

BOSTON BOROUGH COUNCIL

**REPORT TO COUNCIL
2 MARCH 2011**

**SUBJECT: MEDIUM TERM FINANCIAL PLAN AND COUNCIL TAX
SETTING 2011/12**

**PORTFOLIO HOLDER: COUNCILLOR LENTON – FINANCIAL MANAGEMENT
AND CORPORATE GOVERNANCE**

REPORT BY: STRATEGIC DIRECTOR - RESOURCES

Reason For Report:

- 1 The Council has a legal obligation to agree a balanced budget for the year and a level of Council Tax. This paper therefore sets out how the Council plans to use its capital and revenue resource to support the priorities of the Council in the forthcoming financial year, going forward until 2015/16.
- 2 The Council should be planning for the future and look towards a medium term financial strategy to address the forecast funding shortfalls.
- 3 The Council has to set the Prudential Indicators, which ensures that the capital plans are prudent, sustainable and affordable.
- 4 The Council should ensure reserves are adequate to meet the financial risks the Council faces.

Summary:

This report sets out the detail of the budget for 5 years from 2011-12 to 2015-16 and the recommended level of Council Tax for 2011/12. This was presented to Cabinet on 23rd February 2011. The Council has received information on its Central Government support for the next two years (with the Council making assumptions with regards to the level of support from 2013/14 to 2015/16). Members will be aware this has been a challenging financial settlement which is 'frontloaded' ie more savings have to be found in earlier years. The implications for this Council are that for 2011/12 there has been a reduction in Government Grant. From 2010/11 to 2012/13 Government Grant has fallen from £6.75m to £5.3m (£1.45m or 21.4%). The impact on the Council's net budget requirement is a fall of £1.1m for 2011/12 from £10.614m (2010/11) to £9.493m (2011/12), £0.5m is due to the responsibility for Concessionary Fares moving to Lincolnshire County Council. Despite the challenging financial environment the Council has maintained the same level of Council Tax (as 2010/11) for 2011/12 for a Band D property of £168.39 (ie a 0% increase). The Council will also receive a 'Council Tax Freeze Grant' of 2.5% (equivalent to £82,000) which is included within its budget requirement.

The other major issue to note is that current financial constraints impact upon the Council's ability to fund a substantial Capital Programme. The Council has to be mindful that any Capital Programme is prudent, sustainable and affordable. The proposed Capital Programme values £3.2m over five years and is fully funded. Any additions to the programme will be on the basis that the expenditure is for statutory or health and safety reasons or that there is a strong business case (and the scheme has an identified source of funding, effectively an 'invest to save' scheme).

Recommendation(s):

1. To approve the Boston Borough Council revenue estimates and BTAC Special Expenses for 2011/12 (**Annex 1, Tables 10-12**).
2. That the Capital Strategy (**Annex 1, Appendix 10**), Capital Programme and associated funding for 2011/12 and the estimated position until 2015/16 (**Annex 1, Table 18**) are approved.
3. To approve the use of reserves, as detailed at **Annex 1, Section 18**, and **Appendix 4**.
4. To agree the formal Council Tax resolutions at **Section 4** (Parishes, the County and Police Authority are also dealt with as part of this resolution) that there is a zero increase in Council Tax, the Band D Council Tax remaining at £168.39.
5. To recommend to Council that the BTAC Council Tax Special Expense is not increased in 2011/12 remaining at £8.85 at Band D (resolution at **para 3**)

Reasons for Recommendations:

The authority must, by law, set a balanced revenue budget while retaining sufficient resources to offset the impact of reasonably foreseen risks. The recommended budget and support measures are regarded as the most suitable approach

Alternative Options:

- Not to set a revenue budget – if not set by 11 March this would contravene statute and late setting will impact on Council Tax cash flow by delaying billing/payment dates.

- To set a budget/Council Tax at a higher level - to reflect a decision to increase expenditure or reduce income relative to the current proposals.

- To set a budget/Council Tax at a lower level – this would necessitate (or reflect) decisions to cut expenditure or increase income relative to the current proposals. This can also be attempted via the increase use of General Fund balances to offset expenditure, which would not be prudent.

- To substitute alternative service expenditure/growth proposals, keeping the next budget requirement and Council Tax at the same level. If minded to pursue any such options, Members should bear in mind the need to analyse how many such proposals would contribute towards the Council's objectives, and the need for proposals to be robustly constructed and controllable.

