

 Executive 13th July 2011		Agenda Item No. 9
Title	Financial Strategy and Budget Prospects	
For further information about this report please contact	Mike Snow Mike.snow@warwickdc.gov.uk 01926 456800	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	Executive February 2011	
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes/No
Included within the Forward Plan? (If yes include reference number)	Yes/No
Equality & Sustainability Impact Assessment Undertaken	Yes/No (If No state why below)

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	15/6/11	Chris Elliott
Head of Service		Mike Snow
CMT	15/6/11	
Section 151 Officer		Mike Snow
Monitoring Officer	15/6/11	Andrew Jones
Finance		Jenny Clayton
Portfolio Holder(s)	22/6/11	Andrew Mobbs
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below) To bring forward base budget, fees & charges proposals, consultation on budget proposals and a final budget report to a variety of future SMT and Scrutiny/Policy Committee meetings.		

1. **SUMMARY**

- 1.1 This report updates members on the Council's financial projections and the financial outlook facing the Council. It also proposes the approach to managing the 2012/13 budget and service plan process.

2. **RECOMMENDATION**

- 2.1 That the Executive note the latest financial projections and the savings that need to be secured in the next five years and the many initiatives on-going to secure service improvements, efficiencies and savings.
- 2.2 That the Executive agree to reduce the budgets as detailed in para 7.3.2.
- 2.3 That the Executive approve a zero general expenditure inflation increase for 2012/13 budgets and the usage of the inflation provision in 2011/12 (para 7.4.1) and in 2012/13 (para 7.5.2).
- 2.4 It is recommended that fees and charges are increased by at least 2% from January 2012 (unless another date is more appropriate, as referred to in para 7.8.1). Service Managers should seek to raise greater increases if possible, or present alternative charging regimes that should generate additional income (paragraph 7.8.5), with detailed proposals to be considered at the October Executive meeting.
- 2.5 That the member group to review proposed fees and charges is reconstituted to consider proposals for the 2012 increase, with nominations sought from each of the Groups (para 7.8.8).
- 2.6 The New Homes Bonus of £292,000 received 2011/12 be appropriated to the Services Transformation Reserve, the use of which will be considered further as part of setting the 2012/13 Budget and Council Tax (para 7.10.13).
- 2.7 Proposals are brought forward for the 2012/13 budget with a zero Council Tax increase and for a 2.5% increases in future years.

3. **REASONS FOR THE RECOMMENDATION**

- 3.1 It is important for members to be aware of the Council's financial projections and the level of savings that need to be achieved over future years. The latest projections are summarised in paragraph 7.2.
- 3.2 As part of Fit for the Future, certain savings have been secured this year. Request is sought to reduce the relevant budgets, as detailed in paragraph 7.3.2.
- 3.3 The Council has an inflation provision as part of the budget. Proposals are put forward on the mechanism as to how this should be utilised in the 2011/12 (paragraph 7.4.1) and for the general level of inflation to be incorporated into 2011/12 budgets (paragraph 7.5).
- 3.4 The Council needs to agree the level of discretionary charges to be applied from January 2012, with proposals considered by the November Executive. As

discussed in section 7.8, whilst the 2% is proposed as a guideline, it is not believed that this will be appropriate for all services.

- 3.5 Last year a group of members from Finance and Audit Scrutiny Committee were involved in reviewing the fees and charges proposals ahead of their presentation to the Executive. It is recommended that this group is reconstituted.
- 3.6 The Council is receiving New Homes Bonus of £292,000 in 2011/12. It is necessary for the Council to consider how this funding is utilised in the current year, and in the future (paragraph 7.10.13).
- 3.7 The Council will need to formally agree the Council Tax for 2012/13; budget proposals need to be prepared accordingly. Paragraph 7.11.4 discusses the implications of different council tax increases.

4. POLICY FRAMEWORK

4.1 Policy Framework

This report is in accordance with the Council's Financial Strategy as last approved by the Executive in February.

