

# INTRODUCTION

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**STATEMENT BY  
THE LEADER OF THE COUNCIL  
ON THE BUDGET FOR 2012/2013**

COUNCIL MEETING – 9<sup>th</sup> FEBRUARY 2012

## **Chairman, Fellow Members**

1. This is the second occasion on which I have opened the debate on the North Hertfordshire budget as Leader of the Council. This evening the Council has the duty to set a balanced budget for the forthcoming year and will do so under the shadow of extremely difficult conditions for the British economy and uncertainty for the future of Local Government funding. The challenges have been significant, and so it should be of no surprise to our Council Tax payers that our deliberations during this budget-balancing process have been protracted.
2. Given that the Council has already identified over £8.7million of savings over the last six years – including £1.9million in 2011/12 alone - in the drive to become more efficient and enable investment in Council priorities, it was clear that to achieve significant further savings over the coming years was not going to be easy, and would involve some tough decisions. In December, the Secretary of State Communities and Local Government confirmed the provisional settlement for 2012/13 – the second year of a two year settlement.. This settlement made no mention of funding for 2013/14 onwards, and so considerable uncertainty remains for future years. The method of Local Government funding is likely to change, and assumptions will need to be varied accordingly as that process evolves. The stated intent is to give Councils more control of their resources so that they become less dependent on Central Government grants. This may include potential opportunities arising from changes such as the New Homes Bonus, application of Tax Increment Financing and retention of local Business Rates.
3. The extent of the financial problem we continue to face, which is caused by a combination of factors that impact on Local Government such as a reduction in central government funding, the impact of the economic downturn, pressure on partner organisations and the continued growth in existing costs through inflation, has meant our Corporate Business Planning process this year has needed to consider the prioritisation of functions and identify areas where expenditure can be reduced, whilst still protecting front-line services wherever possible. The prevailing conditions have also required us to look again at further minor restructuring as a means of achieving savings and consultation has now begun. Our challenge is to retain enough capacity, in the right areas, to continue delivering the key services. Further change is inevitable and so we have also continued to examine how we can work more efficiently or in different ways, such as by sharing services with other Authorities or organisations.

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- 4 I would like to thank all members and officers who have taken part in working up the proposals before us this evening, especially Mrs Norma Atlay and her team, and our Finance Portfolio Holder, Cllr Hone, who will be presenting the details of the Administration's recommendations to you shortly.
- 5 In short, I can report that we are resilient and that we give good value for money.
- 6 The three major priorities of the Council are confirmed as living within our means to deliver cost-effective services, working with local communities and protecting our environment for our communities.
- 7 The project to rationalise our use of office space has been successfully completed and the extension of flexible working options, continues to allow us to achieve savings in support costs and help to protect delivery of services direct to the customer. Further work to consider the sharing of the provision of some back office services with Stevenage Borough Council and East Herts District Council will continue in 2012
8. It is pleasing to note that work on the revitalisation of Howard Gardens is scheduled for completion in the Spring and will improve the attractiveness and accessibility of this green space.
- 9 Our plans for improvements to the town centres in Hitchin and Royston are developing and we will continue to encourage community involvement and engagement. The enhancement works to Fish Hill Square in Royston were completed in the autumn. A progressive approach is underway in conjunction with Hitchin Town Hall Ltd for a new District Museum and Community facility with a successful First Round Pass for funding of £123,000 from the Heritage Lottery Fund being obtained in January,. Proposals for restoration of the Bancroft park and gardens will be developed in 2012.
- 10 Our efforts to reduce waste and encourage recycling were nationally recognised by the award of three Green Apple awards for the community clean up event (Spring Clean Letchworth), the electrical and electronic recycling and Community Reassurance events. Recycling collections have been introduced to all the schools in the District and a trial recycling collection service is being offered to local businesses.
- 11 We have, and will continue to resist unsustainable development within the District. The Planning Inspector and subsequently the High Court agreed with the evidence that we submitted into the Public Examination into Stevenage Borough Council's Core Strategy by finding this unsound. This has protected the NHDC green belt from the building of a substantial number of new homes.
- 12 Members have contributed to this process through a series of workshops and also via Area committees. I feel sure that this level of participation will assist the process of agreeing our budget, which I believe represents a reasonable balance of savings and income generation.
- 13 I now invite Cllr Hone to expand on the budget situation and proposals.

