

## Report for Resolution

**Report to** Council  
22 February 2011  
**Report of** Head of Finance  
**Subject** General Fund Revenue Budget

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### Purpose

To present Cabinet's recommendations for a budgetary requirement and level of Council Tax for the financial year 2011/12 for Council's approval.

### Recommendations

That Council approves Cabinet's recommendations for the 2011/12 financial year in respect of:

- (1) that Council Tax should be set at £225.87 for Band D, which is an increase of 0%.
- (2) the Council's Budgetary requirement to be set at £21.570 million
- (3) that the prudent level of reserves for the Council be set at £3.1 million in accordance with the recommendation of the Head of Finance;
- (4) that the precept of the collection fund for 2011/12 be calculated in accordance with Sections 32-36 of the Local Government Finance Act 1992 as per the statutory determination at Annex 3

### Financial Consequences

This report sets the council tax and general fund budgetary requirement for 2011/12

### Risk Assessment

The risk assessment of the report is described in paragraph 8 and annex 2 of the report

### Strategic Priority and Outcome/Service Priorities

The report provides the financial resource for the delivery of the general fund element of the council's corporate plan during 2011/12

### Executive Member:

Councillor Waters - Resources, performance and shared services

**Ward:** All wards

### Contact Officers

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# Report

## 1. Background

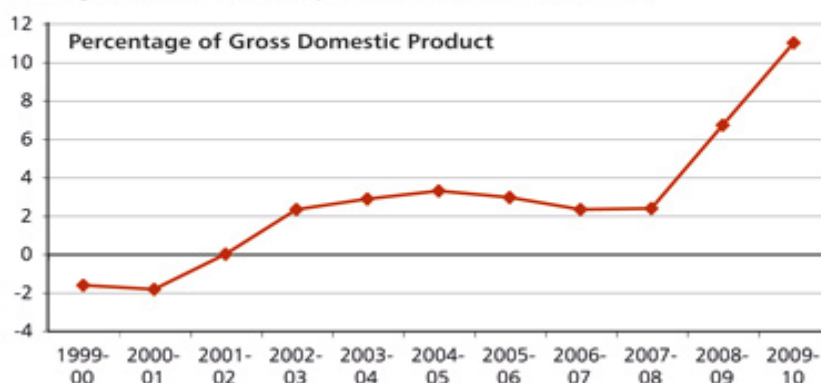
- 1.1 The recession in 2007/8 had a major impact on public and private sector organisations. Reductions in interest rates, a slow down in property development, and cut backs in retail spending had a significant impact on the council. The effect of this along with increases in expenditure beyond the council's control, e.g. concessionary fares meant that in order to balance the councils general revenue fund budget expenditure had to be cut by £3,800,000 in 2009/10 and £6,100,000 in 2010/11

## 2. Public sector borrowing

- 2.1 The financial year 2009/10 saw the public sector's borrowing requirement reach 11% of gross national product. This is the highest level of peacetime borrowing in the UK and represents one of the highest in the G7 and G20 groups of nations. The graph below shows the pattern of the public sector borrowing over the last eleven years and this clearly shows the high levels of borrowing occurring during the period of the international financial crisis and the recession that flared from this

### Public sector net borrowing over the last ten years

Source: ONS. Public Sector Finances statistical bulletin, 18 June 2010 release.  
Borrowing excludes the temporary effects of financial interventions.



- 2.2 The borrowing is made up of two main elements; structural and cyclical deficit. The structural deficit results from a fundamental imbalance in government receipts and expenditures whereas the cyclical deficit is usually based on one-off or short term factors. The cyclical element in a government deficit will normally be addressed by normal economic growth whereas the structural element will require direct government intervention through higher taxes or reductions in public expenditure or a combination of the two.
- 2.3 The magnitude of the public sector financial support to banking is illustrated by the comments from the National Audit Office below:

*"... the scale of the support currently provided to the banks has fallen from its peak of £955 billion to £512 billion as at 1 December 2010. However, the amount of cash currently borrowed by the Government to support UK banks has risen by £7 billion since December 2009 to a total of £124 billion ... the Treasury will probably be paying for the support it has provided to UK banks for years to come"*

