

 <b>Executive 11 January 2012</b>		<b>Agenda Item No.</b>  <b>4</b>
<b>Title</b>	General Fund base estimates revised 2011/12 and original 2012/13	
<b>For further information about this report please contact</b>	Marcus Miskinis <a href="mailto:Marcus.miskinis@warwickdc.gov.uk">Marcus.miskinis@warwickdc.gov.uk</a> 01926 456804	
<b>Wards of the District directly affected</b>	All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>		
<b>Background Papers</b>	Executive 13 July 2011 – Financial Strategy and Budget Prospects; Executive 12 October 2011 – Fees and Charges 2012/13 Executive 16 November 2011 – Budget Monitoring to 30 September 2011	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes Ref 347
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	No

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	15 Dec 2011	Andrew Jones
Head of Service	15 Dec 2011	Mike Snow
CMT	15 Dec 2011	
Section 151 Officer	15 Dec 2011	Mike Snow
Monitoring Officer	15 Dec 2011	Andrew Jones
Finance	15 Dec 2011	Mike Snow
Portfolio Holder(s)	15 Dec 2011	Councillor Mobbs
<b>Consultation Undertaken</b>		
None		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1. SUMMARY**

- 1.1 This report sets out the latest projections for the General Fund revenue estimates in respect of 2011/12 and 2012/13 based on the current levels of service, and previous decisions. There are further matters that will need to be reviewed in order to finalise the base position as part of the 2012/13 budget setting process as set out in paragraph 7.5.
- 1.2 The 2011/12 revised estimates show a surplus of £201,300. This surplus assumes that procurement savings will be achieved but £205,000 Fit For the Future savings will not be achieved before the year end.

The proposed 2012/13 Base Budget presents an increase of £127,000 in the Council's expenditure in continuing to provide its services and meet its commitments. However there is still £332,000 shortfall, including the £205,000 Fit for the future savings to be found.

## **2. RECOMMENDATIONS**

- 2.1 Members note the latest financial forecasts for the Medium Term as outlined in Section 8 below and the total on-going savings of circa £2.7 million to be achieved by 2016/17.
- 2.2 To recommend to Council:
- (a) The level of Magistrate Court Cost Fees to be charged as outlined in Appendix 'B' and paragraph 9.8 be set at £85. Members are asked to note that the assumed income from this option, £73,000 is already included in the 2012/13 Base Estimates.
  - (b) the revised base budget revenue estimate for the General Fund services in respect of 2011/12 as outlined in Appendix 'D';
  - (c) the base budget revenue estimate for the General Fund services in respect of 2012/13 as outlined in Appendix 'D'.

## **3. REASONS FOR THE RECOMMENDATION**

- 3.1 The Council is required to determine its budget requirements in order to set the Council Tax for 2012/13.

## **4. POLICY FRAMEWORK**

### **4.1 Policy Framework**

The General Fund base estimates revised 2011/12 and original 2012/13 report forms part of the Budgetary Framework which is the resource strategy for implementing Fit for the Future. This report is in accordance with the Council's Financial Strategy as last approved by the Executive in February and updated in the Financial Projections Report in July 2011.

## **4.2 Fit For the Future**

One of the key elements of Fit For the Future is ensuring that the Council achieves the required savings to enable it to set a balanced budget whilst maintaining service provision. This report updates members on the financial projections for future years, savings required to be found and some of the key issues needed to be considered in preparing the 2012/13 budget and beyond. More details on Fit for the Future will be included in the February Budget report, with a specific report on Fit For the Future being due in March.

- 4.3 As acknowledged elsewhere within this report, the “target” savings from Fit For the Future for the current year are not expected to be fully achieved by £205,000. This increases the savings needed to be found in future years.

## **5. BUDGETARY FRAMEWORK**

In July of this year, Members were alerted to the need to find £2.7 million of on-going savings by 2016/17.

- 5.1 Members are reminded that the 2012/13 Council Tax will be set in February after budgets are finalised and that for next year, the Government has decided to extend the Council Tax Freeze Grant to a second year. The Executive has previously stated that it intends to set a zero council tax increase for 2012/13.
- 5.2 The Council’s Medium Term Financial Projections include net inflation for most services for 2012/13 at 0%. An inflation allowance of 4% has been included for the major contracts and general contingencies allowing for pay and other prices.

