

DERBYSHIRE COUNTY COUNCIL

CABINET

24 January 2012

Joint Report of the Chief Executive and Director of Finance

**REVENUE BUDGET 2012/13
(FINANCE AND MANAGEMENT)**

1. Purpose of the Report

To obtain approval for proposals for the Budget for 2012/13 for submission to Council.

2. Information and Analysis

The proposals are within the context of currently known information about:

- Budget 2011/12
- Formula Grant and other funding announcements;
- Taxbase and Collection Fund information;
- Pay, price, pension and other base budget assumptions;
- Budget reduction targets;
- Service pressures;
- Reserves;
- Five year financial planning.

(a) Budget 2011/12

The predicted budget outturn for 2011/12 shows an overall departmental underspend of approximately £6m, although part of the overall underspend will need to be carried forward into 2012/13. The estimated overspend on Adult Care is largely dependent upon the achievement of savings relating to Fieldwork and Direct Care. The latest budget monitoring position was reported to Cabinet on 10 January 2012 and subsequently to all Cabinet Members in more detail at CabCo meetings.

(b) The Provisional Local Government Finance Settlement

The Government announced details of the Provisional Local Government Finance Settlement for 2012/13 on 8 December 2011. The announcement of the Provisional Settlement marked the start of a

5 week consultation period. The closing date for responses was 16 January 2012.

The Formula Grant allocation for 2012/13 is £196.621m, a reduction of 7.3% compared to the adjusted 2011/12 allocation of £211.061m. The average county council reduction for 2012/13 is 7.9%. This was in line with the settlement data previously issued by the Department for Communities and Local Government for 2012/13. The final settlement is expected to be announced at the end of January 2012.

To reflect the creation of the new style academies the Government is transferring elements of Local Education Authority spend into the funding stream for these schools. The adjusted Formula Grant allocation of £211.061m reflects a reduction for academies of £1.666m. The Government consulted on the operation of this transfer in the summer and a further consultation was issued on 9 December 2011, with the outcome expected in the coming months. Under the revised proposals, the Council is expected to receive an un-ringfenced grant of approximately £1m in 2012/13 to compensate for the Government overestimating the number of academies that would be established in Derbyshire by 31 March 2013. Details of this will be confirmed in due course, with the grant being paid towards the end of the 2012/13 financial year. The reimbursement will be allocated to CAYA budgets once the final allocation is confirmed.

In addition to the Formula Grant, there are a number of general un-ringfenced grants including the Local Services Support Grant, details of which are:

i) **General Grant** – This is made up of two elements:

a) Early Intervention Grant

A number of centrally directed grants to support services for children, young people and families were replaced by the Early Intervention Grant (EIG) in 2011/12. The EIG provided a single new funding stream for early intervention and preventative services, bringing a significant extension of local flexibility and greater freedom at local level, to respond to local needs and drive reform. This includes funding nursery provision for two year olds which was announced in the Government's Autumn Statement. The increased allocation for 2012/13 is £29.576m compared to £27.167m in 2011/12.

b) Learning Disability and Health Reform Grant

The Learning Disabilities and Health Reform Grant reflects the transfer of responsibility for funding and commissioning of services for adults with learning disabilities from the NHS to local authorities. There is additional funding in 2012/13 to reflect the charges in the Blue Badge Disabled Parking Scheme and Deprivation of Liberty Safeguards in

hospitals. The increased allocation for 2012/13 is £14.090m compared to £13.742m in 2011/12.

ii) **New Homes Bonus**

The grant for New Homes Bonus was introduced in April 2011. The scheme is aimed at encouraging local authorities to grant planning permissions for the building of new houses in return for additional revenue. The Government have confirmed that our 20% share for 2012/13 is £0.455m. This will be paid in addition to the 2011/12 allocation, making the total grant £0.840m in 2012/13.

iii) **Local Services Support Grant**

This unringfenced grant is allocated directly to local authorities as additional revenue funding. It is directed to specific policies and includes the Community Safety Grant, Lead Local Flood Authority Grant, Extended Rights Grant and General Duty to Promote Sustainable Travel Grant. The total increased allocation for 2012/13 is £2.288m compared to £2.145m in 2011/12.

(c) **Council Taxbase**

The taxbase as notified by the borough/district councils has risen by 0.48%. This information has to be confirmed in writing by 31 January, the statutory deadline, and some districts/boroughs have yet to do so; although the figures are not expected to change. The additional Council Tax due as a result of the increase in taxbase is £1.327m. (This is calculated by multiplying the increase in the number of properties by the Council's Band D Council Tax rate in 2011/12).

Taxbase	Band D Properties 2011/12 £	Band D Properties 2012/13 £	Change %
Amber Valley	41,127.28	41,270.19	0.35
Bolsover	22,794.31	22,924.22	0.57
Chesterfield	32,439.18	32,814.72	1.16
Derbyshire Dales	29,878.63	29,872.48	(0.02)
Erewash	35,405.40	35,605.80	0.57
High Peak	31,999.08	31,979.00	(0.06)
North East Derbyshire	32,992.86	33,096.90	0.32
South Derbyshire	31,855.00	32,160.00	0.96
	258,491.74	259,723.31	0.48

It is disappointing to note the low levels of taxbase growth in some parts of the county, particularly High Peak and Derbyshire Dales. This low growth overall is particularly disappointing considering the work undertaken during 2011 to verify the numbers claiming Single Persons

Discount and the indication that this would result in at least a further £1m in taxbase income over and above the figures detailed above.

(d) **Collection Fund Position**

Each borough/district council uses a Collection Fund to manage the collection of Council Tax. In 2011/12 five of the eight funds registered a surplus leading to an overall surplus due to the Council of £0.380m. The number in surplus in 2012/13 stands at six and the total surplus has risen to £0.605m. Written confirmation has yet to be received from some councils.