### **3. Coalition government policies**

- 3.1 On 23 June 2010 the Chancellor of the Exchequer delivered an emergency budget, where he announced that he intended to cut the budget deficit to zero in the next six years. The Chancellor also stated that the main thrust in deficit reduction would be public spending cuts, not tax rises.
- 3.2 At this stage the Head of Finance revised the council's medium term financial projections to reflect the impact of this and these projections showed that the council would need to make cuts in revenue expenditure estimated at £12.2 million over the next 4 years in order to balance the budget. It takes up to 6 months to implement a savings proposal that involves losing staff and so a savings programme was designed that would deliver savings of £3.0 million that would be in place by 1<sup>st</sup> April 2011 in anticipation of the cuts to be made to local government spending and, in addition to this, savings of a further £0.5 million have been identified by holding back on expenditure, giving a total so far of £3.5 million, so far, for 2011/12. Early anticipation of these spending cuts meant there was time to properly plan this savings programme and so it was possible to avoid having a direct impact on front line services and make the cuts from efficiencies, back office services, and cuts in management. Although there are no direct impacts on front line services the result of these cuts will be to significantly reduce the capacity of the council which will inevitably impact on service delivery. This programme was approved by the Cabinet on 27 October 2010.
- 3.3 The emergency budget has been followed by a spending review which the government published on 20 October 2010. The spending review set departmental budgets up to 2014/15.
- 3.4 For local government this indicated reductions in expenditure of 28% over the period of review, the details of this being published in the local government financial settlement.

### **4. Local Government Financial Settlement**

- 4.1 On the 13 December 2010 the government published the proposed financial settlement for local government for 2011/12 and 2012/13. This is a two year settlement as the government has stated that they plan to fundamentally review the finance system for local government for 2013/14 onwards.
- 4.2 The government has introduced a new definition for measuring grant changes. The figures now quoted relate to an authority's 'revenue spending power' not the formula grant on its own. The new definition, for this authority is the sum of the Council Tax Requirement, Formula Grant and Specific Grants. The table below shows both the new and the old methods for reviewing the changes in grant. The government has also given authorities that have the highest level of cuts a transition grant. In Norwich's case this is for one year only, this grant being used to keep reductions in the revenue spending power down to 8.6%.
- 4.3 The government announced the final grant settlement on 1 February 2011, and this is set out below.

### Changes to grant position

| <b>A</b> | <b>Formula Grant</b>                                     | <b>2010/11<br/>£'<br/>millions</b> | <b>2011/12<br/>£'<br/>millions</b> | <b>2012/13<br/>£'<br/>millions</b> |
|----------|----------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|          | Formula Grant                                            | 15.914                             | 12.253                             | 11.154                             |
|          | Concessionary fares adjustment                           | -1.747                             |                                    |                                    |
|          | other adjustments                                        | -0.055                             |                                    |                                    |
|          | <b>Comparative grant</b>                                 | <b>14.112</b>                      | <b>12.253</b>                      | <b>11.154</b>                      |
|          | % reduction                                              |                                    | 13.2%                              | 9.0%                               |
|          | Transition grant                                         |                                    | 0.882                              | 0                                  |
|          | % reduction after transition grant                       |                                    | 6.9%                               |                                    |
|          | <b>Reduction in formula grant after transition grant</b> |                                    | <b>0.977</b>                       |                                    |
| <b>B</b> | <b>Revenue Spending Power</b>                            |                                    |                                    |                                    |
|          | Council Tax requirement                                  | 9.083                              | 9.083                              |                                    |
|          | Formula Grant                                            | 14.112                             | 12.253                             |                                    |
|          | Specific Grants                                          | 3.389                              | 2.085                              |                                    |
|          | <b>Comparative revenue spending power</b>                | <b>26.584</b>                      | <b>23.421</b>                      |                                    |
|          | % reduction                                              |                                    | 12.1%                              |                                    |
|          | Transition grant                                         |                                    | 0.882                              |                                    |
|          | % reduction after transition grant                       |                                    | 8.6%                               |                                    |
|          | <b>Reduction in grant after transition grant</b>         |                                    | <b>2.281</b>                       |                                    |
|          |                                                          |                                    |                                    |                                    |

