

FINANCE, AUDIT AND RISK COMMITTEE

28 January 2013

*PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

6

TITLE OF REPORT: CORPORATE BUSINESS PLANNING - BUDGET 2013 - 2014

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

This report is in its final format and will be presented to Cabinet at the meeting to be held on 29 January 2013. This Committee is requested to review and note the report and that the Strategic Director of Finance, Policy and Governance to take note of any comments raised.

1. SUMMARY

- 1.1 To consider the final budget for 2013/14 and the factors which contribute to the determination of the District Council Tax level and to recommend the appropriate level to Council on the 13 February 2013.
- 1.2 To consider the known and unknown key factors which could impact on Council finances within the period of the medium term financial strategy (2013 – 2018).

2. RECOMMENDATIONS

- 2.1 That Cabinet notes that the provisional start-up funding assessment for 2013/14 is £5.961million and that this includes the Council Tax Support Grant and Homelessness Grant.
- 2.2 That Cabinet notes that the provisional start-up funding assessment for 2014/15 is £5.213million.
- 2.3 That Cabinet notes that should Business Rates income fall lower than the Business Rates Baseline then the Council's overall funding will fall until the Safety Net percentage of 7.5% is reached. This represents a maximum financial risk in 2013/14 of £179k.
- 2.4 That Cabinet notes the Council has been deemed as having a Baseline Need lower than the Business Rates Baseline which means the Council will pay a tariff, equivalent to approximately 83.75% of the Business Rates Baseline, to central government.
- 2.5 That Cabinet notes there is no adjustment necessary to the 2013/14 base budget following the November high level budget monitoring review.
- 2.6 That Cabinet notes the Chief Finance Officer considers the budget for the year 2013/14, including the allowance for risks is adequate and approves a minimum General Fund balance of £2.3million to be used in the precept calculations.
- 2.7 That Cabinet notes the position of the other Reserves and Provisions.

- 2.8 That Cabinet notes the position on the Council Tax Collection Fund, notes that there is a surplus of £198K projected at 31 March 2013 and that no contribution to or from the Collection Fund is required in 2013/14.
- 2.9 That Cabinet approves the efficiency proposals, totalling £900k as detailed in Table 8, for inclusion in the budget estimates for 2013/14.
- 2.10 That Cabinet approves the investment proposals, totalling £105k as detailed in Appendix 6, for inclusion in the budget estimates for 2013/14.
- 2.11 That Cabinet notes the estimated 2013/14 net expenditure of £16.641million, as detailed in Appendix 1 and recommends the budget to Council.
- 2.12 That Cabinet indicates the level of Precept it wishes to recommend to Council to be levied upon the Collection Fund for 2013/2014.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that all relevant factors are taken into consideration when arriving at the proposed Council Tax precept for 2013/14.
- 3.2 To ensure that the Cabinet recommends a balanced budget to Council on 13 February 2013.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Members were asked for their early input into defining the budget options at the first set of Member workshops in September.

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 5.1 All Members were given opportunity to comment on the efficiency and investment proposals at Member Budget Workshops held on the 30/31 October 2012. Notes of the comments and questions raised at the workshops were attached as appendix 7 to the draft budget report in December.
- 5.2 The Council will consult on the proposals in this report with the Business Rate Payers Group on the 30 January 2013. The Chair of the Area Committees have not requested a separate opportunity for the Committees to comment on particular proposals.
- 5.3 Members of the public on the Citizens Panel attended public budget focus groups at the end of November 2012. The groups were facilitated by an independent third party who has recently issued a report to the Council with the findings. Officers will review the report and then ask Members to consider the findings in the ongoing corporate business planning process.

6. FORWARD PLAN

- 6.1 This Report contains a recommendation on a key decision to be taken by Council on 13 February 2013 that was first notified to the public in the Forward Plan on the 1 September 2012.

7. BACKGROUND

- 7.1 The Council's Medium Term Financial Strategy (MTFS) was adopted by Full Council on the 6 September 2012 following recommendation by Cabinet.
- 7.2 The MTFS provides the financial background to the Corporate Business Planning process for 2013-14. It was completed during a time of considerable financial uncertainty, much of which remains at the time of writing this report. The wider economic position remains gloomy and further changes to public sector funding arrangements will result in significant financial challenges. Much of the ring fencing of grants has been removed, but the overall "pot" of available funding has been reduced. The localisation of Council tax benefit from 2013/14 comes with a 10% reduction in available funding and it is also the Government's intention that the new business rates retention scheme will be implemented from 2013/14. At the time of writing, the precise local implications from other aspects of the Localism Act and Welfare Reform were not clear.
- 7.3 The MTFS acknowledged there were a number of significant unknowns in terms of the Local Government Resource review and that it may, therefore, be necessary to update the MTFS later in the year as things become clearer. The MTFS assumed both a best and worst case scenario for further reductions in Government funding. The best case scenario assumed reductions consistent with the 2010 CSR (1.9% in 2013/14 and 7% in 2014/15), while the worst case scenario assumed the Chancellor would spread a further 20% of reductions over the period of the MTFS (6% in 2013/14 and 6% in 2014/15).
- 7.4 In identifying the likely Council Tax requirement, the MTFS focussed on the national economic situation and the pressures on expenditure and income streams. The financial strategy was based on the following assumptions (the worst case scenario assumptions in brackets where different):
- Starting point is the current year base budget;
 - Year on year spend is adjusted to take account of cyclical variations in expenditure;
 - Investment income falls in accordance with the cash flow/investment projections to take account of the reducing balance of capital receipts and assumptions regarding interest rates;
 - Assumed average rate achieved on deals in 2012/13 and onwards of 2% on long term and 0.9% on short term investments;
 - Any approved one-off increase in expenditure or carry-forward budgets for 2012/13 have been removed from the base figures in subsequent years;
 - Reduction in Government support of 1.9% in 2013/14, 7% in 2014/15 as per the 2010 CSR, 8% in 2015/16 and 3% in each year thereafter. (worst case scenario is 6% in 2013/14 and 2014/15, 11% in 2015/16 and 6% in 2016/17 and 2018/19). In the March 2012 Budget the Chancellor raised the prospect of a further 20% funding cut over the two years following the end of CSR 2010;
 - Contract inflation in accordance with the individual contract terms;
 - Pay inflation at 0% until 2014/15. 1% increase in each year thereafter;
 - Pay increments due in 2013/14 and future years have been built in to the model (approximately £100k for 2013/14) Pay increments are part of contractual pay and the calculation is based on those staff due to receive an increment, the remainder having already reached the top of the grade;
 - Superannuation contribution increase of 1% in 2013/14, 2% in 2014/15 and 1% increase in each year onwards in order to meet the liability in the pension fund. Any further changes to the Local Government Pension Scheme that might be adopted following the current government consultation will need to be reflected in the MTFS assumptions. The

