

REVENUE BUDGET AND COUNCIL TAX

Cabinet – 6 February 2014

Report of Chief Finance Officer

Status: For Decision

Also considered by: Council - 18 February 2014

Key Decision: No

Executive Summary: This report sets out the proposed budget and updates Members on the information received to date regarding the setting of Council Tax levels for 2014/15. The report details changes to the draft budget since the Cabinet meeting on 5 December.

The report proposes a net expenditure budget of £14.106m in 2014/15 (£13.800m in 2013/14).

This report supports the Key Aim of providing value for money.

Portfolio Holder Cllr. Ramsay

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Recommendation to Cabinet:

- (a) That Cabinet hold an extraordinary meeting on 13 February 2014 at 1.30pm to recommend the Council Tax level for 2014/15.
 - (b) That the recommendations set out below be recommended to Council.
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Recommendation to Council:

- (a) The Summary of Council Expenditure and Council Tax set out in Appendix E be approved.
- (b) Approve the 10-year budget 2013/14 to 2023/24 which is the guiding framework for the detailed approval of future years' budgets set out in Appendix A to the report, including the growth and savings proposals set out in Appendix B-D to the report, and that where possible any variations during and between years be met from the Budget Stabilisation Reserve: and

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- (c) The changes to reserves set out in Appendix H be approved.
- (d) Members' views are sought on the issue of Council Tax Support funding for Town and Parish Councils in light of comments contained within this report, and agree the approach to be adopted by this Council.
- (e) Approve any change to the council tax charge for 2014/15, taking in to account the recommendation of Cabinet, once in full receipt of guidance from Government.
- (f) Approve that if the increase in council tax for 2014/15 is less than the budget assumption of 2% the additional revenue to deliver a balanced budget is funded from the additional contribution currently intended to be made to the Financial Plan Reserve and supplemented from the New Homes Bonus Reserve.
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Introduction and Background

- 1 The Council's financial strategy over the past nine years has worked towards increasing financial sustainability and it has been successful through the use of a number of policy decisions including:
 - implementing efficiency initiatives;
 - significantly reducing the back office function;
 - improving value for money;
 - maximising external income;
 - moving resources away from low priority services; and
 - an emphasis on statutory rather than non-statutory services.
- 2 Over this period the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders through the Community Plan. In financial terms, the adoption of this strategy has to date allowed the Council to move away from its reliance on general fund reserves which has ensured that the general fund reserves have remained largely unchanged.
- 3 In setting its budget for 2011/12 onwards, the Council recognised the need to address both the short-term reduction in Government funding as well as the longer-term need to reduce its reliance on reserves. The outcome was a 10-year budget, together with a four-year savings plan, that ensured the Council's finances were placed on a stable footing but that also allowed for flexibility between budget years.
- 4 Local Government generally appears to be feeling the impacts of the Government funding reductions and the impact of a slower than anticipated economic recovery. However, productivity and morale within this Council remain high which has a positive impact on the financial bottom line.
- 5 At the Cabinet meeting on 12 September 2013, Members considered a report setting out the Council's financial prospects for 2014/15 and beyond. That report set out the major financial pressures the Council is likely to face, together with a proposed strategy for setting a balanced and sustainable budget for 2014/15 and beyond.

- 6 As part of the budget process officers put forward their Service Plan Summaries to the Advisory Committees in October and November, which set out their objectives for the coming year. The Advisory Committees recommended new growth and savings items which were considered by Cabinet on 5 December.
- 7 Cabinet received a verbal update on 9 January which contained details of the Government's provisional settlement figures for 2014/15 and 2015/16 together with other information that had become available since the previous meeting.
- 8 The adoption of the 10-year budget over the last three years has resulted in a much more stable budget position than had previously been achieved.
- 9 This report includes a number of attachments:
 - Appendix A – 10-year budget;
 - Appendix B – Summary of the Council's previously agreed 4 year savings plan and growth items;
 - Appendix C – New growth and savings items proposed during the current budget process;
 - Appendix D – Service Change Impact Assessment forms (SCIAs);
 - Appendix E – Summary of Council Expenditure and Council Tax;
 - Appendix F – Summary Service Analysis in budget book format;
 - Appendix G – Analysis of pay costs;
 - Appendix H - Reserves
 - Appendix I – Risk analysis;

Changes explained to Cabinet on 9 January 2014

- 10 Cabinet received the last budget report on 5 December 2013 which contained a balanced budget at that point in time. It was stated that there remained uncertainty and a further report would be presented subject to settlement figures being received in time.