## **6. ALTERNATIVE OPTION CONSIDERED**

- 6.1 The purpose of this report is to produce estimates as determined under the requirements of the Financial Strategy. Any alternative strategies will be the subject of separate reports.

## **7. BACKGROUND**

- 7.1 At its meeting on 13 July 2011 the Executive considered a framework for a financial strategy and the Budget 2012/13 Prospects and Process.
- 7.2 The broad action plan adopted by the Council is as follows:
- The service plan process including the identification of unavoidable service growth items, efficiency savings and possible service reduction proposals, is the integrated business planning process adopted by the authority.
  - Detailed preparation of fees and charges to be considered by Members in October 2011.
  - Use of the base budget process, which includes a detailed analysis of all items in the budget and forms the major part of this report.
  - The political process of considering options, consulting on options and making proposals.

- 7.3 Options for balancing the budget will be brought forward in February.
- 7.4 This report presents the proposed Base Budget for 2012/13. These figures reflect the costs of maintaining the current level of service, and any unavoidable changes in expenditure (for example, where the Council is contractually or statutorily committed to incur additional expenditure). The report also considers the current year's budget, and includes details of proposed revision to the 2011/12 Budget.
- 7.5 Any recent changes that need to be resolved that have not been included in the estimates at this stage will be fed into the February report.
- 7.6 In February all the following information should be available:
- 2012/13 Base Budget
  - 2012/13 Revenue Support Grant Settlement.
- 7.7 The Council will be in a position to agree the 2012/13 Budget and the District Council element of the Council Tax. In addition, the total Council Tax for the District will be set, including the elements set by the County Council, the Police Authority and the parish / town councils.
- 7.8 The report is broken down into the following sections and appendices:
- Section 8 - Financial Projections  
 Section 9 - Savings  
 Section 10 - Base Budgets  
 Section 11 - 2012/13 Base Estimates  
 Section 12 - Revised Estimates 2011/12  
 Section 13 - Capital Financing and Reserves  
 Section 14 - General Grants  
 Section 15 - Summary  
 Appendix A – Medium Term Financial Strategy  
 Appendix B - Senior Management Team Savings Proposals  
 Appendix C - Analysis of Budget Movements from 2011/12 to 2012/13  
 Appendix D - Revenue Estimates  
 Appendix E - Capital and Reserve Financing Variations from Original 2011/12  
 Appendix F - Glossary of Terms

## **8. FINANCIAL PROJECTIONS**

- 8.1 The latest Savings targets, the Medium Term Financial Strategy and future on-going savings required by 2016/17 have been updated to reflect the Revised 2011/12 and Base 2012/13 Budgets presented in this report. This now shows that £2.695 million of on-going savings will need to be achieved within this period. The £332,000 savings needed to be found in 2012/13 shown below includes the £205,000 Fit for the Future savings that have not been delivered in 2011/12, and so this additional sum rolls over to the following year, so increasing the savings in 2012/13.

<u>Position Assuming that the outstanding £205k Fit for the Future Savings are not achieved in 2012/13</u>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Underlying Deficit-Savings Required(-)/Surplus(+)	-332	-1,553	-2,014	-2,604	-2,695
Additional Savings to be found each year	-332	-1,221	-461	-590	-91

Appendix A provides further details of the strategy and the recurrent and non-recurrent projections within it.