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.

5. BUDGETARY FRAMEWORK

- 5.1 The Council needs to find financial savings of approaching £3m over the next five years on a net General Fund Budget of £18m.

6. ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 As this report is primarily informing members of many of the key issues and financial risks facing the Council in the medium term, no alternative proposals are made.
- 6.2 It is possible for members to agree alternative proposed increases to fees and charges to the target 2% proposed, or for more specific increases.
- 6.3 Alternative council tax increases are possible. A 2.5% increase will generate approximately £200,000. If council tax is not increased for a four year period this would be the equivalent of £800,000 additional savings to be found.

7. BACKGROUND

- 7.1 The budget projections were considered by Members in February 2011 as part of the 2011/12 Budget/Council Tax setting report. These projections allowed for a target Council Tax increase for 2012/13 of zero, and 2.5% per annum for the period 2013/14 to 2015/16. The projections relied upon savings to be made in future years so as to enable the Council to set a balanced budget in

future years. Some specific savings had been included within the assumed medium term financial strategy (MTFS) figures. Further savings required, as reported in February are set out in the table below:-

	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Cumulative On-going Savings	253,000	854,000	1,806,000	2,457,000	2,922,000
Additional Savings required each year	253,000	601,000	952,000	651,000	465,000

7.2 Medium Term Financial Strategy (MTFS)

The Strategy has now been updated to reflect latest known and expected changes as detailed below. This is summarised in Appendix 1, with fuller details included within Appendix 2. The latest savings required to be achieved (on top of those included within the MTFS are shown in the table below:-

	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Cumulative On-going Savings	217,000	463,000	1,263,000	1,918,000	2,465,000	2,710,000
Additional Savings required each year	217,000	246,000	800,000	655,000	547,000	245,000

The main changes included in coming to these above figures are:-

- Major contracts additional inflation 2012/13 - £120,000 (discussed further in para 7.6)
- Major Contracts – anticipated reduction in additional sum required in new contract from £500,000 to £250,000, 2013/14 onwards as reported to Executive in June.
- Reduce inflation budget allowance for general expenditure for 2012/13 to zero, net saving £150,000 (para 7.5.3).
- Remove pay provision for 2011/12 on basis that no pay award is expected for the current year, £157,000 (para 7.7.2).
- The inclusion of 2016/17 within the projections. For 2016/17 expenditure has been inflated, but Revenue Support Grant (RSG) has been assumed to be frozen, so giving rise to the additional shortfall. RSG is discussed further in paragraph 7.9.

In coming to these figures, the deficit projected for the current year (£180k) has not been taken into account. If the variances driving this deficit recur in future years, the savings to be achieved will be that much greater.

7.3 Savings within the MTFS

7.3.1 In addition to the savings still to be achieved, some further anticipated savings have been included within the medium term strategy include:-

- Procurement savings - £136,300 still to be achieved in 2011/12 and a further £150,000 in 2012/13. Savings are currently being evaluated relating to printing, copying and postages which will go towards the current year requirement, along with the Catering contract saving as

discussed elsewhere on this agenda, and savings from other contracts that are due to be let this year.

- £217,000 from the Fit For the Future change programme.
- £100,000 additional income from recycling.

If these savings are not achieved, the figures required shown in the table in paragraph 7.2 would need to be increased accordingly.

7.3.2 Several changes are proposed for which request is being sought to amend 2011/12 budgets. These are:-

- Reduce Central Admin Team salary budget (£21,400), as recently agreed by Employment Committee.
- Remove the budget for a Senior Planning Technician, following agreement by the recent Employment Committee meeting (£30k full year, from October 2011).
- Procurement savings in respect of car park maintenance contract, tree inspection work and gas maintenance (£12,000).

