

**Report of:** Head Finance

**To:** City Executive Board

**Date:** 8<sup>th</sup> February 2012

**Item No:**

**Title of Report :** Recommended Budget 2012-13 to 2015-16: A Fair Future for Oxford

## Summary and Recommendations

**Purpose of report:** To present the Council's 2012/13 budget and Medium Term Financial Strategy for approval and recommendation to Council.

**Key decision:** No

**Executive Lead member:** Councillor Ed Turner

**Scrutiny Responsibility:** Value & Performance

**Report Approved by:**

Cllr. Bob Price, Leader of the Council

Cllr. Ed Turner, Deputy Leader of the Council

**Policy Framework:** N/A

**Recommendation(s):** The City Executive Board is asked to consider the outcome of the public consultation, agree the amendments to the Consultation Budget as set out in Tables 3, 5 and 6 below and recommend that Council:

- a) approves the General Fund budget requirement of £24.113 million as detailed in Appendix 1 and in so doing agrees a Council Tax freeze for 2012/13, thereby resulting in an average band D Council Tax of £262.96
- b) approves the Housing Revenue Account budget for 2012/13 as set out in Appendix 4 and an average dwelling rent increase of 7.83% and service charge increases of 6.1%
- c) approves the Capital Programme for 2012/13 -2015-16 as set out in Appendix 6; and
- d) approves the Fees & Charges schedule as set out in Appendix 7

## Summary

- 1 This report updates the draft revenue and capital budgets previously presented to the City Executive Board on the 7th December 2011 and reports back on the responses to the consultation undertaken since that meeting.
- 2 Appendices to the report are as follows:
  - Appendix 1. Summary of Proposed General Fund Budget by Service 2012-13 to 2015-16
  - Appendix 2. Detail of General Fund Revenue Budget by Service 2012-13 to 2015-16
  - Appendix 3. Detailed Service Savings 2012-13 to 2015-16
  - Appendix 4. Oxford City Council's Housing Revenue Account Budget
  - Appendix 5. Housing Revenue Account Rent increases by property type
  - Appendix 6. Oxford City Council's Capital Programme 2012-13 to 2015-16
  - Appendix 7. Fees and charges Schedule
  - Appendix 8 Risk Register
  - Appendix 9 Equalities Impact Assessment

### A. General Fund

- 3 The budget for consultation approved by the City Executive Board (CEB) on the 7th December 2011 set out a balanced budget for the next four years.
- 4 Since the publication of the Consultation Budget a number of key issues have been raised and these are summarised below:

#### **Issues arising since the publication of the consultation budget**

##### **Provisional Local Government Finance Settlement Formula Grant**

- 5 The Provisional Local Government Finance Settlement was announced on 8th December 2011 with a consultation period ending on 16<sup>th</sup> January 2012. The provisional settlement confirmed the figures released by Government in January 2011 and therefore for Oxford City Council, like many other authorities there is no change to the figure for Formula Grant of £11.719 million for 2012/13.
- 6 Whilst the figures for future years are still as yet unknown there are indications that Formula Grant will continue to be reduced and therefore figures for future years remain as per the Consultation Budget as follows:

**Table 1 Formula Grant 2012/13 to 2015/16**

	<b>Estimated Formula Grant</b>	<b>Percentage Reduction</b>
	<b>£million</b>	<b>%</b>
2012/13	11.72	12.53
2013/14	11.52	1.67
2014/15	10.44	9.44
2015/16	10.23	2.00

- 7 The Settlement includes £652m nationally for the Government to fund a Council Tax Freeze Grant, equivalent to a 2.5% increase for 2012-13. This is  
 8 +0in line with expectations and the £310k allocated to Oxford is in line with the Consultation Budget. As anticipated the grant is for one year only and therefore a council tax freeze would result in an ongoing liability

**Council Tax and Housing Benefit Admin Grant**

- 8 Specific grant for council tax and housing benefit administration is confirmed as budgeted at £1.021 million.