- 8.2 In July 2011, members received the Financial Forecasts Report which forecast a savings target of £2.7 million for the same period. At this point, of the Fit For the Future Savings (£253k) built into the 2011/12 Budgets, £48k have been realised, reducing this figure to £205k.
- 8.3 Whilst there has not been a reduction in the level of savings projected. Many significant savings have been achieved and are outlined in Sections 9 to 12 below. However, there have also been additional unavoidable pressures which have also been factored into the forecasts.
- 8.4 The most significant changes affecting the forecasts are:
- Removal of the Pay Provisions previously built into the 2011/12 budget and 2012/13 forecast, £300k
  - The 2012/13 Council Tax Freeze has been funded on a one-off non-recurrent basis. Whilst this has not reduced the overall on-going level of savings needed, it has deferred the amount of savings needed for 2012/13 until 2013/14 by this amount (£196,000);
  - By no longer crediting investment interest to reserves the General Fund will retain this income, some £200k per annum;
  - Fees and Charges assumed increases of 2% have not materialised resulting in a reduction of £90k in income;
  - Termination of the Environment Agency Contract £145k (£102k 2012-13 and the residual full year effect in the following year;
  - Spa Centre reduced income, net of expenditure savings £80k;
  - Race Course Rent Review (adverse) £25k;
  - Loss of Anti Social Behaviour Funding £34k;
  - Reduced Corporate Repairs & Maintenance Budget £100k;
  - Recycling Receptacles and Bins to be funded from Capital in 2012/13 (a one-off saving to the General Fund Revenue Budget of £120k);
  - Inflation Provision Reduced from £200k to £50k for 2012/13;
  - The anticipated reduction Revenue Support Grant for 2012/13 from reducing discounts on Long Term Empty Properties has not materialised. However, this has been assumed to impact for 2013/14 in the interests of prudence. (£39k).
- 8.5 With the exception of a provision for NNDR and the Major Contracts, the 2012/13 Budget and Financial Strategy have a zero level of inflation as agreed in the July 2011 Budget Prospects report. Subsequent years in the Strategy are based upon 2%.
- 8.6 The figures in the Strategy continue to assume further decreases in Government Grant of 7.5% for 2013/14 and 2014/15.
- 8.7 The Council faces many risks and uncertainties in future years. At this point it is not possible to quantify these and no figures have been built into the Strategy, for example the move to Universal Credits, Council Tax Reforms which are currently being consulted upon, Business Rates Retention.

## **9. SAVINGS**

- 9.1 Much work has already been undertaken to address the forecast budget deficit in future years.
- 9.2 An analysis of the budget underspends in the 2010/11 accounts identified on-going savings within existing budgets of £82,600 and savings of £177,300 for 2011/12 of which £50,000 has been retained as a contingency budget. These savings were approved at the August Executive meeting and budgets have been adjusted accordingly in the Estimates presented in this report.
- 9.3 Additional work on corporate postages and training budgets has identified further savings of £28,400 and £53,600 respectively.
- 9.4 There has been much procurement activity on-going across the Council ensuring good procurement practices are well embedded. Whilst £72,600 procurement savings have been positively identified in the current year, there is a risk that the further target of £128,400 will not be achievable within the original timescale. The position on several procurement savings will not be known with any certainty until the year end when they will be reported upon as part of Final Accounts.
- 9.5 As a result of the above exercises a total of £164,600 recurring savings have been identified and factored into the 2012/13 General Fund Budgets.
- 9.6 Service Managers have identified further opportunities to achieve savings, many of which will be recurring. These have been included within the Budgets now presented to members for their approval. Members are asked to note, that as well as £200,000 non-recurrent savings, recurrent savings in excess of £1 million have been built into the 2012/13 Budgets. Albeit these have been offset in part by some unavoidable growth. Also, included is an increase in Magistrate Court Fees. Appendix 'B' details the options available and the additional income which would be secured. The proposed 2012/13 Estimates include an increase to £85 (the highest). Members are asked to note that even assuming the highest level of increase means that further savings still need to be identified in advance of setting the final Budget and Council Tax next month. It is recommended that this fee is proposed to Full Council.
- 9.7 Council Tax and Business Rate payers in arrears are charged costs when the Council requests, and is granted, a liability order by the Magistrates Court. This additional sum is added onto the Council Tax / Business Rate account and kept by the Council. The level of costs is currently set at £70 and for 2011/12 the predicted revenue to be raised from those costs is £375,000. Currently the other Warwickshire authorities have set their level of costs as follows:

North Warwickshire	£90
Stratford	£85
Rugby	£70
Nuneaton	£70

Until recently, the costs set by this Council had been very low in comparison to other authorities. However, a succession of increases has seen the level rise from £28 in 2007 to the existing figure of £70 which came into effect from April 2010. A £5 increase would raise approximately £27,000.