**As Presented by COUNCILLOR L. Needham**  
*Leader of the Council*

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## STATEMENT BY FINANCE PORTFOLIO HOLDER ON COUNCIL TAX ESTIMATES 2012/2013

COUNCIL MEETING – 9th FEBRUARY 2012

### THE CURRENT YEAR - FINANCIAL STATEMENT AS AT 1ST APRIL 2012

At the commencement of this financial year (2011/12) it was anticipated that the total available reserves for general fund activities at 1<sup>st</sup> April 2012 would be £4.2million. This included a balance in the general fund of £1.6million to cushion against unexpected increases in costs and reductions in revenues (financial risks). As at the end of January (month 10), the total available reserves is now estimated to be £3.9million, a decrease of £300k. There have been a number of detrimental variances reported during the year which make up this decrease, many of which were the realisation of a number of known financial risks allowed for in the general fund balance.

At the end of the November, the revised estimate of net expenditure chargeable to the General Fund for the current year is £16.7million versus an original budget of £15.9million. The various funds and reserves held in the General Fund are now estimated to be as follows: -

#### Council Reserves & Provisions at 31<sup>st</sup> March 2012

	Projected Balance at 31 March 2012
	£'000
Special Reserve	896cr
Housing Planning Delivery	617cr
Insurance Reserve	83cr
Information Technology Reserve	340cr
Environmental Warranty Reserve	209cr
Performance Reward Grant	89cr
S106 Monitoring	62cr
Hitchin Museum Donations	2cr
Museum Exhibits Reserve	12cr
Building Control Reserve	0
Cemetery Mausoleum	96cr
Property Maintenance	14cr
Leisure Management Reserve	20cr
<b>Total Revenue Reserves</b>	<b>2,440cr</b>

The total amount of available reserves has been reduced over recent years towards a sustainable minimum level to allow for potential risks. This prudent minimum level has now been reached and will need to be maintained in future years.

### CAPITAL ACCOUNTS

The Council's Capital Investments, net of borrowing, at 31st March 2012 are estimated to be £38.6 million of which none is expected to be classed as useable receipts.

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## ESTIMATES 2012/2013

This financial year again reflects the principles of priority-led budgeting. This approach seeks to ensure that policy drives financial planning and gives members choices on their budget priorities.

The Corporate Business Planning process for 2012/13 again began early in the year, due to the extent of the efficiencies required to balance the budget. The financial strategy highlighted those key areas of strategic, statutory and inflationary spending where the Council has made a positive decision to meet both Government and customer expectations and indicated a potential funding gap of £0.5 million in 2012/13. The authority set itself an efficiency savings target to bridge this gap. The consultation process included discussion at the various committees, members' workshops and a meeting with business ratepayers. The budget proposal includes the results of the consultation exercises and is based on the Council's priorities to include the following: -

- The Budget is based on financing activity that supports the Council's strategic priorities
- In-built contractual inflation based on the relevant indices e.g. RPI or RPIX
- Contractual Pay increase only and no Pay Award
- For investment income an average rate of 2% on new long term deals and 0.9% on short term deals.
- Standstill budget for all other items i.e. no general inflation
- A 5.2% (November RPI) increase on discretionary fees and charges income
- Government support in 2012/13 totaling £5.360million, a reduction of 13.5%
- Superannuation contribution of 22.6% for 2012/13 until 2014/15. It is estimated contributions will need to increase by 1% per annum thereafter to meet the liability in the pension fund.
- Efficiency proposals totaling £609k
- Investment in one-off projects of £119k

The following is a list of the growth and pressures on the Council's budgets with an indication of the effect on the Council Tax:

	£'000	Increase in Council Tax
Contract Inflation	406	4%
Contract Pay Inflation	108	1%
Downward trend in sales of services	365	4%
<b>Total Growth</b>	<b>879</b>	<b>9%</b>

Without significant efficiency gains in the base budget, savings identified by the challenge board and reductions in staffing costs following further reshaping of the Council together with the ability to use balances, I would be looking for the council taxpayer to fund that level of increase, 9%, which would have resulted in a referendum. The estimates instead have assumed that Members would wish to accept the Government grant of 2.5% on the 2011/12 Council Tax figure for Authorities that choose to freeze Council Tax again, and so a zero increase on the 2011/12 Council Tax level charged to Council Tax payers has been anticipated.