**New Homes Bonus**

- 9 In December 2011 the Council received its second year tranche of New Homes Bonus (NHB) payable for the next 6 years (£824k per annum) which is in addition to the first year tranche of £472k per annum. The amount included in the Consultation Budget was exceeded by £278k in 2012/13 and £357k going forward. It is expected that this amount will be confirmed by the Department for Communities and Local Government (DCLG) shortly. With effect from 1<sup>ST</sup> April 2013 following Business Rates reform there is an intention that the NHB grant will be 'top sliced' from Formula Grant. The exact detail of how this would affect the overall finances is unknown but there is a risk that the overall amount may be reduced.

**Other Issues Arising**

**Council Tax Base Changes**

- 10 The report setting the Council Tax Base, approved by Council on the 19<sup>th</sup> December 2011, set out modest growth in average band D dwellings of 0.32% (46,983.55 to 47,133.90). The Consultation Budget assumed a slightly higher tax base of 47,218 which equates to a reduction in council tax income of approximately £23k.
- 11 The impact of the above adjustments is set out in Table 2 below.

**Table 2 Technical Adjustments to Consultation Budget**

	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000
Formula Grant	0	0	0	0
Council Tax	23	24	23	24
<b>Changes in Financing</b>	<b>23</b>	<b>24</b>	<b>23</b>	<b>24</b>
New Homes Bonus	(278)	(357)	(357)	(357)
<b>Changes in base budget</b>	<b>(278)</b>	<b>(357)</b>	<b>(357)</b>	<b>(357)</b>
<b>Total</b>	<b>(255)</b>	<b>(333)</b>	<b>(334)</b>	<b>(332)</b>

**Budget Consultation Results**

- 12 The consultation on Oxford City Council's draft Medium Term Financial Strategy 2012-13 to 2015-16 and 2012-13 Budget was carried out in conjunction with the consultation on the draft Corporate Plan and ran from 16<sup>th</sup> December 2011 to 20<sup>th</sup> January 2012.
- 13 A range of methods was used to advertise the corporate plan and budget consultation:
- A presentation at the Business breakfast for local employers held 18<sup>th</sup> November 2011;
  - Double page advertisement in Oxford Star on Thursday December 22<sup>nd</sup> 2011 and in Oxford Mail on Saturday December 17<sup>th</sup> 2011 that included the main consultation questions;
  - An A4 printed leaflet available in Town Hall, customer contact centres, leisure centres and libraries;
  - Main news items in the City briefing emailed to 600 key contacts in Oxford including businesses, local authorities and community groups;
  - Item in staff newsletter Council Matters and on Council intranet;
  - A special corporate plan and budget survey sent to the 950 members of the Oxford city Talkback citizen's panel;
  - An online consultation advertised on the consultation portal and on the front page of Oxford City Council's website.
- 14 **Investment Proposals In The Budget**  
The Council's Consultation Budget contained a number of new investment proposals totalling around £1 million per annum to address the problems of poverty and inequality in Oxford, to raise educational attainment, to

improve the life chances of young people, and to reduce our carbon footprint and mitigate the impact of climate change on future generations. These are set out below, and consultees were asked for their views of the level of support for each proposal.

**Educational Attainment:** This fund of £350k per annum is intended to support Oxford's schools, at primary and secondary level, to deliver a step change in educational attainment, which in Oxford City is amongst the lowest in the country. Headteachers will be consulted at an early stage on exact programme design, and co-funding from both schools and the County Council will be sought. Targeted interventions with under-achieving children, additional classroom support, activities before and after the school day, and expert training for staff may all be covered by this fund.

**Youth activities:** This programme, funded at £240k per annum, is intended to reverse where appropriate the County Council's reductions in youth provision, as well as expand youth activity to some areas which currently have no provision. Provision will particularly be targeted at those areas with greatest need; again, partnership funding will be sought from other organisations. This will deliver a major improvement in the level of support for young people in Oxford, and along with the focus on improving educational attainment, is intended to ensure that young people from all parts of Oxford get to enjoy the life-chances which they deserve.

