

WEST DUNBARTONSHIRE COUNCIL

Report by Interim Executive Director of Corporate Services

Special Council: 26 January 2012

Subject : General Services Revenue Estimates and Council Tax – Financial Year 2012/13

1. Purpose

1.1 The purpose of this report is to provide Council with sufficient information to allow them to agree:

- the General Services Revenue Estimates for 2012/13; and
- the council tax level for 2012/13.

2. Background

2.1 Members received a copy of the draft revenue estimates for 2012/13 along with a report providing details of the financial settlement, received from the Scottish Government, at the Special Council meeting held on 15 December 2011. The report identified a balance of £37.604m to be met from council tax, savings and reserves.

2.2 The report also detailed funding included within the settlement of £1.190m on the assumption that West Dunbartonshire Council would agree to freeze its council tax level for 2012/13. It was reported that a standstill council tax based on a Band D product of 34,245 would generate £38.731m, resulting in a surplus balance for 2012/13, at that time, of £1.127m.

2.3 Since the report was provided to the Special Council on 15 December a number of adjustments to the draft budget position have been identified by the Corporate Management Team (CMT) and are listed in Appendix 1 to this report. These adjustments total an additional net cost in 2012/13 of £0.826m and reduce the funding surplus to £0.302m. These adjustments can be summarized as follows:

- Change to funding from Scottish Government following a correction of the settlement allocation calculation - £0.063m less funding;
- Change to basis of calculation of the Band D Council Tax product as the number of residences has increased providing a Band D product of 34,361 - £0.132m additional income; and
- A number of budget adjustments - £0.895m.

2.4 Following these adjustments the new estimated total net expenditure for 2012/13 is now £239.411m (was £238.516m), the Scottish Government funding is now £200.850m (was £200.913m) and expected Council Tax funding increased to £38.863m (was £38.731m). The figures generate the budgeted surplus of £0.302m as follows:

Total Net Expenditure		£239.411m
Funded by:		
Scottish Government	£200.850m	
Council Tax	£ 38.863m	£239.713m
Surplus		<u>£ 0.302m</u>

- 2.5** The Special Council meeting on 15 December agreed that the Council Leader should accept, in principle, the additional funding that is available to West Dunbartonshire Council in 2012/13 on condition of the delivery of a number of commitments as detailed in paragraph 2.9 of that report. The letter of acceptance is attached as Appendix 2 to this report.
- 2.6** The above figures are based on the provisional allocations announced in the Scottish Government Finance Circular No. 11/2011 (issued on 8 December 2011) but which will not be formally confirmed until the Local Government Finance (Scotland) Order 2012 is approved by the Scottish Government in early February.
- 2.7** Committed budgets for capital and the HRA have also been considered to ensure that the full impact of the Prudential Code for Capital Investment and the interrelationship between the General Fund and the HRA are fully reflected in the draft general services budget. A report on the HRA Revenue Estimates 2012/13 appears later on this agenda and reports on both the General Services capital plan 2012/13 and the HRA capital plan 2012/13 will be presented to Council at a later date.

3. Main Issues

Revenue Estimates 2012/13

- 3.1** A motion detailing proposals for consultation with stakeholders in order to finalise the Council's General Services budget for 2012/13 was approved by Council on 15 December 2011. These proposals, along with the draft budget, were presented to a series of public consultation meetings held on 16th, 17th and 18th January 2012.
- 3.2** A report on the outcome of the public consultation process is presented for Members' consideration earlier within this agenda.
- 3.3** The additional funding of £1.190m available to the Council should it choose to freeze its council tax level for 2012/13 is based on the current band D product and is equivalent to a 3% council tax increase.
- 3.4** In addition to the 'in principle' grant acceptance submitted to the Scottish Government following the Special Council meeting of 15 December 2011, in order to access the additional funding included within the position outlined in this report, Council will be required no later than 11 March 2012 to write to the Cabinet Secretary for Finance, Employment & Sustainable Growth to confirm that the budget approved by Council includes provision to deliver across all the specified commitments in the November offer.

- 3.5** In July 2011 budget guidance was issued to departments to prepare the budget on the basis of current policies. This means that the budget is based on the approved activity levels of 2011/12, except where growth has been specifically approved by the Council or included in the funding to be received from the Scottish Government.
- 3.6** Members will wish to consider options around the use of the draft surplus budget of £0.302m. Options available include:
- Identifying additional revenue expenditure (growth) to plan to spend the value of the surplus to bring about a balanced budget; or
 - Retaining all or part of the budget surplus to increase unearmarked reserves in order to plan for the draft deficit projected for 2013/14; or
 - Using the funding to boost the Council's capital budget for 2012/13 as Capital Funded from Current Revenue.
- 3.7** Members may wish to consider options to add further growth expenditure to the budget beyond the current budget surplus of £0.302m, however in order to do so Member will require to either identify savings to be applied to the draft budget or agree the use of unearmarked reserves. Members may also wish to consider priorities in relation to currently earmarked reserves.
- 3.8** The Corporate Management Team (CMT) identified a number of savings options in the report to Special Council on 15 December. Following further consideration, this list of options has been revised and an updated list is attached as Appendix 3. The CMT has also identified a number of potential growth items for Members consideration and this is attached as Appendix 4.
- 3.9** In considering this issue Members will wish to consider the longer term effects on future years' budgets should any of such additional growth options result in a recurring expenditure commitment.
- 3.10** In addition, should Members identify additional growth options to be funded from reserves, then the Prudential Reserve level of £4.2m should be considered. This level of free reserves is considered to be the free reserve level which the Council should not plan to be below.
- 3.11** The budgeted level of council tax funding equates to £1,163 per house within the Council area (Band D equivalent). This excludes water and sewerage charges. The Council has no control over these charges although they are collected along with council tax. For 2012/13, the combined annual charge for water and sewerage for a band D property will remain at £393.57.
- 3.12** Based on current performance it is recommended that the budgeted council tax collection rate is retained at 97.25% for 2012/13.

