

Bolton Council

Report to: Council

Date: 22nd February 2012

Report of: Director of Corporate Resources Report No:

Contact Officer: S. M. Arnfield Tele No: Ext. 1502

Report Title: **2012/13 Budget Report (Updated following Executive on the 13th February 2012)**

Purpose:

1. To consolidate Service Budgets to provide the Council's overall 2012/13 Budget
2. To show the transactions on the Collection Fund for Bolton MBC
3. To report on the Financial Arrangements Accounts for 2012/13

Recommendations:

It is recommended that Council approve:-

- (a) The Budget for 2012/13
- (b) The Council Tax for 2012/13

Background Doc(s):

Statement on Local Government Finance (England) Revenue Support Grant for 2012/13 and related matters papers dated 8th December 2011.

1. BACKGROUND

- 1.1 At the meeting of the Executive on the 14th November 2011 the overall financial position facing the Council for 2012/13 was outlined. The Executive agreed that:-
- (a) Whilst recognising that the Council will need to find £4m in additional savings in 2013/14, that officers be asked to prepare the 2012/13 budget on the basis that Council Tax for the Council is set at a zero increase.
 - (b) That approval be given to the allocation of an additional £200,000 to Area Fora on the basis of £10,000 per Ward, funded from the additional Airport Dividend.
 - (c) That in order to continue to assist families in the current economic climate by providing affordable meals for children in primary schools and to sustain the current high levels of take up of school meals, it is proposed to maintain the current £1.25 charge for the Winter/ Spring Term 2012 at a cost of £100,000 funded from the Airport Dividend.
- 1.2 At the meeting of the Executive on the 9th January 2012 the updated financial position was considered by the Executive following the receipt of the Revenue Support Grant Settlement. The Executive agreed the overall proposals for balancing the 2012/13 budget, subject to final receipt of the precept notifications from the Waste Disposal Authority and the Transport Authority. In addition the Executive approved the allocation of £250,000 from the current year's receipt of the Airport Dividend to support the "Bolton 2012 – A Year of Sport" initiative.
- After the above change there is a balance of £175,000 from the Airport Dividend which the Executive indicated they would reconsider in February 2012.
- 1.3 At the Executive on the 13th February, the following recommendation was agreed:-
- (a) That the savings from the Transport Levy be used to reduce the contribution from Balances to the 2012/13 Budget.
 - (b) That the balance on the Airport Dividend be used as follows:-
 - i) £75,000 be used to offset the planned increase in community meals charges within Adult Services for 12 months
 - ii) £100,000 be used to maintain the school meals charge at £1.25 until September 2012
 - (c) With the above amendments, that the Revenue Budget for 2012./13 be recommended to the Council.
 - (d) That a zero Council Tax increase for Bolton Council for 2012/13 be recommended to the Council.
- 1.4 The purpose of this report is to draw together the final budget position and:-
- (a) report the budget for 2012/13 indicating the major variances from the 2011/12 original budget;
 - (b) enable The Executive to recommend to the Council the level of Council Tax for 2012/13;
 - (c) show the transactions on the Collection Fund; and
 - (d) report on the Financial Arrangements Account for 2012/13.

The projected 2011/12 outturn expenditure (excluding Schools) is £249.4M and as a consequence of this, available General Fund balances are expected to be approximately £8.4M at the 31st March 2012.

- 1.5 The above projected 2011/12 figures also assume spending delegated to schools will be in line with budget. School balances, as required by legislation, are carried forward for the sole use of schools.
- 1.6 Budget setting represents the final phase of the Corporate Business Planning Process for 2012/13.

2. 2012/13 REVENUE SUPPORT GRANT SETTLEMENT

- 2.1 The Government has recently confirmed the final Revenue Support Grant Settlement for 2012/13. Revenue Support Grant has been notified as a negative grant of £248,000, the continuation of the 2011/12 Council Tax Freeze Grant at £2.526m and our share of the National Non Domestic Rates of £117.478M.
- 2.2 In addition, the Government have provided a small number of other grants to contribute to the Council's delivery of services. The major ones are the Early Interventions Grant of £15.5M and Learning Disabilities Grant of £7.7M.

3. 2012/13 BUDGET

- 3.1 The revised forecast for 2012/13 is as follows:-

	2012/13 £000
Previous Year's Budget	449,647
Schools Grant - Increase in pupil premium and pupil numbers	5,611
- Other Changes in DSG	-1,585
Non Schools	
Inflation	2,846
Capital Financing	800
Waste/ITA Precepts	1,957
Corporate Changes	300
Pensions	826
Children's Growth	500
Adult's Growth	1,500
School Meals	600
Reduced Health Funding	149
Use of Balances	-300

	462,851

Resources Available	
Dedicated Schools Grant	219,071
RSG/NNDR	119,756
Council Tax at 0%	102,355
Council Tax Freeze Grant 2012/13	2,526
Contribution from LPSA Reward Grant	1,000

	444,708

Savings required (see Appendix 8)	18,143
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The previous year's budget figure has been updated to include £7.945m which relates to expenditure on Sixth Forms within schools and is offset by an identical increase in the Dedicated Schools Grant. This shows a more accurate presentation of the Council's overall budget.