Any increase in fee does not have to be agreed by the Magistrates Courts however we need to write to them and advise them of our intentions before the increase takes effect.

9.8 Members are asked to note the options in Appendix 'B', the proposed increase of £85 in Magistrate Court Fees, and ratify the income assumption which has been included in the budget for 2012/13.

9.9 Historically the Council's reserves have had additional contributions made to them in lieu of interest. The interest is calculated on the opening balance on each reserve at a notional rate of interest of 2%. This has helped to maintain the balance on the individual reserves in real terms. There is no requirement for the reserves to be increased in this way each year. As the Council reviews its reserves annually, and makes appropriation to individual reserves as necessary, subject to funding being available, the Base Estimates have been prepared on the basis of these contributions to reserves in lieu of interest ceasing from 1 April 2012, saving the General Fund approximately £200,000 per annum.

## 10. BASE BUDGETS

10.1 The proposed Base Budgets for the 2012/13 Estimates and the 2011/12 Revised Estimates are shown below. These figures include all financing charges (which are dealt with in Section 13 later). Section 11 of this report considers the 2012/13 Base Estimates, with Section 12 looking at the 2011/12 Revised Estimate figures.

	ESTIMATE 2011/12 £'000	REVISED 2011/12 £'000	ESTIMATE 2012/13 £'000
Net Expenditure for District Purposes	15,851	16,030	15,440

## 11. 2012/13 BASE ESTIMATES

11.1 In preparing the 2012/13 Base Estimate the over-riding principle is to budget for the continuation of services at the existing level. The following adjustments need to be made to the 2011/12 Original Estimates.

- Removal of any one-off and temporary items
- Addition of inflation
- Addition of previously agreed Growth items
- Addition of unavoidable Growth items
- Inclusion of any identified savings

11.2 The table below summarises how the 2012/13 base budget has been calculated. Appendix 'C' gives more details to support this.

	£	£	£
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2011/12 ORIGINAL</b>			<b>15,851,307</b>
Plus Inflation		290,000	
Plus Committed Growth:			
- Increases in expenditure	397,089		
- Reduced income	<u>503,200</u>	900,289	
Less Savings:			
- Staffing	(8,600)		
- Reductions in expenditure	(1,535,400)		
- Increased income	<u>(132,500)</u>	(1,676,500)	
Adjust for changes in Support Service Recharges		<u>(23,300)</u>	
<b>CHANGES IN SERVICE INCOME &amp; EXPENDITURE</b>			<b>(509,511)</b>
Changes in Interest			27,440
Change in Interest credited to reserve balances			(115,200)
Change in transfers to / from General Fund			100,000
Change in treatment of Homelessness Grant from specific to general			85,464
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2012/13 ORIGINAL</b>			<b>15,439,500</b>

#### 11.2.1 Inflation

No inflation of has been applied to most budgets. The major exception is in respect of the major contracts, which have been inflated at 4% which equates to an additional £240,000. In addition, a general allowance of £50,000 has also been provided for.

#### 11.2.2 Staffing

Staffing costs will be reduced slightly in 2012/13. The main changes are savings from the various staffing changes (-£77,500) offset by provision for the introduction of the new National Employment Savings Trust (NEST) for staff not in a pension scheme (+£38,600) and the increase in the employer's superannuation rate, which for 2012/13, is expected to cost approximately £74,100 on the General Fund.

#### 11.2.3 Growth / Income Reductions

Only previously committed growth and unavoidable changes have been included in the Base Budget. This totals £900,300 of which £397,100 relates to increased expenditure and £503,200 relates to reduced income.

#### 11.2.4 Savings

Various savings have been allowed for within the Budget. Following on from the Final Accounts process a review of the favourable variances was undertaken and managers identified £82,600 of recurring savings that could be



incorporated into the estimates. In addition work on postages, training and Media Room have increased the savings figure towards £217,000.

