

<b>Meeting</b>	<b>Council Board</b>
<b>Date</b>	<b>16 February 2010</b>
<b>Report</b>	<b>Financial Strategy 2010/11- 2012/13</b>
<b>Recommendation</b>	<b>Consider the Principal Scrutiny Committee's recommendations and recommend a budget and Council Tax increase to the Council at its meeting on 25 February</b>
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<b>Portfolio Leader</b>	<b>Councillor Dylan Edwards</b>

- 1 At its meeting on 15 December, the Board considered the likely financial position for the period 2010/11 – 2012/13.
- 2 The latest position was reported to the Principal Scrutiny Committee at its meeting on 11 February and it was asked to scrutinise that report. A copy of the report is attached.
- 3 There are a number of issues which impinge upon this year's report and as a result it is a fairly lengthy report. However the position can be summarised as follows.
- 4 The general position in respect of 2010/11 has improved slightly following the Council's decision to levy council tax on some empty domestic properties.
- 5 If we were to adopt the spending requirements identified in the report, and taking into account the fact that the Council has approved a savings package worth £4.05m, **and if we disregard the consequences for 2011/12 a 2012/13**, the Council Tax increase necessary to ensure a balanced budget for 2010/11 is 2.96%. [See clause 9.6 of the report].
- 6 However since writing the original report it has become apparent that the depth of the Social Services Department's budgetary problems are greater than that envisaged at the end of the second quarter, and I shall be updating the Scrutiny Committee which may result in having to set a higher Council Tax if we are to address the issues in question.
- 7 **The proposals in the report would entail a budget increase from £211.8m in 2009/10 to £216.7m in 2010/11, and increase of 1.67% with the Social Services budget increasing 2.77%; the education budget increasing 2.35% (2.3% for the delegated schools budget) and the remaining council services facing an average decrease of a little more than 4%. [See Appendix 3 of the report]**

- 8 Bearing in mind the uncertain circumstances we face, the Scrutiny Committee was asked to consider whether it should take advantage of the opportunity to set a Council Tax which will provide an element of flexibility as we face the future and in doing so of course, reduce the extent of budget cuts we will require in future years. With the circumstances given in paragraph 6 above that situation may now be out of our hands.
- 9 This in fact is the key decision but there are other considerations which arise from the construction of the revenue budget. In particular, costs will fall upon the Council as a result of externalising the housing stock and the loss of external cleaning contracts (see part 4 of the attached report); and there are additional permanent and one-off budgetary requirements details of which are given in part 5 of the attached report.
- 10 There are also recommendations relating to the setting of only a two year capital programme (rather than the three year programme anticipated when we established the Asset Strategy) as we know that our capital resources will reduce significantly from 2011/12 onwards, and there is a danger that we could over commit before we see the extent of that reduction.
- 11 This will mean that we will have a capital programme of £15.8m in 2010/11 and £18.6m in 2011/12 which is way above the £9.8m we receive in capital support through the settlement. This shows the advantage of having an Asset Strategy despite the uncertain future. [see part 7 of the attached report for details]
- 12 There is also a recommendation to add to the transformation reserve in order to plan for the future [clause 8.6 and 8.7] and a task group of the Scrutiny Committee has successfully reviewed the earmarked reserves to see whether elements could be released to assist with the problems we will face in future [ clauses 8.8. and 8.9].
- 13 The Scrutiny Committee's decisions will be reported to the Board and it will be asked to consider those observations and decide upon the Council tax increase which should be recommended to the Council at its meeting on the 25 February.
- 14 Despite the uncertain financial circumstances which we face I am confident that the steps which the Council has already taken to plan for the situation will pay dividends and we will be able to face the challenge confident that this forward planning will enable us to navigate a path through the turbulent waters.