

DERBYSHIRE COUNTY COUNCIL

COUNCIL

6 February 2013

Joint Report of the Chief Executive and the Director of Finance

REVENUE BUDGET 2013/14

1 Purpose of the Report

To obtain the Council's approval for the Revenue Budget for 2013/14 as commended by Cabinet at its meeting on 29 January 2013.

2 Information and Analysis

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

- Budget Monitoring in 2012/13;
- Business Rates Retention Scheme 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 2012/13

The predicted budget outturn for 2012/13 shows an overall departmental overspend of approximately £3.902m, which will be offset by underspends on the Risk Management and Debt Charges budgets to give an overall underspend for the Council of £7.1m. The estimated overspend on Adult Care is largely dependent upon the achievement of savings relating to Fieldwork and Direct Care. There is a separate report regarding the budget monitoring position for consideration at this meeting.

(b) The Provisional Local Government Finance Settlement

The Government announced details of the Provisional Local Government Finance Settlement for 2013/14 on 19 December 2012.

The announcement of the Provisional Settlement marked the start of a 4 week consultation period. The closing date for responses was 15th January 2013.

From April 2013/14, local authorities will be funded through the Business Rates Retention scheme, which provides a direct link between business rates growth and the amount of money councils spend on services. Where a council's business rates income is higher than its current spending, it will make a tariff payment to Government. Similarly, where councils have greater needs than their business rates income, they will receive a top-up payment from Government. The levels of tariffs and top-ups will remain fixed each year, but will increase in line with the Retail Price Index. In addition, safety net payments will be made to a local authority if its business rates fall by a certain amount. The Safety Net will be funded by a levy paid by those councils whose business rates income increases by a disproportionate amount compared to their needs. Details of the Finance Settlement were reported to Cabinet on 22 January 2013, although some important announcements are still outstanding.

Business Rates

Under the new Business Rates Retention Scheme, billing authorities are required to notify precepting authorities of their share of the estimated business rates to be collected, by 31 January. To date, the Council is still awaiting details from three of the billing authorities in the county. Any difference in the projected figures and the final allocation will be adjusted through the Risk Management budget.

Council Tax Benefit Localisation

From April 2013 there will be a change to the way in which council tax benefits are administered. Currently all benefits are paid in accordance with a national scheme which the Government funds at a rate of 100% of benefits paid. In future the council tax billing authorities (in Derbyshire's case this is the district and borough councils) are required to develop a local scheme which they will administer at the same time as the Government cuts their support to benefits by 10%.

Billing Authorities have a number of options for meeting the shortfall in funding. In Derbyshire the district and borough councils are opting for schemes which reflect the reduction in Government grants available and seek 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 have to be met by the billing and precepting authorities, of which the County Council has to take the largest share.

Council Tax Support Transition Grant

In October, the Government announced details of a transitional grant scheme for localised council tax support. Billing and major precepting

authorities will be eligible for the grant if they adopt schemes which comply with new criteria set out by the Government to limit the impact of the changes on low income households. As a precepting authority, the Council will receive funding from Government for each scheme in the area that complies with the terms of the grant. If all the billing authorities in the County were to meet the requirements of the grant, the Council would receive an allocation of £0.956m to offset the reduced income from council tax that would follow from adopting the Government's limits for impact on individual benefit claimants.

This funding will not be available in 2014/15.

The billing authority is required to submit a claim to Government for the Transitional Grant on behalf of the precepting authority by the 15th February 2013. Therefore, the Council is reliant upon the billing authority submitting the claim to ensure that the Council receives its share of the funding.

General Grants

Details of the general grants allocated to the Council in 2013/14 were set out in the Settlement Report considered by Cabinet on 22 January 2013. A summary of the general grant allocations is shown below:

	£m
New Homes Bonus	1.305
Lead Local Flood Authority	0.208
Social Fund	1.855
Education Services Grant	12.347
Community Right to Challenge	0.009
Local Reform and Community Voices	0.635
New Homes Bonus – residual amount of top-slice	0.843
Safety Net – residual amount of top-slice	0.237
	17.439

The above figures for Education Services Grant and the residual amounts of the top-slices from the Business Rates Retention Scheme for the New Homes Bonus and Safety Net are the Council's estimates, as the allocations are still to be announced by Government. Any difference in the amount allocated will be adjusted through the Risk Management budget in the first instance and, although unlikely, additional budget reductions may be necessary.

The Government is still to announce details of the allocation for Extended Rights to Free Travel. There have been no details of the quantum, therefore the Council is unable to make an estimate of the amount to be allocated. Again, any allocation will be adjusted through the Risk Management Budget.

Early Intervention Grant

On 24 January 2013, the Government announced that the £150m top-sliced from the national control total, would be returned to local authorities as part of reforms to the adoption system. Of the total, £50m will be ring-fenced to address 'structural problems' with adopter recruitment. Individual local authority allocations are still to be announced.

Social Care

The Government has confirmed that the amount to be transferred from the NHS to local authorities to support adult social care services, which also benefit health, will be £859m. Previously, these transfers have been £648m in 2011/12 and £622m in 2012/13. From April 2013 the funding will be transferred from the NHS Commissioning Board as Primary Care Trusts are being abolished. The allocation for the Council is £12.983m, an increase of £3.522m compared to the 2012/13 allocation. The grant is ring-fenced and will be allocated to the Adult Care budget.