Costs relating to recent adverse weather

- 3.13** The costs in connection with the clear up operation following the recent adverse weather are still being confirmed. An element of the costs will be recoverable through insurance and the Scottish Government has also confirmed that they have activated the Bellwin scheme to provide councils with emergency financial assistance for any *eligible* costs resulting from the severe level of storm damage. Following the appropriate formula, this Council has to absorb £0.479m of eligible costs before reclaiming from the scheme. The absorption of these costs will affect the level of overall un-earmarked reserves the Council has available to it at 31 March 2012.

Revenue Estimates 2013/15

- 3.14** In order to meet the Council's desire to identify and plan for medium term budgets and issues, indicative budgets for the following two years have been prepared which assume the same level of service as implicit within the 2012/13 budget.
- 3.15** It should be noted that 2012/13 is the first year of a three year funding settlement and that the known settlement figures have been incorporated into the indicative budgets for 2013/14 and 2014/15.
- 3.16** Taking into account the above, the indicative budget forecasts a substantial funding gap of £6.066m is estimated in the 2013/14 budget and (assuming appropriate action is taken to balance the 2013/14 budget, through a combination of efficiencies, balances and council tax) a budget surplus of £1.561m in the 2014/15 budget. It is recommended that this forecast continues to be remitted to the Strategic Finance Working Group to consider options to address the position.

4. People Implications

- 4.1** The potential staffing implications relate to:

- the management adjustments which were reported to Council on 15 December 2011; and
- the savings options package per Appendix 3.

- 4.2** Any staffing implications as a result of the implementation of the management adjustments and any savings options agreed will be subject to a full consultation process in line with the Organisational Change Policy.

5. Financial Implications

- 5.1** As detailed within the report.

6. Risk Analysis

- 6.1** The Council, in setting this budget, is required to give due regard to the significant financial pressures facing the Council in the medium term.

7. Equalities Impact Assessment

- 7.1** An equality impact assessment of each savings option within the package has been carried out within the relevant department.

8. Strategic Assessment

- 8.1** The Council has identified four main strategic priorities to date, namely Social & Economic Regeneration, Financial Strategy, Asset Management Strategy; and Fit for Purpose Services.
- 8.2** At a service by service level, the General Services revenue budget contributes to these strategic priorities of the Council as well as providing statutory services to its service users.

9. Conclusions and Recommendations

- 9.1** The draft budget figures for 2012/13 to 2014/15 assume no additional borrowing costs due to prudential investment in General Services capital spend projects.
- 9.2** Following consideration of the budget pressures facing the Council, together with the savings options identified whilst also maintaining the Council's commitment to keep council tax levels as low as possible, it is recommended that the Council accepts the additional funding of £1.190m available from the Scottish Government and agrees to a standstill council tax level.
- 9.3** The Council is committed to medium term budgeting and options to address the indicative funding gaps for 2013/14 and 2014/15 will be considered at an early date by the Strategic Finance Working Group and reported to all elected members.
- 9.4** Following consideration of budget information provided, Council is recommended to:
- Set the band D council tax level for 2012/13 at £1,163 which represents a 0% increase and assumes a collection rate of 97.25% thereby generating £38.863m;
 - Agree any growth projects or savings options to be incorporated into the budget for 2012/13 which produces a balanced budget and does not breach the Council's Prudential Reserve level of £4.2m;
 - Remit consideration of the forecast funding position for financial years 2013/14 and 2014/15 to the Strategic Finance Working Group and report to all elected members; and
 - To write to the Cabinet Secretary for Finance, Employment & Sustainable Growth no later than 11 March 2012, to confirm that the budget approved by Council includes provision to deliver across all the specified commitments in the November offer.

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Date: 19 January 2012

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Appendices: Appendix 1: Summary of budget adjustments
Appendix 2: Letter to the Scottish Government
Appendix 3: Amended Savings Options list
Appendix 4: CMT list of Growth Options

Background Papers: Report to Special Council: 15 December 2011.
Draft Revenue Estimates 2012/13 & Savings Options – 13
December 2011

Wards Affected: All