- 11 Table 1 lists the changes between the December report and 9 January. This shows a deficit over 10 years of £3.04m (or £304,000 per annum).

| Table 1 | 10-year Budget |
|--|-----------------------|
| | £000 |
| Cabinet 05/12/13: (surplus)/deficit | (34) |
| Changes: | |
| Government Support (Source: Settlement) | 5,501 |
| Government Support: revised assumptions from 16/17 | 847 |
| New Homes Bonus: remove 40% top slice for 15/16 and 16/17 (Autumn Statement) | (1,380) |
| New Homes Bonus: update with final figures (Govt) | (2,102) |
| Benefit Admin Grant: reduction in 14/15 (Govt) (SCIA19) | 460 |
| Budget Stabilisation Reserve: balance updated | (400) |
| Interest Receipts: updated for latest projections | 148 |
| Updated position: (surplus)/deficit | 3,040 |

- 12 The level of Government Support included in the settlement was significantly worse than we had previously assumed. The Revenue Support Grant element has reduced by £710,000 (24%) in 2014/15 and £722,000 (31%) in 2015/16 giving a cumulative reduction of £1.432m (47%).
- 13 The assumption to budget for Business Rates Retention at the 'Safety Net Level' remains as the uncertainty of the impact of the large number of outstanding appeals continues to be a risk.
- 14 The Government has once again offered a Council Tax Freeze Grant in the Settlement. If Council Tax is frozen in 2014/15 a 1% grant would be awarded and if Council Tax is frozen in 2015/16 a further 1% grant would be awarded. The Minister has stated that this grant will be included in each council's base indefinitely. However, a recent letter only provides certainty to 2015/16 being the grant settlement period being announced but based on the Minister's comments it would be hoped that it would be built into the base past 2015/16. Previously these grants have been given for a short period and then the grant has reduced resulting in a cliff edge effect.
- 15 The proposed budget currently assumes a Council Tax increase of 2% in both 2014/15 and 2015/16 with increases of 3% in later years.
- 16 The report to Cabinet on 5 December mentioned that the growth and savings ideas proposed by the Advisory Committees resulted in a surplus over the 10-year budget period. Therefore, it was proposed to put the remaining balance of £70,000 per annum into the Financial Plan Reserve which would be able to fund

year 11 (2024/25) of the budget. It will also provide further flexibility with the 10-year budget should it be needed before the budget is approved in February.

- 17 At the 9 January meeting Cabinet Members agreed the proposed changes in Table 2 below, which have the effect of returning the budget to a balanced position, to be put forward for consideration in the budget.

| Table 2 | 10-year Budget |
|--|-----------------------|
| | £000 |
| Table 1: (surplus)/deficit | 3,040 |
| Changes: | |
| Growth (SCIA18) | 120 |
| Savings (SCIA19-25) | (1,611) |
| Disabled Facilities Grant | (1,000) |
| Financial Plan Reserve contribution | (549) |
| Updated position: (surplus)/deficit | 0 |

Updates since 9 January 2014

- 18 A report on the Council Tax base for 2014/15 was reported to Cabinet on 9 January 2014 which showed an increase from 47,053 to 47,629. This is a larger increase than previously assumed due to the number of new properties, change in the Council Tax Support Scheme and the changes to several Council Tax discounts.
- 19 The Government has not yet provided the Council with all relevant information to allow a proposal for the level of council tax for 2014/15 to be put forward. Members are advised that significant costs could be incurred if a council tax level is set beyond Government advice. Members may wish to delay making a firm recommendation until further information is known.
- 20 The current budget assumption is for a 2% rise in council tax. As set out at paragraph 14 of this report a Council Tax Freeze Grant of 1% has been set out in this year's Finance Settlement. Accepting the freeze grant would have an adverse impact of £1m on the 10-year budget.
- 21 It would be possible to return to a balanced budget position if a council tax rise of less than 2% is considered by using the additional contribution currently intended to be made to the Financial Plan Reserve and also by using the New Homes Bonus Reserve which was set up during the early years of New Homes Bonus.
- 22 The late announcement of referendum limits may impact on the date that the Council Tax can be set by Full Council as the other major preceptors are required to have agreed their Council Tax before this Council can approve the combined Council Tax.