**Promotion of free swimming:** This will deliver a substantial programme to ensure that young people, notably from backgrounds which are less likely to access free swimming, are aware of and take advantage of the opportunity -£25k per annum

**Oxford Cycle City:** Oxford is renowned as a city where many people cycle, but there are numerous roads which are unsuitable or even dangerous for cyclists and where cycle lanes are inadequate. This pot of money (£300k capital over four years plus £10k revenue) will allow the targeted creation of more cycle lanes and better signage. We will seek to establish a steering group with the local cyclists' group "Cyclox" to plan and monitor implementation, and will press the County Council hard for appropriate financial and policy commitment.

**Groundworks Environmental Improvement Programme:** This will deliver a social enterprise programme to clear watercourses, ditches and streams to improve flood protection- £6k per annum

**Low-carbon Oxford:** This will assist the City Council to demonstrate leadership of the low-carbon agenda and ensure that

Low Carbon Oxford is able to continue its successful work for a further two years - £50k per annum for two years

**Stronger private rented sector enforcement:** This fund will allow greater proactive enforcement of standards in the private rented sector. In particular, our aim is to ensure that family properties are not allowed to become sub-standard because of the close attention being paid to Houses in Multiple Occupation, due to the licensing scheme which applies in that sector - £60k per annum

**Homeshare:** This project, which is being conceived with “Age UK”, is intended to promote more inter-generational home sharing – of great benefit to younger and older people alike. Oxford City Council intends to involve Age UK and older people’s representatives in the design, implementation and promotion of this scheme - £10k per annum

**Older people’s support grant:** This fund (£20k per annum) is intended to encourage new initiatives to support isolated older people in the community. Age UK and older people’s representatives will be involved in design, implementation and promotion

**Living wage:** This will fund an increase in the “Living Wage” for all Oxford City Council employees to £8 per hour - £9k per annum. We will also seek to promote this living wage to all employers in Oxford City

**Legal aid – welfare advice:** Following government cuts to legal aid for many needing advice and support on welfare issues, this will create a two-year support post to mitigate the damage to those in need. It will be delivered in partnership with an advice agency - £29k per annum for 2 years

**Apprenticeships:** This fund, of £50k per annum for two years, will provide around 5 new apprenticeships at Oxford City Council, helping reduce youth unemployment and supporting local young people to get experience and qualifications. Council managers will bid into this fund and be expected to provide some match funding from departmental resources.

**Councillor social inclusion initiatives:** In addition to the continuation of the £1,500 per annum ward budgets, a new fund of £50k per annum for two years will be provided for councillors to bid into, to fund local projects which are clearly able to demonstrate they will achieve social inclusion aims.

**Leisure / school partnership activities:** This proposal is intended to mitigate the impact from cuts to youth sport by central

government and the county council. It will create a three-year post to deliver more use of Oxford City Council facilities by local schools - £33k per annum for 3 years

**Cricket festival, cricket nets and tennis cage:** This will lead to an annual cricket festival, enjoyed by players from all backgrounds, in Cowley Marsh Park. In addition, a new cricket cage and tennis nets in Cowley Marsh Park will be provided - £4k for first year and £3k per year thereafter

**Football pitches:** This is a one-off project to improve drainage at Court Place Farm, overcoming problems of water-logging and ensuring that teams are able to play there more regularly - £25k for one year.

**Green Deal promotion:** This project is to ensure early and full take-up of the proposed "Green Deal" to promote insulation - £54k over two years

**Toilets:** This substantial capital funding (£420k over three years) will improve the quality of toilets in and beyond the city centre.

**Carbon reduction:** This fund is intended to enable a reduction in Oxford City Council's carbon footprint to 5% per annum.

**Conversion of council flat sites to recycling:** This will convert remaining council flat sites to recycling, with improved bin stores - £27k for 3 years

**Locking of Florence Park:** This provides continued funding to lock Florence Park in the evenings, to prevent crime and anti-social behaviour - £5k per annum

**Additional hours for litter picking and maintenance in parks:** Following the successful modernisation of play areas across the city, usage of parks has increased substantially. This fund will allow improved maintenance and litter picking in our parks - £15k per annum

**New low-emission litter picking vehicle in city centre:** This additional vehicle will enable side-waste to be removed more effectively from around bins in the city centre - £10k

**Additional equipment to clear snow from footways:** Following recent periods of extreme weather, this funding will enable new snow-clearing equipment to be purchased - £12k