Public Health

From April 2013, the Council will assume responsibility for local Public Health expenditure which will be funded from a ring-fenced grant.

(c) Council Taxbase

The taxbase, as notified by the borough/district councils, has been reduced due to the introduction of Council Tax Benefit Localisation. This information has to be confirmed in writing by 31 January, the statutory deadline. Some districts/boroughs have yet to do so; although the figures are not expected to change.

Taxbase	Band D Properties 2012/13 £	Band D Properties 2013/14 £	Change %
Amber Valley	41,270.19	36,233.99	-12.20
Bolsover	22,924.22	19,379.56	-15.46
Chesterfield	32,814.72	27,153.97	-17.25
Derbyshire Dales	29,872.48	27,675.18	-7.36
Erewash	35,605.80	30,969.20	-13.02
High Peak	31,979.00	28,568.00	-10.67
North East Derbyshire	33,096.90	28,810.91	-12.95
South Derbyshire	32,160.00	29,359.00	-8.71
	259,723.31	228,149.81	-12.16

The reduction in the taxbase results in a cost to the Council of £34.012m and is netted off by an increase in funding received from Government which totals £35.257m to reflect the changes to Council Tax Benefit Localisation. This funding is included in the Business

Rates Retention funding. However, after adjusting for the expected increase in tax base which routinely occurs – to reflect new properties, changes to Council Tax banding etc – the additional funding does not reflect the actual cost to the Council by around £0.5m.

(d) **Collection Fund Position**

Each borough/district council uses a Collection Fund to manage the collection of council tax. In 2012/13 six of the eight funds registered a surplus leading to an overall surplus due to the Council of £0.605m. The number in surplus in 2013/14 is four but the total surplus has risen to £0.655m. However, written confirmation has yet to be received from some councils.

	Collection Fund	
	2012/13	2013/14
	£	£
Amber Valley	14,369	152,318
Bolsover	(332,743)	0
Chesterfield	293,343	(83,159)
Derbyshire Dales	(227,107)	(46,679)
Erewash	440,913	89,256
High Peak	44,350	229,520
North East Derbyshire	246,523	314,154
South Derbyshire	125,000	0
	604,648	655,410

Both the council taxbase and collection fund positions may need to be updated when the budget is considered by Council.

(e) **Council Tax Freeze Grant**

In October, the Government announced its intention to again make funding available to help councils freeze their Council Tax in 2013/14. Unlike the previous freeze grant offers, the Council Tax Freeze Grant available will be equivalent to a 1% increase in the 2012/13 council tax income and will be paid in both 2013/14 and 2014/15. The grants received for 2011/12 and 2013/14 will, therefore, be paid until the end of the current Spending Review period in 2014-15. The freeze grant for 2012/13 was a one-off payment only.

The indicative grant allocation for 2013/14, based on the projected taxbase figures, will be £2.815m. The allocation will be paid in addition to the 2011/12 allocation of £6.961m, making a total of £9.776m. The 2011/12 allocation has been included in the Business Rates Retention allocation. Final grant allocations will be published in March 2013, when Government receives figures from billing authorities for the taxbase in 2013/14. Any difference in the projected figures and the final allocation will be adjusted through the Risk Management budget.

(f) **Consultations**

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

(g) **Base Budget 2012/13**

The following issues have been considered: -

- Single Status was introduced in 2010/11, with those employees who saw a reduction in pay for their substantive posts received pay protection for three years. As 2012/13 is the final year of pay protection, departmental budgets have been reduced accordingly. However, a further £1.750m has been allocated to departments to reflect successful appeals and the pension fund contribution for Single Status.
- From April 2013, the Council assumes responsibility for the administration of Community Care Grants and Crisis Loans for which the Government has made an allocation of additional grant (£1.855m).
- The budget for Children and Younger Adults has been reduced by £1.687m to reflect the Government's decision to reduce the Early Intervention Grant and transfer funding to the Dedicated Schools Grant for two-year olds. However, it should be noted that the actual reduction in Early Intervention Grant is much higher, at around £8m.
- Price inflation has been calculated on specific items based on price information. There have been significant reductions in both gas and electricity prices due to the Council's ability to use 'purchasing windows' at various times of the year through the Government Procurement Services framework. Non-specific items have been increased by the target Consumer Price Index (around 2%).
- The Government's Autumn Statement 2011 announced a 1% cap on public sector pay, following the current two-year pay freeze. Whilst this does not apply to local authorities, the budget reflects an estimated pay award of 1% (£2.312m). This has been allocated to the Contingency Budget and will be allocated to departments once a final decision is made regarding pay awards for 2013/14.

(h) **Non-standard Inflation**

The Council has set aside £0.150m to support an increase in foster care payments. The amount will be allocated out of 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 Five Year Financial Plan identified that savings of £24.840m should be made and released from departmental budgets.

