

COUNCIL – 21 FEBRUARY 2012

BUDGET AND COUNCIL TAX SETTING 2012/13

Report of the: Deputy Chief Executive & Director of Corporate Resources

Status: For Decision

Executive Summary:

This report sets out the factors that need to be considered in order to set the Council Tax for 2012/13 and to approve the 2012/13 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 the major precepting authorities were only provisional, as their formal meetings also take place during February. Appendices 6 and 7 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 all the Council's key themes and objectives.

Portfolio Holder Cllr. Ramsay

Head of Service Head of Finance and Human Resources – Tricia Marshall

Recommendation:

Due to their length and complexity, the recommendations have been produced as a separate document (Appendices 6 and 7).

Background

- 1 The Localism Act 2011 has made significant changes to the Local Government Finance Act 1992 and now requires the billing authority to calculate a Council Tax Requirement for the year rather than its Budget Requirement, as previously.

- 2 The tax base figures used in this report are those calculated and approved at the Cabinet meeting on 12 January 2012.
- 3 This report has the following appendices relating to the budget and council tax setting process:
- Appendix 1 – Town and Parish Council precepts.
 - Appendix 2 – Summary of Council Expenditure and Council Tax (Cabinet 9 February 2012).
 - Appendices 3a and 3b – Ten Year Budget 2011/12 to 2021/22 (Cabinet 9 February 2012).
 - Appendix 4 – Statement of Reserves and Provisions (Cabinet 8 December 2011).
 - Appendix 5 – Financial Strategy Statement 2011/22.
 - Appendix 6 – **Provisional** council tax setting recommendations (subject to confirmation by the major precepting authorities).
 - Appendix 7 – **Provisional** council tax rates across the District (subject to confirmation by the major precepting authorities).

Latest Information on Precepting Authorities

Town and Parish Councils

- 4 A list of town and parish council precepts is attached at Appendix 1 and total £3,402,236. The increase in the average band D council tax for Town and Parish Councils is 0.5% and results in an average band D council tax figure of £66.89 for 2012/13.

Kent County Council

- 5 Kent County Council meets on 9 February 2012 and their recommended precept is £53,290,122, 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 Authority

- 6 Kent Police Authority meets on 8 February 2012 and their recommended precept is £7,053,269, with no adjustment for a collection fund surplus or deficit. This will result in a band D council tax of £138.68.

Kent and Medway Towns Fire Authority

- 7 Kent and Medway Towns Fire Authority meets on 15 February 2012 and their recommended precept is £3,455,939, 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

- 8 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 and Fire and Police Authorities 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.

- 9 The actual deficit balance on the collection fund at 31st March 2011 was £1,381.68. The actual balance is very small in the context of the gross council tax collectible during 2010/11 of £76m.
- 10 My calculation at 15 January 2012 estimates a nil balance on the collection fund at 31 March 2012. This is based on the tax bills issued for the year, current collection performance and the level of bad debt provision held.

New information

- 11 The Government has now announced the final 2012/13 settlement figure of £4.186m which is the same as the provisional figure announced in December.

Opinion under the Local Government Act 2003 (LGA 2003)

- 12 Under the LGA 2003 the Statutory Finance Officer (Deputy Chief Executive and Director of Corporate Resources) is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves.
- 13 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 2012/13 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.

14 As is the case every year, inevitably there are a number of risk factors within the 2012/13 budget proposals; these are set out in some detail in Appendix F to the Budget Report to Cabinet on 9 February 2012. This report was also considered by the Finance Advisory Group on 25 January. Some of the more significant items are set out below.

a) Pay costs (£12.5m)

Pay costs are budgeted on 100% basis, with no inflationary pay award assumed for 2012/13 and with a separate vacancy target saving 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.

Staff turnover has reduced significantly in recent years, making it more difficult to achieve the vacancy target saving. It is expected that, due to the recession, staff turnover will remain low in 2012/13. However, the target saving has remained at £100,000.

b) Achievement of savings (£0.8m planned for 2012/13)

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 in 2012/13. Furthermore, the Budget Stabilisation Reserve will accommodate any slippage in the 10 year budget as well as any earlier than anticipated savings.

c) Income

In the build-up of the budget there are a number of major income streams with risks attached, including:

- Car parks and off street parking (£2.7m)
- Land Charges (£0.2m)
- Development Control (£0.6m)
- Building Control (£0.5m)

The last three are particularly dependant on local economic and market fluctuations. In-depth monitoring of these budgets will continue throughout the year and will be given regular consideration by the Finance Advisory Group.

d) Non pay costs

The 10 year budget assumed an inflation rate of 2.5% for non-pay costs in 2012/13. At December CPI was 4.2% and RPI was 4.8%, so keeping cost increases within budget will be challenging. The Council continues to review its procurement practices and the budget assumes that savings

e) Pensions funding

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

f) Investment receipts (£0.173m)

Interest rates have remained low in 2011/12 and are not expected to increase in the near future. The Council is only making shorter term investments (up to one year) in the present market conditions; this does make it more vulnerable to interest rate fluctuations. The Investment Strategy will be kept under review and brought back to Members for consideration as necessary during the year. The proposed Strategy for 2012/13 is reported separately on this Agenda.

g) Impact of economic climate

Earlier reports on the budget have highlighted the impact on the Council's finances of the current economic downturn. Many of the risks are set out above, but there has also been an impact on the Council through increased demand for services such as Benefits and Housing.

h) 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 Stabilisation Reserve. However, any significant financial implications arising from a change in Government policy may need to be considered by Members separately.

i) Impact of new legislation

Previous budget reports have set out the impact of new legislation on the Council, including the Localism Act and the localisation of council tax benefit. It has been assumed for 2012/13 that any costs arising from the implementation of new legislation are either negligible or that the implementation costs 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.

- 15 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 under-spent or overachieve on income.

Adequacy of reserves

16 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 at Appendix 4. This review should ensure that all provisions and earmarked reserves are adequate for their purposes.

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

	£000
Actual balance 1 st April 2011	3,713
Estimated balance 1 st April 2012	3,713

18 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 ear-marked to a particular future need.

19 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 2012/13 this equates to £1.3m).

Referendums relating to council tax increases

20 Section 72 of the Localism Act 2011 inserts a new 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 2012/13 council tax levels, resulting in an increase above 3.5% 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.

Conclusions

21 The recommendations are set out in the formal council tax resolution in Appendices 6 and 7.

- 22 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:

	2011/12	2012/13	Increase
	£	£	%
Sevenoaks District Council	181.89	181.89	0.00
Kent County Council	1,047.78	1,047.78	0.00
Kent Police Authority	138.68	138.68	0.00
Kent and Medway Towns Fire Authority	67.95	67.95	0.00
Sub-total	1,436.30	1,436.30	0.00
Town and Parish Council (Average)	66.56	66.89	0.50
Total	1,502.86	1,503.19	0.02

RISK ASSESSMENT STATEMENT

- 23 A detailed risk assessment was attached as Appendix F to the Revenue Budget and Council Tax 2012/13 report to the Cabinet meeting on 9 February 2012.

Sources of Information:

Draft Budget 2012/13 report to Cabinet 8 December 2011.

Calculation of Council Taxbase 2012/13 report to Cabinet 12 January 2012.

2012/13 Budget reports to Cabinet 9 February 2012.

Localism Act 2011

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