**New pathway to enter Westgate:** This will enable better access between the Westgate car park and the street - £15k

**Proactive riverbank enforcement:** This will provide a targeted programme of enforcement to deal with the growing problem of illegal moorings - £22k per annum for 2 years

**Proactive night time noisy party patrol:** This will provide proactive work to reduce noise problems in areas and at times where there has been a history of noise complaints - £12k per annum

**Cleaner greener area based door-to-door campaign:** This will extend successful work to promote the “Cleaner Greener” Oxford agenda, improving recycling and street cleanliness throughout the city - £12k per annum

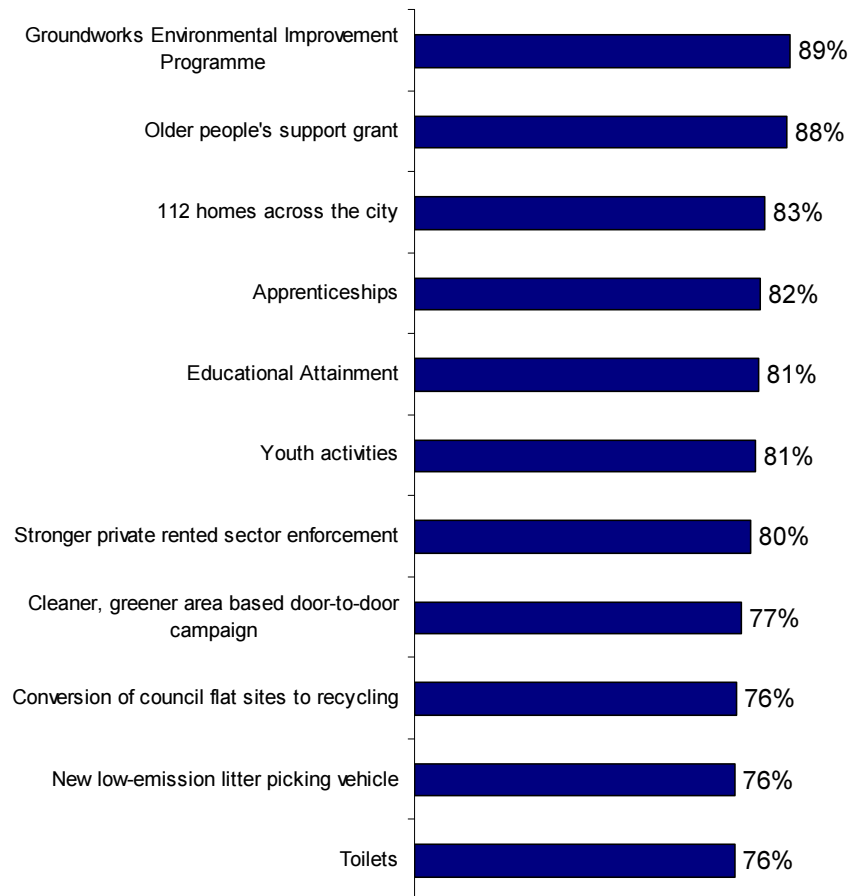
- 15 Consultees were presented with 33 different investment proposals each with a brief description including the amount. The Council received 327 responses in total and the majority (63%) of respondents agreed or strongly agreed with the priorities set out in the draft budget.

The most supported investment proposals (75% or above ‘agree’ or ‘strongly agree’) were:

- Groundworks Environmental Improvement Programme: *£6,000 per year for four years to deliver a social enterprise programme to clear watercourses, ditches and streams to improve flood protection.*
- Older people’s support grant: *A 2 year fund of £20,000 per year to encourage new initiatives to support isolated older people in the community.*
- Deliver 112 homes across the city *part funded by a £2 million government grant*
- Apprenticeships: *a fund of £50,000 for two years to provide around 5 new apprenticeships at Oxford City Council.*
- Educational Attainment: *A fund of £350,000 per year for four years to support Oxford’s schools.*