## 5. Medium Term Financial Strategy (MTFS)

- 5.1 The Council's Head of Finance has now assessed the impact of this reduction on the council's medium term financial position alongside other budget pressures including inflation and unavoidable expenditure requirements.
- 5.2 This shows a need make savings of £12.2 million over the next four years. It includes a further £1.85 million reduction needed in 2011/12, to address the impact of the front-end loading of the government grant reductions, a downgrading of Council income estimates and other budget adjustments.
- 5.3 Approximately £0.85 million can be saved in 2011/12 by further holding back expenditure and not filling vacancies. These are temporary measures that help to balance the budget. Were the council to make the full level of £1.85m cuts immediately to close the budget gap it would inevitably mean making cuts to front line services. In order to take a measured approach to this it is proposed that £1.0 million of reserves is used to balance the budget, as shown in the table at para 5.6. This would bring the reserves down to the recommended level for prudent reserves. A programme would then be designed that will identify how to reshape the council and achieve the 4 years savings programme is shaped up over the next 2 – 3 months. This would then be subject to public consultation in the summer and brought to the July 2011 Council. (It should be noted that it may be necessary to increase the level of saving needed in 2011/12 because of the shorter time scale

they will be in place)

- 5.4 On 27<sup>th</sup> January 2011 Andrew Stunell MP, parliamentary undersecretary of state for communities & local government, wrote to all local authorities regarding budget setting and specifically referred to the use of reserves:

*“As the Secretary of State said in his statement in November, Ministers believe that it is sensible – as part of wider financial planning – for authorities to consider drawing on their reserves to address short term costs and pressures, and to help them manage transformational change, where it is appropriate to do so. That will include managing the costs of internal restructuring.”*

- 5.5 The council's budget is underpinned by the Medium Term Financial Strategy (MTFS). The financial projections forming the part of the MTFS have been revised to reflect changes in assumptions, the government's financial settlement and the changing risk environment in which the council operates
- 5.6 The table below show the medium term financial projections up to 2014/15.

## General Fund position

|                                          | 2010/11<br>£'000s | 2011/12<br>£'000s | 2012/13<br>£'000s | 2013/14<br>£'000s | 2014/15<br>£'000s |
|------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 1. Employees                             | 21,887.20         | 20,252.40         | 20,860.00         | 21,485.80         | 22,130.40         |
| 2. Premises                              | 9,955.30          | 8,456.60          | 8,879.40          | 9,323.40          | 9,789.60          |
| 3. Transport                             | 381.50            | 300.50            | 420.60            | 441.60            | 463.70            |
| 4. Supplies & Services                   | 19,997.10         | 19,044.10         | 19,996.30         | 20,996.20         | 22,046.00         |
| 5. Third Party Payments                  | 3,673.40          | 438.80            | 438.80            | 438.80            | 438.80            |
| 6. Transfer Payments                     | 1,485.60          | 73,448.60         | 73,448.60         | 73,448.60         | 73,448.60         |
| 7. Finance costs                         | 2,931.00          | 4,194.50          | 4,194.50          | 4,194.50          | 4,194.50          |
| 11. Receipts                             | -25,852.10        | -21,638.80        | -22,287.90        | -22,956.60        | -23,645.30        |
| 12. Government Grants                    | -5,372.80         | -76,926.20        | -77,776.40        | -77,776.40        | -77,776.40        |
| Centrally managed                        |                   | 1,447.90          | 1,447.90          | 1,447.90          | 1,447.90          |
| 21. Recharge Expenditure                 | 26,341.10         | 25,970.70         | 26,749.80         | 27,552.30         | 28,378.80         |
| 22. Recharge Income                      | -30,730.40        | -30,706.90        | -31,628.10        | -32,576.90        | -33,554.20        |
| unavoidable continuing expenditure       |                   | 0.00              | 500.00            | 500.00            | 500.00            |
| accumulative impact                      |                   | 0.00              | 0.00              | 500.00            | 1,000.00          |
| unavoidable one off costs                |                   | 0.00              | 500.00            | 300.00            | 400.00            |
| <b>Savings new</b>                       | <b>0.00</b>       | <b>-830.27</b>    | <b>-4,452.50</b>  | <b>-1,519.40</b>  | <b>-1,886.50</b>  |
| accumulative impact                      | 0.00              | 0.00              | -830.27           | -5,282.77         | -6,802.17         |
| Transition grant                         |                   | -882.00           |                   |                   |                   |
| Use of reserves                          | 400.00            | -1,000.00         | 0.00              | 0.00              | 0.00              |
| <b>Budgetary requirement</b>             | <b>25,096.90</b>  | <b>21,569.93</b>  | <b>20,460.73</b>  | <b>20,517.03</b>  | <b>20,573.73</b>  |
| RSG/NNDR                                 | -15,913.90        | -12,253.00        | -11,200.00        | -11,200.00        | -11,200.00        |
| Collection Fund Surplus                  | -100.00           | -109.00           | 0.00              | 0.00              | 0.00              |
| <b>Council Tax requirement</b>           | <b>9,083.00</b>   | <b>9,207.93</b>   | <b>9,260.73</b>   | <b>9,317.03</b>   | <b>9,373.73</b>   |
| Band D equivalents properties            | 40,214            | 40,766            | 41,000            | 41,250            | 41,500            |
| <b>Council Tax Band D</b>                | <b>225.87</b>     | <b>225.87</b>     | <b>225.87</b>     | <b>225.87</b>     | <b>225.87</b>     |
| Council Tax collectable                  | 9,083.14          | 9,207.82          | 9,260.67          | 9,317.14          | 9,373.61          |
| <b>Level of reserves</b>                 | <b>4,200.00</b>   | <b>3,200.00</b>   | <b>3,200.00</b>   | <b>3,200.00</b>   | <b>3,200.00</b>   |
| Reserves as a % of budgetary requirement |                   | 14.84%            | 15.64%            | 15.60%            | 15.55%            |

