

Key Decision Required:	Yes	In the Forward Plan:	Yes
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**CABINET
15 DECEMBER 2010**

REPORT OF MANAGEMENT BOARD

A.1 REVISED FINANCIAL STRATEGY FOR 2011/12 AND BEYOND

(Report prepared by Karen Neath and David Appleby)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To allow Cabinet to consider the five year financial forecast for 2011/12 to 2015/16 and, in light of this, to agree the financial strategy approach for 2011/12 to 2015/16.

EXECUTIVE SUMMARY

The Revised Financial Strategy sets out how the financial and budget position of the Council for 2011/12 and beyond has moved on since Cabinet considered the Initial Financial Strategy on 4 August 2010. In light of the current position, the report also sets out the approach to the financial strategy for 2011/12 to 2015/16.

In August the financial forecast for 2011/12 was for a funding gap of between **£1.035m** and **£1.745m**. At the time the initial strategy was prepared the level of reduction in Central Government Grant was unknown and so a range of reductions were considered to understand the likely funding gap that the Council would be facing.

The detailed Local Government Finance Settlement is still awaited. For the purposes of this report a level of settlement has been assumed based on information contained within the Government's consultation on data changes to the formula grant and the headline announcements made by the Chancellor of the Exchequer as part of the Spending Review. After taking account of this and other amendments to the forecast since the initial strategy was considered, the assumed funding gap for 2011/12 is **£2.290m**. In the short term and to achieve a balanced budget for 2011/12 this gap has been met by utilisation of funding set aside for this purpose in the Austerity Reserve and the Service Improvement Budget.

The timing of the Local Government Finance Settlement is uncertain. Should the announcement be made prior to the meeting on 15 December then an addendum report setting out the updated position will be presented to members at that meeting. If the announcement has not been made by that date then it is proposed that the final position is agreed with the Finance Portfolio Holder. In either case the information will be made available to the Corporate Management Committee for their meeting on 5 and 6 January 2011.

Based on the overall reductions in Local Government funding announced by the Chancellor of the Exchequer on 20 October 2010 as part of the Spending Review, the anticipated budget reduction for the Council across the four years of the Spending Review is at least **£4.0m**.

Given that Government grant will be available equivalent to a 2.5% increase in Council

Tax on the basis that the council has an actual council tax freeze the budget has been based on a 0% council tax rise.

Although announcements in the Spending Review have provided some clearer indication of the position the Council faces over the coming years there are still areas of uncertainty. This uncertainty remains not only in the core funding available but which services the Council will be expected to deliver and how this should be done. Against this backdrop, the following form the key elements of the financial strategy approach for the Council over the coming years:

- Use of available funding in the short term to provide a balanced budget in 2011/12;
- Implementation of a programme of work to include organisational change, led by the new Chief Executive and delivered within the next two years, together with Fundamental Service Reviews (FSRs) and the actions within the Tending Spending Review Delivery Plan agreed by Cabinet at the meeting on 10 November.
- Available funding will be primarily targeted to support the delivery of the above programme.
- Savings and efficiencies to be realised through the above programme, to deliver, within the period of the next two to three years, an ongoing balanced and re-prioritised budget without the need to rely on one-off funding.

Also at the meeting on 10 November, Cabinet considered the Corporate Budget Monitoring report for September and agreed a number of updates to the revised budget for 2010/11. Since that date some further amendments have been made to the revised budget position. The detailed estimates commensurate with the latest forecast for 2011/12 and 2010/11 are presented elsewhere on the agenda.