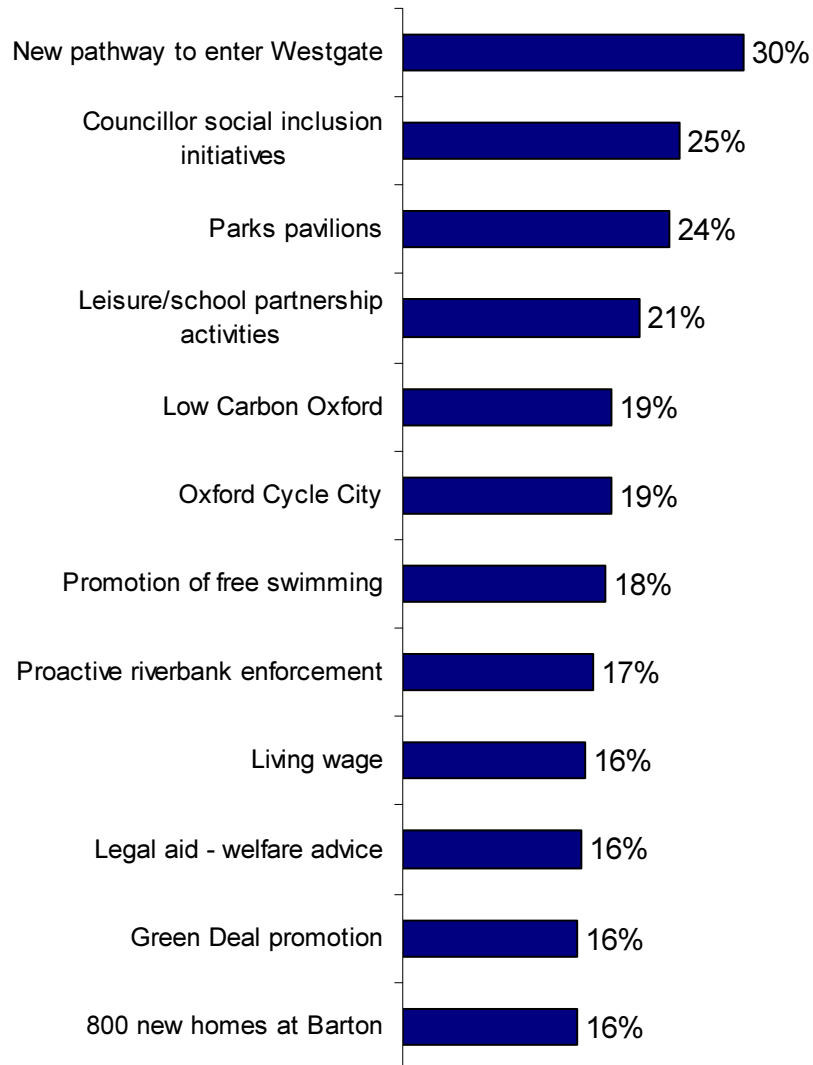
## Most Supported Investment Proposals



16 The proposals with the highest level of disagreement (15% or above 'disagree' or 'strongly disagree') were:

- *New pathway to enter Westgate: £15,000 in 2012-13 to enable better access between Westgate car park and the street.*
- *Parks pavilions: a major £1.1 million refurbishment of parks pavilions including those on Blackbird Leys, Barton and Quarry Fields.*
- *Councillor social inclusion initiatives: a new fund of £50k per year for two years for Councillors to bid into to fund local projects with social inclusion aims.*
- *Leisure/school partnership activities: a three year post (£33,000 per year) to deliver more use of Oxford City Council facilities by local schools.*
- *Promotion of free swimming: £28,000 per year over four years, to ensure that young people, especially those from backgrounds which are less likely to access free swimming, are aware of and take advantage of the opportunity.*

## Least Supported Investment Proposals



### 17 **Council Tax Strategy**

Consultees were invited to comment on the Council's council tax strategy to freeze council tax in 2012/13 then increase it by 4% and 3% in the following two years respectively. More than half the respondents (52%) agreed or agreed strongly with the strategy although a number of consultees requested consideration of a 'smoothed' increase.