- 3.2 Executive Members have considered and approved their overall budgets and copies of the reports are included on the agenda.

Overall Budget Changes

- 3.3 **GM Organisations** – A series of Challenge meetings have been held with each of the AGMA organisations in order to ensure that budgets are as low as is appropriate. The outcome of these meetings along with other changes put forward by other Greater Manchester Bodies have been incorporated in the Council's budget figures.
- 3.4 The 2012/13 budget is analysed by service in Appendix 1 and subjectively in Appendix 2.

Balances/Financial Risks

- 3.5 Members will be aware that I have provided advice on the recommended level of Balances to be maintained previously. The full detail including an identification of financial risks is set out in Appendix 7. However, in summary this advice is as follows.
- 3.6 Currently it is estimated that available Balances as at the 31st March 2012 will be £8.4M. My advice to Members is that I recommend, as a minimum, Balances of £7.0M or higher should be maintained based upon my understanding of the risks and financial issues facing the Council in 2012/13 and the proposals around the Budget, as identified in this report. Should Members wish to agree any additional items for growth or for savings not in this report, then I will need to advise Members as to whether or not those proposals would result in an increase in the financial risk facing the Council and therefore a need for a higher level of Balances to be set as a minimum. This I will do at the meeting.

In Appendix 7 I have also outlined the additional risks that the Council will be facing from April 2013 when responsibility for local Business Rates and the funding and administration of a local Council Tax Benefits scheme transfer to the Council. Because of these risks I have suggested that based upon my current understanding of all the risks likely to be facing the Council in 2013/14, that Balances should then be set at a minimum of £10m or higher.

Overall Budget 2012/13

- 3.7 The Executive in February 2011 agreed an outline framework for the 2012/13 budget savings. At the end of February 2011 and in June 2011, the Executive agreed specific budget proposals to meet the projected 2012/13 budget savings. Subsequently individual detailed reports have been submitted and approved for each of the Options by Executive Members and a majority of these savings have already been delivered.

The agreed savings required in 2012/13 are as follows:-

	Savings 2012/13 £000
Adults	4,625
Children's	5,561
Environment	675
Development & Regeneration	769
Central Departments	2,548
Accommodation	500
Leisure	500
Financing Costs	2,165
Senior Management Changes	800

Total	18,143

Details of these individual Options, with the exclusion of Children's Services, are set out in Appendix 8 for information. Children's Services savings were agreed as part of a two year savings list formally agreed as part of the 2011/12 budget proposals. This two year list of savings is included within the Children's Services budget report.

Staffing Impact

- 3.8 The staffing impact of the savings are included in Appendix 8. In overall terms, over the two years 2011/12 and 2012/13, a total of 833 posts have been deleted. So far the majority of these have been delivered through voluntary means, but at this point in time there are 31 staff currently looking for redeployment opportunities.

Overall

- 3.9 Based upon the assumptions set out in this report, I consider that the Council's Budget is robust. Should any additional items not included in this report be agreed as part of the 2012/13 Budget, I will further advise Members of the robustness of these items at the meeting.

4. 2011/12 RESOURCES

- 4.1 In the January report to the Executive on the Budget, allocations were made against the additional Airport Dividend that was received in the current year. After those allocations there was a balance of £175,000 available. At the Executive on the 13th February it was agreed to use the available resources to offset the planned increase in the community meals charge and to retain the school meals charge at £1.25 until September 2012.

5. 2013/14 AND 2014/15

- 5.1 As reported previously to the Executive, it is forecast that based upon the Comprehensive Spending Review, the Council is likely to need to make further savings in the order of £35m over these 2 years. An updated Medium Term Financial Strategy (MTFS) based upon any further information we receive from the Government, will be presented to the Executive later in the year. However, it is important that at both a Corporate and Service level we start some early thinking on the potential options that may be brought forward to meet this scale of reductions if we are to generate savings by April 2013, particularly where there is a significant lead-in time for delivery.

6. THE FINANCIAL ARRANGEMENTS ACCOUNT

- 6.1 This account deals with the strategic financial transactions which fall outside the remit of any one Service.
- 6.2 The transactions on this account are set out at Appendix 3 along with a brief explanation of major changes.

7. BUDGET MEETINGS

- 7.1 A presentation was made to the Business Ratepayers on the 26th January 2012 outlining the overall budget position the Council was facing, similar meetings have been held with the voluntary sector.

8. PARISH PRECEPTS

- 8.1 The individual parish precepts are shown below with comparative figures for last year.