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

	Total £
Corporate	1,466,000
Chief Executive's	348,000
Corporate Resources	596,000
Children & Younger Adults	7,725,000
Environmental Services	4,719,000
Cultural & Community Services	969,000
Adult Care	9,017,000
	<hr/>
	24,840,000

Appendix Two shows details of the proposed savings for 2013/14. In addition to the above, the debt charges budget has been reduced by £2.000m to give a total budget reduction of £26.840m. This reflects the continued slowdown in the Capital Programme that requires borrowing as a funding source, this approach has been in place for a number of years.

(j) **Service Pressures**

A number of service pressures have been identified by departments as part of the Five Year Financial Plan for 2013/14. After consideration of the priority of these pressures, in relation to the resources available, the pressures recommended for approval in 2013/14 are shown at Appendix One.

(k) **Contingency Budget**

The Council maintains a Contingency Budget which has been used to help manage the implementation of Single Status as well as to set aside sums for pay and price increases over which there is some uncertainty. As mentioned earlier in the report the need to hold sums for Single Status implementation has now ended and the proposals identified as part of the 2013/14 budget are:

	£m
Pay Award	2.312
Foster Care Allowances	0.150
	<u>2.462</u>

(l) **Net Budget Requirement and Financing 2013/14**

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

	£
Budget Before Pressures and Budget Reductions	541,156,832
<i>Plus Service Pressures – On-going</i>	9,667,500
<i>Plus Service Pressures – One-Off</i>	8,755,514
<i>Plus Debt Charges</i>	600,000
<i>Less Budget Reductions</i>	(26,840,000)
<i>Less Use of Risk Management Budget</i>	(34,846)
Net Budget Requirement	533,305,000
<i>Less Top-Up</i>	(82,529,067)
<i>Less Business Rates</i>	(16,419,735)
<i>Less Revenue Support Grant</i>	(148,220,564)
<i>Less Council Tax Freeze Grant</i>	(2,814,687)
<i>Less Council Tax Support Transition Grant</i>	(955,514)
<i>Less New Homes Bonus</i>	(1,305,841)
<i>Less Local Services Support Grant</i>	(207,562)
<i>Less General Grant</i>	(15,925,142)
<i>Less PFI Grant</i>	(10,503,833)
<i>Less Use of General Reserve</i>	(3,000,000)
<i>Less Use of Earmarked Reserves</i>	(5,000,000)
Balance to be met from Council Tax	246,423,055

This is the equivalent of a council tax of £1,077.22 at Band D, a 0% increase over 2012/13.

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.

(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 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**

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. Details of the last review are in a separate report for consideration at this meeting.

The level of the General Reserve that is generally available to the Council is expected to be between £25m – £35m over the next few

years, but the actual figure will be subject to a number of variables such as levels of service under/overspends, costs relating to Equal Pay litigation, voluntary severance costs, etc. On this basis the level of the General Reserve 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 2017/18, 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 2013/14 to 2017/18 and reported to Cabinet later in 2013. 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. Any reserves no longer required will be returned to the General Reserve.

It is proposed that £5m of the Earmarked Reserves balance will be used to finance general capital expenditure in order to keep levels of new borrowing down to reasonable levels.

The main earmarked reserves and their estimated balance in 2012/13 are: -

	£m
School Balances (Statutory Reserve)	34.1
Dedicated Schools Grant	33.0
Insurance Reserve	15.1
Change Management Reserve	3.5

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 £0.88 per annum at Band D (1.7p 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 2012/13 to 2016/17, was updated and reported to Cabinet on 24 July 2012. 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 Chancellor's Autumn Statement and covers the period 2013/14 to 2017/18. Details of the Plan are shown at Appendix Four. It shows that savings of £127m over the medium term are needed to balance the budget.

There are a number of future pressures which Members need to be aware of when making decisions on the 2013/14 budget. Principally these pressures affect 2014/15, 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 2014/15 and 2015/16 than is currently proposed in the five year plan.

The major pressures are: -

Business Rates Localisation

The introduction of the Business Rates Retention Scheme brings a new set of uncertainties in setting the budget as the Council will be liable for a share of the costs of successful rating appeals that may be made in the year, the unknown level of businesses which may go into administration, the number of new businesses and the collection rate achievable.

Under the Business Rates Retention Scheme the Government has set the Safety Net at 7.5%. This means that the Council's Baseline Funding Level of £98.607m would have to reduce by £7.4m before the Safety Net mechanism was triggered.

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. The Council has agreed to take advantage of two measures to help manage its obligations, the first is to set the date for automatic enrolment of all new employees as the 1 April 2013, this will create a manageable additional cost in 2013/14 that departments will meet from within existing budgets. The second measure is to delay enrolment of current staff who have previously opted out of the LGPS until October 2017, this results in additional costs in 2017/18, the last year of the revised Five Year Financial Plan.

It is estimated 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.

Waste

It was announced in the Budget 2010 that the rate of landfill tax would increase by £8 per tonne each year from 1 April 2011 until at least 2014. There will be a 'floor' preventing the rate from falling below £80 per tonne from 2014/15 to 2019/2020. Following 2014/15 it is envisaged that the rate will not drop below this figure and will be subject to inflation rate increases to ensure that nationally the Council meets its European Union targets.

