

BUDGET AND COUNCIL TAX SETTING 2013/14

Council – 19 February 2013

Report of the: Chief Executive Designate

Status: For Decision

Key Decision: No

Executive Summary: This report sets out the factors that need to be considered in order to set the Council Tax for 2013/14 and to approve the 2013/14 budgets. These factors include:

- Precepts received from other authorities;
- Collection Fund position;
- Corporate Budget Update; and
- Opinion on the robustness of the budget and the adequacy of the reserves.

At the time of writing this report, the figures relating to two of the major precepting authorities were only provisional, as their formal meetings also take place during February. Appendices 2 and 3 have been prepared on the basis of the provisional figures produced by the precepting authorities. If their final approved figures differ, Members will be provided with amended Appendices.

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder Cllr. Ramsay

Head of Service Group Manager – Financial Services – Adrian Rowbotham

Recommendation to Council:

Due to their length and complexity, the recommendations have been produced as a separate document (Appendices 2 and 3).

Introduction

- 1 This report is the final stage of the 2013/14 budget process that started in September 2012
- 2 Further details can be found in the ‘Revenue Budget and Council Tax’ report that was considered by Cabinet on 7 February 2013 which is included in the agenda papers for this Council meeting.

- 3 The tax base figures used in this report are those calculated and approved at Cabinet meeting on 10 January 2013.
- 4 This report has the following appendices relating to the budget and council tax setting process:
- Appendix 1 – Town and Parish Council precepts.
 - Appendix 2 – **Provisional** council tax setting recommendations (subject to confirmation by the major precepting authorities).
 - Appendix 3 – **Provisional** council tax rates across the District (subject to confirmation by the major precepting authorities).
 - Other relevant appendices are included in the ‘Revenue Budget and Council Tax’ report that was considered by Cabinet on 7 February 2013 which is included in the agenda papers for this Council meeting.

Latest Information on Precepting Authorities

Town and Parish Councils

- 5 A list of town and parish council precepts is attached at Appendix 1 and total £3,322,287. The increase in the average band D council tax for Town and Parish Councils is 5.56% and results in an average band D council tax figure of £70.61 for 2013/14.

Kent County Council

- 6 Kent County Council meets on 14 February 2013 and their recommended precept is £49,301,067, with no adjustment for a collection fund surplus or deficit. This will result in a band D council tax of £1,047.78.

Kent Police and Crime Commissioner

- 7 The Kent Police and Crime Panel has approved the Kent Police and Crime Commissioner’s precept of £6,656,571, with no adjustment for a collection fund surplus or deficit. This will result in a band D council tax of £141.47.

Kent and Medway Towns Fire Authority

- 8 Kent and Medway Towns Fire Authority meets on 13 February 2013 and their recommended precept is £3,197,243, with no adjustment for a collection fund surplus or deficit. This will result in a band D council tax of £67.95.

Collection Fund Surplus/Deficit Calculation

- 9 Rules governing the operation of the collection fund require the Council to make an estimate on 15 January (or the next working day) each year of the fund’s likely difference at the end of the current financial year, in respect of council tax transactions. The amount so estimated is to be shared between the District Council, County Council, Fire and Police in proportion to their precepts on the collection fund. Each authority’s share is to be taken into account by the authority

in calculating its council tax for the year following the year in which the surplus or deficit has been estimated.

- 10 The actual deficit balance on the collection fund at 31st March 2012 was £324,213. The actual balance is very small in the context of the gross council tax collectible during 2011/12 of £76m.
- 11 My calculation at 15 January 2013 estimates a nil balance on the collection fund at 31 March 2013. This is based on the tax bills issued for the year, current collection performance and the level of bad debt provision held.

New Information

- 12 The Government has now announced the final 2013/14 settlement figure of £3.788m which is the same as the provisional figure announced in December.