RECOMMENDATION(S)

- a) That Cabinet agrees the revised proposals for the Financial Strategy and Financial Forecast for 2011/12 and beyond, as detailed in the report and any addendum report.**
- b) That Cabinet agrees that, given the availability of Government funding if the Council tax is frozen, the Council Tax increase for 2011/12 is 0%.**
- c) That if the Local Government Finance Settlement is not available at the date of this meeting that the final position be agreed with the Finance Portfolio Holder.**
- d) That Cabinet requests the Corporate Management Committee's comments on these Revised Financial Strategy Proposals including any addendum report or final figures agreed with the Finance Portfolio Holder as appropriate.**

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Careful planning to ensure financial stability underpins the Council's capacity to achieve the objectives set out in the Corporate Plan and Community Strategy. Individual elements of the Financial Strategy are risk assessed against the aspirations of the Council, as well

as statutory service requirements. The approach for 2011/12 builds on previous successful financial planning and is key to the Council's aim to deliver sustainable and joined up services to everyone in the District. This is particularly important in the current climate when resources are scarce and the Council will need to focus even more on identifying and funding its key priorities.

This report will have direct implications on the Council's ability to deliver on the commitments, objectives and priorities set out in both the Corporate Plan and the Community Strategy up to 2016. It will particularly impact on the speed with which the Council can deliver its priorities, rather than the priorities themselves.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are set out in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets, IT etc.

Risk

There are clearly risks associated with the Strategy. The actions to achieve a fully funded budget, including restricting cost pressures, give rise to the potential for items that have not been funded to emerge or for increases in income etc. not to materialise in reality. This is particularly so given the current economic climate, the reductions in the availability of public sector funding and the Government's programme of change for Councils' services. There is a risk that unexpected items of expenditure could occur or that the Council is forced into making short term decisions in order to balance the budget that have poor medium to long term implications.

In view of the above it is important that the Council has a sufficient level of uncommitted reserves set aside to support the approach identified in this Strategy. An uncommitted reserve of approximately **£4m** (including the **£1.6m** minimum working balance) has been approved previously to insure against the eventuality of pressures on the budget through additional unexpected expenditure or removal of funding. The level of reserves has been revisited in light of the risks identified as part of the Financial Strategy and also in line with the Council's strategic risk register, and the figure of **£4m** (including the **£1.6m** working balance) is still deemed to be sufficient. The level of reserve currently stands at **£3.9m**.

LEGAL

On 30 July, Communities and Local Government published a consultation paper on Local Referendums to Veto Excessive Council Tax Increases. The consultation proposed the removal of the existing legislation regarding the imposition of capping limits to be replaced with legislation requiring any billing or precepting authority which sets an excessive council tax increase to hold a referendum. The determination of whether a council tax increase was excessive would be determined by reference to principles set by the Secretary of State.

The consultation also proposed the removal of the requirement for a local authority to set a budget requirement. There would still be a legislative requirement for a local authority to set a council tax for the forthcoming year.

The consultation ended on 10 September and further information is awaited.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

These implications have no impact on the Financial Strategy itself. However, they are taken account of in the delivery of individual services and projects.

Budget Consultation – “YOU CHOOSE”

On 24 September the Local Government Association launched the “YOU CHOOSE” budget consultation model. This is a free tool to enable councils to gather the views of local residents on areas they consider to be spending priorities and where they would be prepared to see cuts.

As at 23 November 2010, 98 responses had been received. A “snap shot” of responses so far is set out in the following tables:

- Respondents indicating reductions in budgets**

Service / Function	% of Respondents who indicated a reduction	Level of Reduction - % of Respondents			
		Up to 10%	Up to 20%	Up to 30%	Over 30%
Democratic and Councillor Support	100%	2%	10%	34%	54%
Strategic Management of the Council	100%	3%	18%	30%	49%
Council Tax and Business Rates Collection	99%	13%	28%	19%	39%
Theatres and Entertainments	98%	13%	18%	22%	44%
Sports and Leisure Facilities	97%	9%	22%	19%	46%
Tourism	97%	8%	18%	27%	44%
Parks and Open Spaces	97%	12%	26%	20%	39%
Planning and Building Control	97%	4%	30%	28%	33%
Economic, Community Development and Parking	96%	6%	23%	29%	37%
CCTV, Crime Prevention and Emergency Planning	94%	23%	24%	15%	30%
Food Hygiene, Env Protection and Cems and Cems	94%	28%	26%	18%	22%
Licensing and Regulatory Services	94%	18%	33%	20%	21%
Refuse Collection and Recycling	91%	12%	31%	18%	28%
Street Cleansing and Enforcement	91%	16%	20%	29%	24%
Public Conveniences	90%	21%	24%	14%	30%
Private Sector Housing and Homeless Services	89%	15%	23%	24%	23%
Tending Careline	87%	29%	16%	13%	27%
Coast Protection and Infrastructure Maintenance	87%	27%	24%	11%	23%
Benefit Payments and Administration	87%	21%	28%	18%	19%