The Council has spent a number of years, in partnership with Derby City Council, attempting to deliver a waste treatment facility to divert residual municipal waste from landfill. In 2009 a long-term contract was awarded to Resource Recovery Solutions (Derbyshire) Ltd (RRS), commencing in 2010 for a period of 27 years. The contract provides for the transfer and disposal of local authority collected waste that cannot be recycled or composted, as well as the management of the Council's nine Household Waste Recycling Centres. The identified treatment solution, as a long-term alternative to landfill, was the development of a Mechanical Biological Treatment (MBT) and gasification facility, located in the Sinfen suburb of Derby. RRS failed to secure planning

permission for the Sinfen facility in 2009, with the appeal against this decision being dismissed in 2010.

Judicial Review of this appeal was sought; in July 2011 RRS were successful in getting the Planning Inspector's decision overturned. A second Public Inquiry took place in June 2012 and the Inspector found in the Councils' favour. The original programme was for this facility to be operational in July 2012. The Authority has been working with Derby City Council and RRS on the development of a revised project plan. The Council is also working with RRS to secure early diversion options at a number of treatment facilities as a short-term alternative.

Equal Pay

The recent outcome from the Birmingham City Council case where the Supreme Court held that the claimants were able to bring their equal pay claims as breach of contract claims in the civil courts, up to six years after the end of their employment with the council.

The financial implications of this additional factor are unclear at this stage but are unlikely to be substantial.

Academy Conversion

During the last 18 months, the Government has consulted on the details regarding the LACSEG transfer out of the Spending Control Total. The Government has confirmed that it will establish the Education Services Grant from 2013/14; this will be allocated on a per-pupil basis to local authorities and Academies according to the number of pupils for whom they are responsible. In response to the Summer 2012 consultation, the Government has reduced the amount transferred out of the spending control total by £180m in 2013/14 from the proposed £1.22bn. The new grant will be paid for all pupils aged 3 to 19 in state-funded schools, including Maintained Schools, Academies and Free Schools. In 2013/14, the single, national per-pupil rate will be £116. Multipliers will apply for pupil referral units and special schools of 3.75 and 4.25 respectively. Local authorities will also receive £15 for every pupil in their area, for statutory duties which do not transfer to Academies.

The publication of allocations for 2013/14 has been delayed and will be confirmed early in 2013, based on the number of pupils in maintained schools and Academies at that time.

The Council will receive £15 for every pupil to provide statutory duties, based on current pupil numbers, the Council is guaranteed approximately £2m. However, there is a risk that should all schools convert to Academy status, there will be loss of funding of over £10m. This has not been reflected in the Five Year Financial Plan.

Care Home Fees

The Council has for some time been in correspondence with representatives of Derbyshire care homes owners who are questioning the level and calculation of fees the Council pays for residential care. The issue rests on the actual costs incurred by care home owners in comparison to the fees paid by the Council. The Council has agreed to undertake an exercise to establish the costs of running a care home at a local level and is working with the care home providers in determining appropriate fee levels.

Council Tax Support Schemes

The introduction of local Council Tax Support Schemes is likely to see higher rates of non-collection which will have an impact on the collection fund.

Future Funding Levels

The recent Autumn Statement by the Chancellor of the Exchequer confirmed that there will be further reductions in public expenditure for local government in 2014/15. The Provisional Settlement for 2014/15 shows a 15.9% reduction in the Revenue Support Grant allocation. This includes the 2% reduction for Local Government announced in the Autumn Statement.

The next Comprehensive Spending Review (CSR) is not due to be announced until Autumn 2013, however the Chancellor indicated that the reductions will continue on the same trajectory as those announced as part of CSR 2010, until at least 2015/16.

(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 2014/15 to 2016/17 as well as for 2013/14. These need to be approved by Cabinet and Council in due course.

(q) Precept and Level of Council Tax 2013/14

On 19 December 2012, the Government announced details of the Council Tax Referendum Principles for 2013/14. In 2013/14, council tax increases will trigger a referendum, if they exceed 2% for district, borough, unitary and county councils. However, there are some exceptions to the principle of 2%, in that shire districts, fire authorities and police and crime commissioners whose 2012/13 Band D council tax is in the lower quartile for their class of authority, will only trigger a referendum where the Council Tax increase is more than 2% and there is a cash increase of more than £5.00 per annum at Band D.

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>2012/13</u>	<u>2013/14</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	39,031,996	152,318	39,184,314
Bolsover	20,876,059	0	20,876,059
Chesterfield	29,250,812	(83,159)	29,167,653
Derbyshire Dales	29,812,270	(46,679)	29,765,591
Erewash	33,360,656	89,256	33,449,912
High Peak	30,774,034	229,520	31,003,554
North East Derbyshire	31,035,702	314,154	31,349,856
South Derbyshire	31,626,116	0	31,626,116
Total	245,767,645	655,410	246,423,055

3 Legal and Human Rights Considerations

The Council is facing unprecedented financial challenges over the next four years and will have to make at least a further £127m of savings over the medium term. This is in addition to cuts over £80m made over the last five years. In meeting these financial challenges and the need to make savings, the Council must ensure that it continues to fulfil its statutory and contractual obligations.