	Collection Fund	
	2011/12	2012/13
	£	£
Amber Valley	183,076	14,369
Bolsover	(98,719)	(332,743)
Chesterfield	(149,536)	293,343
Derbyshire Dales	(556,881)	(227,107)
Erewash	63,382	440,913
High Peak	97,653	44,350
North East Derbyshire	188,150	246,523
South Derbyshire	653,000	125,000
	380,125	604,648

It is disappointing to note the significant deficits being declared by Derbyshire Dales and Bolsover.

A surplus or deficit is the difference between the actual amount of council tax collected and the amount estimated at the beginning of the year.

The combined effect of the increase in taxbase and the improvement in the Collection Fund position results in an extra £1.552m in income from Council Tax. This is before any increase in the Band D rate.

Both the council taxbase and collection fund positions may need to be updated for Council.

(e) **Council Tax Freeze Grant**

In October, the Government announced its intention to once again make funding available to help councils freeze their council tax equivalent to a 2.5% rise, in 2012/13. Unlike the freeze grant for 2011/12, the Council Tax Freeze Grant for 2012/13 will be a single one-off payment, however the Council is minded to accept the grant. The grant received for 2011/12 will continue to be paid at least over the current Spending Review period ending 2014/15.

The indicative grant allocation for 2012/13, based on the Government's projected taxbase figures, will be £7.004m. The allocation will be paid in addition to the 2011/12 allocation of £6.961m making a total of £13.965m. The 2011/12 allocation has been included in the Formula Grant allocation. Final grant allocations will be published in March 2012, when Government receives figures from billing authorities for the taxbase in 2012/13. Any difference in the projected figures and the final allocation will be managed through the Risk Management Budget. Based on the taxbase positions set out in the previous paragraphs, the final adjustment is estimated to be a reduction of £0.009m.

Due to the one-off nature of the grant in 2012/13, it is proposed to use it to fund capital expenditure thereby reducing the Council's need to borrow.

(f) **Consultations**

There is a separate report on the consultations undertaken for consideration at this meeting.

(g) **Base Budget 2011/12**

The following issues have been considered: -

- The Government previously announced a two year pay freeze which will be introduced from 2011/12 for civil servants, except those earning £21,000 or less who will receive an increase of at least £250 per year. Although the Council is not subject to the Government's proposals for civil servants, a contingency of £1.400m has been set aside to cover a possible increase for those employees earning £21,000 or less, if the national local government pay negotiations agree this.
- Price inflation has been calculated on specific items based on price information. There have been significant increases in both gas and electricity prices due to the volatility of the utilities market. Non-specific items have been increased by the target Consumer Price Index (around 2%).

(h) **Non-standard Inflation**

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The Council has set aside £0.160m to support an increase in foster care payments. The amount will be allocated out of a contingency once the need for additional sums has been justified.

(i) **Budget Reduction Targets**

The Council has built the delivery of recurring savings into its forward financial planning for a number of years. The plan originally suggested that reductions of £22.030m for 2012/13 should be made and released from departmental budgets. Subsequently, the production of the detailed budget has indicated this needs to rise and a figure of £25.000m is now appropriate.

Savings above this level can be retained by departments to offset costs in later years. The resulting split is shown below: -

	Total £
Corporate	1,475,000
Chief Executive's	350,000
Corporate Resources	600,000
Children & Younger Adults	7,775,000
Environmental Services	4,750,000
Cultural & Community Services	975,000
Adult Social Services	9,075,000
	<hr/> 25,000,000 <hr/>

Appendix Two shows details of savings made for 2010/11 and 2011/12, by department, together with the proposed savings for 2012/13.

(j) **Service Pressures**

A number of service pressures have been identified by departments as part of the Five Year Financial Plan for 2012/13. The Council has reviewed the pressures as part of its budget setting process. After consideration of the priority of these pressures, in relation to the resources the Council has available, the pressures recommended for approval in 2012/13 are shown at Appendix One. In addition a further allocation of £0.435m is required to fund borrowing for the capital programme. This increase would have been higher if the Council Tax Freeze Grant allocation had not been used to reduce the borrowing requirement of the capital programme.

(k) **Contingency Budget**

The Council maintains a Contingency which stands at £0.633m and includes funding for the ongoing costs of Job Evaluation. Further proposals identified as part of the 2012/13 budget, include the following:

	£m
Job Evaluation (see Appendix One)	0.317
Pay Award (see section (g))	1.400
Non-standard Inflation (see section (h))	0.160
	<u>1.877</u>

(l) **Net Budget Requirement and Financing 2012/13**

It is proposed that the costs associated with the budget are met in the following way: -

	£
Budget Before Pressures and Budget Reductions	541,807,781
<i>Plus</i> Service Pressures – Ongoing	10,817,000
<i>Plus</i> Debt Charges	435,000
<i>Plus</i> Service Pressures – One-Off	10,883,997
<i>Plus</i> Single Status Contingency	317,000
<i>Less</i> Budget Reductions	(25,000,000)
<i>Less</i> Use of Risk Management Budget	(2,804,778)
<i>Less</i> Use of General Reserve	(5,656,000)
Net Budget Requirement	530,800,000
<i>Less</i> Formula Grant	(196,620,575)
<i>Less</i> Council Tax Freeze Grant	(7,003,997)
<i>Less</i> New Homes Bonus	(839,584)
<i>Less</i> Local Services Support Grant	(2,286,731)
<i>Less</i> General Grant	(43,665,824)
Balance to be met from Council Tax	280,383,289

This is the equivalent of a Council Tax of £1,077.22 at Band D, a 0% increase over 2011/12.

The Council has maintained a Risk Management Budget for a number of years, the purpose of which is to provide a base budget from which

the Council can help manage some of the longer term risks and pressures, alongside the resources available in the General Reserve. Any unused balance on the Risk Management Budget is contributed to the General Reserve at the year end.

Whilst the balance on the Risk Management Budget could be in the region of £6m-£7m by the end of 2012/13, there is uncertainty around a number of changes expected in 2013/14, which could have a significant financial impact on the Council as set out in section (o).