- Respondents indicating increases in budgets**

Service / Function	% of Respondents who indicated an Increase	Level of Increase - % of Respondents			
		Up to 10%	Up to 20%	Up to 30%	Over 30%
Benefit Payments and Administration	6%	5%	1%	0%	0%
Private Sector Housing and Homeless Services	6%	4%	2%	0%	0%
Coast Protection and Infrastructure Maintenance	5%	3%	1%	1%	0%
Public Conveniences	4%	2%	2%	0%	0%
Economic, Community Development and Parking	4%	2%	1%	0%	1%
Refuse Collection and Recycling	3%	3%	0%	0%	0%
Street Cleansing and Enforcement	3%	2%	0%	0%	1%
Tourism	2%	1%	1%	0%	0%
Planning and Building Control	2%	1%	1%	0%	0%
Parks and Open Spaces	1%	1%	0%	0%	0%
Food Hygiene, Env Protection and Cems and Crems	1%	1%	0%	0%	0%
CCTV, Crime Prevention and Emergency Planning	1%	1%	0%	0%	0%
Sports and Leisure Facilities	1%	0%	1%	0%	0%
Strategic Management of the Council	0%	0%	0%	0%	0%
Democratic and Councillor Support	0%	0%	0%	0%	0%
Council Tax and Business Rates Collection	0%	0%	0%	0%	0%
Theatres and Entertainments	0%	0%	0%	0%	0%
Licensing and Regulatory Services	0%	0%	0%	0%	0%
Tending Careline	0%	0%	0%	0%	0%

- Level of Council Tax** (To be able to submit their responses, people were required to indicate a level of Council Tax increase or reduction up to a maximum of a 5% increase)

% of Respondents who indicated no increase or reduction	33%
% of Respondents who indicated a reduction	
Reduction of 1%	3%
Reduction of 2%	2%
Reduction of 3%	2%
Reduction of 4%	3%
Reduction of 5%	0%
Reduction > 5%	15%
% of Respondents who indicated an increase	
Increase of 1%	5%
Increase of 2%	6%
Increase of 3%	2%
Increase of 4%	7%
Increase of 5%	21%
Increase > 5%	0%

- **Fees and Charges** (Where indicative 10% Increases have been included in “YOU CHOOSE”)

Fees and Charges	Number of Respondents who Selected the Item
Sports and Leisure Facilities	79%
Cemeteries and Crematorium	74%
Parking	70%
Careline	60%

- **Savings and Efficiencies**

Savings / Efficiencies	Number of Respondents who Selected the Item
Increased Electronic Service Delivery	83%
Procurement	80%
Shared Services	73%
Asset Management	73%
Outsourcing	65%

Final outcomes from the consultation will be submitted to Cabinet at their 26 January 2011 meeting with the aim of also reviewing the responses and their correlation alongside activities already underway within the Council or planned as part of the Tendring Spending Review.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

National Picture

On 20 October the Chancellor of the Exchequer announced the outcomes of the 2010 Spending Review. In relation to funding for local authorities the Chancellor announced a real term average reduction in local authority grant of 7% a year over the next four years. The reductions are significantly front loaded to 2011/12. Alongside this the ringfencing of all local government revenue grants will end from 2011/12 except for school grants and a new public health grant. A total of £7bn grants will be freed up or unringfenced with more than £4bn of revenue grants rolled into the formula grant. Funding of £700m to allow local authorities to set a zero council tax in 2011/12 has been made available. The funding will fund the equivalent of a 2.5% rise in council tax in 2011/12 only, but for the four years of the Spending Review.