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 1st 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 implications.

4 Considerations

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

5 Background Papers

Budget working files in Technical Section, Corporate Finance.

Provisional Local Government Finance Settlement 2013/14 – Department for Communities and Local Government.

6 OFFICERS' RECOMMENDATIONS

That Council: -

- (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 2013/14 as outlined in Section (e).
- (iii) Notes the Government's expectations about Council Tax levels for 2013/14 as outlined in section (q).
- (iv) Approves the level and allocation of budget reductions in Section (i) of the Revenue Budget Report (£26.840m).
- (v) Approves the contingency to cover Pay and non-standard inflation as outlined in Section (k) of the Revenue Budget Report (£2.462m). The Contingency to be allocated by the Director of Finance and Chief Executive once the pay award and non-standard inflation has been agreed.
- (vi) Approves the priority growth items identified in Section (j) of the Revenue Budget Report (on-going service pressures - £9.668m,

on-going debt charges growth, £0.600m, one-off pressures - £8.756m).

- (vii) Approves the Council Tax requirement of £246.423m which is calculated as follows:

	£
Budget Before Pressures and Budget Reductions	541,156,832
<i>Plus Service Pressures – On-going</i>	9,667,500
<i>Plus Service Pressures – One-Off</i>	8,755,514
<i>Plus Debt Charges</i>	600,000
<i>Less Budget Reductions</i>	(26,840,000)
<i>Less Use of Risk Management Budget</i>	(34,846)
Net Budget Requirement	533,305,000
<i>Less Top-Up</i>	(82,529,067)
<i>Less Business Rates</i>	(16,419,735)
<i>Less Revenue Support Grant</i>	(148,220,564)
<i>Less Council Tax Freeze Grant</i>	(2,814,687)
<i>Less Council Tax Support Transition Grant</i>	(955,514)
<i>Less New Homes Bonus</i>	(1,305,841)
<i>Less Local Services Support Grant</i>	(207,562)
<i>Less General Grant</i>	(15,925,142)
<i>Less PFI Grant</i>	(10,503,833)
<i>Less Use of General Reserve</i>	(3,000,000)
<i>Less Use of Earmarked Reserves</i>	(5,000,000)
Balance to be met from Council Tax	246,423,055

- (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 2013/14.
- (ix) Notes the Director of Finance's comments about the robustness of the estimates and adequacy of reserves.
- (x) Notes the Five Year Financial Plan projections of expenditure and income up to 2017/18 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 Collected</u> £	<u>Collection Fund Surplus/(Deficit)</u> £	<u>Amount Actually Due</u> £
Amber Valley	39,031,996	152,318	39,184,314
Bolsover	20,876,059	0	20,876,059
Chesterfield	29,250,812	(83,159)	29,167,653
Derbyshire Dales	29,812,270	(46,679)	29,765,591
Erewash	33,360,656	89,256	33,449,912
High Peak	30,774,034	229,520	31,003,554
North East Derbyshire	31,035,702	314,154	31,349,856
South Derbyshire	31,626,116	0	31,626,116
Total	245,767,645	655,410	246,423,055

- (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>2012/13</u> £	<u>2013/14</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

29 January 2013

APPENDIX ONE

	On-going £m	One-off £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
New Duties From April 2013, local authorities will have new duties which include: <ul style="list-style-type: none"> • Deprivation of Liberty Safeguards • Healthwatch • Independent Complaints Advocacy Service • Independent Mental Health Advocacy 	0.620	0.000
Children and Younger Adults		
Demographics The number of Looked After Children is higher than the current budget can support. Several measures are in place to reduce safeguarding costs, but it is unlikely these will have a significant impact in 2013/14.	1.100	0.000
Corporate		
Pension Fund This reflects an increase in employer contributions based on the outcome of the actuarial review in 2011.	0.250	0.000
Coroners There has been an increase in the number of staff to meet the increase in caseloads.	0.200	0.000

County Council Elections To reflect the costs of the elections which will take place in June 2013.	0.000	1.000
Environmental Services		
Waste Increase in Landfill Tax by £8 per tonne from April 2013.	1.790	0.000
Bus contracts – B_Line An increase in the age at which young people will be required to stay on at school, college or in training from September 2013. By 2015 everyone will stay on at least until their 18 th birthday and significantly increase the numbers using the scheme.	0.100	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.	0.208	0.000
Total Departmental Pressures	9.668	1.000
Revenue Contribution to Capital Outlay Use of revenue funds to finance capital expenditure.	0.000	7.756
Debt Charges	0.600	0.000
Total	10.268	8.756

MAIN REVENUE BUDGET REDUCTION ITEMS PROPOSED FOR 2013/14**CORPORATE** (Target reduction 2013/14 = £0.954m plus £0.952m carried forward)

• Revised arrangements for Pension Fund advisors/ reintroduction of share lending function	£0.500m
• Reduced revenue contributions to capital	£0.300m
• Cessation of BSF Programme	£0.050m
• Increase in various Registrars fees	£0.050m
• Further Members' travel savings	£0.008m
	<hr/>
TOTAL	0.908m