### 18 **Changes Arising From Consultation Council Tax Strategy**

In light of the outcome of the budget consultation process the Council has revised its Council Tax proposals for 2013/14 and 2014/15 from 4% and 3% respectively, to 3.5% in each of 2013/14 and 2014/15 and then 3% for

2015/16. The effect of this change as well as a number of other changes detailed below, following consultation, have been reflected in the Council's revised budget together with the 'technical' changes highlighted in Table 2 above.

- 19 The Localism Act 2011 requires local authorities, police authorities and fire & rescue authorities which choose not to accept the Council Tax Freeze Grant for 2012/13 and are contemplating setting an increase in council tax which exceeds the council tax excessiveness principle relevant to them to seek the approval of their local electorate in a referendum. The Secretary of State has prescribed the limit for the City Council as 3.5%. It follows that the City's recommended Council Tax increase would not require the approval of a referendum

20 **Educational Attainment**

In the Consultation Budget a provision of £350k per annum was made to support Oxford's schools, at primary and secondary level, to deliver a step change in educational attainment, which in Oxford is one of the lowest in the country. In a change to the Consultation Budget a further provision of £50k per annum has been made for the provision of support to administer and proactively manage the programme.

**Contribution to Grants**

- 21 It is proposed to increase the small grants budget by £31k in 2012/13 in recognition of the high quality and large number of bids this year.

22 **Revenue Contributions to Capital**

The Council has a significant General Fund Capital Programme funded by government grants, prudential borrowing and capital receipts. In order to de-risk the reliance on capital receipts it is proposed that the residual monies arising from New Homes Bonus net of the changes to the Consultation Budget should be used to reduce the level of prudential borrowing to finance the Capital Programme going forward. This would in turn generate a revenue saving of around £60k per annum ongoing from year 3 which has been put to the General Fund Working Balance.

- 23 Table 3 below sets out the changes to the budget following consultation.

**Table 3. Proposed Changes following consultation**

	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
Educational attainment support	50	50	50	50
Revenue contributions to capital	175	189	252	251
Contribution to Grants	31	31	31	31
Reduced prudential borrowing costs	0	(16)	(39)	(62)
<b>Changes in Base</b>	<b>256</b>	<b>254</b>	<b>294</b>	<b>270</b>

<b>Budget</b>				
<b>Decrease/(increase) in council tax</b>	<b>0</b>	<b>61</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>256</b>	<b>315</b>	<b>294</b>	<b>270</b>

- 24 The overall position taking account of the above changes in Tables 2 and 3 is set out in Table 4 below and included within the Council's revised budget position shown in Appendices 1-3:

**Table 4. Summary of changes to the General Fund Consultation budget.**

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Net Operating Expenditure per Consultation Budget</b>	<b>25,758</b>	<b>24,505</b>	<b>23,732</b>	<b>23,990</b>
Technical base budget adjustments per Table 2 above	(278)	(357)	(357)	(357)
Amendments per Table 3 above	256	254	294	270
Transfer to/(from) general fund working balance	(1,623)	(119)	40	62
<b>Net Budget Requirement</b>	<b>24,113</b>	<b>24,283</b>	<b>23,709</b>	<b>23,965</b>
<b>Financed By :</b>				
Formula Grant	(11,719)	(11,523)	(10,435)	(10,226)
Council Tax	(12,394)	(12,760)	(13,274)	(13,739)
<b>Total</b>	<b>24,113</b>	<b>24,283</b>	<b>23,709</b>	<b>23,965</b>

<b>General Fund</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Balance 1<sup>st</sup> April</b>	<b>5,243</b>	<b>3,620</b>	<b>3,501</b>	<b>3,541</b>
Transfers to/(from)	(1,623)	(119)	40	62
<b>Balance at 31<sup>st</sup> March</b>	<b>3,620</b>	<b>3,501</b>	<b>3,541</b>	<b>3,603</b>

- 25 The amount to be funded from Council Tax represents a zero per cent increase from 2012/13. This is achievable given the inclusion of the Council Tax Freeze Grant of £310k from the Department of Communities Local Government as set out above. For future years 2013/14 – 2015/16 the assumed increase is 3.5% for 2013/14 and 2014/15 then 3% thereafter. With a zero per cent Council Tax rise in 2012/13 the band D Council Tax remains at £262.96.