Announcements in relation to Housing include funding for affordable housing and to achieve the decent homes standard as well as continuing the Mortgage Rescue Scheme and bringing empty homes back into use. The current housing finance subsidy system is to be abolished to give local authorities greater control over their own finances.

Community based budgeting will be piloted in 16 areas including Essex through the County Council.

Although the Spending Review announcements set out the headline position, it is likely that the full impact of the Spending Review outcomes across the four years from 2011/12 to 2014/15 is not yet apparent. For example, one announcement which will have far reaching consequences on all local authorities is the move to localise council tax benefit from 2013/14. It is therefore important that the Financial Strategy approach is alert to the distinct possibility of further budget pressures over the next few years.

The White Paper – Local Growth: Realising Every Place’s Potential was published on 28 October. It contains further proposals around local government financing including:

- A £1.4bn Regional Growth Fund to help tackle barriers to growth. Local Authorities cannot individually directly apply to the fund but could do so as a member of a Local Enterprise Partnership (LEP).
- A New Homes Bonus to be introduced from 2011/12 whereby the Government will match fund the additional council tax from new homes and property brought back into use for the following six years.
- Development of proposals for a Business Increase Bonus to reward authorities where business growth exceeds a certain threshold. This would allow authorities to retain the increase in business rates although the funding mechanism requires further clarification. The Government has also been considering more radical proposals relating to business rates including the option of business rates returning to local control. This would mean that some local authorities would become entirely self funding (from council tax and business rates) and would not rely on any central grant from government. This raises a number of issues and would clearly require further thinking.
- New borrowing powers for local authorities are to be introduced that will allow authorities to carry out Tax Increment Financing (TIF) enabling them to borrow against future uplift in their business rates.
- Renewable Energy Bonus to be introduced to allow local authorities to retain business rates from renewable energy projects.

A further consultation on the New Homes Bonus was published on 12 November. At this stage the Financial Strategy and budget do not take account of any income that could arise from this initiative.

The White Paper Universal Credit: Welfare that Works was published on 11 November. It sets out proposed changes to replace a large number of benefits, including Housing Benefit, with a single benefit. The new Universal Credit will be administered through the Department for Work and Pensions and will therefore have a fundamental impact on the Council’s role in benefit administration and the detection and sanctioning of benefit fraud.

Further clarification on many of the Spending Review announcements is still awaited. The Government has undertaken to carry out a Local Government Resource Review commencing in January 2011. This will inform the future of local government funding.

Local Picture

Cabinet considered the Initial Financial Strategy at their meeting on 4 August 2010. At that meeting Cabinet resolved :

(a) That the Cabinet agree the Initial Forecast for 2011/12 and beyond and the actions inherent in achieving this forecast and specifically agree:-

- (i) The Priority 1 cost pressures to be included within the initial forecast (as shown in Appendix 'B' to item A.5 of the Report of the Management Board).*
- (ii) The list of Priority 2 cost pressures (which are at the highest risk of actually occurring) and lower priority items, identified in Appendix 'C' to the aforementioned report, to be excluded from the forecast.*
- (iii) The Heads of Service proposed managed response to the non-funding of cost pressures as shown in Appendix 'C' aforesaid.*

(b) That a further report be made to Cabinet in December 2010.

(c) That the Corporate Management Committee be consulted on these initial proposals, recognising that any increase in the level of cost pressures or other budgetary demands (other than those included in the forecast) would require matching measures to ensure that the funding gap was not increased.

(d) That the Risk Strategy be reviewed and updated in the light of the severe economic environment.

At the meeting on 10 November Cabinet considered the Tendring Spending Review Delivery Plan. This follows on from previous consideration of an Austerity Plan and the need to have robust, deliverable plans in place to be able to manage reductions in local government funding. The Delivery Plan sets out a range of medium to long term detailed actions and reviews to enable the Council to deliver savings. The actions are being progressed on the basis that they will not only identify savings, but also assist in driving the authority forward.

