	369	323
		886	819	789
Parks	Parks & Open Spaces	1,526	1,386	1,492
	Pavillions	67	57	68
		1,593	1,443	1,560
Leisure Policy	Arts Development	17	14	14
	Leisure Development	313	336	300
		330	350	314
Leisure Centres	One Leisure Huntingdon	599	654	590
	One Leisure Ramsey	403	408	433
	One Leisure Sawtry	416	426	421
	One Leisure St Ives	500	722	438
	One Leisure St Neots	378	434	307
	Leisure Centres Overall	51	57	50
		2,347	2,701	2,239
Community Facilities	Priory Centre	21	39	22
		21	39	22
	Community Services	5,626	5,836	5,396
Community Safety				
Community Safety	C C T V	171	173	170
	Community Safety	233	257	223
		404	430	393
	Community Safety	404	430	393
Housing Services				
Housing Services	Choice Based Lettings	30	38	39
	Housing Advice	284	262	264
	Housing Strategy	149	114	114
	Waiting List	328	321	321
	Other Housing Services	114	101	88
		905	836	826

SERVICE BUDGET		2012/13		2013/14
		Original	Forecast	Budget
		£'000	£'000	£'000
Private Housing Support	Home Improvement Agency	67	25	22
	Housing Associations	160	275	273
	Housing Surveys	25	34	34
	Renovation/Improvement Grants	2,107	1,104	1,855
	Housing Support - Elderly	25	30	29
		2,384	1,468	2,213
Homelessness	Accommodation For Homeless	79	79	117
	Homelessness Management	404	476	576
	Homeless Prevention	169	234	180
	Hostel Support	106	84	94
		758	873	967
Housing Benefits	Housing Benefits Admin	1,402	1,277	1,248
	Rent Allowance Local Scheme	14	15	15
	Rent Allowance National Scheme	-293	-203	-157
	Temporary Accomodation Support	143	178	183
		1,266	1,267	1,289
Housing Services		5,313	4,444	5,295
Highways & Transportation				
Transportation Strategy	Cycling	31	67	34
	Transportation Management	245	176	180
	Transport Schemes	126	139	574
		402	382	788
Public Transport	Bus Shelters	97	86	96
	Bus Stations	109	109	111
	Concessionary Fares	15	11	12
		221	206	219
Street Naming	Street Naming	145	122	142
		145	122	142
Car Parks	Car Park Assets	117	96	116
	Car Park Management	-442	-348	-490
	Car Park Policy	-18	46	48
		-343	-206	-326
Environmental Improvements	Management	102	100	105
	Schemes	245	244	244
		347	344	349
Highways & Transportation		772	848	1,172
Corporate Services				
Local Taxation & Benefits	Council Tax	941	799	817
	Council Tax Benefits/Support	297	409	544
	NNDR Administration	-21	-16	-10
		1,217	1,192	1,351
Corporate Management	Chief Executive & Management Team	421	730	693
	External Audit	164	179	180
	Public Accountability	482	358	365
	Treasury Management	126	135	106
		1,193	1,402	1,344
Democratic Services	Corporate Committees	546	484	501
	Member Allowances & Support	890	809	846
		1,436	1,293	1,347

SERVICE BUDGET		2012/13		2013/14
		Original	Forecast	Budget
		£'000	£'000	£'000
Central Services	Elections	441	398	352
	Emergency Planning	92	88	89
	Land Charges	-27	7	-46
		506	493	395
Non Distributed Costs	Pensions	225	191	230
	ICT Services to Other Organisations	11	47	42
	Unused Capacity of Assets	61	13	0
		297	251	272
Corporate Services		4,649	4,631	4,709
Other Expenditure				
Contingency	Other Contingencies	-134	-27	225
		-134	-27	225
Other Expenditure	Capital Charges Reversed	-6,183	-5,244	-6,794
	Deferred Expenditure	0	-250	0
	Minimum Revenue Provision	906	824	1,255
	Items to be Allocated/Recharged to Services	320	-52	-58
	Pensions Lump Sum	896	896	1,139
	Grants to Parish/Town Councils	0	0	357
	Other Expenditure	29	30	21
		-4,032	-3,796	-4,080
Investment Interest	Interest	-11	-3	268
		-11	-3	268
Other Expenditure		-4,177	-3,826	-3,587
COUNCIL TOTAL		21,722	22,028	22,764

RESERVES AND THE ROBUSTNESS OF THE 2013/14 BUDGET

The Local Government Act 2003 requires me, as the Council's Chief Financial Officer, to report on the robustness of the 2013/4 budget and the adequacy of reserves to assist you in making your decisions on the Budget and the level of Council Tax.