	2011/12	2012/13
	£	£
Blackrod	38,233	38,233
Horwich	197,382	197,382
Westhoughton	129,049	129,049

9. **AMOUNT TO BE RAISED FROM COUNCIL TAX**

- 9.1 As required by the Local Government Finance Act 1992, the Parish Precepts need to be added to Bolton's budget requirement. The recent Government statement has provided final figures for Revenue Support Grant (£2.278M) and National Non Domestic Rate (£117.478M). It should be noted that the National Non Domestic Rate next year is 45.0p in the pound for small businesses and 45.8p in the pound for larger businesses.

10. **COUNCIL TAX 2012/13**

The Government announced that for 2012/13 Council Tax was to be frozen and they have provided a one-off grant to offset the loss of income to the Council, equivalent to a 2.5% increase. The figures in the following paragraphs are based upon a Council Tax increase for Bolton Council of 0%.

Police and Fire Authority Precepts

- 10.1 The Fire and Civil Defence Authority precept and the Precept for the Police Authority, based on a 0% increase, has been estimated as follows:-

	Band A	Band D	Increase
	£	£	%
Police	96.22	144.33	0
Fire and Civil Defence	35.10	52.65	0

- 10.2 On the basis of a total budget requirement of £222.476M the balance to be raised from Council Tax is £101.720M as shown below:-

	2011/12		2012/13	
	£000s	£000s	£000s	£000s
Bolton Parish Precepts		230,074 365		222,111 365
Budget Requirement		230,439		222,476
LESS Collection Fund		1,000		1,000
		229,439		221,476
LESS INCOME Revenue Support Grant National Non Domestic Rates	30,233 97,810	128,043	2,278 117,478	119,756
Balance to be raised from Council Tax		101,396		101,720

- 10.3 The above amount to be raised from Council Tax shows an increase between the 2 years. The reason for this is that whilst the actual Council Tax charge per household will remain the same, there has been an increase in the number of properties within the Borough and therefore a larger amount is raised from the same level of Council Tax. The Council Tax base for tax setting purposes in 2012/13 is 83,568 band D equivalent properties.
- 10.4 The basic amount of Council Tax for the part of the Council's area where no Parish Precepts apply but including for the Police and Fire and Civil Defence precepts, is £939.89 for a Band A property and £1,409.83 for a Band D property.
- 10.5 The level of Council Tax for 2012/13 represents no increase for both Bolton Council's services and for the Police and Fire Service Precepts.
- 10.6 The Council Tax bases for tax setting purposes for the Town Council areas are as follows:-

**Tax Base in Band D
Equivalents**

Blackrod	1,728
Horwich	6,878
Westhoughton	8,017

- 10.7 The resultant additional Council Tax in each Town Council area for Band A and Band D properties are as follows:-

	Additional Council Tax Band A £	Additional Council Tax Band D £
Blackrod	14.75	22.13
Horwich	19.13	28.70
Westhoughton	10.73	16.10

- 10.8 The above figures relate to Band A and D properties. The table below shows the total Council Tax for all Bands in the various areas:-

Band	Blackrod £	Horwich £	Westhoughton £	All Other Areas £
A	£954.64	£959.02	£950.62	£939.89
B	£1,113.75	£1,118.86	£1,109.06	£1,096.54
C	£1,272.85	£1,278.69	£1,267.49	£1,253.18
D	£1,431.96	£1,438.53	£1,425.93	£1,409.83
E	£1,750.16	£1,758.19	£1,742.79	£1,723.12
F	£2,068.38	£2,077.87	£2,059.67	£2,036.42
G	£2,386.60	£2,397.55	£2,376.55	£2,349.72
H	£2,863.91	£2,877.06	£2,851.85	£2,819.66

For information Appendix 5 sets out a comparison between the level of Council Tax in 2011/12 and 2012/13 (for those areas which do not include the Parish Council Precept) and the percentage of properties in each band.

- 10.9 Many households (currently 59,350 out of 117,847) will receive reduced Council Tax bills through their Benefits and Personal Discounts. For Council Tax the maximum support through Benefits is

100%. Some households will, therefore, not pay Council Tax. This will be highlighted on their bill. Consequently at this stage it is not possible to give an average bill.

11. OTHER REQUIREMENTS

- 11.1 The Budget contained in this report assumes that the Council Tax is set at the Council Meeting on the 22nd February 2012. Should the Council not be able to set the Council Tax on that day then a weeks delay will put back the processing and distribution of Council Tax bills which will incur additional costs.

12. EQUALITY IMPACT ASSESSMENT

- 12.1 The overall budget changes set out in this report will impact on Service users/customers and employees. The Council's aim is to minimise the impact on front-line service delivery but where there is an impact to ensure that this is assessed and managed fairly.
- 12.2 In terms of customers, individual budget proposals have been evaluated to ensure that the impact on Service users/customers was fully understood and users have been effectively consulted in the development of the proposals. From a strategic perspective, the impact on Service users/customers of all the options has been drawn together to ensure that there is not a particularly adverse impact on any sections or groups within the Bolton community and that the most vulnerable and disadvantaged are protected as much as possible.
- 12.3 In terms of staffing, the Council has already set out its objective of mitigating these impacts wherever possible through the use of VER, severance, as well as managing vacancies etc.
- 12.4 In identifying savings, the first objective was to achieve these through efficiency measures, then through savings in running costs, management costs, administration and overheads and only as a last resort by impacting on front-line service delivery. These principles have been followed in the development of the proposals set out in this report.
- 12.5 An Equality Impact Assessment is set out at Appendix 9 of this report.