The Corporate Management Committee considered the Initial Financial Strategy at their meeting on 30 September. In light of the severe budget reductions facing local authorities and recognising that there was little opportunity to fund additional cost pressures, the Committee adopted an approach of considering the overall financial position at a strategic level. A wide ranging discussion was had on opportunities for the council to reduce its costs whilst at the same time continuing to improve. The comments of the Committee resulting from this discussion were considered by Cabinet at their meeting on 10 November and as a result Cabinet requested that several additional actions be included in the Tendring Spending Review Delivery Plan.

Additional work has also been undertaken to consult with Heads of Service, address issues arising from the quarterly Corporate Budget Monitoring report and review the cost pressures. The results have been incorporated within the detailed budgets for a revised 2010/11 and 2011/12 estimate position which are presented elsewhere on this agenda.

REVISED FINANCIAL FORECAST

In August 2010, the Initial Forecast identified a potential funding gap for 2011/12 ranging between **£1.035m** and **£1.745m** as follows:

Item	2011/12 £'000
Base Budget from 2010/11	21,924
Changes to Council Expenditure	
Inflation	150
Priority 1 Cost Pressures	682
Removal of one-off items from 2010/11	(1,410)
Other Budget Adjustments	(465)
Changes to Grant Funded Expenditure	(966)
Changes to Council Income	
Changes to Grant Funded Income	966
Carry Forwards from the Base Budget	1,348
Initial Base Budget Requirement for 2011/12	22,229

Funding Gap Assuming Varying Levels of Reduction In Government Support	5% Reduction in Government Funding £000	7% Reduction in Government Funding £000	10% Reduction in Government Funding £000
Initial Base Budget Requirement for 2011/12	22,229	22,229	22,229
Forecast Funding Available			
Local Government Finance Settlement	13,489	13,205	12,779
Council Tax (at 0%)	7,645	7,645	7,645
Surplus on Collection Fund	60	60	60
Funding Gap in 2011/12	1,035	1,319	1,745

The detailed actions taken since August to review the budget position and to address the funding gap are set out below:

Re-Visit Priority 1 Cost Pressures

A review of all of the Priority 1 cost pressures originally included in the Initial Financial Forecast has been undertaken to determine the appropriateness of continued inclusion as a Priority 1 and the associated cost. The costs have also been checked by Heads of Service and revised where appropriate to reflect the current estimated position.

Following this further review it has been necessary to amend the Priority 1 items proposed to be funded as follows:

- **£0.500m - Pension Costs Following Pension Fund Triennial Actuarial Review 2010** – The draft results of the actuarial review provide three scenarios for the ongoing pension fund deficiency payment and employer contribution rate. In all three scenarios there is an increase in the level of deficiency payment mostly due to

the reduced fund performance over recent years. However, there is a reduction in the ongoing employer contribution rate from 13.7% to 12.9% following recent pension changes such as the move to CPI rather than RPI. Following discussion with the Finance Portfolio Holder the financial forecast has been based on the flat rate scenario with deficiency recovery over 23 years which means that, whilst there is an increase in deficiency contribution costs in year one (**£0.104m**), this then remains the same over the following two years with an offsetting reduction in employer contributions (**£0.111m**). Although results are draft, the position is not expected to change and, on this basis, this cost pressure has been entirely removed.

- **£0.049m – E-Planning Licence** – This new cost pressure has been included in 2011/12 only to meet the cost of the licence associated with the system for E-Planning. The cost will be offset by vacancies within the service pending the FSR for planning and the opportunity to align this cost within a restated budget.
- **£0.010m Member Training** – The full amount requested for Member Training in 2011/12 was **£30,000** and this was initially included as a priority 2. Of this, **£10,000** is to be funded as a priority 1 and will enable remaining grant funding from Improvement East to be spent on member training.

The full list of Priority 1 items proposed to be included for funding in the budgets are shown at **Appendix A** along with other priorities that are not proposed to be funded.

The total change from the review of the Priority 1 cost pressures has resulted in a decrease in costs of **£0.441m**.