Robustness

The Council has tended in recent years to underspend its budget. This demonstrates that it has budgeted prudently and that managers have taken a mature approach to budgetary control rather than simply spending any spare sums on low priority items. As budgets tighten the opportunity for such underspends diminish.

The Internal Audit and Risk Manager considers that our internal financial controls are working adequately. There is also a sound system of financial monitoring and identification of any necessary budget variations that feeds into the budget/MTP process.

The 2013/14 budget has been prepared using the budget for 2012/13 as a base, and amending it for known changes, particularly:

- Inflation including a 2% provision for the pay award that has already been approved. There will be no performance pay in 2013/14 except for some very limited and specific employees (e.g. therapists at Leisure Centres). Pay is by far the most significant inflation element and this prior agreement removes a major level of uncertainty.
- The impact of the 2011/12 outturn and forecast spending for 2012/13.
- Variations in existing and proposed new MTP schemes. A good proportion of these reflect savings rather than extra costs.

There have been some proposals included in previous MTPs that included an element of challenge which has not always turned out to be achievable. I am satisfied that adjustments have been made to transfer those elements where there is no fair expectation or clear plan of achievement into the "Unidentified Savings" line to increase robustness.

There will always be some items that emerge after the budget has been prepared. These are normally met by compensating savings elsewhere in the budget, or, if necessary, the use of revenue reserves.

The most significant potential risks to the budget are:

- higher inflation but much limited because the pay award has been determined
- further reductions in income due to the recession
- non-achievement of planned savings but limited by the transfers to unidentified savings
- failure of a borrower

- an emergency (e.g. flooding)
- increased demands on housing services due to increased homelessness.

Reduced Income

A 1% loss of income from fees, rents, charges and recharges would amount to around £170k. In practice a number of these items are fixed for 2013/14 and the largest areas susceptible to variation are:

- Car Parks £1.9M
- Leisure Centres £7.1M
- Property £2.1M
- Planning and Building Control Fees £1.8M

Treasury Management

The maximum permitted with one counterparty is £8M but this is only possible where £3M of the sum is held in a liquidity account with that body. Liquidity Accounts allow recovery of investments on the same working day which substantially reduces the risk. In most cases the limit is £5M which is restricted to bodies with the highest credit rating or Building Societies with more than £2 billion in assets.

Emergencies

Certain types of eventuality are mitigated in other ways. Many significant risks are insured against, so losses are limited to the excesses payable. The Government's Bellwin Scheme meets a large proportion, over a threshold, of the costs of any significant peacetime emergencies (e.g. severe flooding).

Inflation

A 1% increase in general inflation (excluding pay), assuming no compensating increase in fees and charges was possible, would result in a net cost of approximately £23k.

Interest Rates

An increase in interest rates of 1% would cost £149k.

Revenue Reserves

These are estimated to be £10.8m at April 2013 and reduce to £8.5m by March 2014 in order to support revenue spending. This is still significantly above what would be considered a safe minimum level when considering the 2013/14 budget in isolation but clearly not excessive given their planned use over the next few years.

Therefore, even if a number of unexpected additional costs emerged there would still be sufficient funding to cover the deficit for 2013/14.

Conclusion

Considering all these factors, I believe that the combination of a robust budget process and our current level of reserves should give Members no concerns over the Council's financial position for 2013/14.

However, it remains critical that:

- Effective progress is made in identifying how the Unidentified Savings for future years will be achieved and where practicable these are brought on-stream as soon as possible.
- That careful monitoring continues to take place recognising that there are certain key areas subject to volatility. These include income from fees and charges, homelessness and the level of housing completions that result in New Homes Bonus.
- The new areas of Council Tax Support and retained Business Rates will also require monitoring to ensure that the impact of any significant changes is promptly addressed.

Terry Parker
Managing Director (Resources)

ANNEX H

ASSUMPTIONS

INFLATION	<i>for Apr 2013</i>	<i>for Apr 2014</i>	<i>for Apr 2015</i>	<i>for Apr 2016</i>	<i>for Apr 2017</i>
<i>Pay award</i>	2.0%	2.0%	2.0%	2.0%	2.0%
<i>Prices</i>	2.5%	2.5%	2.5%	2.5%	2.5%
<i>electricity</i>	0.7%	4.0%	3.8%	5.0%	5.0%
<i>gas</i>	16.7%	0.0%	5.0%	9.6%	5.0%
<i>fuel</i>	1.0%	5.0%	5.0%	5.0%	5.0%
<i>car park charges</i>				10%	
<i>planning fees</i>				10%	

INTEREST RATES	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018
Temporary Borrowing	0.3%	0.4%	0.4%	0.76%	1.2%
Temporary Investments	0.7%	0.6%	0.6%	0.86%	1.3%
PWLB 20 year borrowing	3.63%	3.73%	3.80%	4.05%	4.30%