Council could apply to make a capital contribution to the fund which would reduce the contribution rate in the future;

- No allowance is made for general inflation on remaining expenditure;
- Discretionary fees and charges income increased by RPI at November, currently assuming 2.5% increase (3.1%);
- Use of the special general fund reserve will happen on a phased basis to prevent erratic movements in Council Tax increase;
- Some of the New Homes Bonus will be used for investment in Council priorities over the life of the bonus scheme while the remainder is required to continue the delivery of services in the face of other government funding reductions and is built into the base budget. Any further new investment will require more savings to be made in services;
- The Council tax base figure will rise by 0.5% per annum;
- An assumed 99% collection rate for the purposes of calculating the Council tax base (although this may need to be revisited to reflect potential reduced collection rates for groups adversely affected by the localisation of Council Tax support);
- The minimum General Fund balance should be increased on a phased basis to 7.5% of net expenditure in 2013/14 and to 10% in 2014/15 and the years after, plus an allowance for identified risks in each year;
- The local Council Tax Benefit Scheme will have a cost neutral impact;
- The general fund allowance for capital expenditure will increase by £100k in 2013/14, and 2014/15 to cover the loss of interest from using the funds;
- A vacancy savings target set at approximately 3% of salary budget to yield in the region of £0.3 million is included in the base budget in each year;
- Any investment in Area Committee budgets to reflect additional responsibilities will be offset by reductions in Directorate budget;
- Council tax increase of 0% for 2013/14 and onwards.

7.5 The MTFS is an integral part of the Council's Corporate Business Planning process. It complements the Council's Priorities for the District 2013/14 and sets out a clear framework for our financial decision making. Council have confirmed that the high level Council priorities for 2013/14 onwards are:

- Living within our means to deliver cost-effective services;
- Working with local communities; and
- Protecting our environment for our communities

7.6 The key funding issues identified in the MTFS were as follows:

- Implications of the Welfare Reform Bill and the introduction of the Universal Credit. The Department of Work and Pensions had confirmed that a 10% cut in funding will be passed on to Local Authorities. Council tax benefits for the District currently total approximately £8.2million, so this reduction of 10% will mean approximately £820k will need to be found from a review of the benefit scheme.
- The government had announced its intention for 50% of business rates income collected to be retained locally (the proposed split of this 50% between Counties and Districts is currently one fifth/four fifths). A system of levies and safety nets will be put in place to ensure any Council will, at least initially, receive as least as much as it did under the previous Revenue Support Grant scheme. Additional income over and above this could be achieved if the Council attracted new businesses to the District, as long as this did not achieve (an as yet undefined level of) disproportionate growth. However, billing authorities will also be exposed to the possibilities of reductions in business rates income as the safety net will not come into force until income levels have fallen by at least 7.5%, and possibly 10%. For NHDC this could mean an income loss of up to £1million to £1.4million before the safety net applies (depending on the full detail of the final scheme – paragraph 7.2 refers). Business Rate growth assumptions (possibly linked to an inflation measure) will also be built into future years estimates by Central Government and this could also lead to potential falls in Business rates

income if the actual growth rate is lower than Govt assumed rate. These factors therefore also lead to pressures to make further increases in balances to mitigate these Business Rate risks.

- The final outcomes of the Local Government resource review would not be available until the end of 2012. The net impact on the Council's funding from central government could be different to the assumptions. The March 2012 Budget statement raised the likelihood of a further 20% funding cut over the two years following the current CSR (i.e. 2015/16 and 2016/17).
- 7.7 In view of the potential increasing volatility of funding from localisation of Business Rates the MTFS proposed to increase the general fund balance from 5% of net expenditure plus an allowance for known risks to around 10% to cope with any sudden change in income from business rates. The special reserve would continue to be used on a phased basis for invest to save projects and to support unavoidable fluctuations in contract prices as contracts are renewed.
- 7.8 In order to balance the budget and not have an increase in Council Tax, the MTFS suggested it would be necessary to find efficiencies of between £500k and £700k in 2013/14 to balance the budget. Over the period of the MTFS (five years) it was suggested between £1.7million and £2.3million of efficiencies would need to be found.
- 7.9 The Council has already identified over £9.3million of savings over the last eight years in the drive to become more efficient and enable investment in Council priorities. Much of this has been achieved without having a serious impact on front line services but it is clear that to achieve further significant savings the Council will need to look for alternative ways of working.
- 7.10 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.
- 7.11 The December meeting received the draft efficiency and investment proposals following discussions at Member workshops in September and October. Members requested that the proposal for a reduction in funding to the Herts Young Homeless Group (E3) be removed from the proposals and Members asked Officers to undertake further work on an efficiency proposal with regards to the provision of Christmas Trees (E9).
- 7.12 This report outlines the final budget proposals based on information available to date. **It must be stressed that a budget is always an estimate of what will actually happen, but that in 2013/14 the significant changes in local government funding arrangements have resulted in more estimation than in previous years.**

8. ISSUES

8.1 Funding Announcements

8.1.1 The Government announced the provisional Local Government Finance Settlement for 2013/14 and 2014/15 on the 19 December 2012 and launched a consultation on the proposed settlement ending on the 15 January 2013. The final settlement announcement is expected in late January or early February. In respect of the likely settlement for 2015/16 or beyond, it is understood that this will be considered as part of the spending review scheduled for later this year.

8.1.2 Due to the introduction of Business Rates Retention, there are a number of new terms and principles introduced into local government funding. The *Start-up Funding Assessment* for the Authority for 2013/14 is £5.961million and is split

between resources received via Revenue Support Grant and a Business Rates Retention amount (*Baseline Need*). This split is demonstrated in Table 1 below.

- 8.1.3 Within the grant calculations, there have been a number of changes to the figures which make direct comparison of the finance settlement with previous years difficult. The headline figures for the Finance Settlement for 2013/14 under the new Finance regime show that we will receive total government support of £5.961million. A number of grants which were previously separate have been rolled into the funding allocation, however, so that what at first sight appears to be an increase in Government Funding from the £5.36million we had in 2012/13 is actually a reduction of 8.4% - approximately £550K in cash. The Government rolls in the remaining grants it provides to the Council and also includes the Council's precept in order to demonstrate that the 'spending power' has only reduced by 1.2%.