Opinion under the Local Government Act 2003 (LGA 2003)

- 13 Under the LGA 2003 the Statutory Finance Officer (Chief Executive Designate) is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves.
- 14 In terms of the robustness of the budget, the following sources of assurance were taken into account:
 - The Strategic Business and Financial Planning process used for the 2013/14 budget, with clear links to the Sustainable Community Action Plan, the Council's Vision and other key corporate plans.
 - The Financial Strategy, including a 10-year Budget, clear financial objectives, sensitivity analysis and the existing 4-year savings package.
 - Scrutiny of savings proposals by the Select Committees.
 - The strong financial control structure and effective performance management within the Council, confirmed by previous Use of Resources assessments and other feedback from external auditors.
 - Clear budget responsibilities at individual officer level.
 - Effective monitoring regime giving early notification of potential financial issues through the use of the specialist Finance Advisory Group.
 - Effective Internal/External audit system, with risk-based audits, reporting through the Performance and Governance Committee.
 - Set aside of earmarked funds for potential liabilities in the medium term.
 - Effective strategic and operational risk management.
- 15 As is the case every year, inevitably there are a number of risk factors within the 2013/14 budget proposals; these are set out in some detail in Appendix G to the

Budget report to Cabinet on 7 February 2013. This Appendix was also considered by the Finance Advisory Group on 24 January 2013. Some of the more significant items are set out below.

a) Pay costs

Pay costs are budgeted on 100% basis, with a 1% inflationary pay award assumed for 2013/14 and with a separate vacancy saving target of £100,000. With controls over the appointment of any staff and monitoring of staff numbers as well as costs, pay costs are subject to a high level of control.

b) Achievement of savings

In recognition of the uncertainty surrounding the timing and achievement of partnership savings, it is recommended that the Council continue with the approach of transferring any year-end underspend on the revenue budget to the Budget Stabilisation Reserve, to be used to meet any one-off shortfall in the achievement of such savings. Furthermore, the Budget Stabilisation Reserve will accommodate any slippage in the 10-year budget as well as any earlier than anticipated savings.

c) Income

The latest budget monitoring report continues to recognise that 2012/13 has been a challenging year in particular with the following reduced income streams:

- Development Control income (£97,000 forecast shortfall in 2012/13),
- Building Control income (£112,000),
- Car Parking income (£100,000),
- Land Charges income (£34,000).

In-depth monitoring of these budgets will continue throughout the year and will be given regular consideration by the Finance Advisory Group.

d) Pensions funding

The next actuarial valuation will take effect from 2014/15.

e) Investment receipts

Interest receipts have remained low in 2012/13 and are not expected to increase in the near future. The Investment Strategy will be kept under review and brought back to Members for consideration as necessary during the year. The proposed Strategy for 2013/14 is reported separately on this Agenda.

f) Impact of economic climate

Many of the risks set out above are affected by the current economic climate and the uncertain future effects. There has also been an impact on the Council through increased demand for services such as Benefits.

g) Growth

The 10-year budget has no allowance for growth as it is anticipated that where possible this will be met through additional savings or the Budget Stabilisation Reserve. However, any significant financial implications arising from a change in Government policy may need to be considered by Members separately.

h) Impact of new legislation

The expected effect of the change from Council Tax Benefit to Council Tax Support in 2013/14 has been built in to the budget but the full effect in future years remains uncertain. It has been assumed for 2013/14 that any costs arising from the implementation of other new legislation, including the Localism Act, are either negligible or will be met by the Government under the 'new burdens' arrangements. No provision has therefore been made within the 2012/13 budget for such costs.

- 16 Members will recognise that budget risk cannot be avoided completely. However, the structures already in place and the actions being put in place should ensure that next year's overall revenue spend figure is achieved, particularly through the Council's flexible approach to budgeting allowing the risk areas to be compensated by those that are underspent or over achieve on income.

Adequacy of reserves

- 17 Ensuring the adequacy and sustainability of the Council's reserves continues to be a key part of the budget process. Individual balances have been reviewed as part of writing this report and the detailed work is set out in Appendix F of the Budget report considered by Cabinet on 7 February 2013. This review should ensure that all provisions and earmarked reserves are adequate for their purposes.