7.4 Inflation

7.4.1 2011/12

Inflation, as measured by the Retail Prices Index is still running at over 5%, having only dipped to 4.5% in October 2010. The Council's estimates for 2011/12 are based on 2% general inflation increases, with an additional 2% allowance for major contracts which are linked to RPI in January. In addition, the estimates include £50,000 inflation provision for 2011/12 which is available should it be apparent that specific budgets are under inflationary pressure which cannot be contained within the agreed budgets. It is recommended that this provision is utilised as necessary in preparing the revised estimated for 2011/12, with details of its usage included within the report on the Revised Estimates/Base Budget report. However, with the underspending that occurred last year, it is envisaged that most budgets should be able to accommodate some inflation above the 2% allowance.

7.4.2 Future Years

The financial projections for future years were previously based on annual inflation for expenditure and income of 2%. There is also an additional £50,000 per annum, recurring, allowed for by way of inflation provision.

Whilst the Bank of England's target for inflation as measured by CPI remains at 2%, it is generally believed it may be some months, or years before this can be achieved and sustained.

It is necessary to confirm the allowance for inflation to be allowed for in the Council's financial projection with regards to:-

- General expenditure
- Major contracts.
- Pay
- Discretionary fees and charges

7.5 General expenditure

7.5.1 In view of the substantial savings still to be found by the Council, it is suggested no inflation allowance is allowed for general expenditure for 2012/13. Whilst this may be perceived by many as a "budget cut", it should encourage budget managers to consider how they may best use their budgets, including using creative procurement. In addition, as shown by the Final Accounts report to the June Executive, there are still many budgets which are not being fully spent. These variances are still being scrutinised to understand their implications for future years' budgets.

7.5.2 To assist manage a zero inflation allowance, it is recommended that the inflation provision is increased to £200,000 for 2012/13 from the £50,000 annual inflation provision as referred to earlier. It is recommended that where there are legitimate problems in accommodating no increase for 2012/13, then requests for use of the Inflation Provision are approved by the Head of Finance and relevant Service Area Manager, in consultation with the Finance Portfolio Holder and relevant portfolio holder. Such approvals would be retrospectively reported to the Executive.

7.5.3 By allowing no inflation for general expenditure (excluding major contracts and for discretionary fees and charges, as discussed elsewhere), this would save approximately £300,000 out of the 2012/13 budget. This would be reduced by the inclusion of the increase to the inflation provision by £150,000, thereby resulting in a net reduction to the 2012/13 budget of £150,000, with this being a recurring reduction whereby the base for future budgets would also be reduced. Beyond 2013/14, it is proposed to retain the 2% overall inflation uplift in budgets.

7.6 Major Contracts

7.6.1 For the 2011/12 budget, for the major contracts 4% inflation was allowed. With January 2011 RPI at over 5%, there is a shortfall of 1%, equivalent of £60,000 between the budget allowance and what is due to be paid under the terms of the contract. Details are still being evaluated of to what extent this variance may be accommodated within the agreed budgets, and the impact this may have upon services. If the variance cannot be accommodated without reducing services, members will be asked in a future report to release funding from the inflation provision or other funding if necessary.

7.6.2 Projections show that if inflation does continue to fall, albeit likely to be slowly, January 2012 RPI (which is the basis for the annual inflation contract price uplift) will be around 4%. This will increase the contract costs by around £120,000 over the 2% original inflation allowance. This additional sum has been incorporated to the latest financial projections for 2012/13 as referred to in paragraph 7.2, in addition to retaining the the 2% inflation allowance included within the earlier financial projections.

7.7 Pay

7.7.1 The Government policy for public sector pay for 2011/12 and 2012/13 was for no increase, other than £250 per annum for those earning below £21,000. However, local government pay is determined independently of Central Government. The Local Government Employers' organisation has

agreed not to make an offer to the unions in view of financial position facing local authorities.