Table 1: 2013/14 Provisional Settlement

| | 2012/13 £'000 | 2013/14 £'000 | % Change |
|---|------------------|------------------|---------------|
| Revenue Support Grant | 102 | 2,887 | +2,730% |
| Retained Business Rates | 5,258 | 1,921 | -63% |
| Sub-Total – Formula Grant | 5,360 | 4,808 | -10.3% |
| Add: | | | |
| Council Tax Support Grant | 1,061 | 1,065 | 0% |
| Homelessness Grant | 88 | 88 | 0% |
| Start-up Funding Assessment | 6,509 | 5,961 | -8.4% |
| Add: | | | |
| Council Tax Precept, Council tax Freeze Grant, New Homes Bonus, other Government Grants | 11,254 | 11,595 | +3% |
| Total Spending Power | 17,763 | 17,556 | -1.2% |

- 8.1.4 **Cabinet is asked in Recommendation 2.1 to note that the provisional start-up funding assessment for 2013/14 is £5.961million and that this includes the Council Tax Support Grant and Homelessness Grant.** Should the final finance settlement be announced prior to Cabinet, an oral update will be provided at the meeting.

- 8.1.5 The provisional start-up Funding Assessment for the Authority for 2014/15 is £5.213million, a reduction of 12.6% on 2013/14. This reduction is in the Revenue Support Grant element of the funding assessment.

Table 2: 2014/15 Provisional Settlement

| | 2013/14 £'000 | 2014/15 £'000 | % Change |
|------------------------------------|------------------|------------------|---------------|
| Revenue Support Grant | 2,887 | 2,064 | -29% |
| Retained Business Rates | 1,921 | 1,919 | -0% |
| Sub-Total – Formula Grant | 4,808 | 3,983 | -17% |
| Add: | | | |
| Council Tax Support Grant | 1,065 | 1,142 | +7% |
| Homelessness Grant | 88 | 88 | 0% |
| Start-up Funding Assessment | 5,961 | 5,213 | -12.6% |

- 8.1.6 **Cabinet is asked in Recommendation 2.2 to note that the provisional start-up funding assessment for 2014/15 is £5.213million.**

- 8.1.7 Appendix 1 reflects the provisional settlement and also provides an update to the general fund estimates which have been refined since the draft budget report in December.

- 8.1.8 It is important to note that while the Revenue Support Grant will be guaranteed, the Baseline Need, funded through retained business rates, is an estimated starting point. The Government has used an estimate for the amount of Business Rates the Council will collect over the year ahead. Should the Council collect more or less than that amount then the total amount of funding will be either higher or lower. The Government has now outlined its intentions to set the safety net threshold of 7.5% below the baseline. This means the maximum risk to the authority of a fall in business rates is £179k and an allowance has been made in the financial risk balance for this eventuality. Any over achievement of the target is shared 50:50 with the Government. This means, for example, a 1% increase in the NNDR baseline could result in an extra £73k in funding.
- 8.1.9 Cabinet is asked in recommendation 2.3 to note that should Business Rates income fall lower than the Business Rates Baseline then the Council's overall funding will fall until the Safety Net percentage of 7.5% is reached. This represents a maximum financial risk in 2013/14 of £179k.**
- 8.1.10 The Council Tax Setting Committee approved the NNDR 1 form on the 15 January 2013. It is not clear whether the government intends to use the NNDR 1 submission returns to revise its estimates for 2013/14. If it does, and the national position for the collection of Business Rates is significantly different to previous estimates then the provisional settlement could be adjusted for the final announcement.
- 8.1.11 The NNDR 1 suggests the total amount of Business Rates to be collected in 2013/14 will be £38million with 50%, £19million payable to the Government as the central share. This amount will have to be paid to Government regardless of the actual amount collected in year. Of the remaining £19m, the Council's share will be roughly £15million. This represents 80% of the 50% of total business rates that are kept locally. The remaining 20% of the 50% local share is paid to the County Council. However, the government has determined that this Council has a relative need lower than the remaining share of the Business Rates. As a result the Council will have to pay a tariff equivalent to approximately 83.75% of the business rates baseline to the Government and will keep an amount equivalent to the Baseline Need (£2.381million in 2013/14).
- 8.1.12 Cabinet is asked in recommendation 2.4 to note the Council has been deemed as having a Baseline Need lower than the Business Rates Baseline which means the Council will pay a tariff equivalent to approximately 83.75% of the Business Rates Baseline to central government.**
- 8.1.13 The Government confirmed the council tax freeze grant offer i.e. an amount equivalent to a 1% increase in funding for 2013/14 and 2014/15, for a 0% council tax increase in 2013/14, and up to a 2% increase being allowable before a referendum is required. Should the Council choose to accept the grant this would be equivalent to approximately £100k per annum, or £200k over the two years. A 1% increase in Council Tax in 2013/14 would provide the Council with the same income over the next two years, but a total of £500k over the five year period. 1% on Council Tax is equivalent to a £1.97 per annum increase for a Band D property, or just under 4p per week. This is further considered in section 8.7.
- 8.1.14 The New Homes Bonus Scheme was announced in 2011/12 and is now considered part of the Council's spending power. The Council was awarded £552k in 2011/12 and £489k in 2012/13, which will be payable for six years. The Council has been provisionally awarded a further £492k in 2013/14 and it is anticipated the Council will be awarded a similar amount in each year thereafter, but this is dependent on the delivery of new housing developments in the District. The New Homes Bonus has provided the opportunity to have a £150k annual allowance for growth with the remaining funds being used to fund the strain on existing general services which additional development brings. There is, however, a significant risk

that the Council will see a further reduction of other funding in the future to help pay for the bonus.

- 8.1.15 In the absence of any indication of government funding for 2015/16 and beyond an estimate has been made that the Council will face further reductions in each year of the MTFS. This is based on the commentary at the time of the provisional settlement and Government's indication of a further spending review later this year. Table 3 indicates the estimated reduction in the start-up funding assessment and the resulting efficiencies required to maintain a minimum general fund balance for the scenario provided in Appendix 1.

Table 3: Assumed Government funding reductions and Efficiencies required

| Year | % Reduction in Start-up Funding Assessment | Amount of Reduction £'000 | Efficiencies required £'000 |
|--------------|--|---------------------------|-----------------------------|
| 2013/14 | 8% | 548 | 903 |
| 2014/15 | 13% | 748 | 1,000 |
| 2015/16 | 6% | 319 | 400 |
| 2016/17 | 2% | 109 | 400 |
| 2017/18 | 2% | 107 | 400 |
| Total | 31% | 1,831 | 3,103 |

- 8.1.16 In 2012/13 the Council will receive in total some £50.408million as specific grant funding. Often the announcements of this type of funding are made after the Council has set its annual budget, making it difficult for Councils to plan ahead. The total expected revenue and capital grant funding for 2013/14 is not yet known. The expectation for each grant is shown in the table below.