CHIEF EXECUTIVE'S OFFICE (Target reduction 2013/14 = £0.174m)

• On-going savings brought forward from previous years	£0.110m
• Senior management/Policy Unit restructuring	£0.064m
	<hr/>
TOTAL	£0.174m

CORPORATE RESOURCES (Target reduction 2013/14 = £1.042m)

• On-going saving brought forward from previous years	£0.162m
• Further rationalisation of Corporate Finance, Legal, Human Resources, Property, Transformation and Business Support	£0.300m
• Standardisation of IT software and reduction in Core System support	£0.180m
• Reductions in equipment, supplies and services	£0.100m
• Reduction in building maintenance	£0.300m
	<hr/>
TOTAL	£1.042m

HEALTH AND COMMUNITY SAFETY (Target reduction 2013/14 = £0.155m)

• Rationalisation of Community Safety and Regeneration Teams	£0.155m
TOTAL	£0.155m

CHILDREN AND YOUNGER ADULTS (Target reduction 2013/14 = £7.725m)

• Preventative activities to reduce direct costs of Safeguarding	£1.100m
• Efficiencies from increased locality working	£0.150m
• Rationalisation of management and back office services	£1.046m
• Transfer of responsibility for careers advice to schools	£0.600m
• Further savings from Smarter Travel initiatives	£0.200m
• Increased trading and income generation	£0.345m
• One-off balancing savings brought forward from 2012/13	£4.284m
TOTAL	£7.725m

ADULT CARE (Target reduction 2013/14 = £9.017m)

• On-going savings from stair lift maintenance activities	£0.300m
• On-going savings on meals and laundry services	£0.150m
• More consistent application of the RAS and Support Planning	£1.750m
• Reduction in High Cost placements	£0.500m
• Review of Supported Living Schemes	£0.200m
• Re-modelling of services for low and moderate needs	£0.500m
• Efficiencies from Re-ablement and re-modelling of Home Care services	£0.750m
• Reduction of expenditure on consumables	£0.380m
• Re-commissioning of Day Care services	£0.550m
• Reduction in training provision	£0.650m
TOTAL	£5.730m

CULTURAL AND COMMUNITY SERVICES (Target reduction 2013/14 = £0.969m)

• On-going savings brought forward from previous years	£0.302m
• Extension of self service in libraries	£0.100m
• Review of mobile library service	£0.130m
• Non-replacement of Trading Standards secondee	£0.022m
• One-off balancing savings from 2012/13	£0.415m
	<hr/>
TOTAL	£0.969m

ENVIRONMENTAL SERVICES (Target reduction 2013/14 = £4.721m plus £2.037m carried forward)

• Additional income from permit and parking schemes and fleet services	£0.570m
• Further savings from Smarter Travel initiatives	£0.733m
• Further rationalisation of staffing establishments	£1.524m
• Efficiencies and reductions in highway maintenance, street lighting and signs	£3.075m
• Reductions in training, commercial services, promotional initiatives and professional fees	£0.296m
• One-off balancing savings, use of commuted sums and Section 74 income	£0.560m
	<hr/>
TOTAL	£6.758m

APPENDIX THREE

General Reserve Projections

	2012/13	2013/14	2014/15	2015/16	2016/17
	£	£	£	£	£
Opening Balance	-97,999,596	-63,913,596	-33,869,596	-33,745,596	-33,745,596
Total	-97,999,596	-63,913,596	-33,869,596	-33,745,596	-33,745,596
Plus Expected Contributions	-17,307,000	-10,000,000	-2,000,000	-2,000,000	-2,000,000
Less Use	51,393,000	40,044,000	2,124,000	2,000,000	2,000,000
	-63,913,596	-33,869,596	-33,745,596	-33,745,596	-33,745,596
Contributions					
Risk Management Budget Underspend	5,000,000	5,000,000	2,000,000	2,000,000	2,000,000
Interest receipts/debt charges	5,000,000	5,000,000	0	0	0
Transfer from Earmarked Reserves	7,307,000	0	0	0	0
	17,307,000	10,000,000	2,000,000	2,000,000	2,000,000
Use					
Previous Year Commitments	23,893,000	0	0	0	0
Winter Maintenance Reserve	2,000,000	0	0	0	0
Equal Pay Costs	0	15,200,000	0	0	0
Single Status - Implementation	317,000	0	0	0	0
Adult Social Care IT Costs	0	2,000,000	0	0	0
MEGZ Provision	0	1,070,000	0	0	0
Voluntary Severance Costs	9,700,000	0	0	0	0
Elections	0	1,000,000	0	0	0
Further One-Off/General Budget Support	5,339,000	7,000,000	2,000,000	2,000,000	2,000,000
Glossop Library	0	1,900,000	0	0	0
MMI	1,500,000	0	0	0	0
Legal Services post (Single Status)	20,000	0	0	0	0
Tibshelf School	6,500,000	0	0	0	0
Broadband	0	7,400,000			
Cabinet Approvals	0	0	0	0	0
Second Homes Initiative	120,000	0	0	0	0
Environmental Services - LTP (PSA2)	1,900,000	0	0	0	0
Property Review	0	350,000	0	0	0
Council Tax Benefit Localisation	0	2,000,000	0	0	0
Equal Pay Solicitors	104,000	124,000	124,000	0	0
LAMS	0	2,000,000	0	0	0
	51,393,000	40,044,000	2,124,000	2,000,000	2,000,000

The significant use of the General Reserve over the next five years to 2016/17 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 later years as the Council is contesting the remaining cases;

- Voluntary severance costs relate to the anticipated one-off costs associated with reducing staff numbers through voluntary redundancy or early retirement.
- The replacement of Tibshelf Community School with a new building on a green field site was one of the Building Schools for the Future (BSF) schemes which had to be postponed when the Government announced the ending of the BSF Programme in July 2010. This is a contribution to the total projects costs of £15m.