- 18 The key issue on which comment must be made relates to the General Fund Reserve:

	£000
Actual balance 1 st April 2012	3,713
Estimated balance 1 st April 2013	3,713

- 19 It is recommended that the Council hold a minimum General Fund reserve balance of 10% of its net Revenue Budget, for emergencies. The remainder of the General Fund reserve is the only resource not earmarked to a particular future need.

- 20 The strong formal advice of the Section 151 officer to the Council is that every effort must be made to achieve the agreed savings plan in order to ensure financial sustainability and preserve the level of reserves for future commitments. The Council should avoid, at all costs, the General Fund Reserve balance reducing below 10% of its Net Service Expenditure (for 2013/14 this equates to £1.4m).

Referendums relating to council tax increases

- 21 Section 72 of the Localism Act 2011 inserted Section 52ZB into the Local Government Finance Act 1992. This sets out the duty on billing authorities, major precepting authorities and local precepting authorities to each determine whether their relevant basic amount of council tax for a financial year is excessive. If an authority's relevant basic amount of council tax is excessive, the provisions in relation to the duty to hold a referendum apply. The Secretary of State has published principles in relation to 2013/14 council tax levels, resulting in an increase above 2% for most authorities being declared excessive. Slightly different figures apply to the City of London, the GLA, Police and Fire Authorities. No equivalent principles are being proposed for Town and Parish Councils.

Key Implications

Financial

- 22 All financial implications are covered elsewhere in this report.

Community Impact and Outcomes

- 23 A balanced budget that includes the assessment and management of risk provides the Council with the financial stability required to plan and deliver its services to the community.

Legal, Human Rights etc.

- 24 There are no legal or human rights implications.

Equality Impacts

25

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	Yes	Individual equalities assessments have been completed for all of the Service Change Impact Assessments (SCIAs) to ensure our decision making process was fair and transparent. The cumulative impact of these proposals show there will be impacts on diverse groups but the proposals reflect the fairest overall course of action to produce a balanced budget.
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

Conclusions

- 26 The recommendations are set out in the formal council tax resolution in Appendices 2 and 3.
- 27 If the resolution is approved, and if the major precepting authorities' recommended figures are confirmed, the total band D council tax will be as follows:

	2012/13 £	2013/14 £	Increase %
Sevenoaks District Council	181.89	185.49	1.98
Kent County Council	1,047.78	1,047.78	0.00
Kent Police and Crime Commissioner	138.68	141.47	2.01
Kent and Medway Towns Fire Authority	67.95	67.95	0.00
Sub-total	1,436.30	1,442.69	0.44
Town and Parish Council (Average)	66.89	70.61	5.56
Total	1,503.19	1,513.30	0.67

Risk Assessment Statement

- 28 The budget risk analysis was attached to the Budget report to Cabinet on 7 February 2013 at Appendix G. The Finance Advisory Group reviewed these risks as part of the budget process at its meeting on 24 January 2013.
- 29 An effective integrated policy and priority driven long-term financial and business process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order to take account of the changing climate within

which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.

- 30 The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as future grant settlements. The risk will be mitigated by continuing to review assumptions and estimates and by updating Members throughout the process.
- 31 The Council has in place a number of specific reserves and provisions to address identified risks.

Appendices

Appendix 1 – Town and Parish Council precepts

Appendix 2 – Provisional council tax setting recommendations (subject to confirmation by the major precepting authorities)

Appendix 3 – Provisional council tax rates across the District (subject to confirmation by the major precepting authorities).

Background Papers:

Report to Cabinet 7 February 2013 – Item 13 – Revenue Budget and Council Tax

Report to Cabinet 10 January 2013 – Item 6 – Draft Budget 2013/14

Report to Cabinet 6 December 2012 – Item 9 – Draft Budget 2013/14

Report to Environment Select Committee 23 October 2012, Social Affairs Select Committee 30 October 2012 and Services Select Committee 1 November 2012 – 2013/14 Budget and Review of Service Plans

Report to Cabinet 13 September 2012 – Item 6 – Financial Prospects & Budget Strategy 2012/13 and Beyond

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