Table 4: Analysis of Government Grants:

| Revenue Activities | 2012/13 £'000 | Expectation for 2013/14 |
|--|---------------|---|
| Housing Benefit Subsidy | 38,983 | Estimate available late Jan 13, so current budget forecast is based on the 2012/13 mid-year estimate. |
| Council Tax Benefit Subsidy | 8,159 | A 10% reduction in funding for the Local Council Tax Support Scheme. |
| Discretionary Housing Payments | 51 | £165k. |
| Benefits Administration and Fraud Initiative | 839 | Announcement by DWP received of £744k main administration grant and £37k additional admin grant, total £781. |
| Waste minimisation – HCC contribution | 400 | This funding is expected to reduce to approximately £250k in 2013/14. |
| NNDR Administration Grant | 181 | £182k |
| Council Tax Freeze | 247 | Approximately £100k assuming the grant is accepted. |
| New Homes Bonus | 1,041 | Approximately £1.533million in total. |
| Community Safety Grant | 29 | Assume same level. Funding is now with the Police Commissioner not HCC. Will not know if funding has been awarded until the New Year. |
| Homelessness Prevention Grant | 88 | It was announced within the provisional settlement that funding will be maintained at £88k. |

| | | |
|-------------------------------|---------------|---|
| Election Administration Grant | 135 | Announcement to be confirmed. No effect on general fund as will receive a grant to cover cost of County election in May 2013 |
| Total Revenue Grants | 50,153 | |
| Capital Activities | | |
| Disabled Facility Grant | 255 | Announcement expected soon. |
| | | The North Hertfordshire Museum and Community Facility project is hoped to attract nearly £1million of funding from the Heritage Lottery Fund. |
| Total Capital Grants | 255 | |
| Total Grants | 50,408 | |

8.1.17 Often grants are time-limited. Because of this grant funding lifecycles are monitored throughout the year so that consideration can be given to the impact of those grants coming to an end when setting the budget for the following year.

8.2 Revised estimates for 2012/13 as at end of November 2012

8.2.1 The second quarter 2012/13 revenue monitoring report informed Cabinet of a projected net expenditure of £16.024million. The projected net expenditure for 2012/13, shown in appendix 1, is £17.153million. This is because the New Homes Bonus (£1.041million) and Homelessness Grant (£88k) have been extracted and shown alongside other Government funding to be consistent with the provisional settlement.

8.2.2 A high level review of the most volatile budgets has been completed with data as at 30 November 2012. There are two forecasted significant variances on the working budget that total a decrease in net expenditure of £49k. The projected net expenditure on the General Fund is now estimated to be £17.104million.

8.2.3 The variances are as follows:

- Planning Control income; Income from planning fees in 2012/13 is now expected to be £491k, an increase of £29k on the working budget. This variance is due to a 15% fee increase which the government announced in November. Also the receipt of a major planning application;
- Bad Debt Provision; Sales ledger bad debt levels have fallen significantly which means the necessary contribution to the provision in 2012/13 has fallen by £20k. This is due to a change of focus by the recovery team onto sales ledger debt and an improvement in services chasing up late payers.

8.2.4 These variances will be reported again in the third quarter monitoring report. It is not necessary to make any adjustments to the base budget for 2013/14 following the November high level budget monitoring.

8.2.5 Cabinet is asked in recommendation 2.5 to note there is no impact on the 2013/14 base budget following the November high level budget monitoring review.

8.3 Balances

8.3.1 Before setting a draft Council Tax precept for 2013/14, it is necessary to review the position of balances and reserves. In addition to the General Fund balance, the Council keeps specific reserves and provisions for known areas of exposure to potential additional costs (provisions are sums set aside when the Council knows with reasonable precision the likely actual costs).

- 8.3.2 The Council operates with a reserve balance for General Fund activities in order to provide a cushion against unexpected increases in costs, reductions in revenues and expenditure requirements. To achieve a balanced budget net expenditure on the General Fund is anticipated to be approximately £16.6million for 2013/14. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) suggests that the revenue balances should be set at no less than 5% of net revenue expenditure, having taken account of the risks faced by the Authority in any particular year. For NHDC this would mean a minimum balance of about £830k. The minimum figure represents the cushion against totally unforeseen items. When setting the level of balances for any particular year, known risks which are not being budgeted for should be added to this figure and the Council will be criticised for poor financial management by the External Auditor if, having considered the risks it does not budget for a higher balances figure. The MTFs suggested it would be prudent in the light of the potential funding volatility from the localisation of Business Rates to increase the 5% allowance to around 10%. Rather than increase this allowance for unknown risks it is considered more appropriate to identify this item within the known financial risks.
- 8.3.3 An assessment of the risks has been compiled for the coming year based on risks identified by each Head of Service/Corporate Manager and where possible, cross-referenced to the risk register. The identified areas are where the financial impact is not wholly known and prudence would therefore indicate the need to set the General Fund balance slightly higher than the minimum. The increase in balances is based on percentage proportion of the risks identified. The total risks identified have a total value of over £8million, however only a proportion of the risk value is taken in to account. For high risk items 50%, medium risk 25% and low risk 0%. The following Table 5 summarises the identified risks over the high, medium and low assessment:

Table 5 –Budget risks 2013/14

| Category | Number | Value £,000 | Allowance £,000 |
|-----------------|---------------|------------------------|----------------------------|
| High | 13 | 1,534 | 767 |
| Medium | 26 | 2,953 | 738 |
| Low | 16 | 3,440 | 0 |
| Total | 55 | 7,927 | 1,505 |

- 8.3.4 Although the total assessment of risk is roughly £8million, the level of risk varies from high/medium to low. Taking a proportion of the risks, as outlined above, would mean it would be prudent to increase balances by £1.5million (estimated until all the assessments have been completed) above the minimum level. This would seem to suggest that it is advisable to maintain a minimum General Fund balance in the region of £2.3million for 2013/14. This is £650k higher than the approved minimum balance for 2012/13 but is a reflection of the additional risks facing the Authority at the current time.
- 8.3.5 This is a well established approach for assessing Financial Risks. It demonstrates the Council has robust systems in place to manage its financial risks and opportunities and to secure a stable financial position that enables it to operate for the foreseeable future. The Council's external auditors, Grant Thornton, recommend in their review of the Council's financial resilience (reported to the Finance Audit and Risk Committee) that the Council should continue to maintain an appropriate level of reserves to ensure financial resilience is maintained.
- 8.3.6 Cabinet is asked in Recommendation 2.6 to note the Chief Finance Officer considers the budget for the year, including the allowance for risk, is adequate and to approve a minimum General Fund Balance of £2.3million.**

Other Reserves and Provisions

- 8.3.7 Balances on other earmarked reserves are estimated to total £2.572million at the 31 March 2013. The expected movement on these accounts for 2012/13 is shown in Table 6.