7.7.2 Within the Council's budgets projections, a provision has been included to enable it to meet the £250 for those earning below £21,000 in 2011/12 and 2012/13, amounting to £44,000 in each year. No allowance for other pay increases has been included in the budgets in these years. However, a pay contingency equivalent to 1% (£157,000) has been included within the 2011/12 budget and 2012/13 projections. It is not expected that this sum will be called upon in 2011/12, it has therefore been removed from the financial projections, so creating a recurring saving.

7.7.3 From 2013/14, the financial projections assumed that pay is increased by 2% as with all other net expenditure.

7.8 Fees and charges

7.8.1 The Council increased its discretionary fees and charges in January 2011. This coincided with the 2.5% increase in VAT. It was agreed that future increases should be from each January unless there are good reasons for another date to apply for specific charges.

7.8.2 The Council sought to increase charges overall by 3% or an increase of up to 10% where our charges are below appropriate comparators in addition to the VAT increase.

7.8.3 Since the increase, income for some services areas is struggling to achieve the budgeted levels. This is notably so for car parking where the Head of Neighbourhood Services is predicting a shortfall of £206,000 for 2011/12 based on performance to date. Some services, such as gym admissions are continuing to exceed the budgeted income levels.

7.8.4 Total income from discretionary charges is estimated at £6.6m. The budget projections allow 2% increase per annum, amounting to around £132,000 per annum. Usually the Council seeks to ensure that charges are increased by inflation unless there is good reason for greater or lesser increases. In the current economic climate there is concern that if charges are increased by inflation, there are some services where this will result in reduced demand, and potentially generate less income. If no increases in charges are levied, the £132k assumed in the financial projections would still need to be found. If charges are not increased it is possible there may be increased usage of the Council's services which may generate additional income. However, if the additional income generated through increased usage does not total £132,000, it would mean the Council would need to find further savings so as to be able to balance its budget.

7.8.5 Accordingly, it is recommended that all fees and charges are increased by at least 2% from January 2012 (unless another date is more appropriate, as referred to in para 7.8.1). By increasing charges by 2%, it does represent a real reduction against RPI but should enable the Council to achieve the additional income it is budgeting from discretionary fees and charges. Service Managers should seek to raise greater increases if possible, or present alternative charging regimes that should generate additional income.

7.8.6 Concessionary charges

The Council does charge concessionary charges for many of its services. A report on these is due to be presented to the Executive. This will enable members to consider whether these concessions are still applicable.

7.8.7 Income Maximisation

Over the last year a group of officers has been considering opportunities to maximise income by increasing charges or charging for services currently not charged for. Details of areas considered will be included within the Fees and Charges report to the Executive in October.

7.8.8 Member Group

Last year a group of members from Finance and Audit Scrutiny Committee were involved in reviewing the fees and charges proposals ahead of their presentation to the Executive. It is recommended that this group is reconstituted

7.9 Revenue Support Grant

7.9.1 Following the 2010 Comprehensive Spending Review the government announced the Revenue Support Grant (RSG) for 2011/12, and the provisional settlement for 2012/13. The RSG for 2011/12, after adjustments in respect of assisted travel becoming the responsibility of the County Council, was reduced by 14.2%. A further reduction of 11% is due for 2012/13. The MTFS figures include further reductions of 7.5% for 2013/14 and 2014/15. This will bring the total reduction over the four year period to 34%. Whilst this is excess of the 28% reduction in grant originally announced by the Government, it does reflect the fact that district councils are being harder hit by the settlement than unitary and county councils.

7.9.2 Resource Review

The Government is currently carrying out a Resource Review which is considering local government resources. This includes the distribution of business rates and Revenue Support Grant with the aims of delivering a more effective income stream for councils. The focus will be to free up as many local authorities as possible from dependency on central government funding, as well as develop better incentives for local authorities to promote economic growth in their areas and to benefit financially from that growth. The Review will consider the way in which local authorities are funded, with a view to giving local authorities greater financial autonomy and strengthening the incentives to support growth in the private sector and regeneration of local economies. The first phase of the Review is due to deliver proposals for reform by July 2011.