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.
- Transfers from earmarked reserves.

APPENDIX FOUR

FIVE YEAR FINANCIAL PLAN for 2013-14 to 2017-18					
	2013-14	2014-15	2015-16	2016-17	2017-18
	£m	£m	£m	£m	£m
Base Budget	535.982	524.549	511.156	498.716	498.491
Two Year Olds/Social Fund	0.167	0.000	0.000	0.000	0.000
	536.149	524.549	511.156	498.716	498.491
Price Inflation	5.271	7.000	7.000	7.000	7.000
Pay Award	2.312	2.250	4.500	4.500	4.500
Pension Fund Increase	0.250	0.000	0.000	0.000	0.000
Contingency for Price Increases	(1.575)	1.000	1.000	1.000	1.000
Debt Charges	(1.400)	0.600	0.600	0.600	0.600
Interest Receipts	(1.000)	(1.000)	(1.000)	0.000	0.000
	3.858	9.850	12.100	13.100	13.100
Ongoing Service Pressures (see below)	9.417	8.200	6.800	6.800	6.800
	9.417	8.200	6.800	6.800	6.800
Risk Management Budget	(0.035)	0.000	0.000	0.000	0.000
	549.389	542.599	530.056	518.616	518.391
Budget reductions required	(24.840)	(31.443)	(31.340)	(20.126)	(19.585)
Ongoing base budget	524.549	511.156	498.716	498.491	498.806
One-off expenditure:					
One-off budget pressures	8.756	0.000	0.000	0.000	0.000
One-off budget support	0.000	0.000	0.000	0.000	0.000
Elections	0.000	0.000	0.000	0.000	1.000
Net Budget Requirement	533.305	511.156	498.716	498.491	499.806
Financed By: -					
Business Rates	16.420	16.571	17.068	17.580	18.108
Top-Up	82.529	85.060	86.761	88.496	90.266
Revenue Support Grant	148.221	124.700	112.230	101.007	90.906
Business Rates Retention Total	247.170	226.331	216.059	207.084	199.280
New Homes Bonus	1.305	1.700	2.100	2.500	3.000
Education Services Grant	12.347	12.347	12.347	12.347	12.347
Local Services Support Grant	0.208	0.000	0.000	0.000	0.000
Returned Amount of NHB Top-slice	0.843	0.843	0.000	0.000	0.000
Returned Safety Net Top Slice	0.237	0.100	0.100	0.100	0.100
Social Fund Reform	1.855	1.828	1.828	1.828	1.828
General Grant	0.644	0.655	0.655	0.655	0.655
Council Tax	246.422	252.034	260.124	268.474	277.093
Council Tax Freeze Grant 2011/12 adjustment	0.000	0.000	(7.000)	(7.000)	(7.000)
Council Tax Freeze Grant - one-off 2013/14	2.815	2.815	0.000	0.000	0.000
Council Tax Transition Grant	0.956	0.000	0.000	0.000	0.000
PFI Grant	10.503	10.503	10.503	10.503	10.503
Use of General Reserve to support one-off expenditure	3.000	2.000	2.000	2.000	2.000
Use of Earmarked Reserve	5.000	0.000	0.000	0.000	0.000
Total Funding	533.305	511.156	498.716	498.491	499.806
TOTAL SAVINGS APRIL 2013- MARCH 2018					
					(127.333)
Annual Savings as a percentage of Base Budget	4.63%	5.99%	6.13%	4.04%	3.93%

Assumptions					
Price Inflation	2.00%	2.00%	2.00%	2.00%	2.00%
Pay Award	1.00%	1.00%	2.00%	2.00%	2.00%
Business Rate Growth	n/a	3.00%	3.00%	3.00%	3.00%
Top Up RPI	n/a	3.10%	2.00%	2.00%	2.00%
Revenue Support Grant Reductions	-6.30%	-15.90%	-10.00%	-10.00%	-10.00%
Council Tax Increase	0.00%	2.00%	2.50%	2.50%	2.50%
Taxbase Increase	n/a	0.30%	0.70%	0.70%	0.70%
Taxbase	228,149.00	228,833.45	230,435.28	232,048.33	233,672.67
Collection Fund Position (£m)	0.655	0.600	0.600	0.600	0.600
Council Tax (£/Band D)	1,077.22	1,098.76	1,126.23	1,154.39	1,183.25
Ongoing Service Pressures					
Adult Care Demographics	5.400	5.400	5.400	5.400	5.400
CAYA Demographics	1.100	1.000	1.000	1.000	1.000
Adult Care New Duties	0.620	0.000	0.000	0.000	0.000
Coroners	0.200	0.000	0.000	0.000	0.000
Waste	1.790	1.800	0.400	0.400	0.400
B Line	0.100	0.000	0.000	0.000	0.000
Lead Local Flood Authority	0.207	0.000	0.000	0.000	0.000
	9.417	8.200	6.800	6.800	6.800