Table 6 –Other Reserves & Provisions 2012/13

| | Balance at 1 April 2012 | Projected Contributions | Projected Payments to Fund expenditure | Projected Balance at 31 March 2013 |
|-----------------------------------|-------------------------------|----------------------------|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Special Reserve | 967cr | 100cr | 0 | 1,067cr |
| Housing Planning Delivery Reserve | 648cr | 0 | 211dr | 437cr |
| Information Technology Reserve | 382cr | 0 | 93dr | 289cr |
| Environmental Warranty Reserve | 209cr | 0 | 0 | 209cr |
| Performance Reward Grant Reserve | 71cr | 0 | 71dr | 0 |
| Insurance Reserve | 90cr | 0 | 0 | 90cr |
| Cemetery Mausoleum | 96cr | 15cr | 0 | 111cr |
| S106 Monitoring | 72cr | 0 | 16dr | 56cr |
| Homelessness | 72cr | 0 | 8cr | 64cr |
| Building Control Reserve | 42cr | 0 | 0 | 42cr |
| DWP Additional Grants | 41cr | 0 | 41dr | 0 |
| Climate Change Grant | 28cr | 0 | 28dr | 0 |
| Museum Exhibits Reserve | 12cr | 0 | 0 | 12cr |
| Property Maintenance | 15cr | 10cr | 0 | 25cr |
| Paintings Conservation | 11cr | 0 | 0 | 11cr |
| Childrens Services | 6cr | 0 | 6dr | 0 |
| Hitchin Museum Donations | 2cr | 0 | 0 | 2cr |
| Leisure Management Reserve | 12cr | 20cr | 13dr | 19cr |
| Town Wide Review | 0 | 100cr | 0 | 100cr |
| Town Centre Maintenance | 0 | 25cr | 0 | 25cr |
| Community Right to Bid | 0 | 13cr | 0 | 13cr |
| Total Revenue Reserves | 2,776cr | 283cr | 487dr | 2,572cr |

8.3.8 Special Reserve

As at 31 March 2012 the balance of the reserve was £0.967million. The projected balance at 31 March 2013 is £1.167million. Use of the special reserve will happen on a phased basis to prevent erratic movements in Council Tax increase. Members have agreed to maintain a balance in this reserve to fund invest to save projects and to support unavoidable fluctuations in contract prices as contracts are renewed.

Housing & Planning Delivery Reserve

- 8.3.9 In previous years the Council has received Planning Delivery Grant (PDG) towards meeting the then Government's Communities Plan objectives. The original time period of the Planning Delivery Grant ceased and the Housing and Planning Delivery Grant (HPDG) which replaced it has also finished. In order to match the Council's expenditure to the grant received for the approved work programme a reserve was set up to be drawn on over the forthcoming years. The balance on the reserve at the 31st March 2012 was £648k and is projected to be £340k as at 31 March 2013. This remaining balance has been allocated to projects.

I.T Reserve

- 8.3.10 The projected balance on the fund is estimated to be £323k at the 31 March 2013. The IT reserve was set up to ensure funding was available for IT capital projects as it was required. In the current economic climate, when there is less scope for any form of new investment, any new capital IT investment will need to be considered alongside other Council priorities. It is not thought appropriate to maintain a reserve specifically for IT investment. Therefore, no further contributions will be made into the reserve and the remaining balance will be used on a phased basis. The special reserve is available for invest to save projects.

Environmental Warranty Reserve

- 8.3.11 As part of the Stock Transfer agreement, the Authority was required to provide environmental warranties to North Hertfordshire Homes. A desktop environmental study indicated that the risk to the Council of the warranty being used was low and the Council took the decision to self insure the warranties from the post stock transfer reserve. In 2003/04 the Council agreed to transfer funds from the post stock transfer reserve to an earmarked Environmental Warranty, which under the agreement will be held for 30 years. At the commencement of this year the balance stood at £209k.

Performance Reward Grant Reserve

- 8.3.12 The Performance Reward Grant was awarded for success against targets in the Local Area Agreement; the grant is administered by the Authority, on behalf of its 'owner' the North Herts Local Strategic Partnership. This earmarked reserve represents the revenue element of the grant and is allocated to schemes in the District identified by the LSP. Spending of the final portion will take place by the end of the financial year 2013/14.

Insurance Reserve

- 8.3.13 As at 31 March 2012 the Council's Insurance Fund stood at £90k. The original purpose of the Reserve was to protect the Council against the possibility of the Municipal Mutual Scheme of arrangement being triggered which would entitle them to 'clawback' claims costs above £50,000 paid since 1993 (£352,610 for NHDC as at 30 September 2012). It can take a very long time for insurance company liabilities to be finally assessed. For example, a claim for an asbestos related illness for a former NHDC employee was settled under this arrangement earlier in 2012. The Insurance Reserve allows 12% cover for this Levy. A Supreme Court ruling earlier this year on policy wordings went against MMI and the Scheme of Arrangement is now likely to be triggered and a levy made. In addition the Reserve has been maintained to cover the probability of a loss on self-insured assets.

Mausoleum Reserve

- 8.3.14 As part of the new extension to Wilbury Hills cemetery, Members agreed that receipts from the purchase of mausoleum spaces would be used to fund the extension of the number of mausoleum blocks. To date the Council has received deposits totalling £111k.

S106 Monitoring

- 8.3.15 In 2007/08 a reserve was created to cover the cost of monitoring S106 obligations in future years. The reserve is funded by S106 monitoring fees payable by Developers when they enter a S106 agreement. The balance on the reserve at the end of the year will be used to fund the cost of monitoring in future years. As at 31 March 2012 the balance on the reserve was £72K.

Homelessness

- 8.3.16 The £72k at 1 April 2012 is the unspent amount of Homelessness and Preventing Repossessions Grant, received from the DCLG, which is earmarked for homelessness prevention work.

Building Control

- 8.3.17 A new charging regime was implemented in October 2010. According to CIPFA guidance the Building Control Service should break even so there is no significant surplus or deficit at year end. However, the use of earmarked reserves is encouraged for the use of surpluses and funding of deficits if they occur, i.e. offsetting surpluses or deficits against future fees and charges or reinvesting surpluses in improving the quality of the Building Control Service.