7.10 New Homes Bonus

7.10.1 The final New Homes Bonus Scheme was announced by the Government on 17th February 2011.

7.10.2 The New Homes Bonus is designed to create an effective fiscal incentive to encourage local authorities to facilitate housing growth. It will ensure the economic benefits of growth are more visible within the local area, by matching the council tax raised on increases in useable housing stock. This will redress the previous imbalance in the local government finance system, whereby resources for growth areas did not keep pace with growth.

7.10.3 The Bonus will sit alongside the existing planning system. It is intended to help deliver the vision and objectives of the community and the spatial strategy for the area. In particular, it will be relevant to the preparation of development plans which concern housing where it assists with issues such as service provision and infrastructure delivery. However, it is not intended to encourage housing development which would otherwise be inappropriate in planning terms.

7.10.4 The scheme will provide local authorities with a New Homes Bonus, equal to the national average for the council tax band on each additional property and paid for the following six years as an unringfenced grant. There will be an enhancement for affordable homes from 2012/13.

7.10.5 Currently the amount of grant relating to a band D property will be about £1,439 per annum, or £8,634 over six years. This will be reviewed if council taxes rise in subsequent years.

7.10.6 To ensure that affordable homes are sufficiently prioritised within supply, there will be a simple and transparent enhancement of a flat rate £350 per annum for each additional affordable home. Over six years an affordable home would receive an enhancement of £2,100.

7.10.7 The scheme acknowledges that lower tier local authorities (district councils) are better placed to understand local needs and concerns, and this should be reflected in how the bonus is allocated. However, in two tier areas the role of the upper tier authorities is recognized in the provision of services and infrastructure and the contribution they make to strategic planning. The payment of the New Homes Bonus will be split between tiers outside London: 80 per cent to the lower tier and 20 per cent to the upper tier, as a starting point for local negotiation.

7.10.8 Taking into account the affordable element, the total annual payments for an affordable dwelling will be £1,789 over six years. If 20% is due to the county council, this will reduce the district's element to £1,431. As referred to, it is up to local negotiation as to how the NHB is shared with the county council, or any other appropriate bodies.

7.10.9 The Council is receiving NHB of £292,000 in 2011/12 in respect of development in the year to October 2010. Based on expected development in the year to next October, in 2012/13, the Council will receive additional NHB of £538,000. Both of these figures will be payable for 6 years. The table below shows the anticipated NHB that the Council will receive on the basis of an assumed 500 new dwelling per annum from 2014/15.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	
New Build (in previous period)	189	377	200	500	500	500	
Year 1	292,450	292,450	292,450	292,450	292,450	292,450	
Year 2		538,140	538,140	538,140	538,140	538,140	
Year 3			287,844	287,844	287,844	287,844	
Year 4				719,610	719,610	719,610	
Year 5					719,610	719,610	
Year 6						719,610	
Total	292,450	830,590	1,118,434	1,838,044	2,557,654	3,277,264	£9,914,436

7.10.10 The NHB scheme is fully financed within the overall local government grant settlement for 2011/12 and 2012/13. However, beyond this period, it is anticipated that it will be financed by shifting resources from Revenue Support Grant. This will be in accordance with some of the principles expected to be announced in the Resource Review (para 7.9.2). Hence it is possible that the RSG reductions in the MTFS (para 7.9.1) may be exceeded.

7.10.11 The Council has committed to reinvesting the NHB accruing from the Joint Venture (JV) with Waterloo back into the Joint Venture. The new properties and NHB relating to the JV have not been included in the NHB figures referred to in para 7.10.9. Hence the NHB figures above are currently uncommitted.