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The five year financial strategy outlined the additional costs falling to the General Fund in future years as a result of inflation and growth and outlined a strategy to deal with these increases. This will be done by using the Challenge Board to investigate means of reducing net expenditure. In the review for this current year the Challenge Board again examined all services, reviewed service charges and costs and compared services with other authorities. As part of the Council's business strategy the review of service costs and funding will continue through this year as we prepare for the even greater challenge of a balanced budget for 2013/14 amid the uncertainty of the outcome of the Local Government resource review and the introduction of the Universal Credit.

The major issue to be taken into account in setting the budget for 2012/13 is, as always, the Local Government Finance Settlement. The announcement made on 8<sup>th</sup> December 2011 results in a settlement totalling £5,359,913, considerably less than the amount received for 2011/12.. The council tax freeze grant awarded last year is included in this settlement and so in cash terms the reduction in Government funding via Revenue Support Grant and Re-distributed Business Rates and Council Tax Freeze Grant is 13.5% or £837,353. Currently, we have no information on the scale of funding reductions for 2013/14 onwards and so our initial planning assumption is taken from the Comprehensive Spending Review announced in October 2010 for a further reduction of 1.9% in 2013/14 and 7% in 2014/15 although the Chancellor's Autumn statement hinted that the reduction could be greater.

The estimates have been prepared in line with the Council's management structure and the following summary reflects this. The estimates are rounded to be nearest £10,000 here and the exact numbers can be seen in the detailed budget pages.

## **CORPORATE**

The estimates of net expenditure for Corporate are made up as follows: -

Corporate Budgets inc. Corporate Management and Capital financing	£3,720,000cr
Democratic Services inc. cost of democracy	£1,790,000

The net expenditure for Corporate budgets shown in the estimates amounts to a credit of £1.9million. (£1,929,780)

## **FINANCE, POLICY AND GOVERNANCE DIRECTORATE**

The estimates of net expenditure for Finance, Policy and Governance Services are made up of the residual cost or surpluses of the following services: -

Directorate Mgmt	£70,000
Legal Services	£70,000
Finance, Performance & Asset Mgmt	£780,000cr
Policy, Partnerships & Community Dvlpt	£1,810,000
Revenues & Benefits	£1,290,000
Area Committees	£270,000

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The Council remains committed to extending the role and influence of the Area Committees and is encouraging them to play a greater role in influencing decisions which impact on the locality.

The net budget for the Area Committees shown in the estimates is £270,000.

The net expenditure for Finance, Policy and Governance shown in the estimates amounts to £2.7million. (£2,722,390).

## **CUSTOMER SERVICES DIRECTORATE**

The estimates of net expenditure for Customer Services Directorate are made up as follows: -

Communications	£10,000
Community & Cultural Services	£1,050,000
Refuse Collection & Recycling	£3,390,000
Recreation & Sport	£1,180,000
Emergency Planning	£110,000
Car Parking	£210,000cr
Amenities & Street Cleansing	£3,470,000

The net expenditure for Customer Services shown in the estimates amounts to £9million. (£9,006,220).

## **PLANNING, HOUSING & ENTERPRISE DIRECTORATE**

The estimates of net expenditure for Planning, Housing and Enterprise Directorate are made up as follows: -

Development & Building Control	£1,060,000
Corporate Strategy & Enterprise	£1,180,000
Housing & Environmental Health	£3,520,000

The net expenditure for Planning, Housing & Enterprise, shown in the estimates amounts to £5.8million (£5,767,170)

## **CAPITAL PROGRAMME**

Total capital expenditure requested by the Senior Management Team for 2012/13 amounts to £5.930million.