Review of Underspends and Overspends

The estimate for 2010/11 included provisions for underspends of **£0.433m** on salaries and wages and **£0.250m** on other budget headings. Provision for vacancies has also been built into the forecast base budget for 2011/12 at **£0.491m**. However, following the detailed review of budgets that has taken place in both 2009/10 and 2010/11 and which has identified specific budget lines that have been reduced, the general provision for underspends of **£0.250m** has been removed from 2010/11 onwards.

Review of Inflationary Increases

The 2010/11 estimates were based on an assumed pay award of 2.0%. The pay award offered for 2010/11 is 0%. This has resulted in the salary budget for 2010/11 being reduced by **£0.325m**. The impact of there being no pay award has also fed into the base position for 2011/12 also resulting in a reduction of **£0.325m**.

There have been minor reductions totalling **£0.028m** in other inflation allowances included in the Initial Financial Strategy making a total reduction of **£0.353m** in 2011/12.

Review of 2010/11 Budget

At Council on 18 February 2010, additional one-off items totalling **£3.2m** were included in the 2010/11 budget.

A number of these additional items have been considered by Cabinet throughout the year and decisions made accordingly. Of the original additional sum, **£0.705m** has been spent or committed for spending and **£0.468m** has been saved. The following items have

previously been agreed to be considered for saving as part of the Austerity Plan:

- £80,000 for Grants to Local Theatres (motion to Council 1 July 2010);
- £1,000,000 for the redevelopment of Frinton and Walton Swimming Pool (motion to Council 1 July 2010);
- £800,000 for the redevelopment of Harwich Sports Hall (motion to Council 1 July);
- £49,000 for Elm Grove Car Park public convenience;
- £50,000 for local transport initiatives.

Following discussions with the Finance Portfolio Holder these items, with the exception of the £80,000 for Grants to Local Theatres, have now been saved and the budgets removed and, in the case of capital projects, the related financing removed.

The sum of £40,000 already included in the budget for repair and maintenance of public conveniences, and identified by Council on 18 February to now come forward for spending, has been added to the reserve for public conveniences (also agreed at Council on 18 February) pending completion of a public convenience strategy as set out in the Tendring Spending Review Delivery Plan.

Austerity Budget Review Meetings

Following the recommendation made by Cabinet on 16 June, budget review meetings have taken place with all Portfolio Holders and Heads of Services. This has resulted in the identification of efficiency savings that can be removed from the base budget as well as a few expenditure items that need to be included. The net figure is a reduction of **£0.407m**. The detailed changes are set out in **Appendix B**.

The reviews also identified **£0.625m** which were agreed to be removed in 2010/11 by Cabinet on 10 November.

Other Budget Adjustments as a Result of the Estimate Process

The budget process has also identified some other changes to be made. Other than the pension and pay award, salaries have decreased overall in 2010/11 by **£0.174m** mainly as a result of vacancies and the vacancy freeze. However, salaries have increased in 2011/12 by **£0.172m** mainly as a result of budgeted increments. Income has been removed in respect of the Happy Valley Pitch and Putt to bring the budget in line with actual income achieved (**£0.010m in both years**) and for Land Charges where the national personal search fee has now been removed (**£0.015m in 2010/11 and £0.030m in 2011/12**). Following on from Government changes in the Inspection regime, Audit Fees have been reduced by **£0.030m** in 2011/12. Additional income is anticipated in respect of the Second Homes Discount arrangements with Essex County Council and income has been increased by **£0.007m** in 2010/11 and **£0.026m** in 2011/12.

Following on from the outturn position for 2009/10 a sum of **£0.260m** resulting from over recovery of benefits was identified to be earmarked within the Service Improvement Budget pending a review of the recovery position. Further work has been undertaken and for 2010/11 and 2011/12 the budget has been set at a net nil position where, previously, a deficit has been budgeted for. This has resulted in a budget reduction of **£0.096m** in both 2010/11 and 2011/12. However, due to the extremely complex and volatile nature of benefits it is not considered prudent to release the earmarked **£0.260m** at this stage. This has therefore been placed in an earmarked reserve and will be reviewed when the outturn position on benefits is known.