## 6. Redundancy costs

- 6.1 The Council is committed to avoiding staff redundancies where possible and so every post that becomes vacant is thoroughly reviewed and only filled if it is assessed as being absolutely essential.
- 6.2 However, given the scale of savings to be made, and the current level of staff turnover it will not be possible now or in the future to avoid making staff redundant.
- 6.3 The cost of redundancies has to be met from the council's revenue budgets, and so additional savings need to be made to meet these costs. This is shown in the table above as additional one of costs.

## 7. Assumptions

- 7.1 Payroll inflation has been estimated at 3%, this is based on estimates for annual settlement 1%, incremental and other payroll drift 1.3%, -5% for the increase in pension contribution and -2% for other misc items. 5% inflation has been allowed for

premises costs, supplies and services and transport.

- 7.2 The grant settlement figures for 2011/12 and 2012/13 are based on the 2011/12 two year settlement actuals. Years 2013/14 and 2014/15 have been estimated at 2012/13 levels. The government has said that they will fundamentally review the financing of local government for the settlement in 2013/14 and beyond.

## **8. Risks and sensitivity analysis**

- 8.1 The key mitigation for expenditure/income risks is the S151 officer's estimate of a prudent level of reserves. For 2011/12 it will be possible to reduce the level from the 2010/11 estimate, due to reductions in significant areas of risk, including the transfer of concessionary fares to the County and a lower level of risk attached to the supplies and services expenditure with the re-let of contracts. An amount has been built into the prudent level of reserves to cover estimated levels of risk, as set out in Annex 2.
- 8.2 There are still risks around the level of unavoidable expenditure and income loss from 2012/13 onwards. Historically this has been in excess of £1 million per annum, but it is expected that rigour applied in the budgeting process and the impact of council's new established transformation programme, should keep this at the levels used in the projections. The unavoidable one-off costs refer mainly to redundancy costs resulting from the savings programme; these are subject to a level of uncertainty as there can be significant differences in levels of redundancy costs as these are dependant on age and length of service.
- 8.3 The table below illustrates the sensitivity of the MTFS financial projections and shows the impact of a further £1 million being added to unavoidable expenditure (£500K continuing and £500K one-off) annually.