(m) Statutory Requirements of the Local Government Act 2003

There is a duty placed on the Director of Finance to report to the Council when it is making its statutory calculations required to determine its precept. The Council is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves for which the budget provides (Guidance on local authority accounting suggests this should include both the General Reserve and Earmarked Reserves). The former Office of the Deputy Prime Minister (ODPM) advised that the professional advice of the Chief Finance Officer is required on these two questions, and that they are connected with matters of risk and uncertainty.

On the matter of robustness of estimates, there is no change to fundamental methods which ensures that very many professional officers are involved in a process which takes into account and evaluates all known facts. There continues to be great emphasis on assessing and evaluating all known changes, including pay and price levels, statutory changes and demands for service. None of these matters are omitted from advice to Members. The process is underpinned by the Council's integrated Risk Management Strategy, Service Improvement and Improvement and Scrutiny deliberations. In particular, emphasis is placed on the ability to maintain and develop services through a five year forward financial planning process.

An important link to the adequacy of reserves is the cash limit policy adopted some years ago. The approved Budget is expressed as cash limits. These should not be exceeded and where services have what are called "demand-led" issues, these are to be resolved within cash limits. Budgets will continue to be subject to regular monitoring and reporting to both budget holders and Members.

The Council's Five Year Financial Plan has identified the need for significant savings in the medium term. The achievement of these savings is critical in ensuring that the Council balances its budget.

(n) Reserves

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The Council has in place a Reserves Policy which sets out the framework within which decisions will be made regarding the level of reserves. In line with this framework the balance and level of reserves are regularly monitored to ensure they reflect a level adequate to manage the risks of the Council. This covers both the General Reserve and Earmarked Reserves.

The level of the General Reserve that is generally available to the Council is expected to be between £25m – £30m over the next few years, but the actual figure will be subject to a number of variables such as levels of service under/overspend, appeals relating to Equal Pay, voluntary severance costs, etc. On this basis the level of the General Reserve available to meet unforeseen liabilities is likely to average around 5% of the Council's net budget requirement over the next few years. However, the Council faces substantial pressures until at least 2016-17, as set out in the Five Year Financial Plan, and a robust reserves position is prudent. The levels of reserves are set on a risk-assessed basis and greater detail is available in the Five Year Financial Plan. Provision has been made in the budget and Five Year Financial Plan for the major commitments known to the Council. This still leaves the General Reserve to deal with unanticipated or unquantifiable costs and one-off priority spending.

Detail of the General Reserve Position over the next few years is shown in Appendix Three.

The Council's Five Year Financial Plan will be rolled forward in detail to reflect the period 2012/13 to 2016/17 and reported to Cabinet later in 2012. As part of the five year plan the impact of pay and price increases, demographic changes, and other pressures has been estimated and the need to use reserves to smooth out the impact assessed and included within the projection. In order to maintain reserves at an acceptable level over the planning period further assumptions have been made about the need to make contributions back to uncommitted reserves on an annual basis.

Earmarked reserves are not generally available to the Council for use in its budget and Council Tax setting process. They are required for specific purposes and are a means of building up funds to meet known or predicted liabilities. These reserves have no specific limit set on them but they should be reasonable for the purpose held and it must be agreed that they are used for the item for which they have been set aside. The level of earmarked reserves is reviewed at least annually, as set out in the Council's Reserves Policy, to ensure it reflects a level adequate to manage the risks of the Council and should any reserve be found to be no longer required it will be returned to the General Reserve. The last review was reported to Cabinet on 11 October 2011.

The main earmarked reserves and their estimated balance in 2011/12 are: -

	£m
School Balances (Statutory Reserve)	25.548
Insurance Reserve	12.193
Change Management Reserve	3.468

There are costs and benefits to holding reserves; for example £20.000m will earn interest of around £0.200m per annum at current rates which could be quantified as a saving to the Council Taxpayer of £0.77 per annum at Band D (1.5p per week).

(o) **Five Year Financial Plan**

The Council annually plans for pressures for the years after the current budget year. The current forward plan covers the period 2011/12 to 2015/16, which was updated and reported to Cabinet on 21 June 2011. The period covers a number of major spending initiatives that the Council will have to address. These include waste disposal and demographic changes.

The plan has been updated to reflect the announcements of the Local Government Finance Settlement and the worst case scenario that the Autumn Statement indicates (in the absence of clear local government totals) and covers the period 2012/13 to 2016/17. Details of the Plan are shown at Appendix Four. It shows that savings of £115m over the medium term are needed to balance the budget. This will change as later funding levels become clearer.

There are a number of future pressures which Members need to be aware of when making decisions on the 2012-13 budget. Principally these pressures affect 2013-14, but it is prudent that Members both understand these pressures and at the same time recognise how the Council's financial position needs to retain a degree of flexibility in order to meet these challenges and any others that might arise in year.

The required flexibility can be achieved through a combination of the unallocated base monies in the Risk Management Budget; the General Reserve and contingency plans by departments to find a larger cut in 2013-14 and 2014-15 than is currently proposed in the five year plan.

The major pressures are: -

i) Council Tax Benefit Localisation

The Government has consulted on a proposed change to the way in which council tax benefits are administered. The current system compensates the Collection Fund for the full cost of all benefits claimed under the national scheme. The Government's proposals are to leave significant discretion to the Council Tax Billing Authority (in Derbyshire's case this is the district and borough councils) on the way a local scheme would be administered while at the same time cutting the amount of central government support to the scheme by 10%.

The Government has guaranteed that pensioners and other vulnerable groups will be left unaffected by the changes, therefore all the cut will fall on working age recipients leading to a much larger cut for these groups – around 25% may be typical. However, the Billing Authority does have the power to determine a local scheme which could include a top-up to the grant funding available from Government. This top-up would be funded by the County Council, the district/borough councils and both the Police and Fire and Rescue Authorities in proportion to their share of the total Council Tax bill. The Council's share would be around 70%. The decision to implement such a scheme is wholly within the gift of the district/borough councils yet they will only pick up around 10% of the cost.