DWP Additional Grants

- 8.3.18 This reserve is for unspent Discretionary Housing Payments and various additional Housing Benefit Administration grants to help meet the additional burden of implementing changes to the Housing Benefit process from the Department of Work of Pensions (a total of £41k remained unspent at the 1 April 2012).

Climate Change Grant

- 8.3.19 The Climate Change Grant has been awarded by the DCLG over the last couple of years. A total of £28k remains unspent at 1 April 2012 but it is committed to projects to reduce energy consumption.

Museums Exhibits and Hitchin Museum Donations

- 8.3.20 The Council has previously received donations towards the purchase of exhibits. These donations are put into the reserve until an item for purchase is identified. The Council did not receive any donations in 2010/11 or 2011/12.

Property Maintenance & Leisure Management Maintenance

- 8.3.21 Both of these reserves have been created in order to provide an ability to offset future unexpected maintenance costs which cannot be funded from regular general fund budgets. The total expected balance at a 31 March 2013 is £44k.

Paintings Conservation

- 8.3.22 The paintings conservation reserve consists of receipts from the sale of the Radcliffe Book and other monies which have been earmarked for future art conservation.

Children's Services

- 8.3.23 This reserve is for play schemes and sports development grants from County Councillor's locality budgets. The £6k brought forward from 2011/12 is expected to be fully spent in 2012/13.

8.3.24 Town Wide Review / Town Centre Maintenance

These reserves are new during 2012/13 to reflect the fact that budgets were continually being carried forward from one year to the next. By maintaining an earmarked reserve, funds can be drawn down as required.

8.3.25 Community Right to BID

Represents the one-off grant funding received to recognize the additional burden of the new legislation.

8.3.26 Provisions

As at the 31 March 2012 the Council had a total of £722k held as provisions. These comprised of:

- An Insurance Fund of £38k which is money held to cover outstanding claims from previous years. The Council is currently tendering for a new insurance contract. The new contract may require additional self insurance which could mean this provision will need to increase in the year ahead.
- A Leisure Contract provision of £600k, to compensate Leisure Management Contractors for any future employment cost as specified within the contract if they fall due. Counsel advice has been sought on the outstanding risk to the Council on this issue. If the advice suggests the risk is now minimal it may be possible to reduce this provision in 2013/14 and transfer the funds back to the general fund.
- A provision for Homeless Deposit guarantees of £10k, this provision is for guaranteed deposits given to private landlords for any loss or damage arising from the tenancy of housing persons threatened with homelessness,

- A Baldock Road pavilion provision of £19k. This provision is for rebuilding the pavilion which was burnt down. The monies were generated as a result of an insurance claim.
- Maintenance of Graves, a provision of £3k for graves that the Council has responsibility for maintaining.
- Land Charges Provision of £52k. This provision is for the possible compensation of Personal Search fees pending the outcome of an ongoing legal case and will be increased to £72k by the end of March 2013.

8.3.27 Cabinet is asked at recommendation 2.7 to note the position relating to the Council's other reserves and provisions.

8.4 Collection Fund

- 8.4.1 The Council is required to maintain a Collection Fund to account for the costs of collecting the Council Tax. The Fund is required to break even over time and should a surplus/deficit develop, this must be returned/repaid to/from the Council Taxpayers. Any surplus/deficit must be shared with the County Council and Police authority in proportion to their share of the overall Council Tax bill.
- 8.4.2 The balance on the Collection Fund as at 1 April 2012 was a deficit of £65k, however, within this net position the proportion relating to North Hertfordshire was a surplus of £3k while the County Council and Police Authorities share were both deficits. The provisional figures for 2012/13 indicates a year-end surplus on the collection fund of £198k, see Appendix 7. North Hertfordshire's share is a net surplus of £31k, against this amount.
- 8.4.3 Should the Council trigger the referendum limit set by Government the Council Tax increase before application of any collection fund reduction is the figure used to determine whether an authority is subject to a referendum.
- 8.4.4 The implementation of the Local Council Tax Support Scheme from 1 April 2013 will result in changes to the accounting and the mechanisms of the Collection Fund. Authorities will still be able to increase council tax, subject to other constraints (e.g. the need for local referendum) that already exist. However, because of the move to localised support for council tax, the increases in council tax reductions that result from the increases in council tax each year will directly impact upon the amount of revenue that a local authority raises through its council tax increase each year. The proportion of council tax revenue that is subject to a discount as part of a localised scheme of council tax support will lead to a commensurate reduction in the amount of additional income raised through increasing council tax.
- 8.4.5 If claims for council tax support are higher than expected this would be translated into an increase in the value of discounts awarded and a reduction in the level of council tax collected that would be credited to the collection fund. This will either reduce the surplus in the collection fund that is distributed at the end of a financial year or increase the deficit that has to be funded. If there is likely to be a deficit, then the billing authority will be able to alter the instalments paid out to major preceptors and to itself during the financial year in which a deficit might arise.
- 8.4.6 **The Committee is asked in recommendation 2.8 to note the position on the Council Tax Collection Fund and agree no contribution to or from the Collection Fund in 2013/14.**

8.5 Strategic Priorities

- 8.5.1 The Council operates a system of priority led budgeting and the Corporate Business Planning process describes an annual cycle which begins with the identification of our strategic priorities and the short and medium term actions we will take to achieve them. Having identified our strategic priorities and actions

through the Priorities for the District, the MTFS then considers the financial implications of the priorities and other external pressures and ensures we have a clear policy framework to enable us to allocate funds in accordance with our priorities as we go through the budget setting and service planning stages of the process. To assist in the prioritisation of the limited financial resources a scoring system is used. Any investment proposals put forward must be linked directly to the strategic priorities or be an “invest to save” option.

8.5.2 Our allocation of resources to these priority areas will mean that some areas are not prioritised but these can be looked at in future years as appropriate. The Council is absolutely committed to achieving maximum Value for Money in the use of our limited resources to meet our strategic priorities.

8.5.3 The Council's Revenue & Capital Strategies require that revenue investment options and capital projects submitted by services are classified against ten key factors, as outlined in Table 7 below. The scoring has been applied to all considerations of both revenue and capital investment in order to determine the risk and effect of growth, reduction or complete removal of a service.

Table 7 – Capital & Revenue Investment Key Factors

| Revenue & Capital | Points Score Range |
|--|----------------------------|
| 1 Contractual Obligation | 0 but noted as obligation* |
| 2 Statutory/Discretionary/Core or Non-Core | 0-10 |
| 3 Priorities | 5 per main action |
| 4 Continuous Improvement | 0-5 |
| 5 Social Inclusion | 1-3 |
| 6 Income generation | 2-5 |
| 7 District Wide Survey | 1-6 |
| 8 Health & Safety | 0-5 |
| 9 Invest to Save | 0-10 |

8.6 Efficiency and Investment Proposals

8.6.1 At the December meeting Members were asked to note the inclusion of £921k of efficiency proposals (both expenditure reduction and income generation) in 2013/14 and £105k of investment proposals.