7.10.12 The NHB is totally unringfenced. In considering how to utilise the NHB, the following need to be considered:-

1. The possibility that NHB ceases in future years. Under the terms of the JV, the Council is committed to providing NHB or equivalent finance. If the scheme ceases, the Council would need to find alternative resources to invest in the JV. At current council tax levels, the NHB for the 300 affordable homes at £1,789 would amount to £429,000 per annum, and £2.59m over six years in total. This would only represent an additional cost to the Council if the NHB ceases in the next few years, in which case amount called upon would be a proportion of these costs.
2. Further reductions in RSG above those allowed for in the MTFS. This would put pressure on the Council to achieve savings above those already identified if it is to be able to continue to maintain services.
3. The extent to which the savings currently being sought are achieved. If the savings are not achieved, alternative resources will be required to enable the Council to maintain services.
4. Aspirations for new investment in services, notably in areas which have seen increased development that has generated NHB.

7.10.13 Accordingly, it is recommended that cautious consideration is given to the use of NHB. As referred to earlier, the £292,000 NHB being received in 2011/12 is uncommitted. The Council has a Services Transformation Reserve (£1.475m allocated during 2010/11) which was created to protect services in future years. It is recommended that the 2011/12 NHB is added to the Services Transformation Reserve, the use of which will be considered further as part of setting the 2012/13 Budget and Council Tax.

7.10.14 In future years, the MTFS assumed NHB will be used for specific purposes. It has not been factored in supporting on-going revenue commitments.

7.11 Council Tax

7.11.1 For 2011/12 the Council did not increase the level of Council Tax. This was supported by the Government who provided a one-off Council Tax Freeze Grant (£192k) for those authorities not increasing council tax.

7.11.2 The MTFS includes a zero council tax increase for 2012/13 and 2.5% in future years. By freezing council tax, and not receiving Council Tax Freeze Grant, the full impact of two years zero council tax increase will be apparent in 2012/13 and has been reflected in the projections. Future anticipated council tax levels should be reviewed when the Council sets its 2012/13 Budget and Council Tax.

7.11.3 Within the Localism Bill currently being considered by Parliament are proposals for future council tax increases above predetermined levels to be subject to a local referendum. The secretary of State would determine annually the level at which increases in council tax would be subject to a referendum. This is intended to replace the current council tax capping regime by letting local voters determine whether an increase is deemed to be excessive. The relevant local authority would need to find the funds to pay for the local referendum.

7.11.4 In considering future options members may wish to take into account that every £100,000 additional spending represents £1.90 on Council Tax and a 1% increase in Council Tax will raise £78,200. If the 2.5% increases assumed for 2013/14 and 2014/15 are replaced with a zero increase, this would require an additional £400,000 savings to be found.

7.12 Universal Credit.

7.12.1 Last November the Government announced proposals for simplifying the benefits system with the Universal Credit to replace most benefits. This would include housing benefit which is administered by local authorities and benefits awarded by Department for Work and Pensions. The timescale proposes that scheme would be introduced on a phased basis from 2013 for new applicants, with all recipients being moved over to the Universal Credit by 2017. The new scheme is due to be administered by DWP.

7.12.2 With housing benefits being replaced by the Universal Credit, it is expected that some staff will transfer to DWP. This is expected to commence during 2012/13 for benefit fraud staff. Council Tax Benefits are proposed to remain with local authorities, with local authorities determining their own "council tax rebate" scheme.

7.12.3 There are many financial risks associated with the Universal Credit facing the Council. These include:-

- Benefit administration grant (£722,000) will cease in due course. If the Council is not able to reduce its costs by at least this amount, there will be additional financial pressures upon the Council.
- The Government suggests that a third of the administration subsidy relates to benefits fraud. The council, as with most others, does not spend anything like this proportion of fraud. If fraud staff are due to transfer to DWP during 2012/13, it is likely that the administration subsidy accompanying the staff transfer will exceed the expenditure savings here, so creating a financial pressure for the Council.
- The council tax rebate scheme is expected to operate with 10% less funding. Council tax benefits currently total £11m, and are wholly government funded. If the scheme is to operate with less funding, it is likely no claimants will be in receipt of 100% rebate, with all having to pay some of their council tax. This will undoubtedly increase the costs of collection.
- The phasing of the changeover will present financial risks, especially if funding reductions are not able to be matched by expenditure reductions.