## General Fund position with higher unavoidable costs

|                                          | 2010/11<br>£'000s | 2011/12<br>£'000s | 2012/13<br>£'000s | 2013/14<br>£'000s | 2014/15<br>£'000s |
|------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 1. Employees                             | 21,887.20         | 20,252.40         | 20,860.00         | 21,485.80         | 22,130.40         |
| 2. Premises                              | 9,955.30          | 8,456.60          | 8,879.40          | 9,323.40          | 9,789.60          |
| 3. Transport                             | 381.50            | 300.50            | 420.60            | 441.60            | 463.70            |
| 4. Supplies & Services                   | 19,997.10         | 19,044.10         | 19,996.30         | 20,996.20         | 22,046.00         |
| 5. Third Party Payments                  | 3,673.40          | 438.80            | 438.80            | 438.80            | 438.80            |
| 6. Transfer Payments                     | 1,485.60          | 73,448.60         | 73,448.60         | 73,448.60         | 73,448.60         |
| 7. Finance costs                         | 2,931.00          | 4,194.50          | 4,194.50          | 4,194.50          | 4,194.50          |
| 11. Receipts                             | -25,852.10        | -21,638.80        | -22,287.90        | -22,956.60        | -23,645.30        |
| 12. Government Grants                    | -5,372.80         | -76,926.20        | -77,776.40        | -77,776.40        | -77,776.40        |
| Centrally managed                        |                   | 1,447.90          | 1,447.90          | 1,447.90          | 1,447.90          |
| 21. Recharge Expenditure                 | 26,341.10         | 25,970.70         | 26,749.80         | 27,552.30         | 28,378.80         |
| 22. Recharge Income                      | -30,730.40        | -30,706.90        | -31,628.10        | -32,576.90        | -33,554.20        |
| unavoidable continuing expenditure       |                   | 0.00              | 1,000.00          | 1,000.00          | 1,000.00          |
| accumulative impact                      |                   | 0.00              | 0.00              | 1,000.00          | 2,000.00          |
| unavoidable one off costs                |                   | 0.00              | 1,000.00          | 800.00            | 900.00            |
| <b>Savings new</b>                       | <b>0.00</b>       | <b>-830.27</b>    | <b>-5,452.60</b>  | <b>-2,019.00</b>  | <b>-2,387.00</b>  |
| accumulative impact                      | 0.00              | 0.00              | -830.27           | -6,282.87         | -8,301.87         |
| Transition grant                         |                   | -882.00           |                   |                   |                   |
| Use of reserves                          | 400.00            | -1,000.00         | 0.00              | 0.00              | 0.00              |
| <b>Budgetary requirement</b>             | <b>25,096.90</b>  | <b>21,569.93</b>  | <b>20,460.63</b>  | <b>20,517.33</b>  | <b>20,573.53</b>  |
| RSG/NNDR                                 | -15,913.90        | -12,253.00        | -11,200.00        | -11,200.00        | -11,200.00        |
| Collection Fund Surplus                  | -100.00           | -109.00           | 0.00              | 0.00              | 0.00              |
| <b>Council Tax requirement</b>           | <b>9,083.00</b>   | <b>9,207.93</b>   | <b>9,260.63</b>   | <b>9,317.33</b>   | <b>9,373.53</b>   |
| Band D equivalents properties            | 40,214            | 40,766            | 41,000            | 41,250            | 41,500            |
| <b>Council Tax Band D</b>                | <b>225.87</b>     | <b>225.87</b>     | <b>225.87</b>     | <b>225.87</b>     | <b>225.87</b>     |
| Council Tax collectable                  | 9,083.14          | 9,207.82          | 9,260.67          | 9,317.14          | 9,373.61          |
| <b>Level of reserves</b>                 | <b>4,200.00</b>   | <b>3,200.00</b>   | <b>3,200.00</b>   | <b>3,200.00</b>   | <b>3,200.00</b>   |
| Reserves as a % of budgetary requirement |                   | 14.84%            | 15.64%            | 15.60%            | 15.55%            |

## 9. Council Tax calculation

- 9.1 Budget movements contributing to the calculation of the Budgetary Requirement and Council Tax Requirements are shown in Annex 1 to this report.
- 9.2 The following table shows the calculation of the level of Council Tax consistent with the government's policy of a Council Tax freeze at the rate of 2010/11, a rate of £225.87 per Band D property. This is the basis of the statutory resolution set out in Annex 3.