Further reductions in expenditure total £1,235,800 of which the main items are:

- Removal of one-off / time limited items (£636,700);
- Reduce pay award provision to zero (£156,900);
- Capitalise the cost of waste bin replacements (£120,000);
- Reduce Car Parks R & M as per Car Park Strategy (£115,000);
- Reduce the unallocated Corporate Properties R&M budget (£100,000).

11.2.5 The estimates also include the requirement to identify further procurement savings of £244,000 and Fit For the Future savings of £205,000.

11.2.6 Having taken the above into account, there will be a deficit estimated to be in the region of £127,000, above the £205,000 Fit For the Future savings carried forward from 2011/12, bringing the savings required to £332,000. This figure assumes that members will approve the £73,000 proposed additional income outlined in paragraph 9.6 and 9.7 above. However, as outlined in section 8, the final Revenue Support Grant and other unforeseen events mean the final position will not be known until early 2012. These savings may not be sufficient to enable the Council to balance its budget and would not have much impact on the £2.7 million ongoing savings required by 2016/17. Hence it is all the more imperative that these and further savings are achieved for both 2012/13 and future years.

### 11.3 Appendix 'D'

11.3.1 When the 2010/11 final accounts were considered in June this year the Finance and Audit Scrutiny Committee expressed concern about the level of detail provided and set up a member working party to investigate further. It was decided that the level of detail provided was still required to assist with the scrutiny function, but that some pictorial additions might help. This report has followed the request of that member group. Further comments for further improvement are welcomed.

## **12. REVISED ESTIMATES 2011/12**

12.1 A review of the 2011/12 budget has also been carried out in order to establish revised estimates for the current year. Appendix 'D' provides an analysis of net expenditure by service in Portfolio groupings.

12.2 The revised estimates total £16,030,000 which is an increase of £178,900 compared with the originally approved estimate for 2011/12 of £15,851,300. The main reasons for this are

- Housing and Council Tax Benefits (-£231,000);
- Savings exercises (-£187,500);
- Reduced staffing costs (-£163,000);
- No pay award in 2011/12 (-£156,900);
- Reduced requirement of Insurance Provision (-£156,100);
- Fit For the Future savings unlikely to be achieved (+£205,000);
- Reduced Car Parking income (+£100,000);
- Reduced lettings rental income (+£125,000);
- Royal Spa Centre (+£98,000);

- less the transfer of the New Homes Bonus Grant (+£300,000) to reserves.

12.3 Members will recall that the Final Accounts 2010/11 report presented to the June Executive included an overspend on Housing and Council Tax Benefits of £464,000. After undertaking a very detailed analysis of the systems this situation has been partially recovered with the 2011/12 revised estimates showing a surplus of £231,000.

12.4 The main reasons responsible for the decrease are included within Appendix 'D', which can be summarised as follows:

	£	£	£
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2011/12 ORIGINAL</b>			<b>15,851,307</b>
Plus Committed Growth:			
- Increases in expenditure	549,389		
- Reduced income	391,700	941,089	
Less Savings:			
- Staffing	(163,000)		
- Reductions in expenditure	(726,400)		
- Increased income	(298,200)	(1,187,600)	
Adjust for changes in Support Service Recharges		57,100	
<b>CHANGES IN SERVICE INCOME &amp; EXPENDITURE</b>			<b>(189,411)</b>
Changes in Interest			(9,610)
Change in treatment of Homelessness Grant from specific to general			85,464
New Homes Bonus Grant transferred to Reserves			292,450
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2011/12 REVISED</b>			<b>16,030,200</b>

12.5 The first part of the table above shows that the total net expenditure on services has decreased by £189,400. This is the result of a mixture of changes, the most notable ones being detailed in paragraph 12.2 above.

12.6 The comments made in paragraph 11.3 concerning the content of Appendix 'D' are equally applicable to the information provided in respect of the Revised Estimates.

12.7 Budget Monitoring has already identified, and reported on, budget reductions totalling £187,000. The Estimates have been adjusted for much of this as agreed by the Executive in August. The Estimates included in this report have identified a further reduction of £206,600. Subsequently, it is now assumed that yet to be identified Fit For the Future savings of £205,000 will not be achieved and have consequently been removed from the revised estimates. It is still assumed that yet to be identified procurement savings of £128,400 will be achieved.