7.13 Further savings

As part of Fit For the Future the Council has established a programme of projects across all service areas aimed at making the required level of savings. The progress on these projects is reported to the Executive and the Scrutiny Committees. If the FFF programme does not make the required level of savings, the Council will need to consider what actions need to be taken to ensure that it can continue to set balanced budgets in future years.

7.14 General Fund Balance

The core General fund Balance is £1.5m as agreed by the council when setting the 2011/12 Budget in February. In closing the 2010/11 accounts, the Council was able to allocate an addition £44,000 to the General Fund Balance. This additional sum related to the net underspends for the year as detailed in the Final Accounts report to the June Executive. The General Fund Balance is held as a contingency to finance extreme risks the Council may face.

7.15 Earmarked Reserves

In addition to the General Fund Balance, the Council does hold a number of earmarked reserves. Most of these are committed for specific work or projects. Without these earmarked reserves, there would be far more additional requests upon the Council's main budget. Appendix 3, as included with the February Budget Report, shows the specific reserves as forecast at that time. Whilst these reserves do total a substantial sum, it needs to be remembered that this should be regarded only as "one-off" money, and may only be used once. This contrasts with the forecast budget savings requirement of approaching £3m which is a recurring figure, and needs to be found from each year's budgets.

7.16 Contingency Budget

There is a one-off contingency with the unallocated balance currently standing at £278,000 in 2011/12 (excluding any other approvals that may be considered by the July Executive). No provision has been allowed within the projections for a general contingency in future years.

7.17 Risks

Some the main financial risks facing the Council are summarised below. Many of these have been discussed in more detail earlier.

This year/Next year	Longer-term
Revenue Support Grant settlement below expectations.	Revenue Support Grant settlement below expectations.
Other financing withdrawn by Central Government	New Homes Bonus funding ceases.
General Economic climate – inflation, interest rates, demand for services, bad debts	Costs of possible Planning appeals
Pay award greater than allowed for within budget	Universal Credit and changes to council tax benefit
Car park income	Car park income
Retail Prices Index continuing at levels over 4% - impact upon major contracts	April 2013 Major contracts renewal exceeds the budgetary provision.
Interest rates remain low	Interest rates remain low
Inflation remains high and volatile	Inflation remains high and volatile
Savings and efficiencies to balance budget not delivered or maintained	Savings and efficiencies to balance budget not delivered

7.18 Budget Process

7.18.1 There are a number of different elements to the process of budget setting. They are:

- The service plan process including the identification of unavoidable service growth items, efficiency savings and possible service reduction proposals.
- Detailed preparation of fees and charges
- The base budget process, which includes a detailed analysis of all items in the budget
- The political process of considering options, consulting on options and making proposals

7.18.2 The service plan and political process.

All proposals for savings, reductions in service or unavoidable growth must come through the service planning process.

Immediately after the deadline in September, Finance collate all the information from the service plans into spreadsheets and SMT review the

information, ask for further information and make initial proposals to portfolio holders.

The portfolio holders will consider the initial information in October and will again ask further questions and normally want more information on certain issues.

By early November a package of ideas is coming together, and issues for consideration will become clearer.

7.18.3 Budget and Council Tax Setting 2012/13

At about the same time as the budget consultation finishes the Government confirms the amount of Revenue Support Grant. As previously referred to, a provisional settlement has been notified for 2012/13. Local authorities are not expecting that there will be any change to this settlement which gives a degree of certainty to next year's budget setting.

Final proposals will be presented to the February Executive meeting for consideration. Executive will then make recommendations for Council to consider on 22 February when it is due to set the 2012/13 Budget and Council Tax.