<u>Service</u>	Transfer Adjusted Pay and											
	Base Budget £	Single Status Adjustments £	Grant Changes £	of Function £	Base 2012/13 £	Price Inflation £	Base Plus Inflation £	Ongoing Pressures £	Budget Reductions £	Base Budget Ongoing £	One off Pressures £	Budget 2013-14 £
Corporate	10,351,193	605,853	0	0	10,957,046	495,851	11,452,898	450,000	(1,466,000)	10,436,898	1,000,000	11,436,898
Chief Execs	11,027,284	(151,610)	0	0	10,875,674	149,717	11,025,391	0	(348,000)	10,677,391	0	10,677,391
CRD	38,481,037	(655,741)	0	0	37,825,296	295,424	38,120,720	0	(596,000)	37,524,720	0	37,524,720
Children & Younger Adults	136,161,032	(765,342)	0	(1,687,000)	133,708,690	715,938	134,424,628	1,100,000	(7,725,000)	127,799,628	0	127,799,628
Environmental Services	94,735,670	(472,835)	0	0	94,262,835	1,035,709	95,298,545	2,097,500	(4,719,000)	92,677,045	0	92,677,045
Cultural & Community Services	13,112,320	93,212	0	0	13,205,532	15,516	13,221,048	0	(969,000)	12,252,048	0	12,252,048
Adult Care	204,241,971	247,664	1,854,561	0	206,344,196	2,562,670	208,906,866	6,020,000	(9,017,000)	205,909,866	0	205,909,866
Service Totals	508,110,507	(1,098,799)	1,854,561	(1,687,000)	507,179,269	5,270,826	512,450,095	9,667,500	(24,840,000)	497,277,595	1,000,000	498,277,595
Plus Contingency	626,687	1,098,799	0	(1,725,486)	0	2,461,742	2,461,742	0	0	2,461,742	0	2,461,742
Plus RCCO	0	0	0	0	0	0	0	0	0	0	7,755,514	7,755,514
Plus External Debt Charges	57,830,342	0	0	0	57,830,342	0	57,830,342	600,000	(2,000,000)	56,430,342	0	56,430,342
Plus Risk Management Budget	5,447,090	0	0	0	5,447,090	0	5,447,090	(34,846)	0	5,412,244	0	5,412,244
Less Capital Charges	(33,087,437)	0	0	0	(33,087,437)	0	(33,087,437)	0	0	(33,087,437)	0	(33,087,437)
Less Interest Receipts	(2,945,000)	0	0	0	(2,945,000)	(1,000,000)	(3,945,000)	0	0	(3,945,000)	0	(3,945,000)
Net Budget Requirement	535,982,189	0	1,854,561	(3,412,486)	534,424,264	6,732,568	541,156,832	10,232,654	(26,840,000)	524,549,486	8,755,514	533,305,000
Funded by: -												
Council Tax	280,384,289	0	0	0	280,384,289	(33,961,234)	246,423,055	0	0	246,423,055	0	246,423,055
Council Tax Grant 2013/14	0	0	0	0	0	1,014,687	1,014,687	0	0	1,014,687	1,800,000	2,814,687
Top Up	0	0	82,529,067	0	82,529,067	0	82,529,067	0	0	82,529,067	0	82,529,067
National Non-Domestic Rates	192,881,611	0	(176,803,558)	0	16,078,053	341,682	16,419,735	0	0	16,419,735	0	16,419,735
Revenue Support Grant	3,738,964	0	144,481,600	0	148,220,564	0	148,220,564	0	0	148,220,564	0	148,220,564
New Homes Bonus	839,584	0	0	0	839,584	466,257	1,305,841	0	0	1,305,841	0	1,305,841
LSSG	2,286,731	0	(2,079,169)	0	207,562	0	207,562	0	0	207,562	0	207,562
General Grant	43,714,177	0	(19,317,124)	(8,471,911)	15,925,142	0	15,925,142	0	0	15,925,142	0	15,925,142
Council Tax Support Transition Grant 2013/14	0	0	0	0	0	0	0	0	0	0	955,514	955,514
PFI Grant	10,503,833	0	0	0	10,503,833	0	10,503,833	0	0	10,503,833	0	10,503,833
LACSEG Refund	1,633,000	0	(1,633,000)	0	0	0	0	0	0	0	0	0
Use of General Reserve	0	0	0	0	0	0	0	0	0	0	3,000,000	3,000,000
Use of Earmarked Reserve	0	0	0	0	0	0	0	0	0	0	5,000,000	5,000,000
	535,982,189	0	27,177,816	(8,471,911)	554,688,094	(32,138,608)	522,549,486	0	0	522,549,486	10,755,514	533,305,000