The Cabinet at their meeting on 24<sup>th</sup> January 2012 considered the requests of the Senior Management Team and resolved to recommend approval of the programme subject to adequate resources being available. The option to borrow to fund capital schemes will continue to be investigated and reviewed in the light of market conditions, as will options to access set-aside receipts.

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Financing of capital expenditure is planned as follows: -

	£,000
Capital Receipts	1,983
Grants and Contributions	850
Prudential Borrowing	3,038
IT Reserve	59
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	5,930
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The programme includes an allowance of £3.48million for the development of the museum services. The Community group proposal for the Museum Services Development scheme is expected to cost a total of £4.23million, of which, £3.48million is to be financed by the Council and the remaining £750k is to be sourced by Hitchin initiative. The scheme anticipates lottery funding of £0.954million for fit out costs.

## BUSINESS RATES

The Business Rate, or National Non - Domestic Rate (N.N.D.R.), is set annually by the Government. These rates are the means by which local businesses contribute to the cost of providing local authority services. All business rates are currently paid into a central pool. The pool is then divided between all authorities depending on the number of residents each authority has. This arrangement is anticipated to change from 1<sup>st</sup> April 2013 as a result of the Local Government Resource Review.

A new rating list came into force on 1<sup>st</sup> April 2010. For the year 2012/2013, there are two multipliers, the standard non-domestic multiplier of 45.8p and the small business non-domestic multiplier of 45.0p. The smaller multiplier will apply to any property with a rateable value of less than £18,000. The former is higher to pay for the small business rate relief scheme. Small Business Rate Relief is available at 50% for ratepayers of any property with a rateable value up to £6,000, with relief declining in percentage terms on a sliding scale until it is 0% at a rateable value of £12,000.

In accordance with the Local Government Finance Act 1992, I arranged a consultation meeting with representatives of Industry and Commerce on 19 January 2012.

## DISTRICT COUNCIL REQUIREMENTS 2012/2013

The budget proposals were put together taking into account the comments and recommendations resulting from the various consultation meetings at the same time as reflecting the priorities of the Council.

The overall estimates considered by the Cabinet at its meeting on 24th January 2012, indicate a net expenditure for the Council's own requirements of £15.566million. This is £1.150million less than the 2011/12 projected net expenditure.

An assessment of the risks faced in the coming year has identified items where the financial impact is not wholly known and prudence would therefore indicate the need to set the General Fund balance substantially higher than the minimum. The following are those risks which have been identified as 'high' risk:

- New Homes Bonus – the budget estimates anticipate funding in 2012/13 of £489k and a further £450k in each year thereafter. The potential risk is two-fold. Firstly, the government has indicated that the RSG will be top-sliced to fund NHB so there is a risk that the grant settlement for all Councils will be reduced by a higher % than assumed. The second risk is that our assumptions

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in the calculation regarding the affordable housing numbers and therefore, the uplift, are proven incorrect.

- Local Development Framework - Implications of the Localism Bill, neighbourhood planning, national planning policy framework and outcome implications of Cala Homes and Stevenage Borough Council High Court decisions, in climate of uncertain new funding regimes – loss of HPDG, New Homes Bonus, local fee setting etc. This is likely to all lead to the need for additional consultation which would need additional staff resources.
- Staff Vacancy Control – achievement of the full £300k target in light of the current economic climate might not be possible.
- External Legal expertise - Outsourcing of legal work for additional expertise due to staff vacancies or assistance with the delivery of key Corporate projects or the introduction of the Localism Bill and/or elections.
- Employment costs - arising from claims, compromise agreements etc
- Procurement challenge – challenges are more frequent in the current climate and could result in a successful challenge
- Rental income from industrial investment property – reduction in income due to impact of the economic climate
- Strategic level planning applications - costs associated with an appeal or inquiry of the planning application, which may also relate to the introduction of the National Planning Policy Framework
- Standards regime – the introduction and management of the Standards Regime arising from the Localism Bill
- Safe events to be enjoyed by the community - Employment of consultants to cover anticipated additional events in 2012. Additional costs not covered by licensing income for these events.
- Building Control - income affected by downturn in construction industry, offset by maintaining market share, not recruiting to vacant posts. Charges can be increased to recover costs, however, this could adversely affect competitiveness of the service.