26 **Budget Risks**

The main risks to the balanced position of the General Fund budget are:

- NNDR Reform which is currently being consulted on and may not be as financially beneficial as expected
- Welfare Reform which will come in from 2013/14 and may affect the authority more adversely than estimated both in terms of arrears and demand for services
- Localisation of support for Council Tax may cost the Council more than estimated and have an increased impact on arrears.
- The potential for the variation in the New Homes Bonus. This is based on estimated numbers of new dwellings constructed and occupied during a given 12 months period, clearly this will be subject to variation
- Interest rates falling lower than projected
- Any slippage in the delivery of assumed savings, especially around trading or additional pressures that could impact on 2012-13 and subsequent years
- The Council's Formula Grant Settlement Figures being less than estimated in subsequent financial years, in part as a consequence of changes in population data
- Assumed budget savings not being achieved.

A full risk assessment is attached at Appendix 8. The recommended budget seeks to mitigate these risks as far as possible

## **B. Housing Revenue Account (HRA) Revenue Budget**

27 The HRA consultation budget was approved by the City Executive Board on 7th December 2011. It provided a Housing Revenue Account for 2012/13 and an indicative budget for the following three years. The HRA was shown to be sustainable with a strategy of maintaining working balances of c. £3.5m.

28 **Changes Arising Since the Publication of the Consultation Budget.**  
 The Consultation Budget was prepared based on a number of assumptions including: the cost of borrowing and repayment profiles relating to the £200m DCLG debt the Council has to procure at the end of March 2012, rent increase proposals in accordance with the Government's draft determination guidance, as well as a variety of other factors relating to RPI uplifts, bad debt provisions, capital investment priorities and Right to Buys disposals. A number of changes have been made to the HRA's medium term financial position since the Consultation Budget was produced and the main reasons for these are set out below and the impact analysed in Table 5 with the revised overall position shown in Appendix 4.

**Table 5 Summary of Changes on the Housing Revenue Account Consultation Budget**

	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
<b>Annual (Surplus)/Deficit per consultation Budget</b>	<b>(1,009)</b>	<b>25</b>	<b>10</b>	<b>11</b>
Rental Income changes	(671)	(318)	(543)	(350)
Borrowing costs	(3,010)	(2,940)	(2,775)	(2,514)
Repairs and Maintenance	(336)	510	112	(427)
Capital Financing/appropriations	(107)	5,763	2,001	2,592
<b>Revised (surplus)/deficit transferred to HRA working balance</b>	<b>(5,133)</b>	<b>3,040</b>	<b>(1,195)</b>	<b>(688)</b>

HRA Working Balance	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
<b>Balance 1<sup>st</sup> April</b>	<b>2,500</b>	<b>7,633</b>	<b>4,593</b>	<b>5,788</b>
Transfers to/(from)	5,133	(3,040)	1,195	688
<b>Balance at 31<sup>st</sup> March</b>	<b>7,633</b>	<b>4,593</b>	<b>5,788</b>	<b>6,476</b>

### **Rental Income**

- 29 The Government have recently consulted with local authorities on raising the available discount offered to Council tenants under the existing Right to Buy (RTB) scheme. Whilst the outcome of the Government's consultation is still awaited it is fair to say that given the high property prices experienced in the City increases in existing RTB disposals are likely. As such the HRA Business Plan and Consultation Budget have been amended to reflect a more prudent approach to 'right to buy'. A 10% reduction in the existing housing stock has therefore been assumed in the first 10 years of the Business Plan. This approach still enables the HRA to deliver on the revenue and capital investment aspirations previously identified.
- 30 Increased RTB numbers together with average void turnover numbers, have resulted in the dwelling income amount changing from that originally submitted to CEB in December 2011 although the rent increases previously reported and outlined in Appendix 5 remain unchanged.