13. RECOMMENDATIONS

- 11.1 It is recommended that the Council approves:-

- (a) The Budget for 2012/13
- (b) The Council Tax for 2012/13

A Draft Substantive Council Tax Resolution is set out in Appendix 6.

GENERAL FUND SUMMARY

	2011/12 Original Estimate £000	2012/13 Original Estimate £000
Service Controllable Budgets		
Children's Services	245,895	254,506
Adults	74,834	65,432
Environment	24,254	26,671
Development and Regeneration	3,994	7,445
Housing	3,005	2,458
Central including ITA and WDA Precepts	70,889	71,585
Capital Financing	18,179	16,610
Net Expenditure	450,050	444,708
Parish Precepts	365	365
Sub Total	450,415	445,073
Income		
Revenue Support Grant	30,233	2,277
National Non Domestic Rate	97,810	117,479
Direct Schools Grant	215,448	219,071
Collection Fund Transfer	102,398	102,720
LPSA Reward One-Offs	2,000	1,000
Additional CT "Freeze" Grant	2,526	2,526
TOTAL	450,415	445,073

SUBJECTIVE ANALYSIS

	2011/12 Original Estimate £000	2012/13 Original Estimate £000
Expenditure		
Employees	316,379	309,121
Premises	36,115	37,059
Transport	18,579	19,127
Supplies & Services	74,689	74,273
Agency	107,897	113,218
Transfer Payments	107,157	107,181
Capital Finance	27,703	27,468
Expenditure Gross	688,519	687,447
Income		
Grants and Contributions	172,449	177,538
Customer & Client Receipts	57,358	56,798
Rents	5,501	5,262
Interest, Dividends and Distributions	3,162	3,141
Income Gross	238,470	242,739
Net Expenditure *	450,049	444,708
* Before Direct Schools Grant of	215,448	219,071

THE FINANCIAL ARRANGEMENTS ACCOUNT

	2011/12 Original £000s	2012/13 New £000s	Comment
Corporate Financing Cost	18,179	16,610	New commitments less savings
Transferred Debt	1,545	1,499	Ex Lancashire CC debt repaid 31/3/11
Airport Dividend	-275	-275	
Airport Rents	-428	-428	
Airport Loan Interest	-1,076	-1,076	
Waste Disposal	17,238	18,965	
Land Drainage Precept	139	139	
Transport Precept	19,880	19,424	
Former Employee Pensions	1,077	1,140	
Car Parks	-660	-660	
Interest and Contributions	-1,744	-1,701	
Building Schools for the Future	50	50	
Climate Change Levy	482	482	
WNF Net Position	2,750	0	Transferred to Departments
Health Contribution	-3,700	0	Transferred to Adults
Debt Management	150	150	
Effects of the Economy	500	0	Transferred to Departments
Inflation Provision (mainly Energy)	1,200	1,200	
Equal Pay/Pay Review	5,128	4,870	Transfer of P&G increments to Depts
Miscellaneous	20	20	
Recoverable Charges	-55	-35	
Recharges	36	30	
School Meals Subsidy	0	600	Approved Growth
One-off use of Corporate Balances	0	-300	
Accommodation Review	0	-500	Budget savings required
Total	60,436	60,204	

COLLECTION FUND

	2011/12 Original £000	2011/12 Revised £000	2012/13 Budget £000
Expenditure			
Bolton	102,396	102,396	102,725
Police	12,141	12,141	12,180
Fire and Civil Defence	4,429	4,429	4,443
Total Expenditure	118,966	118,966	119,348
Income			
Council Tax	117,803	119,334	117,817
Surplus/(Deficit) for year	(1,163)	368	(1,531)
Balance Brought Forward	1,163	1,163	1,531
Balance Carried Forward	0	1,531	0

COUNCIL TAX (NON PARISH COUNCIL AREAS)

Band	Properties %	2011/12 £	2012/13 £	Increase £
A	51.9%	£939.89	£939.89	0
B	17.1%	£1,096.54	£1,096.54	0
C	14.9%	£1,253.18	£1,253.18	0
D	8.3%	£1,409.83	£1,409.83	0
E	4.3%	£1,723.12	£1,723.12	0
F	1.8%	£2,036.42	£2,036.42	0
G	1.5%	£2,349.72	£2,349.72	0
H	0.2%	£2,819.66	£2,819.66	0

Currently 59,350 households out of 117,847 receive personal discounts and/or full or part benefit towards their Council Tax.