Alternatively, the Billing Authority can design a local scheme which reflects the reduction in Government grants available and seeks to recover a larger Council Tax contribution from working age recipients of the benefit. This is likely to result in increased non-collection of Council Tax, the cost of which will fall on all the bodies mentioned previously in the same proportions therefore the Council will be liable for 70% of this increase in non-collection. The maximum cost to the Council of these changes appears to be around £4m, although the calculation is difficult in the absence of more detailed information from Government on the proposals. These changes are currently due for implementation from the 1 April 2013.

ii) Business Rates Localisation

The Government has consulted on changes to the method by which Councils receive the majority of their general grant funding and this has been the subject of reports to both Cabinet and the Finance and Management Cabinet Member meetings. The full detail on how the proposals will affect the Council are due in the current month but there remains much uncertainty about the way the system will work and who the major beneficiaries are likely to be. These changes will, again, be implemented on 1 April 2013.

iii) Pension Scheme - Auto-enrolment

The Government is keen to encourage working age citizens to make provision for their retirement. In order to achieve this aim they have

created a legal obligation for employers to enrol all their staff in a suitable pension scheme, in the case of the Council this means the Local Government Pension Scheme (LGPS). The date on which an employer must enrol their staff is dependent on the size of the organisation. As a larger employer the Council is one of the early implementers of this policy and our effective date is the 1 January 2013. In addition any new employees appointed to the Council on or after the 1 January 2013 will also be automatically enrolled into the LGPS.

The auto-enrolment process must be periodically repeated in the future. Our estimation is that this policy change will cost around £3m in a full year in additional employer contributions into the Pension Fund on the assumption that all existing members of staff who are not in the scheme at present are auto-enrolled into the LGPS and then stay as members. After one month's membership employees can opt back out of the scheme and employees, and the Council, will receive a refund on the contribution made. In reality, the expectation is that a good proportion of those auto-enrolled may well opt back out, especially if the main reason for not joining in the first place was on the grounds of cost.

Although these costs will commence in the last quarter of 2012-13 it is not proposed to make a base provision for them until 2013-14 when the implications are likely to be clearer. Any costs in 2012-13 will be met from the General Reserve.

iv) Public Health Transfer

As at the 1 April 2013, the Council will assume responsibility for local Public Health expenditure. This expenditure will be funded from a ringfenced specific grant from the Department of Health. Whilst much initial work has been done to identify the amount spent on Public Health activities in Derbyshire, and the ongoing liabilities the Council will inherit, there are no guarantees that the national formula used to allocate this funding will correctly recognise the amount required.

The estimated budget in Derbyshire is around £33m which is largely spent on drug and alcohol treatment services, sexual health services, health protection and promoting activities to tackle smoking, obesity and improve children's public health.

v) Academy Conversion

There has been a variance in the actual number of academy conversions compared to the numbers forecast by the Government 18 months ago. The Government has undertaken to consider the impact of actual conversions in its revisions to the baseline for the overall funding of councils through the localisation of business rates in 2013-

14. The exact impact of this revision will only become clear once the baseline has been published towards the end of 2012.

vi) Care Home Fees

The Council has been in correspondence with representatives of Derbyshire care homes for much of the year concerning the level and calculation of fees the Council pays for residential care. This was after the care home owners indicating to the Council their willingness to challenge the current rates. The argument rests on the actual costs incurred by care home owners in comparison to the fees paid by the Council. There is a continuing dialogue with private care home providers with the next meeting on 24 January 2012.

vii) Future Funding Levels

The recent Autumn Statement by the Chancellor of the Exchequer contained a number of further grant reduction measures for local authorities on top of those announced in the Comprehensive Spending Review (CSR) in 2010. In addition the Chancellor announced the level of global government spending levels and the reductions associated with them as part of extending the CSR2010 data for an extra two years up to 2016-17. The broad message appears to be to expect similar levels of cuts in these later years to those in 2011-12 and 2012-13.

viii) Single Status Appeals

The outcome of Single Status appeals will be known during the current financial year. At present an amount of around £1.5m has been set aside to meet the ongoing costs of successful appeals. At present there are 970 appeals to be considered and if a significant number were found in favour of the appellants then this contingency would soon prove to be inadequate.

The medium term horizon appears challenging. The original indications, based on the front-loading of cuts to councils in 2011-12 and 2012-13 was that 2013-14 would be a relatively less turbulent year with total budget reductions of around £11m. This would give the Council the opportunity to take stock of its position and revise its plans for the future. In all likelihood, 2013-14 could be as difficult a year as any previous one.

(p) Service Plans

In the context of the Council Plan and the Five Year Financial Plan it is necessary for service plans to illustrate priorities for 2013/14 to 2015/16 as well as for 2012/13. These need to be approved by Cabinet in due course.

(q) Precept and Level of Council Tax 2012/13

On 8 December 2011, the Government confirmed that legislation through the Localism Act will provide communities with the power to veto excessive council tax increases. In 2012/13, council tax increases would trigger a referendum, if they exceed 3.5% for district, borough, unitary and county councils.

The resulting precept and council tax levels derived from the measures contained in the report are detailed below: -

<u>Band</u>	<u>Council Tax</u>	
	<u>2011/12</u>	<u>2012/13</u>
	<u>£</u>	<u>£</u>
A	718.15	718.15
B	837.84	837.84
C	957.53	957.53
D	1,077.22	1,077.22
E	1,316.60	1,316.60
F	1,555.98	1,555.98
G	1,795.37	1,795.37
H	2,154.44	2,154.44

	<u>Amount Collected</u>	<u>Collection Fund Surplus/(Deficit)</u>	<u>Amount Actually Due</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Amber Valley	44,456,993	14,369	44,471,362
Bolsover	24,694,384	(332,743)	24,361,641
Chesterfield	35,348,609	293,343	35,641,952
Derbyshire Dales	32,179,175	(227,107)	31,952,068
Erewash	38,355,211	440,913	38,796,124
High Peak	34,448,357	44,350	34,492,707
North East Derbyshire	35,652,579	246,523	35,899,102
South Derbyshire	34,643,333	125,000	34,768,333
Total	279,778,641	604,648	280,383,289

3. Legal and Human Rights Considerations

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The Council's Constitution contains Budget and Policy Framework Procedure Rules which must be followed when the Council sets its budget. Cabinet must propose a budget by early February to allow the Council, should it so wish, to raise objections and refer the budget proposals back to Cabinet for further consideration, allowing time to finalise the precepts before 1 March.