Background Papers:

Previous Cabinet, Scrutiny and Audit Committee Reports on both the MTFP and Treasury Management Strategy.

Implications:

Relationship to Corporate Plan








The Corporate Plan and budget for 2011/12 demonstrate the actions the Council will take and the way it will use the resources it has available in support of the priorities in the Corporate Plan. This is covered in **Section 16 of Annex 1**.



Financial

The Council is required to set a budget that balances for the 2011/12 years and the proposals presented here represent a balanced budget. If changes are made and certain income generating or cost-cutting proposals are not acceptable, alternatives must be presented at the meeting.



<p>Impact on Performance The proposals in the Corporate Plan and budget are designed to sustain the improvements in performance seen in 2010/11. The proposals also take account of any analysis to understand the value for money provided by each of our services.</p>	
<p>Human Resources The budget proposals for 2011/12 do have implications for staff and proper consultation will take place with all staff affected.</p>	
<p>Equality Impact Assessment The assessments have been carried out the savings proposals and are appended to the report, and outlined in Annex 4.</p>	
<p>Risk Management Given the current financial climate good risk management is critical to ensure the budget is delivered and is robust going forward. Annex 1, Section 17 highlights the major risks that have been identified and are being managed.</p>	
<p>Legal The Council has a statutory obligation to agree a balanced budget in March.</p>	
<p>Environmental The proposals in the Corporate Plan and budget reflect the aspirations and proposals contained in the Council's Carbon Management Plan.</p>	
<p>Wards Not ward specific</p>	

Main Report:

1 Introduction

- 1.1 This report fulfils two main functions the approval of the final budget which was presented to Cabinet on 23rd February 2011 and the requirement of presenting formal resolutions to set the Council Tax in accordance with the Local Government finance Act 1992, as amended.

2. Budget

- 2.1 The budget was presented to Cabinet on 23rd February 2011 with a recommendation to Full Council that the Band D Council Tax is set at £168.39 for the 2011/12 year, a nil increase on 2010/11. The report is attached at **Annex 1**.
- 2.2 The final settlement advised by the Department for Communities and Local Government, as predicted, has given the Council a big challenge to ensure it has a robust budget both for next year and going forward. From 2010/11 to 2012/13 Government support has reduced from £6.75m to £5.32m, a fall of £1.43m (21%) - (**Annex 1, Table 2.2**).
- 2.3 The Council is developing its Transformation Programme which is organic in nature and will change over time. **Annex 1, Table 14** shows that the Council has identified over £400,000 per annum via transformation work, testament to the hard work of Officers and Members to ensure the budget is 'fit for purpose'. That said there is still much work to do; from 2012/13 an estimated £1.4m is required from the Transformation Programme.
- 2.4 The economic climate and the financial constraints that the Council has to work within has also meant that the Capital Programme has been substantially reduced from £10.55m in 2010/11 to £3.2m (**Annex 1, Table 18**) over the next five years so it is affordable, sustainable and prudent. Treasury Management Prudential Indicators are given at **Annex 2** which shows, from both the Treasury and Capital perspectives, the projected impact of capital expenditure plans. It should be noted that these have been verified by the Audit Committee and there is a separate Agenda item for Full Council to approve a number of recommendations with regards to the Council's Treasury Management Strategy.
- 2.5 With heightened challenges comes greater risk. Notwithstanding the pressures the Council faces, as the Council's S151 Officer I am confident that the proposed budget will be delivered. I am also comfortable that at this present time the reserves are adequate (as detailed at **Annex 1, Section 10 and Appendix 4**) given the risks the Council faces. Reserves will remain under continuous review as the operating environment changes throughout the year.

3. Special Expenses

- 3.1 It is proposed that the amount to be charged for the Boston Town Area Committee special expense is £82,565. 72 equivalent to a Band D Council Tax of £8.85, unchanged from the 2010/11 amount.

4. Council Tax Resolutions

4.1 The Council is required to approve the levels of Council Tax each year in a prescribed format. The resolutions set out below conform to that format:

4.2 That:

The following amounts to be noted by the Council, in accordance with Section 6 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as the amounts of its Council Tax base for the year for dwellings in those parts of its area to which one or more special items relate.