8.6.2 Of the list of proposed further efficiencies Members requested the proposal for a reduction in funding to the Herts Young Homeless Group (E3) be removed from the proposals and Members asked Officers to undertake further work on an efficiency proposal with regards to the provision of Christmas Trees (E9).

8.6.3 The income generation proposals included a proposal for parking charges (I2) which was left open as ‘to be confirmed’. After further consideration this proposal has a net income target for 2013/14 of £50k, rising to £70k in 2014/15. It is acknowledged that further consultation is required for a new tariff schedule and as such implementation has been anticipated in June 2013.

8.6.4 The process of seeking more efficient ways of working and scrutinizing the budget is continuous. As a result a number of ongoing efficiencies will be implemented in 2012/13 to deliver savings in 2013/14 without having a detrimental impact on front line services. These efficiencies are the result of identifying more efficient ways of delivering the same services and will have been discussed with the relevant Portfolio Holder. These efficiencies inevitably result in some reductions in staff numbers. Consultation with the relevant officers is underway and as such it would

be inappropriate to provide the detail in this report of the proposed restructures of the staffing establishment.

- 8.6.5 The budget scrutiny efficiencies total £323k and the staff restructure efficiencies total £459k (this reflects the part year effect of not all restructures being implemented by the beginning of the financial year). The other proposed efficiencies total £26k and the income generation proposals total £92k. Together these will result in a net expenditure reduction of £900k in 2013/14. Despite the provisional settlement being worse than our 'worst case scenario' for 2013/14 the fact that there are efficiency proposals in excess of the target means the proposed 2013/14 general fund estimates are balanced. However, at this stage it looks like a further £1million of efficiencies will need to be found over the next year in order to balance the budget for 2014/15.

Table 8: Efficiency Proposals Summary

| | Saving in 2013/14 | Ongoing Annual Savings |
|--|------------------------------|-----------------------------------|
| | £'000 | £'000 |
| Budget Scrutiny Reductions | 323 | 323 |
| Senior Management Restructure | 115 | 115 |
| Other Staff Restructures | 344 | 368 |
| Sub-total | 782 | 806 |
| Other Detailed Efficiency Proposals (appendix 4) | 26 | 68 |
| Other Income Generation Proposals (appendix 5) | 92 | 190 |
| Total Proposed | 118 | 258 |
| | | |
| Grand Total | 900 | 1,064 |

- 8.6.6 The more efficiencies that can be achieved early the easier it will be in later years. For example, if an ongoing efficiency is achieved in 2013/14 for £100,000 then by the start of 2015/16 there would be an additional £200,000 available in reserves.
- 8.6.7 Members are reminded of the requirement under section 30 of the Local Government Finance Act 1992 to set a balanced budget by March 2013. This requires that the Council Tax level be set at a level which bridges the gap between budget requirements and the expected income from local taxes. The Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of estimates and the adequacy of reserves allowed for in the budget. There are adequate proposals to meet the anticipated budget gap for 2013/14 for the Council to demonstrate it has a clear strategy in place that satisfies the Chief Finance Officer there is a balanced budget.
- 8.6.8 Employee expenditure remains one of the key areas of the Council's gross expenditure (approximately 40% of gross expenditure when Housing Benefit payments are excluded) and as such it is an area of spend which must be considered when looking for efficiencies. While the Council has already made savings by restructuring it is again proposed that further savings can be made from this budget in 2013/14 through more efficient ways of working. A total of 12 posts are proposed for deletion of which 3 are currently vacant. The special reserve balance will be used to fund any payments that are necessary for unavoidable redundancies and this has already been anticipated within the 2012/13 budget monitoring. Table 9 demonstrates the effect of the proposed changes on the employee budget from 2009/10 to 2013/14. There is an estimated net reduction of £391k in the employee budget between the original 2012/13 staff establishment and 2013/14.

Table 9: Estimated Employee budget from 2009/10 to 2013/14

| | £'000* |
|--|---------------|
| <i>2009/10 Employee Budget</i> | 14,482 |
| <i>2010/11 Employee Budget</i> | 13,966 |
| <i>2011/12 Employee budget</i> | 13,191 |
| 2012/13 Employee budget | 12,697 |
| Add: | |
| Increments | 80 |
| Pay Award (1% increase) | 97 |
| Superannuation (1% increase) | 85 |
| Less: | |
| Senior Management Staff reductions | (115) |
| Other Staff Reductions | (344) |
| Other Restructures completed during 2012/13 | (194) |
| 2013/14 Employee budget | 12,306 |
| Net reduction from 2012/13 to 2013/14 | (391) |

* all figures include on costs for employer national insurance and superannuation

8.6.9 Cabinet is asked at recommendation 2.9 to approve the efficiency proposals, totalling £900k as detailed in table 8, for inclusion in the budget estimates for 2013/14.

Investment Proposals

8.6.10 A list of six revenue investment proposals are attached to this report as appendix 6. All proposals have been linked to Council priorities and have been scored, as described in paragraph 8.5.3, to give an indication of the priority of the proposals. The proposals total £105k which is less than the £150k allowance for investment in the MTFs.

8.6.11 Cabinet is asked at recommendation 2.10 to approve the investment proposals, totalling £105k as detailed in appendix 6, for inclusion in the budget estimates for 2013/14.

8.7 Estimates 2013/2014

8.7.1 Detailed estimates at cost centre level have been prepared and a full budget book will be made available for Members. The high level summary general fund estimates are attached as Appendix 1 and include the investment and efficiency options mentioned above and any base budget adjustments approved by Members through the budget monitoring reports or other Committee reports. The estimates total a net district expenditure of £16.641million for 2013/14 compared to the original estimate for 2012/13 of £16.729million (the reported original budget for 2012/13 was £15.6million but the New Homes Bonus and Homelessness grant has now been extracted from net expenditure). This is a net decrease of £88k.

8.7.2 In arriving at the above net district expenditure it is assumed discretionary fees and charges for services will be increased by RPI (3.2%) unless a separate decision has been taken with regard to a specific service. For example, decisions have been made that cemetery services and allotment services should be delivered at a net nil subsidy.