Whilst Cabinet and the Council will be mindful of the potential impact on service users of budgetary decisions, case law has clarified that there is no obligation on a local authority to carry out an equality impact assessment of the budget as a whole. However, as spending decisions are made, service by service, and policies are developed within the constraints of the budgetary framework, proposals will be further considered by Members and will be subject to an appropriate and proportionate assessment of any equality implication.

4. Considerations

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, human resources, equality, environmental, health, property and transport considerations.

5. Key Decision

Yes

6. Call-in

Not applicable.

7. Background Papers

Budget working files in Technical Section, Corporate Finance.

Provisional Local Government Finance Settlement 2012/13 –
Department for Communities and Local Government.

8. OFFICERS' RECOMMENDATION

Cabinet recommends to Council that it: -

- (i) Notes the Local Government settlement and the Council Taxbase and Collection Fund positions as set out in the report.
- (ii) Notes the details of the Council Tax Freeze Grant to be paid in 2011/12 and 2012/13 as outlined in Section (e).

- (iii) Notes the Government's expectations about Council Tax levels for 2012/13 as outlined in section (q).
- (iv) Approves the level and allocation of budget reductions in Section (i) of the Revenue Budget Report (£25.000m).
- (v) Approves the contingency to cover Pay, Job Evaluation and non-standard inflation as outlined in Section (k) of the Revenue Budget Report (£2.510m). The Contingency to be allocated by the Director of Finance and Chief Executive once the pay award and non standard inflation have been agreed.
- (vi) Approves the priority growth items identified in Section (j) of the Revenue Budget Report (ongoing pressures - £10.817m, one-off pressures - £11.200m, debt charges- £0.435m).
- (vii) Approves the Council Tax requirement of £280,383,289 which is calculated as follows:

	£
Net Budget Requirement	530,800,000
Less Revenue Support Grant	(3,738,964)
Less National Non Domestic Rates	(192,881,611)
Less Council Tax Freeze Grant	(7,003,997)
Less New Homes Bonus	(839,584)
Less Local Services Support Grant	(2,286,731)
Less General Grant	<u>(43,665,824)</u>
	280,383,289

- (viii) Approves that the Director of Finance allocates cash limits amongst Cabinet portfolios; Chief Officers will then report to Cabinet on the revised service plans for 2012/13.
- (ix) Notes the Director of Finance's comments about the robustness of the estimates, adequacy of reserves and potential liabilities that may arise in future years.
- (x) Notes the Five Year Financial Plan projections of expenditure and income up to 2016/17 and that service departments be asked to address the issues covered by the projections in their review of service plans.
- (xi) Approves precepts of:

<u>Amount</u> <u>Collected</u>	<u>Collection Fund</u> <u>Surplus/(Deficit)</u>	<u>Amount</u> <u>Actually Due</u>
£	£	£

Amber Valley	44,456,993	14,369	44,471,362
Bolsover	24,694,384	(332,743)	24,361,641
Chesterfield	35,348,609	293,343	35,641,952
Derbyshire Dales	32,179,175	(227,107)	31,952,068
Erewash	38,355,211	440,913	38,796,124
High Peak	34,448,357	44,350	34,492,707
North East Derbyshire	35,652,579	246,523	35,899,102
South Derbyshire	34,643,333	125,000	34,768,333
Total	279,778,641	604,648	280,383,289

- (xii) Approves that billing authorities are informed of the Council Tax levels arising from the budget proposals as follows:

Council Tax

<u>Band</u>	<u>2011/12</u>	<u>2012/13</u>
	£	£
A	718.15	718.15
B	837.84	837.84
C	957.53	957.53
D	1,077.22	1,077.22
E	1,316.60	1,316.60
F	1,555.98	1,555.98
G	1,795.37	1,795.37
H	2,154.44	2,154.44

NICK HODGSON
Chief Executive

PETER HANDFORD
Director of Finance

11 January 2011

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APPENDIX ONE		
	Ongoing	One-off
	£m	£m
Adult Care		
Demographics In regard to the increase in demand for Adult Care services due to the following factors:- <ul style="list-style-type: none"> • Demographic Growth in +65 population • Transition of Younger people into Adult Care Services • Increase in cases of mental and physical frailty among people with learning disabilities. 	5.400	0.000
Chief Executives		
Literacy Co-Ordination To create a Corporate Literacy Co-ordinator to help co-ordinate family literacy across all services.	0.060	0.000
Emergency Planning To fund staffing changes and associated costs in carrying out some of the duties including investigations and partnership working.	0.020	0.000
Children and Younger Adults		
Demographics The number of Looked After Children is higher than the current budget provision; this funding will contribute towards the shortfall whilst the Authority puts in place strategies to reduce overall costs in the medium term.	1.000	0.000
Nursery Education To cover the statutory duty to provide 15 hours of nursery education to two year olds whose families who are eligible for free school meals.	1.687	0.000
Multi Systemic Therapy To create two teams who will work with social workers and other partners to	0.000	0.450

address the issues of families with multiple problems.		
Corporate		
Coroners To address the overspend on the Coroners budget as a result of staffing changes and above inflation increases for mortuary fees.	0.150	0.000
Broadband UK Contribution towards the match funding of the Broadband UK grant allocation.	0.000	1.056
Corporate Resources Department		
Rights of Way Officer To provide continuing resources to ensure claims for Rights of Way are processed promptly.	0.000	0.094
Carbon Reduction Commitment The introduction of the Carbon Reduction Commitment Energy Efficiency Scheme will result in the Council being required to purchase allowances which are set at £12 per tonne for 2012/13.	0.200	0.000
Cultural and Community Services		
Animal Health To ensure animal disease controls are monitored at farms, livestock markets, slaughterhouses and other animal gatherings.	0.150	0.000
Environmental Services		
Waste Increase in Landfill Tax by £8 per tonne from April 2012.	1.800	0.000
Bus contracts – B_Line To contribute to the increasing costs of growth in B-Line usage.	0.300	0.000