DRAFT SUBSTANTIVE COUNCIL TAX RESOLUTION

- (i) That the following recommendations of the Executive on 13th February 2012 be approved:-
- (a) the Revenue Budget for 2012/13;
 - (b) the Capital Programme for 2012/13; and
 - (c) the Investment and Prudential Indicators and Treasury Strategies 2012/13.
- (ii) It be noted that on 5th December 2011 the Executive calculated
- (a) the Council Tax Base 2012/13 for the whole Council area as 83,568 (item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")); and
 - (b) for dwellings in those parts of its area to which a Parish precept relates as:

Parish Councils

The Parish of Blackrod	1,728	Band D equivalents
The Parish of Horwich	6,878	Band D equivalents
The Parish of Westhoughton	8,017	Band D Equivalents

being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its Council Tax base for the year 2012/13 for dwellings in those parts of its area to which one or more special items relate.

- (iii) Calculate that the Council Tax requirement for the Council's own purposes for 2012/13 (excluding Parish precepts) is £101,355,141
- (iv) That the following amounts be calculated for the year 2012/13 in accordance with Sections 31 to 36 of the Act.
- (a) £221,475,327 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
 - (b) £119,755,522 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - (c) £101,719,805 being the amount by which the aggregate at (iv)(a) above exceeds the aggregate at (iv)(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
 - (d) £1,217.21 being the amount at (iv)(c) above (Item R), all divided by Item T ((ii)(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

- (e) £364,664 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act, each individual parish precept being:-
Blackrod £ 38,233
Horwich £197,382
Westhoughton £129,049
- (f) £1,212.85 being the amount at (iv)(d) above less the result given by dividing the amount at (iv)(e) above by Item T (ii)(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
- (g) Part of the Council's Area
- | | |
|------------------------|-----------|
| Parish of Blackrod | £1,234.98 |
| Parish of Horwich | £1,241.55 |
| Parish of Westhoughton | £1,228.95 |

being the amounts given by adding to the amount at (f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned at (e) above divided in each case by the amount at (ii) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(i) Part of the Council's Area

<u>Valuation bands</u>	<u>Parish of Blackrod</u>	<u>Parish of Horwich</u>	<u>Parish of Westhoughton</u>	<u>All other parts of the Council's area</u>
	£	£	£	£
A	£823.32	£827.70	£819.30	£808.57
B	£960.54	£965.65	£955.85	£943.33
C	£1,097.76	£1,103.60	£1,092.40	£1,078.09
D	£1,234.98	£1,241.55	£1,228.95	£1,212.85
E	£1,509.41	£1,517.45	£1,502.05	£1,482.37
F	£1,783.85	£1,793.35	£1,775.15	£1,751.89
G	£2,058.29	£2,069.25	£2,048.25	£2,021.42
H	£2,469.95	£2,483.10	£2,457.89	£2,425.70

being the amounts given by multiplying the amounts at (f) and (g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands

- (v) That it be noted that for the year 2012/13 the Greater Manchester Fire and Civil Defence Authority and the Greater Manchester Police Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Precepting Authority

<u>Valuation Bands</u>	<u>Greater Manchester Fire & Civil Defence Authority</u>	<u>Greater Manchester Police Authority</u>
	£	£
A	35.10	96.22
B	40.95	112.26
C	46.80	128.29
D	52.65	144.33
E	64.35	176.40
F	76.05	208.48
G	87.75	240.55
H	105.30	288.66

- (vi) That, having calculated the aggregate in each case of the amounts at (iv)(f)(i) and (v), the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2012/13 for each of the categories of dwellings shown below:-

(i) Part of the Council's Area

<u>Valuation bands</u>	<u>Parish of Blackrod</u>	<u>Parish of Horwich</u>	<u>Parish of Westhoughton</u>	<u>All other parts of the Council's area</u>
	£	£	£	£
A	£954.64	£959.02	£950.62	£939.89
B	£1,113.75	£1,118.86	£1,109.06	£1,096.54
C	£1,272.85	£1,278.69	£1,267.49	£1,253.18
D	£1,431.96	£1,438.53	£1,425.93	£1,409.83
E	£1,750.16	£1,758.19	£1,742.79	£1,723.12
F	£2,068.38	£2,077.87	£2,059.67	£2,036.42
G	£2,386.60	£2,397.55	£2,376.55	£2,349.72
H	£2,863.91	£2,877.06	£2,851.85	£2,819.66

- (vii) That the Council's basic amount of Council Tax for 2012/13 at an increase of 0% is not excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992.
- (viii) That the Director of Corporate Resources be delegated authority to collect revenues and disburse monies from the relevant accounts.
- (ix) That it be noted that the Government have set a National Non-Domestic Rate of 45.0p in the pound for small businesses and 45.8p in the pound for larger businesses for the financial year 2012/13.
- (x) That the Council's current policy in respect of discretionary relief for charitable organisations be reaffirmed and that the Director of Corporate Resources be delegated authority to determine applications for such relief.
- (xi) That War Disablement Pensions and War Widows' Pensions be disregarded for the purposes of the Council Tax Benefit (General) Regulations 1992.