### **Borrowing Costs**

31 The Consultation Budget provided a very simple approach to the borrowing costs for self-financing. Having taken advice from our Treasury Advisors, Sector, the Council now propose to procure a number of fixed interest rate loans from the Public Works Loans Board (PWLB), with a variety of redemption periods from 15 to 50 years. The exact breakdown of loans and subsequent cost of borrowing will not be known precisely until 26 March 2012, being the only available date when the Council can procure the loans from PWLB. Borrowing costs have been included at 3.74% which we believe provides sufficient headroom for any movement in interest rates between now and when we take the borrowing out on 26<sup>th</sup> March 2012. The change in borrowing costs shown in the above table highlight the change in the borrowing strategy and a revised interest rate forecast from 4.5% to 3.74%

### **Repairs and Maintenance**

32 Changes in repairs and maintenance reflect the smoothing of the programme necessary to deliver the Business Plan without eating into the Council's borrowing head room.

### **Capital Financing/ Appropriations**

33 The revised HRA Business Plan provides £17.9m of resources to fund a second Homes and Communities Agency (HCA) new build project that will see an additional 112 new build properties made available up to 2014/15. Thereafter, we have included in the Business Plan a further £60m over the next 4 years for Members and Tenants to decide on how to tackle the affordable housing needs of the City.

34 The changes in capital financing and appropriations costs reflect this additional new capital investment which is funded from increased Revenue Contributions to Capital arising from

- Reductions in interest on borrowing due to the change in strategy and a more optimistic outlook on interest rates
- A more prudent approach in debt repayment than was assumed in the Consultation Budget.

### **HRA Working Balance**

35 The Consultation Budget assumed a working balance of at least £3.5 million with surplus cash being used to repay debt. The revisions to the Consultation Budget as set out above require that the HRA working balance for some years is considerably higher than £3.5m, to fund future years cash and investment requirements.

### **Budget Risks**

The main risks faced by the HRA are as follows:

- Benefit reforms impacting adversely on rent arrears and viability of the business plan

- Right to Buy Sales being higher than anticipated resulting in a consequential reduction in rent
- Efficiencies assumed within the business plan not being delivered as anticipated thereby increasing costs.

Appendix 8 attached provides further detail together with mitigating actions

### C. Capital Programme

37 Appendix 6 shows the Council's overall Capital Programme for the period 2012/13 to 2015/16.

#### Changes arising since the publication of the Consultation Budget

38 The Programme is monitored on a monthly basis and the forecast spend on individual schemes can vary. Since the Consultation Budget was produced a number of changes have been proposed as follows:

- Provision was included within the Consultation Budget for the replacement and consolidation of the Council's two main works depots in the sum of £2 million. To progress this project it is necessary to undertake survey works and bring forward some of the budget allocation to 2011/12 (£50k) and 2012/13 (£200k) from 2013/14
- There has been slippage on schemes in a number of areas. Other than cash flow these schemes have no overall effect on the Council's financial position since they are fully funded.

**Table 6 Proposed Changes to the Capital Programme**

	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
<b>Consultation Budget</b>	<b>24,315</b>	<b>17,671</b>	<b>13,087</b>	<b>11,582</b>
Survey works to depot pulled forward	200	(250)		
<b>Total Capital Budget</b>	<b>24,515</b>	<b>17,421</b>	<b>13,087</b>	<b>11,582</b>

#### Capital Budget Risks

39 The main risks to the delivery of the Capital Programme are:

- Disposals not secured causing a shortfall in funding of schemes resulting in additional prudential borrowing costs.
- Slippage resulting in delivery of schemes later than anticipated and knock on cash flow issues.
- Contractors going into liquidation/administration as a consequence of the slow economic recovery resulting in additional costs to the Council.



Appendix 8 attached provides further detail together with mitigating actions.

#### **D. Fees & Charges**

40 The Budget includes additional income of £1.2 million from fees, charges and trading. Appendix 7 attached provides a schedule of the proposed fees and charges for 2012/13, these have been proposed in accordance with the income strategy.

#### **Legal Implications**

41 Under Section 30 of the Local Government Finance Act 1992 the Council is required to set a Council Tax by 11<sup>th</sup> March 2012 for the 2012/13 financial year.

#### **Risk Implications**

42 These are set out in the body of the report and detailed further together with mitigating actions in Appendix 8

#### **43 Equalities Impact Assessment**

An impact assessment is included at Appendix 9

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**Background papers:** Budget Working Papers  
Consultation Feedback

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