Lead Local Flood Authority To fund two additional posts to carry out statutory functions, as the Flood Authority, to assess and approve developments where there are impacts on drainage systems.	0.050	0.000
Waterways Officer To address specific issues relating to Cromford Canal and continue the work on the Chesterfield Canal.	0.000	0.090
Cromford Canal To support tree works, habitat management, structural repairs and water management.	0.000	0.050
Creswell Craggs To contribute to the development of the World Heritage Site submission.	0.000	0.040
Total Departmental Pressures	10.817	3.880
Contingency To fund the ongoing costs associated with Job Evaluation agreed as part of the November 2009 Cabinet report.	0.000	0.317
Revenue Contributions to Capital		
i) Use of revenue funds to finance general capital expenditure including schools.	0.000	7.004
Corporate ii) Big Society Grants To contribute towards major community partnership projects or schemes.	0.000	1.000
Environmental Services		
iii) Markham Employment Growth Zone To fund the construction of the western link road.	0.000	0.800

iv) Flood Drainage To contribute in partnership with the Environment Agency towards local flood defence schemes.	0.000	0.300
Total Service Pressures	10.817	11.200

MAIN REVENUE BUDGET REDUCTION ITEMS PROPOSED FOR 2012/13**CORPORATE** (Target reduction 2010/11 – 2012/13 £2.653m)

• Savings on catering contract and County Buildings rationalisation	£0.136m
• Further savings from cessation of BSF programme	£0.050m
• Application of 'Derbyshire Package' to Members Allowances	£0.018m
• Miscellaneous	£0.007m
SUB TOTAL	£0.211m
• Reductions 2010/11 – 2011/12	£1.286m
TOTAL	£1.497m

CHIEF EXECUTIVES (Target reduction 2010/11 – 2012/13 £1.112m)

• Rationalisation of establishment in Chief Executives, Policy and Community Safety	£0.078m
• Miscellaneous	£0.005m
SUB TOTAL	£0.083m
• Reductions 2010/11 – 2011/12 (previously identified)	£1.354m
TOTAL	£1.437m

CORPORATE RESOURCES (Target reduction 2010/11 – 2012/13 £3.196m)

• Rationalisation of Corporate Finance	£0.091m
• Rationalisation of software including decommissioning the Main Frame	£0.210m
• Savings from strategic IT procurement	£0.050m

• Restructuring and redesign of Transformation Services	£0.105m
• Reduction in Change Management budget	£0.700m
• Savings on Core System support	£0.053m
• Reduction in corporate property maintenance due to property rationalisation	£0.100m
• Savings on Legal Services and Corporate Property business support	£0.018m
SUB TOTAL	£1.327m
• Reductions 2010/11 – 2011/12	£2.397m
TOTAL	£3.724m

CHILDREN AND YOUNGER ADULTS (Target reduction 2010/11 – 2012/13 £21.206m)

• Savings on management and administration	£0.643m
• Efficiencies from Looked After Children agency placements	£1.500m
• Rationalisation of Children's Centre support	£0.495m
• Savings in transport costs	£0.202m
• Targeting of Youth Service activities	£0.799m
• Interaction of budgets with Dedicated Schools Grant	£0.500m
• Rationalisation of establishments, reduction in Back Office support and co-location efficiencies	£0.725m
• Outdoor Education efficiencies	£0.165m
• Savings from corporate review of training	£0.125m
• Reductions and income generation from Back Office support	£0.199m
• Savings from property rationalisation	£0.441m
• Procurement and commissioning savings	£0.192m

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SUB TOTAL	£5.986m
• Reductions 2010/11 – 2011/12	£13.345m
TOTAL	£19.331m

ADULT CARE (Target reduction 2010/11 – 2012/13 £24.268m)

• Restructuring of management and administrative support	£0.525m
• Ongoing savings from decisions on client contributions	£2.500m
• Ongoing savings from decisions on re-modelling of services	£2.500m
• Ongoing savings from decisions on stair lift maintenance	£0.160m
• Ongoing savings from decisions on meals and laundry services	£0.620m
• Re-modelling of independent living schemes	£0.700m
• Review of high cost placements in the Independent sector	£0.200m
• Efficiencies from re-ablement of home care	£0.750m
• Efficiencies from re-commissioning day care	£1.500m
• Reduction in expenditure on general consumables	£0.475m
SUB TOTAL	£9.930m
• Reductions 2010/11 – 2011/12	£14.207m
TOTAL	£24.137m

COMMUNITY AND CULTURAL SERVICES (Target reduction 2010/11 – 2012/13 £2.634m)

• Restructuring of Library, Stock Unit, Arts and Trading Standards activities	£0.554m
• Reduction of the materials fund	£0.455m

- Savings on postage, mileage and other consumables £0.021m

SUB TOTAL £1.030m

- Reductions 2011/12 – 2011/12 £2.379m

TOTAL £3.409m

ENVIRONMENTAL SERVICES (Target reduction 2010/11 – 2012/13 £12.913m)

- Increased income from parking charges £0.133m
- Increased income from planning fees, crossings, skips etc. £0.147m
- Reduction in service mileage and transport costs £0.243m
- On-going savings from decisions on public transport support £1.150m
- Prioritisation of highways maintenance £2.000m
- Rationalisation of establishments, reduction in agency support and savings on consumables £0.607m
- Invest to save programme on street lighting £0.150m
- Savings on green waste contract (one off) £0.240m