- 23 It is assumed that no funding will be passed on to Town and Parish Councils for Council Tax Support in line with the message that has been given for the last year. Unlike 2013/14, there is no separate amount in the settlement that is ring-fenced for this purpose. Officers have kept Town and Parish Councils updated on this position during the year following the advice given last year that it was unlikely that this funding stream would continue and it would therefore be wise to plan to address this change which many have done.
- 24 A triennial valuation of the Superannuation Fund has recently been completed by Barnett Waddingham, the funds actuary. The minimum annual contribution to fund the deficit remains similar to that recommended in the previous valuation. A £520,000 increase from 2014/15 was included in the previous 10-year budget, this has now been revised to 2017/18 and a further increase in 2020/21 which results in the same overall impact on the 10-year budget. Further work will be carried out in the next year to look at the long term requirement taking into account the reducing workforce and the changing economic situation.
- 25 The level of funding for asset maintenance may need to be increased during the year in recognition of the fact that additional asset maintenance may be required in relation to the Council's property portfolio including leisure centres. Should this be the case, any increase would be funded from the Asset Maintenance Reserve.
- 26 The Treasury Management Strategy 2014-15 is included as a separate report to this meeting but Members should note that alternative ways of increasing revenue are being investigated. Appendix H includes a recommendation to put £200,000 in to a Corporate Project Support Reserve to fund investigations into a number of possible options including property investments.
- 27 As in previous years the changes explained in this report result in a small surplus over the 10-year budget period. Assuming the current surplus is not required to fund a reduction in council tax income it is proposed to follow the decisions made in previous years and put the remaining balance of £79,000 per annum into the Financial Plan Reserve which would be able to contribute to year 11 (2024/25) of the budget.
- 28 A summary of these changes is shown in Table 3 below:

| Table 3 | 10-year Budget |
|--|-----------------------|
| | £000 |
| Table 2: (surplus)/deficit | 0 |
| Changes: | |
| Council Tax base increase | (628) |
| Financial Plan Reserve contribution | 628 |
| Updated position: (surplus)/deficit | 0 |

- 29 Separate reports on this Agenda set out the Asset Maintenance and Capital Programme Budget proposals, and Treasury Management Strategy. The attached

revenue budgets take into account the recommendations and revenue implications set out in those reports.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

The budget risk analysis is attached at Appendix I to this report. The Finance and Resources Advisory Committee reviewed these risks as part of the budget process at its meeting on 21 January 2014.

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.

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.

The Council has in place a number of specific reserves and provisions to address identified risks.

Equality Impacts

| 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 the decision making process is fair and transparent. |
| b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity? | No | |
| c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above? | | |

Community Impact and Outcomes

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.

Conclusions

The budget process has once again been a major financial challenge for a Council that already provides value for money services to a high standard. Members will be aware that the Council continues to face financial pressure from the reductions in Government funding.

The future financial prospects for the public sector are increasingly difficult. However, this budget will ensure the Council is in a financially sustainable position.

Appendices

Appendix A – 10-year budget

Appendix B – Summary of the Council's previously agreed 4 year savings plan and growth items

Appendix C – Summary of new growth and savings items proposed during the current budget process

Appendix D – Service Change Impact Assessment forms (SCIAs)

Appendix E – Summary of Council Expenditure and Council Tax

Appendix F – Summary Service Analysis in budget book format

Appendix G – Analysis of pay costs

Appendix H – Reserves

Appendix I – Risk Analysis

Background Papers:

[Minutes of Cabinet 9 January 2014 – Draft Budget 2014/15 – Verbal Update](#)

[Report to Cabinet 5 December 2013 – Draft Budget 2014/15](#)

[Report to Strategy and Performance Advisory Committee 8 October 2013, Housing and Community Safety Advisory Committee 15 October 2013, Economic and Community Development Advisory Committee 24 October 2013, Finance and Resources Advisory Committee 12 November 2013, Local Planning and Environment Advisory Committee 19 November 2013 – 2014/15 Budget and Review of](#)

[Service Plans](#)

[Report to Cabinet 12 September 2013 – Financial
Prospects and Budget Strategy 2014/15 and Beyond](#)

[Sevenoaks District Council Financial Strategy](#)

**Adrian Rowbotham
Chief Finance Officer**