- (xii) That the minutes of the proceedings of the meetings of the undermentioned Executive Members' recommendations on various associated budgetary matters be noted:-

Adult Services	24 th January 2012
Children's Services and Looked After Children and Safeguarding	24 th January 2012
Corporate Resources	24 th January 2012
Development, Regeneration & Skills	24 th January 2012
Housing, Neighbourhoods and Regulation	24 th January 2012
Environmental Services and Cleaner, Greener Safer	23 rd January 2012

Report to: The Executive

Date: 13th February 2012

Report of: Director of Corporate Resources

Report No:

Contact Officer: S. M. Arnfield

Tele No: ext 1502

Report Title: **General Fund Balances/Financial Risks**

Non -Confidential: This report does **not** contain information which warrants its consideration in the absence of the press or members of the public

Purpose: To outline the Director of Corporate Resources advice on the Financial Risks facing the Council and the appropriate level of Balances to be maintained

Recommendations: That the minimum level of Balances for 2012/13 should be £7.0m or higher if possible. Due to additional risks likely to face the Council from April 2013, it is anticipated that the minimum level of Balances which will be recommended for 2013/14, will be £10m or higher.

1. INTRODUCTION

The council maintains two types of Revenue reserves, earmarked reserves and general reserves (Balances). Earmarked reserves are set aside for specific purposes/ commitments whereas general Balances are maintained to support the overall Council's cash-flow and meet any unforeseen contingencies/demands.

This report considers the current level of general Balances, evaluates the reasons why Balances are maintained (i.e. the financial risks facing the Council) and provides advice on the appropriate level of Balances to be maintained by the Council in the light of Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. NEED FOR GENERAL BALANCES

Whilst the Council's annual Budget provides resources to meet any known liabilities or expenditure requirements, Balances are amounts which are set aside to meet unexpected changes in the Budget and to finance demands for resources which cannot be predicted and are assessed on the basis of the financial risks facing the Council.

The requirement for Balances is acknowledged in statute with Section 32 of the 1992 Local Government Finance Act requiring Authorities to have regard to the level of Balances needed to meet estimated future liabilities when calculating their Budget requirement. The Chief Finance Officer has the responsibility to ensure that the Council maintains a balanced Budget with powers under Section 114 of the 1998 Local Government Finance Act to report to the Council should its liabilities be in danger of exceeding its resources. Equally, the External Auditor has a responsibility to review and report on the Council's financial standing. Further requirements within the 2003 Local Government Finance Act reinforce the above with additional monitoring and reporting responsibilities.

In drawing together the Council's capital and revenue budgets and four year financial strategy, the level of general Balances and Financial Risks are always carefully considered. The provision of an appropriate level of Balances is therefore a fundamental part of prudent financial management.

3. MINIMUM LEVEL OF RESERVES

The Audit Commission recommends that Authorities should maintain Balances equivalent to 3% of their Budget, for 2012/13 this would amount to approximately £12m. However, whilst this is recommended guidance, the decision on the appropriate level of Balances is one for the Council, with advice from its Director of Corporate Resources, to determine. There are several factors/financial risks that need to be taken into account in considering what is a prudent level of Balances:

i) Revenue Contingencies

The Council does not maintain a general contingency within its revenue budget but relies on in year savings and Balances to meet any unexpected demands. For example, a pay increase of 0.5% more than that allowed for in the Budget would cost £650,000, excluding Teachers, or £1.3M including Teachers. A price variation of 0.5% would cost £1m.

ii) Interest

In recent years the Council has been successful in managing the interest that it pays out/receives and savings in this area have generally added to Balances. However, fluctuations in interest rates cannot be totally forecast and given the Council's overall debt of approximately £90m an unexpected increase in interest rates would increase the Council's costs.

iii) Capital

The Council now has a capital programme in the order of £65m per annum. Within the capital programme there are no contingencies and whilst the programme is actively monitored and managed, there is the potential for a demand on Balances from any capital overspend. In addition because of the economic climate there may be difficulties in generating the level of Capital Receipts assumed in the capital programme. For 2012/13 this has been included at £2m.

iv) Economic Climate

The current downturn in the general economic climate is creating pressures for the Council in several ways. Demand for services, particularly those to support business, support those who are unemployed and to process benefits are increasing. In addition, several of the income/revenue streams may be affected by reduced demand/take up. Both the above items have been reflected in the budget but the change in demand cannot be absolutely forecast and therefore there may be changes in cost/income levels during the year.

v) Un-predictable Demand Led Expenditure

Significant parts of the Council's Budget, particularly in Social Care Services and Education are "demand led" and as we have seen in previous years, can create significant demands for increased expenditure during the year.