SUB TOTAL £4.670m

- Reductions 2010/11 – 2011/12 £6.454m

TOTAL £11.124m

OVERALL TARGET REDUCTION £67.982m

REDUCTIONS ACHIEVED AND PROPOSED TO DATE £64.659m

APPENDIX THREE

General Reserve Projections

	2011/12	2012/13	2013/14	2014/15	2015/16
	£	£	£	£	£
Opening Balance	-85,932,000	-58,958,874	-28,865,874	-28,565,874	-29,065,874
Total	-85,932,000	-58,958,874	-28,865,874	-28,565,874	-29,065,874
Plus Expected Contributions	-14,849,976	-5,000,000	-2,500,000	-2,500,000	-2,000,000
Less Use	41,823,102	35,093,000	2,800,000	2,000,000	2,000,000
	-58,958,874	-28,865,874	-28,565,874	-29,065,874	-29,065,874
Contributions					
Debt Charges/Interest Receipts	0	0	500,000	500,000	0
Risk Management Budget Underspend	8,263,516	5,000,000	2,000,000	2,000,000	2,000,000
Earmarked Reserves	6,586,460	0	0	0	0
	14,849,976	5,000,000	2,500,000	2,500,000	2,000,000
Use					
Previous Year Commitments	16,138,000	0	0	0	0
Winter Maintenance Reserve	2,000,000	0	0	0	0
Equal Pay Costs	1,500,000	15,200,000	0	0	0
Single Status - Implementation	2,957,000	317,000	0	0	0
Adult Social Care Overspend	2,658,000	0	0	0	0
Adult Social Care IT Costs	0	2,000,000	0	0	0
MEGZ Provision	1,070,000	0	0	0	0
Voluntary Severance Costs	12,000,000	0	0	0	0
Elections	0	0	800,000	0	0
Further One-Off/General Budget Support	198,000	5,656,000	2,000,000	2,000,000	2,000,000
Glossop Library	0	1,900,000	0	0	0
MMI	0	3,500,000	0	0	0
Legal Services post (Single Status)	20,000	20,000	0	0	0
Tibshelf School	0	6,500,000	0	0	0
Cabinet Approvals	115,580				
Local Education Partnership wind up costs	3,166,522	0	0	0	0
	41,823,102	35,093,000	2,800,000	2,000,000	2,000,000

The significant use of the General Reserve over the next five years to 2015/16 can be summarised as follows:

- Previous Years Commitments reflect departmental use of year end underspends as agreed by Cabinet as part of the Outturn reports on end of year expenditure;
- In order to cope with the variable demands of Winter weather on the budget for Winter Maintenance it is proposed to create an earmarked reserve to help smooth out the costs of future severe weather;
- Equal Pay Costs represent the one-off historic liability arising from Single Status implementation. There is significant variability in the need for resources in 2011/12 as the Council is contesting the remaining cases;

- Implementation of Single Status required one-off contributions to fund incremental progression in the early years before savings are realised from those staff who lose their protection in 2013/14;
- Adult Social Care overspend has been reported in 2010/11. In addition the costs of decommissioning Adult Care IT packages from the mainframe cannot be met from within the departmental budget and Cabinet have agreed to fund them from the General Reserve;
- Voluntary severance costs relate to the anticipated one-off costs associated with reducing staff numbers through voluntary redundancy or early retirement.
- Tibshelf School will be funded either by borrowing or from the General Reserve, or a combination of the two. The full amount is set aside in the General Reserve at present and capital report contains an expectation that borrowing will also be required. This prudently allows the Council full flexibility subject, in particular, to the outcome of equal pay settlements.

Contributions are anticipated as shown:

- Departmental underspends, which will be subject to review at year end.
- Slippage in the capital programme and treasury management activities creates one-off debt charges underspends.
- Contributions from any underspends on the risk management budget.

APPENDIX FOUR

FIVE YEAR FINANCIAL PLAN for 2012-13 to 2016-17

	2012-13 £m	2013-14 £m	2014-15 £m	2015-16 £m	2016-17 £m
Base Budget	534.968	530.799	525.335	522.866	516.751
Prior year adjustment	0.000	(5.544)	1.200	2.000	2.000
Transfer of Function (Government Changes)	(1.633)	0.000	0.000	0.000	0.000
	533.335	525.255	526.535	524.866	518.751
Price Inflation	6.913	7.000	7.000	7.000	7.000
Pay Award	1.400	2.250	2.250	4.500	4.500
Pension Fund Increase	0.000	0.250	0.000	0.000	0.000
Contingency for Job Evaluation	0.317	0.000	0.000	0.000	0.000
Contingency for Price Increases	0.160	1.000	1.000	1.000	1.000
Debt Charges	0.435	1.100	0.600	0.600	0.600
Interest Receipts	0.000	(1.000)	(1.000)	0.000	0.000
	9.225	10.600	9.850	13.100	13.100
Ongoing Service Pressures (see below)	10.817	8.000	8.000	8.000	8.000
One off Service Pressures	10.883	0.800	0.000	0.000	0.000
Use of General Reserve	(5.656)	(2.000)	(2.000)	(2.000)	(2.000)
	16.044	6.800	6.000	6.000	6.000
Risk Management Budget	(2.805)	0.000	0.000	0.000	0.000
	555.799	542.655	542.385	543.966	537.851
Financed By: -					
Formula Grant/Business Rates	196.620	191.119	178.959	162.853	148.196
Council Tax	280.383	289.381	298.672	308.263	318.162
Council Tax Freeze Grant	7.004	0.000	0.000	0.000	0.000
New Homes Bonus	0.839	1.170	1.570	1.970	2.370
Local Services Support Grant	2.288	0.000	0.000	0.000	0.000
General Government Grant	43.665	43.665	43.665	43.665	43.665
	530.799	525.335	522.866	516.751	512.393
TOTAL BUDGET REDUCTIONS REQUIRED	25.000	17.320	19.518	27.216	25.458
	555.799	542.655	542.385	543.966	537.851
TOTAL SAVINGS APRIL 2012- MARCH 2017					114.512
Annual Savings as a percentage of Base Budget	4.67%	3.26%	3.72%	5.21%	4.93%
Assumptions					
Price Inflation	2.00%	2.00%	2.00%	2.00%	2.00%
Pay Award	0.00%	1.00%	1.00%	2.00%	2.00%
Council Tax Increase	0.00%	2.50%	2.50%	2.50%	2.50%
Taxbase Increase	0.44%	0.70%	0.70%	0.70%	0.70%
Grant Increase/Decrease	-7.30%	-2.80%	-6.36%	-9.00%	-9.00%
Taxbase	259,723.31	261,541.37	263,372.16	265,215.77	267,072.28
Collection Fund Position (£m)	0.605	0.600	0.600	0.600	0.600
Council Tax (£/Band D)	1,077.22	1,104.15	1,131.75	1,160.05	1,189.05
Ongoing Service Pressures					
Demographic Changes	6.400	7.000	7.000	7.000	7.000
Nursery Education	1.687	0.000	0.000	0.000	0.000
Waste Costs	1.800	1.000	1.000	1.000	1.000
Coroners	0.150	0.000	0.000	0.000	0.000
Literacy Co-ordination	0.060	0.000	0.000	0.000	0.000
Public Transport - B_line	0.300	0.000	0.000	0.000	0.000
Animal Disease	0.150	0.000	0.000	0.000	0.000
Carbon Reduction Commitment	0.200	0.000	0.000	0.000	0.000
Lead Local Flood Authority	0.070	0.000	0.000	0.000	0.000
	10.817	8.000	8.000	8.000	8.000