From 1 April 2011 the responsibility for concessionary fares will pass to upper tier authorities. Although **£0.501m** has been removed from the concessionary fares in the initial financial strategy along with the removal of matching specific grant the remaining budget for bus operators' payments of **£1.495m** has now also been removed. There is expected to be a compensatory reduction in the Council's Formula Grant as the funding will now be directed to the upper tier authorities. The amount assumed to be removed from grant is **£2.0m** with an assumption that this has contributed **£0.5m** to the overall funding gap.

Revised Financial Forecast 2011/12

When the variations set out above are taken into account this results in a Revised Forecast for 2011/12 of a deficit position of **£2.290m** as summarised in the following table:-

Revised Financial Forecast 2011/12

Item	As At 4/08/2010 £'000	Change to 15/12/2010 £'000	As At 15/12/2010 £'000
Base Budget	21,924		21,924
Changes to Council Expenditure			
Priority 1 Cost Pressures	682	(441)	241
Inflation	150	(353)	(203)
Removal of one-off items from 2010/11	(1,410)	0	(1,410)
Changes to Grant Funded Expenditure	(966)	0	(966)
Austerity Budget Review Meetings	0	(407)	(407)
Other Budget Adjustments	(465)	(598)	(1,063)
Changes to Council Income			
Carry Forwards from the Base Budget	1,348	0	1,348
Grant Income removed	966	0	966
Initial Base Budget Requirement	22,229	(1,799)	20,430
Amount raised from Council Tax (at 0%)			7,688
Government Council Tax Freeze Grant			192
Central Government Support			10,180
Surplus on Collection Fund			80
Forecast Position 2011/12			18,140
Funding Gap			2,290

The assumed funding gap has been met from the Austerity Reserve and the Service Improvement Budget.

The full list of all the changes can be seen in the Revised Financial Forecast for 2011/12 shown at **Appendix C**. A more detailed analysis of these budget changes is also set out in the report on the detailed estimates elsewhere on your agenda and which are consistent

with the financial forecast for 2011/12 set out below.

Outstanding Issues

There are some issues still to be resolved and although not reflected in the budget at this stage will be included when Cabinet consider the final budget proposals if resolved at that time. Outstanding issues include:

- The work required to replace the cremators including mercury abatement equipment and associated policy for crematorium fees and charges.
- Final arrangements for the ending of the decriminalised parking agency from 1 April 2011.
- Finalisation of the position on concessionary fares including outstanding appeals, the transfer of the function to upper tier authorities from 1 April 2011 and the continuing arrangements for bus passes and administration.
- Although funding is available from Essex County Council from 2011/12 for the introduction of food waste collection this has not been included in the budget at this stage pending further consideration of the ongoing contract arrangements for waste collection in general.
- As well as the Formula Grant Settlement there are some other grants where details are still awaited. This may relate to specific grants direct from Government e.g. homelessness or grants allocated by Essex County Council e.g. supporting people funding. In the case of supporting people sizeable funding reductions are anticipated. Details of capital grants are also awaited and, in particular, regarding Disabled Facilities Grants where the budget remains under pressure.

There are a number of funding and service changes that will arise over the coming months from the Government's ongoing programme of public sector reform e.g. the local growth agenda, benefit reform, HRA reform and the Local Government Resource Review. New guidance, consultations and legislation will be reviewed, assessed and reported on as it emerges.

Forecast for 2011/2 and Beyond

Based on the assumed level of settlement taking account of the ongoing percentage reductions announced as part of the Spending Review, the Financial Forecast shown in **Appendix D** identifies a total deficit to 2015/16 of up to **£5.0m**.

Council Tax Assumptions

The Initial Financial Forecast was based on an assumed increase in Council Tax of **0%**. As part of the Spending Review it was announced that the Government would fund those councils that froze their Council Tax in 2011/12 at the equivalent of what a 2.5% increase would have yielded. For this Council that equates to **£0.192m**. Given that this funding is available the budget has been prepared on the basis of a **0%** increase and additional grant of **£0.192m** has been assumed.