vi) Emergencies

The Council is required to maintain provision to meet the cost of emergencies that cannot be met from main Budgets or by Insurance. Significant costs on emergencies are met by Central Government under the "Bellwin Scheme" but these are only triggered once the Council's expenditure has exceeded a pre-determined limit (currently £814,000). Costs above this limit are covered by Central Government but only up to 85%.

vii) Unexpected Demands

Balances also need to provide sufficient resources to meet unexpected demands, particularly those that result from a legal decision, a change in Government legislation or a determination of Government legislation. In the past the Council has had to fund several major issues of this nature.

viii) Service Deficits

Balances are also required to offset any Budget deficits carried forward or generated during the year by services as allowed under Financial Regulations.

ix) General Risks

It is also important to weigh up the general risks facing the Council and evaluate what any potential financial impact may result from these risks. The Director of Corporate Resources and the Council's Risk Manager have undertaken a review of these risks. The areas with a potentially significant financial impact are as follows:

Economic Climate
Changes in Government Funding
Potential Legal Claims
External Suppliers going into Administration

These have been taken into account in the overall evaluation of the minimum level of Balances to maintain.

4. REVIEW OF 2012/13 RESERVES POSITION

The last quarterly report estimated available Balances at 31st March 2012 at £8.4m. The review of the last 12 months does not suggest that there are any additional factors to take into account in 2012/13, although it is difficult to predict whether the economic climate will add further to the demands on the Council's services or reduce the income we receive. On this basis I am recommending that the current minimum level of Balances remain at £7.0m in 2012/13.

5. NEW RISKS IN 2013/14

Members will be aware that on the 1st April 2013, business rates will become the responsibility of the Council. Whilst the Government will still set the level of the business rates charge at a National level, the risks around collection will fall to the Council. Given the economic situation and current pressures faced by private sector companies, there is an additional risk that the level of income collected by the Council reduces over the year. In addition, the Council will also be taking responsibility for a local council tax benefits scheme from the same date. Current experience is that the numbers of claimants are increasing and we will try to forecast the likely numbers of claims when setting the 2013/14 budget. However, it will be difficult to predict any additional growth in the numbers of claimants beyond those forecast will result in the amount of benefit the Council has to fund increasing.

Because of these two additional significant risks, I am currently anticipating that the minimum level of Balances that I would recommend for 2013/14 will be £10m or higher.

5. DIRECTOR OF CORPORATE RESOURCES ADVICE ON THE MINIMUM LEVEL OF BALANCES

Section 25 of the Local Government Act 2003 requires the Director of Corporate Resources to report to the Council when it is setting its Budget/Council Tax on the "robustness of the estimates" and the "adequacy of the reserves".

Equally the Council should not hold usable Balances at too high a level as this would not be making the most effective use of the Council's overall resources when faced with significant demands for increased levels of service. However, Balances at up to £12m would not be regarded as inappropriate.

At this point in time, bearing in mind the above and the size of the Council's Budget at £445m, I would recommend that a minimum level of Balances for the Council to maintain would be £7m (but if possible should be at a higher level).

Use of Balances

Any future use of Balances above the recommended level are best used to support "one off" initiatives/investment. Any significant use of Balances to meet the ongoing costs of services can only be sustained for one year and as a consequence, in the following year that use of Balances must be replaced either by savings in Budgets or an increase in Council Tax. Each £1m used in Balances would equate to a 1% increase in Council Tax the following year.

6. SUMMARY

The report has set out the various factors that influence the level of Balances which must be maintained to meet any unexpected increases in expenditure or shortfall in income during the year. The Director of Corporate Resources advice is that as a minimum Balances should be maintained at £7m but if possible should be at a higher level.

2012/13 Budget Options - Summary

Service/Option	Savings 2012/13	Staff Impact
	£000	
Adult Services	4,625	112
Children's Services *	5,561	
Development & Regeneration	769	18
Environment Services	675	10
Chief Executive's	2,548	22
Corporate Savings	1,800	6
Capital Financing Costs	2,165	n/a
Total	18,143	168

* Children's Services agreed a range of budget savings to meet their targets for both 2011/12 and 2012/13. Details of the full 2 year savings options are included in the Children's Services budget report

2012/13 Budget Options - Adult Services

Service/Option	Savings 2012/13 £000	Staff Impact
FEBRUARY 2011		
Delete a range of of non-statutory service provision posts including management – review of strategy activity	220	8
Home Care – retender – full year effect of 2011/12	190	
Reduce spend on contracts (other than those included elsewhere, eg Supporting People)	1,000	
Preventative Services – replace contracts with a grants scheme (full year from 2011/12)	50	
Supplies and Services (no inflation and a further 6% reduction)	100	
Review of the Staff Development Team aligned with review of Children's Services (currently shared service)	260	9
Materials Fund	100	
Reduce Library network (full year from 2011/12 option)	200	23*
Total Feb 2011 savings	2,120	40