| Council Tax Calculation 2011/12 |         | £'000's    |
|---------------------------------|---------|------------|
| Budget 2011/12                  |         | 24,282.20  |
| Transitional grant              |         | -882.00    |
| Savings still to be finalised   |         | -830.27    |
| Use of reserves                 |         | -1,000.00  |
| Budgetary requirement           |         | 21,569.93  |
| Formula grant                   |         | -12,253.00 |
| Collection fund surplus         |         | -109.00    |
| Council tax requirement         |         | 9,207.93   |
| Band D equivalent properties    | 40,766  |            |
| Council tax Band D              | £225.87 |            |
| Council tax chargeable          |         | 9,207.93   |
| Deficit/(Surplus)               |         | 0.00       |

## **10. Report by the Chief Financial Officer on the robustness of estimate, reserves and balances**

10.1 Section 25 of the Local Government Act 2003 requires that the Chief Financial Officer of the Council (which in the case of Norwich City Council is the Head Finance) reports to members on the robustness of the budget estimates and the adequacy of Council's reserves.

10.2 The Head of Finance is required to provide professional advice to the Council on the two above matters and is expected to address issues of risk and uncertainty.

## **11. Estimates**

11.1 The main driver in the current budget round has been the Council's transformation programme this has been subject to rigorous review by both members and officers and is directly linked to the service planning process ensuring a strong link between the Council's priorities and the financial resources available to deliver them. As with all future estimates there is a level of uncertainty and this has been taken into when assessing the levels of reserves.

11.2 Allowing for the above comment on uncertainty it is the opinion of the Head of Finance that in the budgetary process all reasonable steps have been taken to ensure the robustness of the budget.

## **12. Reserves**

12.1 A risk assessment has been undertaken to determine the level of general reserves required by the Council. In making a recommendation for the level of reserves the Head of Finance has followed guidance in the CIPFA LAAP Bulletin 77 – Guidance

notes on Local Authorities Reserves and Balances.

12.2 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

12.3 Earmarked reserves remain legally part of the General Fund although they are accounted for separately.

12.4 There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:

- the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992)
- Chief finance officers' duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003 when the authority is considering its budget requirement (England and Wales))
- the requirements of the Prudential Code
- auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.

12.5 Whilst it is primarily the responsibility of the local authority and its chief financial officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

### **13. Role of the Chief Finance Officer**

13.1 Within the existing statutory and regulatory framework, it is the responsibility of the chief finance officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.

13.2 The risk analysis shows that an adequate level of reserves for 2010/11 the Council will be in the order of £3.0 million see annex 7

**Movements in budget 2011/12**

| <b>Unavoidable Budget Movements</b>                 | <b>£</b>         |
|-----------------------------------------------------|------------------|
| Provision for redundancy costs arising in 2011/12   | 1,000,000        |
| Decrease in Interest Chargeable to HRA              | 744,700          |
| Appropriation of dwellings into the HRA             | 264,922          |
| Premises repairs budget replenishment               | 260,330          |
| Increase in net Housing & Council Tax Benefit costs | 180,660          |
| Other unavoidable growth                            | 167,690          |
| Increases in Business Rates liability               | 19,963           |
| <b>Total Unavoidable Budget Movements</b>           | <b>2,638,265</b> |

| <b>Increased Income</b>                               | <b>£</b>        |
|-------------------------------------------------------|-----------------|
| Increased investment income & interest                | 0               |
| Grant towards freeze of Council Tax                   | -228,310        |
| Increase in charges for Highways work                 | -188,000        |
| Increases in Recycling credits and other waste income | -120,869        |
| Other government grants                               | -119,600        |
| New & increased contributions toward costs incurred   | -95,940         |
| Increases in asset rentals & service charges          | -92,037         |
| Increased in Private Sector Leasing income            | -40,330         |
| Other increases in income                             | -8,398          |
| <b>Total Increased Income</b>                         | <b>-893,484</b> |

| <b>Reduced Income</b>                                 | <b>£</b>         |
|-------------------------------------------------------|------------------|
| Reduction in income from reduced demand/activity      | 292,182          |
| Grants, contributions, recharges no longer receivable | 233,608          |
| Reduced income due to asset disposals                 | 325,799          |
| Reduction in government grants                        | 243,445          |
| Other reductions in income                            | 91,900           |
| Reduction in income from Highways work                | 38,896           |
| <b>Total Reduced Income</b>                           | <b>1,225,830</b> |

