

**Report To:** COUNCIL

**Date of Meeting:** 7 February 2012

**Lead Cabinet Member:** Councillor Julian Thompson-Hill

**Lead Officer:** Paul McGrady, Head of Finance & Assets

**Title:** 2012/13 Budget

**1 What is the report about?**

The report details the proposed budget for 2012/13.

**2 What is the reason for making this report?**

The Council is legally required to set a balanced and deliverable budget before the start of each financial year and to set the resulting level of Council Tax to allow bills to be sent to residents.

**3 What are the Recommendations?**

- 3.1 That members approve the budget proposals for 2012/13 as shown in the appendix
- 3.2 That members agree the resulting 2.8% increase in the level of Council Tax for 2012/13

**4 Report details**

- 4.1 The Welsh Government released its final settlement in early December. This showed the settlement that each Council would get. The settlement had changed marginally from the draft issued in October.
- 4.2 The final settlement showed that the increase in our revenue grant funding would be 0.7%
- 4.3 The final settlement showed that the cut in our capital settlement was also the same as had been shown in the draft. The funding has been cut by 6.9% (equivalent to around £400k) which is worse than the 5% cut we had originally planned for. This is a significant loss on top of the 20% cut we had to the current year's settlement meaning a loss of around £2m over the two years from £7.8m to £5.7m. The general capital funding is what we rely on to carry out Health and Safety works, major maintenance etc – basically the work that allows us to keep our buildings going. Initial indications are that this will be cut by a further £700k (12%) in 2013/14

## Medium Term Financial Plan

4.4 The outlook for public finance is still very poor for the medium term. It is likely that low settlements and a difficult financial situation will continue beyond the term of the current three year plan. This means it is very important for Members to consider a medium to long term view on all proposals for savings and not try for easy options that provide short term solutions.

4.5 The MTFP has identified savings for each of the next three years. However each year contains proposals that have not yet been worked up or may be aspirational. This brings with it a risk that they may not be delivered. The table below shows a summary of savings requirements for the next three years:

	2012/13	2013/14	2014/15
Savings Target	£3.5m	£3.4m	£4.4m
At risk		£1.2m	£2.9m

4.6 Following discussions with members and services, those savings considered to be at risk for 2012/13 were replaced with alternative savings which are considered to be deliverable.

4.7 The MTFP had originally assumed there would be cost increases in a number of areas. It is always difficult to accurately forecast inflationary changes in so many areas of expenditure and the Council always has to be prudent with its assumptions.

## Fuel and energy cost increases

4.8 Cost increases in energy are likely to be lower than originally anticipated and have reduced the amount of savings required.

## Pay and Single Status

4.9 The budget assumes a modest increase in staff pay. However, it will be several months before we are any clearer on proposals for pay due to the fact that these are negotiated at a UK level.

4.10 The agreement on single status brought 2 financial burdens to the Council's budget. The first was a one-off increase in pay costs as a number of staff were moved onto higher grades, the second was the 'incremental drift' of these grades. That means staff would have been appointed at the bottom of the grade and over time will move up to the top of the grade. We set up a budget to pay for this 'drift' and it is due to be fully allocated to services by 2014/15.

## Schools protection

4.11 The Welsh Government expects that schools will be protected from savings. The Council must passport to schools an amount equivalent to 1% above the settlement. Denbighshire has budgeted for an increase above this level which means that schools will receive a budget increase of £1.25m and is the equivalent of an increase of about £90 per pupil.

### **Social Services Fees**

4.12 There are further service specific pressures that will have to be addressed. The most notable of these is residential homes fees. Following the Pembrokeshire judgement all councils have reviewed their fee structures and are increasing the amounts they pay. The budget includes an increase to the fees budget to reflect the work undertaken so far by Social Services.

### **Priority Investment**

4.13 Members were asked to consider which areas any additional priority funds such be aimed at. The original suggested allocations were broadly supported along with additional investment in demographic change / extra care housing as shown below:

	£k Budget	£k Cash
21 Century Schools	200	200
Highways	100	
Town Plans & Communities	100	100
ICT	300	
Foryd Harbour	100	
Demographic Change / Extra Care	200	
<b>TOTAL</b>	<b>1,000</b>	<b>300</b>

4.14 As part of the 2011/12 budget setting process, the Council set aside a contingency of around £340k in case savings were not delivered or slipped into future years. It is now highly unlikely that most of this contingency will be required as almost all services are reporting balanced budgets or underspends.

4.15 Cabinet has recommended that this cash be added to the funds available as shown in the table above. This is one-off funding that will not be available in future years.

4.16 Any proposals to spend priority funds would need to be backed by a full business case and should members choose, they can change the level of funding to individual proposals as long as the total does not exceed £1m ongoing expenditure and £300k one off expenditure.

### **Council Tax**

4.17 Appendix 1 details the overall budget position for the Council and shows the rise in Council Tax would be 2.8%

4.18 Denbighshire has set the lowest Council Tax increase in north Wales for six of the last seven years while still delivering services to its residents. Informal review suggests that we probably be the second lowest Council Tax rise in north Wales for 2012/13. Nationally it appears that most Councils are setting Council Tax rises between 2 and 3%, although a handful have gone below 2% and two Councils intend to set a 0% rise.

**5 How does the decision contribute to the Corporate Priorities?**

Effective management of the council's revenue and capital budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

**6 What will it cost and how will it affect other services?**

Appendix 1 shows the full Council budget and the implications of the proposals within this report.

**7 What consultations have been carried out?**

Service challenges were held with each head of service and each challenge included representatives from scrutiny committee and Cabinet. Budget workshops were held with members in September, December and January. Performance Scrutiny also reviewed the budget setting process.

**8 Chief Finance Officer Statement**

2012/13 will be another challenging year for the Council's finances. It is likely that relatively low settlements will continue for the medium term and the Council must be mindful of this when setting this budget.

The budget as proposed is realistic and deliverable. It makes sufficient savings to balance our position, protects front line services from major reductions and allows investment of £1m into Council priorities.

This is delivered with a 2.8% increase in Council Tax which compares to general inflation running at around 4.5%.

**9 What risks are there and is there anything we can do to reduce them?**

If the budget is not agreed within the relevant timescale then the Council will be breaking the law.

This is the most challenging financial period the council has faced and failure to deliver the agreed budget strategy will put further pressure on services in the current and future financial years. Effective budget monitoring and control and early reporting of variances will help ensure that the financial strategy is achieved.

**10 Power to make the Decision**

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.