For information and comparison the 2010/11 Council Tax for a Band D property (excluding parish precepts) for all Essex Districts is shown in the following table:-

District	Annual Council Tax	Weekly Council
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	(£)	Tax (£)
Basildon	253.44	4.87
Harlow	251.55	4.84
Castle Point	229.59	4.42
Rochford	201.15	3.87
Colchester	175.23	3.37
Brentwood	174.37	3.35
Maldon	169.66	3.26
Chelmsford	163.29	3.14
Braintree	162.81	3.13
Tendring	149.88	2.88
Epping Forest	148.77	2.86
Uttlesford	147.42	2.84
Essex Average	183.57	3.53
All England Average – Districts	165.83	3.18

APPROACH TO THE FINANCIAL STRATEGY FOR 2011/12 AND BEYOND

Over the past twelve to eighteen months the financial strategy has focussed on retaining available funding to protect against the anticipated squeeze on public finances and the distinct expectation that the Council would need to make substantial reductions in its budget whilst also taking the opportunity to commence reduction of the budget e.g. through the budget reviews. Although the outlook is still not entirely clear, the position of the Council in terms of the likely funding it will have available over the period of the Spending Review is more apparent than it was a few months ago.

The task now is to set a financial strategy which protects against financial risks and budget pressures but, at the same, time allows the Council to deliver ongoing savings and efficiencies that will result in a long term sustainable budget to support the day to day delivery of in services and enable ongoing investment in the Council's priorities.

Against this backdrop, the key elements of the financial strategy approach for the Council during 2011/12 and beyond will be:

- Use of available funding in the short term to provide a balanced budget in 2011/12;
- Implementation of a programme of work to include organisational change, led by the new Chief Executive and delivered within the next two years, together with Fundamental Service Reviews (FSRs) and the actions within the Tendring Spending Review Delivery Plan agreed by Cabinet at the meeting on 10 November 2010.
- Available funding will be primarily targeted to support the delivery of the above programme.
- Realisation of savings and efficiencies through the above programme that will, within the period of the next two to three years, deliver an ongoing balanced and re-prioritised budget without the need to rely on one-off funding.

To support the above programme of work a review has been undertaken, in consultation with the Finance Portfolio Holder, of the available funding within Reserves, the Service Improvement Budget and the Manpower Initiatives Budget and the following established:

- A Fit for Purpose Budget of **£1.548m** across 2010/11 and 2011/12 to support the Chief Executive in the delivery of organisational change including salary exit costs where required, FSRs, the actions identified in the Tendring Spending Review Delivery Plan as well as other actions to deliver the required level of savings to enable the Council to set a long term sustainable budget.
- Continuation of the Austerity Reserve at **£0.5m** into 2011/12 but with the aim of the Austerity Reserve not being required by the end of 2012/13.
- An uncommitted Contingency of **£0.2m** across 2010/11 and 2011/12 to meet unexpected financial demands.
- An Asset Refurbishment / Replacement Reserve of **£0.35m** to support a rolling programme of asset maintenance following completion of the asset stock take and asset strategy.

It should be noted that the above does not affect the **£3.9m** of general reserves. The level of contribution to these budgets may change when the grant settlement figures are known.

The implementation of this strategy will require careful management and close monitoring. It is therefore proposed that a new proactive approach to the financial strategy be adopted whereby the ongoing position is reported on a quarterly basis. Arrangements are already in place to report the budget monitoring position quarterly. However, this will now be expanded to provide an update on the overall financial strategy including the latest position with regard to outstanding budget issues, financial forecasts, the delivery of actions and associated achievement of savings and efficiencies.

BACKGROUND PAPERS FOR THE DECISION

Working papers held in Accountancy

APPENDICES

Appendix A	Revised Priority 1 cost pressures proposed to be funded in the Revised Financial Forecast along with all other priorities which will not be funded
Appendix B	Budget Review Meetings with Portfolio Holders and Heads of Service
Appendix C	Revised Forecast 2011/12
Appendix D	Forecast 2011/12 and Beyond