| <b>Savings</b>                                             | <b>£</b>          |
|------------------------------------------------------------|-------------------|
| Transformation & Efficiency Programme                      | -2,493,263        |
| Loss of Concessionary Fares costs offsetting loss of grant | -1,891,255        |
| Corporate Management Team Budget Review savings            | -970,905          |
| Miscellaneous efficiencies & budget reductions             | -266,312          |
| Savings in overhead costs recharged                        | -194,200          |
| Reduction in Homelessness costs net of grant               | -103,775          |
| Savings in Audit Commission fees                           | -94,980           |
| Savings in costs on assets disposed of                     | -31,200           |
| <b>Total Savings</b>                                       | <b>-6,045,890</b> |

| <b>Recommended Growth</b>                               | <b>£</b>         |
|---------------------------------------------------------|------------------|
| Reduced use of reserves & risk-based revenue            |                  |
| Contingency                                             | 543,275          |
| Provision for new costs of fixed assets & management    | 186,000          |
| Miscellaneous budget shortfalls/omissions remedied      | 185,460          |
| Increased municipal services costs (inc food recycling) | 125,808          |
| Provision for corporate priority objectives             | 79,075           |
| Structural maintenance not delivered via County         |                  |
| Partnership                                             | 50,000           |
| Impact of bringing PSLs into I&E from balance sheet     | 49,120           |
| <b>Total Recommended Growth</b>                         | <b>1,218,738</b> |

**Calculation of Minimum Prudent Balance**

| <b>Estimate of prudent level of General Fund reserves 2011/12</b> |                      |                       | Page 1/2         |
|-------------------------------------------------------------------|----------------------|-----------------------|------------------|
| <u>Description</u>                                                | <u>Level of risk</u> | <u>Amount at risk</u> | <u>Risk</u>      |
| Employee Costs                                                    | Medium               | 20,252,419            | 40,505           |
| Premises Costs                                                    | Medium               | 8,456,614             | 31,712           |
| Transport Costs                                                   | Medium               | 300,483               | 1,690            |
| Supplies & Services                                               | Low                  | 19,044,141            | 190,441          |
| Third Party Payments                                              | Medium               | 438,800               | 3,291            |
| Transfer Payments                                                 | Medium               | 73,448,570            | 220,346          |
| Centrally Managed Expenditure                                     | Medium               | 1,447,897             | 43,437           |
| Receipts                                                          | Low                  | 21,638,760            | 54,097           |
| Grants & Contributions                                            | Low                  | 76,926,223            | 115,389          |
| Total One Year Operational Risk                                   |                      |                       | 700,909          |
| <b>Allowing three years cover on operational risk</b>             |                      |                       | <b>2,102,726</b> |
| <b>Balance Sheet risk</b>                                         |                      |                       |                  |
| Issues arising from Annual Governance Report                      |                      | @ 100%                | 0                |
| <b>General Risk</b>                                               |                      |                       |                  |
| Concessionary Fares litigation                                    | 0                    | @ 50%                 | 0                |
| Unforeseen events                                                 | 1,000,000            | @ 90%                 | 900,000          |
| <b>ESTIMATED REQUIRED LEVEL OF GENERAL FUND RESERVES</b>          |                      |                       | <b>3,002,726</b> |