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<u>Service</u>	<u>Base Budget</u> £	<u>Grant Changes</u> £	<u>Adjusted Base</u> <u>2011-12</u> £	<u>Pay and Price</u> <u>Inflation</u> £	<u>Base Plus</u> <u>Inflation</u> £	<u>Ongoing Pressures</u> £	<u>Budget Reductions</u> £	<u>2012-13</u> <u>Base Budget</u> <u>Ongoing</u> £	<u>One off Pressures</u> £	<u>Budget</u> <u>2012-13</u> £
Corporate	10,616,697	0	10,616,697	552,083	11,168,780	150,000	(1,475,000)	9,843,780	756,000	10,599,780
Chief Execs	11,041,286	0	11,041,286	119,039	11,160,325	80,000	(350,000)	10,890,325	0	10,890,325
CRD	38,953,356	0	38,953,356	221,676	39,175,032	200,000	(600,000)	38,775,032	94,000	38,869,032
Children & Younger Adults	139,543,978	(1,633,391)	137,910,587	930,854	138,841,441	2,687,000	(7,775,000)	133,753,441	450,000	134,203,441
Environmental Services	95,093,855	0	95,093,855	1,940,932	97,034,787	2,150,000	(4,750,000)	94,434,787	480,000	94,914,787
Cultural & Community Services	13,712,386	0	13,712,386	153,934	13,866,320	150,000	(975,000)	13,041,320	0	13,041,320
Adult Care	205,192,364	0	205,192,364	2,994,794	208,187,158	5,400,000	(9,075,000)	204,512,158	0	204,512,158
Service Totals	514,153,921	(1,633,391)	512,520,530	6,913,312	519,433,842	10,817,000	(25,000,000)	505,250,842	1,780,000	507,030,842
Plus Contingency	633,355	0	633,355	1,560,000	2,193,355	0	0	2,193,355	317,000	2,510,355
Plus RCCO	683,333	0	683,333	0	683,333	0	0	683,333	9,103,997	9,787,330
Plus External Debt Charges	47,268,172	0	47,268,172	0	47,268,172	435,000	0	47,703,172	0	47,703,172
Plus Risk Management Budget	8,261,516	0	8,261,516	0	8,261,516	0	(2,804,778)	5,456,738	0	5,456,738
Less Capital Charges	(33,087,437)	0	(33,087,437)	0	(33,087,437)	0	0	(33,087,437)	0	(33,087,437)
Less Interest Receipts	(2,945,000)	0	(2,945,000)	0	(2,945,000)	0	0	(2,945,000)	0	(2,945,000)
Less Use of General Reserve	0	0	0	0	0	0	(1,459,000)	(1,459,000)	(4,197,000)	(5,656,000)
Net Budget Requirement	534,967,860	(1,633,391)	533,334,469	8,473,312	541,807,781	11,252,000	(29,263,778)	523,796,003	7,003,997	530,800,000
Funded by: -										
Council Tax	(278,832,875)	0	(278,832,875)	(1,550,414)	(280,383,289)	0	0	(280,383,289)	0	(280,383,289)
Council Tax Grant 2011/12	(6,961,313)	6,961,313	0	0	0	0	0	0	0	0
Council Tax Grant 2012/13	0	0	0	0	0	0	0	0	(7,003,997)	(7,003,997)
National Non-Domestic Rates	(157,155,997)	(6,961,313)	(164,117,310)	(28,764,301)	(192,881,611)	0	0	(192,881,611)	0	(192,881,611)
Revenue Support Grant	(48,577,373)	1,633,391	(46,943,982)	43,205,018	(3,738,964)	0	0	(3,738,964)	0	(3,738,964)
New Homes Bonus	(385,071)	0	(385,071)	(454,513)	(839,584)	0	0	(839,584)	0	(839,584)
LSSG	(2,144,555)	0	(2,144,555)	(142,176)	(2,286,731)	0	0	(2,286,731)	0	(2,286,731)
General Grant	(40,910,676)	0	(40,910,676)	(2,755,148)	(43,665,824)	0	0	(43,665,824)	0	(43,665,824)
	(534,967,860)	1,633,391	(533,334,469)	9,538,466	(523,796,003)	0	0	(523,796,003)	(7,003,997)	(530,800,000)