

2013/14 Budget Section 25 Review

Mark Sheldon
Section 151 Officer
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Purpose of Section 25 review

Risk based – appendix 9 covering:

- Robustness of estimates
- Adequacy of reserves
- MTFS
- Council tax level

Council to consider in setting the budget /council tax



Robustness of estimates

2013/14 budget assumptions:

- Gov't cut of £406k (7.4%) plus 10% cut in benefits budget (£90k)
- Inflation only where contractual
- 1% pay award
- Reduced income targets: car parking by a further £50k, development control £20k & trade waste £50k
- Budgets based on professional advice

Conclusion: prudent approach to budget estimates



Treasury Management

- Investment income based on low interest rates @0.5%
- Medium Term Financial Strategy (MTFS) – no assumption in respect of increasing interest rates
- Icelandic banks – priority status estimated to recover £10.2m of £11m deposited plus £600k interest (depending on interest rates)
- Annual Investment Strategy – lending list remains restricted, now includes Everyman theatre.

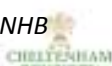
Conclusion: prudent approach to estimates for treasury management activity



New Homes Bonus (NHB)

- NHB allocation £699k for 2013/14
- £250k supporting the base budget
- £200k supporting the increase in property maintenance budget
- Budgeting assumption based on NHB sustainable over period of MTFS
- Similar approach to other Glos. Councils

Conclusion: prudent approach to use of NHB



Medium Term Financial Plan

- Feb 2012 – £2.1m based on council tax @ 2.5% / yr
- Feb 2013 – £3.3m based on council tax @ 2%
- Gov't support £788k (12.7%) cut in 2014/15, uncertain beyond?
- Pay capped at 1% for 2014/15 & 2015/16, 2% thereafter?
- Gov't support for council tax freeze gone after 2015/16
- Excludes - add'n £200k/yr for property maintenance
- Budget strategy development indicates how gap is reduced to £303k – significant development



MTFS - Areas of uncertainty

- Pension Fund – next revaluation increase contributions budgeted at 2% per annum but fund performance/ impact of Hutton report still uncertain
 - Impact of localisation of council tax may increase benefits bill
 - Impact of business rates retention – potential impact if do not maintain / grow businesses (now local risk)
 - Future BtG initiatives / savings from commissioning?
 - Updated MTFS to be developed / agreed
- Conclusion: Given variables, reasonable set of assumptions*



Council tax level

- Tax setting - political decision
 - Freeze funded by £72k grant for 2 yrs, cost to CBC £180k over MTFS
 - Referendum for council tax increases above 2% - avoid at all cost (c£50k)!
 - Significant criticism for councils setting council tax just below 2%
- Conclusion: Given gov't support and the financial impact on residents in current climate, a council tax freeze is a pragmatic approach*



Reserves

- General Reserve
 - estimated balance 31/3/13 - £1.6m
 - maintain in range £1.5 – £2m
- Civic Pride – will need replenishing for 2014/15
 - Delivery vehicle funding
 - Site preparation funding
 - Some support funding for infrastructure improvements – promenade repaving
- Maintenance reserve – increasing NHB contributions, mitigates usage
- Capital programme c£700k – funded by annual revenue contribution
- ICT upgrade strategy (£1.066m) to support ICT investment / shared service
- Potential sale of North Place / Portland street - prioritise options to inform a Capital strategy to be agreed by Council in summer 2013.
- Reserves (excluding capital receipts) – projected to reduce from £6.6m (31/3/13) to £4.8m (31/3/14) as programmes are delivered.



Assessment of Reserves

- Take opportunities to increase to fund one off costs associated with BtG initiatives / commissioning and future budget initiatives.
 - Take opportunity to increase the General Reserve and civic pride reserve
 - Not holding unnecessary level of reserves – they all have a purpose.
 - Budget not balanced by drawing on General Reserve
- Conclusion: Overall levels reasonable*



Summary

- Budget estimates are prudent.
- Future final projections – models based on sound assumptions but still many uncertainties.
- 'BtG' programme successful (£5m annually) but future commissioning needs to support delivering the residual gap.
- Budget strategy approach major step forward
- Capital strategy for assets / buildings soon!
- Reserves at an appropriate level
- Council tax freeze pragmatic
- Challenge moving forward – as more BtG workstreams / commissioning delivered fewer options available for potential future funding cuts



Questions?