## Operational cost risk profiles

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|                                  |                                               | <i>Low<br/>Risk</i>       | <i>Med<br/>Risk</i>        | <i>High<br/>Risk</i>      |
|----------------------------------|-----------------------------------------------|---------------------------|----------------------------|---------------------------|
| Employee Costs                   | overspend<br>probability<br>amount at<br>risk | 1.00%<br>15.0%<br>30,379  | 2.00%<br>10.0%<br>40,505   | 3.00%<br>5.0%<br>30,379   |
| Premises Costs                   | overspend<br>probability<br>amount at<br>risk | 2.50%<br>10.0%<br>21,142  | 5.00%<br>7.5%<br>31,712    | 7.50%<br>5.0%<br>31,712   |
| Transport Costs                  | overspend<br>probability<br>amount at<br>risk | 5.00%<br>10.0%<br>1,502   | 7.50%<br>7.5%<br>1,690     | 10.00%<br>5.0%<br>1,502   |
| Supplies & Services              | overspend<br>probability<br>amount at<br>risk | 5.00%<br>20.0%<br>190,441 | 10.00%<br>10.0%<br>190,441 | 15.00%<br>5.0%<br>142,831 |
| Third Party Payments             | overspend<br>probability<br>amount at<br>risk | 5.00%<br>10.0%<br>2,194   | 10.00%<br>7.5%<br>3,291    | 15.00%<br>5.0%<br>3,291   |
| Transfer Payments                | Shortfall<br>probability<br>amount at<br>risk | 1.00%<br>25.0%<br>183,621 | 2.00%<br>15.0%<br>220,346  | 3.00%<br>10.0%<br>220,346 |
| Centrally Managed<br>Expenditure | Shortfall<br>probability<br>amount at<br>risk | 10.00%<br>20.0%<br>28,958 | 20.00%<br>15.0%<br>43,437  | 30.00%<br>10.0%<br>43,437 |
| Receipts                         | Shortfall<br>probability<br>amount at<br>risk | 1.00%<br>25.0%<br>54,097  | 1.50%<br>15.0%<br>48,687   | 2.00%<br>5.0%<br>21,639   |
| Grants & Contributions           | Shortfall<br>probability<br>amount at<br>risk | 1.00%<br>15.0%<br>115,389 | 1.50%<br>10.0%<br>115,389  | 2.00%<br>5.0%<br>76,926   |

**Statutory Council Tax Resolution**

1.1 That it be noted that at its meeting on 22 February 2011 the Council calculated the following amounts for the year 2011/12 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992:

(a) 40,766 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 ('the Regulations'), as its Council Tax base for the year.

2.1 That 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 (the Act):

(a) £173,763,402 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;

(b) £152,193,099 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act;

(c) £21,570,303 being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year

(d) £12,362,487 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 and revenue support grant increased by the amount of the sum which the Council estimates will be transferred in the year to its general fund from its collection fund in accordance with Section 97(3) of the Local Government Finance Act 1988 (Council Tax Surplus)

(e) £225.87 being the amount at 2(c) above less the amount at 2(d) above, all divided by the amount at 1(a) 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) Valuation Bands

| Band | A      | B      | C      | D      | E      | F      | G      | H      |
|------|--------|--------|--------|--------|--------|--------|--------|--------|
|      | 150.58 | 175.68 | 200.77 | 225.87 | 276.06 | 326.26 | 376.45 | 451.74 |

being the amounts given by multiplying the amounts at (e) above by the number which is the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band, divided by the number which in that proportion is applicable to dwellings listed in Band D, calculated by the Council in accordance with Section 36(1) of the Act as the amounts to be taken into account for the year in respect of categories of dwellings listed in the different valuation bands.

- 2.2 That it be noted that for the year 2011/12 the Norfolk County Council and the Norfolk Police Authority 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 below:

| <b>Band</b>   | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> | <b>H</b> |
|---------------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>County</b> | 763.38   | 890.61   | 1,017.84 | 1,145.07 | 1,399.53 | 1,653.99 | 1,908.45 | 2,290.14 |
| <b>Police</b> | 127.44   | 148.68   | 169.92   | 191.16   | 233.64   | 276.12   | 318.60   | 382.32   |

- 2.3 That, having calculated the aggregate in each case of the amounts at 2.2 and 2.1 above, the Council, in accordance with section 30(2) of the Local Government Finance Act 1992, hereby sets the amounts below as the amounts of Council Tax for the year 2011/12 for each of the categories of dwellings shown is

| <b>Band</b>   | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> | <b>H</b> |
|---------------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>County</b> | 763.38   | 890.61   | 1,017.84 | 1,145.07 | 1,399.53 | 1,653.99 | 1,908.45 | 2,290.14 |
| <b>City</b>   | 150.58   | 175.68   | 200.77   | 225.87   | 276.06   | 326.26   | 376.45   | 451.74   |
| <b>Police</b> | 127.44   | 148.68   | 169.92   | 191.16   | 233.64   | 276.12   | 318.60   | 382.32   |
| <b>Total</b>  | 1,041.40 | 1,214.97 | 1,388.53 | 1,562.10 | 1,909.23 | 2,256.37 | 2,603.50 | 3,124.20 |