Parts of the Council's Area : Parishes of	Tax Base
Algarkirk	117.02
Amber Hill	89.50
Benington	168.40
Bicker	305.81
Boston Special Expense Area	9,329.46
Butterwick	440.95
Fishtoft	2,265.81
Fosdyke	158.60
Frampton	444.61
Freiston	349.47
Holland Fen with Brothertoft	188.99
Kirton	1,626.18
Leverton	219.38
Old Leake	637.36
Sutterton	531.73
Swineshead	894.17
Wigtoft	161.57
Wrangle	463.02
Wyberton	1,156.91
Total	19,548.94

4.3 The following amounts be now calculated by the Council for the year 2011/12 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

- (a) £36,235,564 being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (2) (a) to (e) of the Act, **(gross expenditure)**
- (b) £26,549,540 being the aggregate of amounts which the Council estimates for the items set out in Section 32 (3) (a) to (c) of the Act, **(gross income)**
- (c) £9,686,024 being the amount by which the aggregate at 4.3 (a) above exceeds the aggregate at 4.3 (b) above, calculated by the Council, in accordance with Section 32 (4) of the Act, as its budget requirement for the year **(net budget requirement)**
- (d) £6,118,626 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rates, Council Tax from 2nd home and revenue support grant (increased by the amount of the sums which the Council estimates will be transferred in the year from its

Collection Fund to its General Fund in accordance with Section 97 (3) of the Local Government Finance Act 1988) (Council Tax Surplus)

- (e) £182.49 the amount at 4.3 (c) above less the amount at 4.3 (d) above, all divided by the 'Total' amount at 4.2 above, calculated by the Council, in accordance with Section 33 (1) of the Act, as the basic amount of its Council Tax for the year.
- (f) £275,552.27 being the aggregate amount of all special items referred to in Section 34 (1) of the Act,
- (g) £168.39 being the amount at 4.3 (e) above less the result given by dividing the amount at 4.3 (f) above, by the amount at 4.2 above, calculated by the Council, in accordance with Section 34 (2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.
- (h) **Parts of the Council's Area**

PARISH	PRECEPT	PARISH BAND D COUNCIL TAX	COMBINED BAND D COUNCIL TAX
Algarkirk	3,700.00	31.62	200.01
Amber Hill	2,200.00	24.58	192.97
Benington	4,500.00	26.72	195.11
Bicker	12,800.00	41.86	210.25
Boston Special Expense Area	82,565.72	8.85	177.24
Butterwick	6,000.00	13.61	182.00
Fishtoft	7,033.00	3.10	171.49
Fosdyke	3,000.00	18.92	187.31
Frampton	5,626.00	12.65	181.04
Freiston	11,000.00	31.48	199.87
Holland Fen with Brothertoft	1,890.00	10.00	178.39
Kirton	39,000.00	23.98	192.37
Leverton	5,500.00	25.07	193.46
Old Leake	20,000.00	31.38	199.77
Sutterton	13,000.00	24.45	192.84
Swineshead	14,263.00	15.95	184.34
Wigtoft	4,980.00	30.82	199.21
Wrangle	9,000.00	19.44	187.83
Wyberton	29,494.55	25.49	193.88
TOTAL	275,552.27		

Being the amount given by adding the amount at 4.3 (g) above to the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 4.2 above, calculated by the Council, in accordance with Section 34 (3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

- 4.4 That it be noted for the year 2011/12 the following major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below. Lincolnshire County Council's Band D for Council Tax requirements was increased by 0%, and approved at their Committee meeting on the 11th February 2011. Lincolnshire Police

Authority's Band D for Council Tax requirements was increased by 0% also, and approved at their Committee meeting on the 22nd February 2011.

	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
Lincolnshire County Council	710.46	828.87	947.28	1065.69	1302.51	1539.33	1776.15	2131.38
Lincolnshire Police Authority	119.52	139.44	159.36	179.28	219.12	258.96	298.80	358.56

4.5 That having calculated the aggregate in each case of the amounts at 4.3 (h) and 4.4 above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the amounts stated at **Annex 3** as the amounts of Council Tax for the year 2011/12 for each of the categories of dwellings shown.

4.6 **Annex 5** provides some definitions for the formal Council Tax resolution above.

Annexes

1. Detailed budget report
2. Prudential Indicators
3. Council Tax for all Areas
4. Equality Impact Assessment
5. Council Tax Resolution

Review Date:

There will be monthly updates on the budget position through out 11/12 reported to Cabinet and Performance Review Committee.