### 13. CAPITAL FINANCING AND RESERVES

- 13.1 In order to arrive at the position for the Council's overall net expenditure it is necessary to take account of the effects of the Council's capital financing arrangements and any transfers to and from reserves. These are summarised below:

Line Ref	ESTIMATE 2011/12 £'000	REVISED 2011/12 £'000	ESTIMATE 2012/13 £'000
<b>1 Net Cost Of General Fund Service Expenditure</b>	<b>21,233</b>	<b>23,186</b>	<b>18,994</b>
<b>Capital Financing and Reserves</b>			
<b>2</b> Depreciation & Intangible Assets in Service Estimates	(4,047)	(5,592)	(3,633)
<b>3</b> Loan Repayments, Revenue Contris & Interest Paid	1	31	31
<b>4</b> Revenue Contributions to Capital	60	563	409
<b>5</b> Contributions to / (from) Reserves	(356)	(1,600)	62
<b>6</b> External Investment Interest	(316)	(356)	(321)
<b>7</b> IAS19 Pension Adjustments	(624)	(102)	(102)
<b>8</b> Contributions to / (from) General Fund	(100)	(100)	-
<b>9 TOTAL CAPITAL FINANCING and RESERVES</b>	<b>(5,382)</b>	<b>(7,156)</b>	<b>(3,554)</b>
<b>10 TOTAL ESTIMATED NET EXPENDITURE</b>	<b>15,851</b>	<b>16,030</b>	<b>15,440</b>
<b>Change from Base Estimate</b>		<b>179</b>	<b>(411)</b>

- 13.2 Detailed explanations of the changes to items 2 to 8 are within Appendix 'E'.

- 13.3 Most of the changes to the Capital Financing and Reserves figures reflect changes in specific items within the cost of General Fund service expenditure, whereby many increases in service expenditure are met by a contribution from a specific reserve which would be included here.

- 13.4 Depreciation and Intangible Assets in Service Estimates (line ref 2 above)

Similarly, the notional Capital Financing Charges reflect the change in capital charges within the cost of individual services.

- 13.5 Loan Repayments, Revenue Contributions and Interest Paid (line ref 3 above)

This is made up of the interest element of the photocopiers finance lease which the Council entered into during 2011/12 and interest on the bank overdraft. Other than the photocopiers finance lease interest and potential bank overdraft interest, there is no external interest payable by the General Fund in 2012/13.

- 13.6 Revenue Contributions to Capital (line ref 4 above)

The significant increase is due to the Council's adoption of IFRS accounting which requires a different treatment of Government Grants relating to Revenue Expenditure Financed from Capital Under Statute ( REFCUS ) in that these grants (Decent Homes £100,000 and Disabled Facilities Grants £299,000) have to be credited to the relevant service accounts and then removed "below the

line" to finance the capital programme. The remaining items reflect the annual contribution from the General Fund to Environmental Health Improvement Grants (£9,600) and in 2011/12 approval from the General Fund contingency budget (£15,100) in respect of the Kenilworth Public Service Centre as well as the following contributions from :

- The Corporate Property R & M budget £21,100 for the new Spa Centre seating);
- Earmarked Reserves and Tourism Budget £60,000 towards the cost of improvements at the Court House Warwick which are being undertaken by Warwick Town Council;
- Engineering budgets £56,200 towards the cost of replacing Mercury filament street lamps and the associated columns.

#### 13.7 Contributions to / (from) Reserves (line ref 5 above)

Included within the base estimates is a contribution of £115,000 to various reserves in respect of interest on balances. This practice will cease from 2012/13, thus reducing the cost to the General Fund.

The 2012/13 original estimate shows a decrease of £418,400. This is accounted for by £430,000 reserve funded revenue slippage in the 2011/12 original estimates falling out during that year and variations of £103,000 in reserve funding of service expenditure, less the removal of £115,000 interest to reserves, when compared with the original.

The 2011/12 revised estimate shows an increase of £1,244,000. This reflects the crediting back to the General Fund of £886,000 funding for revenue slippage in order to meet expenditure carried forward from 2010/11 and variations of £358,000 in reserve funding of service expenditure when compared with the original.