8.7.3 The council tax requirement for the District, as defined for statutory purposes (previously the budget requirement prior to the Localism Act 2011) and which includes Parish precepts, is required to be approved by Full Council and will be provided before 13 February when all Parish precepts are known.

8.7.4 Cabinet is asked in recommendation 2.11 to note the estimated 2013/14 net expenditure of £16.641million, as detailed in appendix 1 and to recommend this budget to Council.

8.8 Other Considerations

8.8.1 It is clear that it will be necessary to use some of the Council's set aside capital receipts to fund the capital programme, at least in the short term, until more asset disposals are completed. The cost of this 'borrowing' is the loss of interest earned on the cash investments and this will need to be funded from the general fund. The appropriate base budget adjustments to the general fund estimates will be made when appropriate. The total estimated drawdown of cash investments over the four years 2012/13 to 2015/16 to fund the current capital programme is £12million. Based on the current average interest received on cash investments the cost of 'borrowing' the whole £12million would be £240k per annum.

8.8.2 Discussions at the Hertfordshire Waste Partnership suggest the funding the Council receives from the Alternative Financial Model (AFM) could be phased out over the next 4 years. At this stage it is anticipated the Council will see a reduction from the £400k received in 2012/13. It is anticipated that the reduction can be covered from existing budgets and the remaining AFM funding will be adequate to fund the proposed changes to the Waste Collection Service.

8.8.3 Having considered all the implications in this report on the demand for Council resources, Cabinet must consider its recommendation to Council on the level of Council Tax for 2013/14. The general fund estimates in appendix 1 have been repeated in appendix 2 and 3. Appendix 1 demonstrates the funding position with a zero increase in council tax (and the receipt of the council tax freeze grant), appendix 2 demonstrates a 1% increase in council tax and appendix 3 demonstrates a 1.9% increase. Members should be aware that acceptance of the Council Tax freeze grant for a further year leads to further erosion of the base for future years and from a longer term financial planning perspective it would be more advantageous to have a modest 1 to 2% increase each year to help mitigate the impact of inflationary increases which the Council faces. Members could, therefore, decide to protect the base going forward and choose to increase Council Tax within an acceptable level. An increase of 2% or more would be subject to a local referendum. Members will have to justify the level of increase to the Council Taxpayers and have to balance the costs of providing services to the public with the implications of non-provision or variation to the level of provision.

8.8.4 If the Council did choose to increase council tax in 2013/14 by 1% (£1.97 on a Band D Council tax bill or just under 4p per week) it would not receive the government grant but it would receive more income in future years. A 1.9% increase in Council Tax in 2013/14 would be equivalent to £3.74 on a Band D Council tax bill or just over 7p per week.

8.8.5 The provisional settlement for 2014/15 does suggest that another £1million of ongoing efficiencies will be required in 2014/15 if council tax is not increased. Our estimates suggest that a total of £2.2million of ongoing efficiencies will be required over the four years 2014/15 to 2017/18. These targets will be lower if Members choose to increase council tax and this is demonstrated in Table 10.

Table 10: Council Tax Scenarios

| Council Tax assumption | Efficiency target in 2014/15 £'000 | Efficiency Target over 4 years £'000 |
|-------------------------------|---|---|
| No increase in council tax | 1,000 | 2,200 |
| 1% increase in council tax | 800 | 1,700 |
| 1.9% increase in council tax | 600 | 1,300 |

- 8.8.6 Members will recall that the North Herts proportion of the overall bill is relatively small and our ability to influence the overall perception of the Council Tax increase is marginal. The County Council increase is the determining factor in the overall level of increase experienced by the Council Tax payer.

Table 11 -Average Band D Council Tax

| | 2012/13 | Share of bill |
|--------------|-----------------|----------------------|
| | £ | |
| District | 196.59 | 13.44% |
| HCC | 1,118.83 | 76.46% |
| HPA | 147.82 | 10.10% |
| Total | 1,463.24 | 100.00% |

- 8.8.7 **Cabinet is asked at Recommendation 2.12 to indicate the level of precept it wishes to recommend to Council to be levied upon the Collection fund for 2013/2014.**

9. LEGAL IMPLICATIONS

- 9.1 The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.
- 9.2 Cabinet's terms of reference include recommending to Council the annual budget, including the capital and revenue budgets and the level of council tax and the council tax base. Council's terms of reference include approving or adopting the budget.
- 9.3 Members are reminded of the duty to set a balanced budget and to maintain a prudent balance.

10. FINANCIAL IMPLICATIONS

- 10.1 As outlined in the body of the report.

11. RISK IMPLICATIONS

- 11.1 As outlined in the body of the report.

12. EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1 October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5 April 2011. There is a General duty, described in 8.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 The proposals for efficiencies within this report do not unduly disadvantage one

Individual group within our local community, although proposals relating to the staff, their terms and conditions or future employment will need to be subject to individual equality analysis in due course, as for any organisational or service restructure. The growth proposals with regards to capital improvements to leisure facilities and financial support of the Herts Youth games should be viewed positively, as they increase and maintain leisure opportunity for a wider range of age groups, and in a number of locations across the district.

- 12.4 For any individual proposal comprising either £50k growth or efficiency, or affecting more than two wards, an equality analysis is required to be carried out; this will take place following agreement of efficiencies or growth.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 There are no social value implications arising from the adoption of the Budget.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 A number of efficiency proposals will directly affect staff. It is important that all affected staff are consulted at the earliest opportunity and council policies and procedures are followed.

15. APPENDICES

- 15.1 Appendix 1 - General Fund estimates (Council Tax freeze)
Appendix 2 - General Fund estimates (1% Council Tax increase)
Appendix 3 – General Fund estimates (1.9% Council Tax increase)
Appendix 4 – Expenditure reduction proposals
Appendix 5 – Income generation proposals
Appendix 6 – Revenue Investment proposals
Appendix 7 – Collection Fund Projection 2012/13

16. CONTACT OFFICERS

Author:

- 16.1 Tim Neill, Accountancy Manager, Tel 474461, email, tim.neill@north-herts.gov.uk.

Contributors:

- 16.2 Norma Atlay, Strategic Director of Finance, Policy and Governance, Tel 474297, email, norma.atlay@north-herts.gov.uk.
- 16.4 Liz Green, Head of Policy and Community Services, Tel 474230
Email: liz.green@north-herts.gov.uk
- 16.5 Kerry Shorrocks, Corporate Human Resources Manager, Tel 474224
Email: kerry.shorrocks@north-herts.gov.uk

17. BACKGROUND PAPERS

- 17.1 Government finance settlement 2013/14
Financial Risks estimate working paper 2013/14
Grant Thornton's Review of the Council's arrangements for securing financial
resilience. (October 2012)