JUNE 2011		
Care Management - Restructure/new processes including personal budgets.	400	14
Reduce costs of Care Management and other services in Mental Health	483	14
Reduce cost by deleting Day Services posts	252	11
Supported Housing <ul style="list-style-type: none"> • Reduce costs by bringing in mental health and outreach • Retender independently provided, packaged with some in-house properties (savings included in Procurement Plan) 	141	2
Outreach (Disability) - Review service users and, where appropriate, consider alternative service options.	39	2
Fairer Contributions (full year from 11//12)	50	
Reduce Finance Team	60	3
Culture efficiency savings	50	
Savings from former grant-funded services	444	1

Service/Option	Savings 2012/13	Staff Impact
Supplies and Services (further reduction)	100	
Extra Care Service Review	174	3
Deletion of vacant posts	312	22
Total June 2011 savings	2,505	72
Total Adult Services	4,625	112

*The Libraries staff impact figure covers both the 11/12 and 12/13 options (£400k) and is an approximate figure relating to the reduction of 12.75 FTEs.

2012/13 Budget Options - Development & Regeneration

	Savings 2012/13 £000	Staff Impact
FEBRUARY 2011		
Review of REDD		
Fundamental review of REDD in the light of the significant reduction in grant funding and the need to find further savings in 2012/13. £1.2M worth of grants have been lost over the 2 years. The numbers of posts affected may reduce if the Council is successful in being appointed as a sub-contractor to the Work Programme which is due to be announced shortly	277	9
Cross Departmental Savings		
<ul style="list-style-type: none"> • A review of the Strategy functions in Planning and Housing (3 posts) • Review of secretarial functions across D&R (1 post) • Management of Cash Limited Resources (procurement savings and management of budgets) 	242	4
Total February 2011	519	13
JUNE 2011		
Review of Housing Services		
<ul style="list-style-type: none"> • Review of Choice Based Letting Services • Consolidation of Activity Post Transfer • Bolton at Home (Private Sector Renewals - 2 posts at Bolton @ Home) 	250	5
Total June 2011	250	5
Total Development & Regeneration	769	18

2012/13 Budget Options - Environment Services

	Savings 2012/13 £000	Staff Impact
FEBRUARY 2011		
Community Services (potential impact from other Departments' reviews)		
Income generation	35	
Policy and Performance		
Review of the Policy and Performance team and associated budgets. The staff numbers reflect savings targets across D&R, Corporate Resources and Environmental Services.	133	8
Cross-Departmental		
Management of Cash Limited resources (procurement savings and management of budgets)	37	
Total February 2011	205	8
JUNE 2011		
Neighbourhood Services		
A full service review took place for implementation in 2011/12. 80 posts were affected as a result of the review in 2011/12. The saving in 2012/13 is the full year impact of the decisions and changes made in 2011/12	300	
Fleet Management		
Deletion of a vacant post	25	1
Policy and Performance		
Review of policy and performance team and the associated budgets. The staff numbers reflect savings targets across D&R, Corporate Resources and Environmental Services.	120	
Albert Halls		
Deletion of a vacant post	25	1
Total June 2011	470	2
Total Environment Services	675	10

2012/13 Budget Options - Chief Executives

	Savings 2012/13 £000	Staff Impact
February 2011		
Customer Services		
Housing Benefits – review of management arrangements and responsibilities within Service	75	2
Review of current Anti Fraud activity in Benefits, as part of the general Welfare Review, including DWP taking more responsibility for all Benefit related Fraud activity	80	3
Access Bolton – review of management arrangements and responsibilities within Service	115	3
Review of Inspection Function within Revenues Services, Business Rates and Administrative Support	45	3
Review of Benefits Assessment function, Administrative Support and termination of Progression Scheme to Senior Assessment Officer	75	3
Continued review and reduction in general running costs for the Division	24	
Financial Services		
Payroll/Pensions – reduction in posts and additional income	60	2
Oracle – savings resulting from the full implementation of the Oracle financials and Procurement system	26	
SFMU/Financial Services – restructure Environment JFU and Central Finance Teams	120	3
Audit – increased income	10	
Accounts Payable – reduction in posts	21	1
Cash limit budgets	10	
ICT		
Reduced contract price – renegotiated charges within the Voice Contract	80	
Reduce ICT Investment Fund	50	
Reduced contract price – FM Contract	140	
Reduction in posts relating to IT security and support	70	2
Policy, Performance, Legal & HR		
Full Year Saving from the Service Restructure agreed in 2011/12	1,547	
Total Chief Executives	2,548	22

2012/13 Budget Options - Corporate Changes

	Savings 2012/13	Staff Impact
	£000	
FEBRUARY 2011		
Review of Senior Management	800	6
Accommodation	500	
Total Corporate Changes	1,300	6
JUNE 2011		
Leisure – Review of Leisure Trusts and contract arrangements	500	
Total Corporate Changes	500	