#### 13.8 External Investment Interest (line ref 6 above)

External investment receipts are expected to increase by £40,000 in 2011/12 and £5,000 in 2012/13. The continuing low interest rate environment due to the difficult economic conditions means that this increase is almost entirely due to additional balances being available for investment as a result of underspendings in 2010/11 on both revenue and capital expenditure.

#### 13.9 IAS 19 Adjustments (line ref 7 above)

IAS 19 (was Financial Reporting Standard 17 - FRS 17) requires an authority to recognise the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out.

#### 13.10 Contributions to / (from) General Fund (line ref 9 above)

The 2011/12 estimates allowed for a one-off contribution from the General Fund balance to the Contingency budget.

## 14. GENERAL GRANTS

- 14.1 In order to complete the picture the general grants position also needs to be considered.
- 14.2 Provisional Revenue Support Grant figures show a reduction in grant of £851,700 in 2012/13.
- 14.3 The Government has announced that it will continue the Council Tax Freeze Grant arrangements for 2012/13 which will result in an additional £196,300 in 2012/13.
- 14.4 The New Homes Bonus Grant of £292,500 in 2011/12 has been transferred to the Service Transformation Reserve, as agreed by the Executive in July, and, therefore, is included in the Contributions to/ (from) Reserves figures. This grant is expected to increase to £817,500 in 2012/13, but has not been included in the estimates at this time.
- 14.5 The Local Services Support Grant was previously shown as income against Homelessness service area. Under IFRS this now classed as a general grant and is required to be shown outside the cost of services. Consequently, it offsets the corresponding increase in expenditure in the service areas.
- 14.6 The net result of all these movements is shown below:

	REVISED 2011/12 £'000	ESTIMATE 2012/13 £'000
<b>TOTAL ESTIMATED NET EXPENDITURE</b>	16,030	15,440
Less: Revenue Support Grant / NNDR Redistribution	(7,836)	(6,985)
Less: General Grants:		
- Council Tax Freeze Grant	(196)	(392)
- New Homes Bonus: allocated	(292)	-
- Local Services Support Grant - Homelessness	(85)	(85)
Council Tax	(7,822)	(7,851)
	<hr/>	<hr/>
<b>(Surplus) / Deficit</b>	<b>(201)</b>	<b>127</b>
	<hr/>	<hr/>

- 14.7 This shows that there is an estimated surplus of £201,000 in 2011/12 and a shortfall of £127,000 in 2012/13, before taking account of the 2012/13 New Homes Bonus grant. These figures assume that yet to be identified Procurement and Fit For The Future savings are achieved.

## 15. SUMMARY

- 15.1 Budgets that had been underspent in 2010/11 were reviewed and savings of £177,900 were subsequently identified, of which £82,600 are recurring, and have been built into the base estimates. A one-off contingency of £50,000 has also been built into the 2011/12 estimates.
- 15.2 As part of the Service Planning Process and thorough Budget Reviews, Senior Management have identified significant further savings as detailed in section 7.2.4 for 2012/13, depending on the increase in Magistrate Court Costs fees,

that the Executive may wish accept. The higher level of increase has been included in the base estimates.

- 15.3 No pay award was made in 2010/11 for which a contingency of £157,000 had been allowed for.
- 15.4 A review of Housing Benefits has identified one-off saving for 2011/12 of £231,000.
- 15.5 It is unlikely that yet to be identified Fit For the Future savings of £205,000 will be achieved before the end of the current year.
- 15.6 Taking the above factors into account has helped result in the proposed 2011/12 Revised Estimates presenting a surplus over the Original Estimate of £201,300. This is in line with the financial projection proposed as part of the financial strategy.
- 15.7 This report, in considering the 2011/12 Revised Estimates constitutes the third monitoring report for the year presented to Members.
- 15.8 The proposed 2012/13 Base Budget presents an overall increase, of approximately £126,400, in the Council's expenditure in continuing to provide its services and meet its commitments.
- 15.9 The 2012/13 Base Estimates show the Council will need to find savings of £332,000. The total savings to be found by 2016/17 are estimated at £2.7m.