Although the total assessment of risk is £3.3million, the level of risk varies from high/medium to low. Taking a proportion of the risk into account would mean it would be prudent to increase balances by £890k above the minimum level. As required by the Local Government Act 2003, the Strategic Director of Finance, Policy & Governance, as Chief Finance Officer, must give an assurance on the robustness of the estimates and the adequacy of reserves allowed for in the budget. The Strategic Director advises that a General Fund balance in the region of £1.668million for 2012/13 is necessary.

The Churchgate development in Hitchin is a major project for the Council and demonstrates the Council's commitment to working with our communities. As such the Council has incurred significant costs to date to progress to the consultation stage, some of which will be recovered from the successful developer when work on site commences. This is identified as a risk as the budget estimates do not include funds specifically for Churchgate development.

As mentioned previously, the proposed efficiencies total £0.609million in 2012/13 but it is important to remember at this stage that there remain significant savings to find over the following four years. It is anticipated some of the future efficiencies will be achieved from work currently progressing to widen the scope for alternative means of working, for example, shared services with East Herts and Stevenage, but it is clear there is a lot more work to do to meet the target.

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Any major change to the way services are delivered is likely to require a lead-in time to fully implement and similarly any reduction in service is likely to need a phased approach. As such, it is clear that this Corporate Business Planning process must continue to establish the agenda for the next four years.

As part of the Council's financial management strategy to manage budget movements over the five year period, it is proposed to maintain a balance in the special reserve in order to have funds available for any specific financial pressures such as pump priming for invest to save and initiatives for shared services, to cover any one-off redundancy costs of restructures, changing working practices, major contract renewals, unexpected contract variations and other financial pressures.

We should note that the Council has already taken action to reconfigure services through outsourcing, centralising and restructuring. Some of the more financially significant efficiencies achieved in the last few years are the restructure of the Senior Management Team and the wider Employee establishment and a further tranche of minor restructuring is now being proposed.

Cabinet recommend that the precept for the public be kept at the same level as 2011/12 and in order to achieve this, that the Council take advantage of the 2.5% funding from Central Government, and that a minimum General Fund balance at 31<sup>st</sup> March 2013 in the region of £1.668million be budgeted for. In order to achieve this the Cabinet is therefore recommending a precept of £9,944,498 and a budget of £15,566,000. This level of precept, equals a Council Tax for a Band D property of £196.59.

This represents no increase in the District Council Tax to the Council Tax payer. District Council services will therefore cost £3.78 per week to provide.

This is made up as follows: -

## COUNCIL TAX AT BAND D

		Change from 2011/2012
	£	%
<b>NHDC</b>	<u>307.72</u>	-2.3
Less:-		
Government Grant & Business Rates	111.13	-6.1
<b>NHDC (All Areas)</b>	<u>196.59</u>	0

The Council Tax requirement for the Council's own purposes (excluding Parish precepts) is £9,944,498. Parish Precepts, as listed in the budget papers for Council total £927,000. Therefore, the total Council Tax requirement including Parish Precepts is £10,871,498.

The Hertfordshire County Council will give formal notification of their Precept requirement on Monday 21<sup>st</sup> February 2012. Hertfordshire Police Authority on the 23<sup>rd</sup> February 2012. This has forced us to delay our formal Council Tax Resolution until 27<sup>th</sup> February 2012.

The full publication of the Council's Financial Budget book for 2012/13 will be available for the Council Tax setting Committee and all Members on the 27th February. A summary of

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the District Council's proposals, outlined above, are set out in the Strategic Director of Finance, Policy and Governance Services report presented this evening.

Finally I would like to thank all the officers across the Council, for their hard work and commitment in producing the budget information under such continued difficult financial circumstances. This has certainly involved taking multi-tasking to new levels.

**As Presented by COUNCILLOR Terry Hone.**  
*Finance Portfolio Holder*