

REVENUE BUDGET AND COUNCIL TAX 2015/16

Cabinet – 5 February 2015

Report of	Chief Finance Officer
Status:	For Decision
Also considered by:	Council – 17 February 2015
Key Decision:	No

Executive Summary: The Council has an excellent track record in identifying, planning for and addressing financial challenges. In light of the challenging financial position facing all authorities four years ago, for 2011/12 the Council produced a 10-year budget together with a savings plan for the first time. This will be the fifth year this method has been used and provides the Council with a stable basis for future years.

This report sets out the proposed budget and required level of Council Tax for 2015/16. The report details changes to the draft budget since the Cabinet meeting on 15 January 2015.

The report proposes a net expenditure budget of £14.253m in 2015/16 (£14.136m in 2014/15). Subject to any further changes this would result in a Council Tax increase of 1.95% in 2015/16, with the District's Council Tax being £192.87 for a Band D property for the year (£189.18 in 2014/15).

Portfolio Holder	Cllr. Ramsay
Contact Officer(s)	Adrian Rowbotham Ext. 7153 Helen Martin Ext. 7483

Recommendation to Cabinet:

That the recommendations set out below be recommended to Council.

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 2015/16 to 2024/25 which is the guiding framework for the detailed approval of future years' budgets set out in Appendix B to the report, including the growth and savings proposals set out in Appendix C-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 and one of the following options be approved:

- i. An amount of funding is passed to Town and Parish Councils for Council Tax Support in 2015/16 equivalent to the amount passed on in 2013/14 less 48% (the Council's reduction in Revenue Support Grant);
- ii. A different amount is passed to Town and Parish Councils for Council Tax Support in 2015/16;
- iii. No funding is passed to Town and Parish Councils for Council Tax Support in 2015/16.

Introduction and Background

- 1 The Council's financial strategy over the past ten years has worked towards increasing financial sustainability and it has been successful through the use of a number of strategies including:
 - implementing efficiency initiatives;
 - significantly reducing the back office function;
 - improving value for money;
 - maximising external income;
 - the movement of 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. 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 With the amount of Revenue Support Grant provided by Government continuing to reduce at a significant rate it is important that the council aims to become more self-sufficient by having a balanced economy with local solutions. These solutions include:
 - continuing savings;

- below inflation increases;
 - council tax; and
 - increased income.
- 5 Local Government generally appears to be feeling the impacts of the Government funding reductions and the recession. However, productivity and morale within this Council remain high which has a positive impact on the financial bottom line.
- 6 At the Cabinet meeting on 11 September 2014, Members considered a report setting out the Council's financial prospects for 2015/16 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 2015/16 and beyond.
- 7 As part of the budget process officers put forward their Service Overviews to the Advisory Committees in October and November, which set out a summary of current and future issues or pressures. The Advisory Committees recommended new growth and savings items which were considered at the Cabinet meeting on 11 December 2014.
- 8 The report to Cabinet on 11 December 2014 also contained updates to the Financial Prospects report. An update report was presented to Cabinet on 15 January 2015 following the announcement of the Local Government Finance Settlement.
- 9 The adoption of the 10-year budget over the last four years has resulted in a much more stable budget position than had previously been achieved.
- 10 This report includes a number of attachments:
- Appendix A – Budget timetable
 - Appendix B – 10-year budget;
 - Appendix C – Summary of the Council's agreed savings and growth items;
 - Appendix D – Summary of new growth and savings items proposed during the current budget process;
 - Appendix E – Summary of Council Expenditure and Council Tax;
 - Appendix F – Summary of service analysis in budget book format;
 - Appendix G – Analysis of pay costs;
 - Appendix H - Reserves
 - Appendix I – Risk analysis;

Current Budget Position

- 11 The Government has made no further announcements since the last Cabinet meeting on 15 January to affect the 10-year budget position.
- 12 The only changes to the budget since 15 January 2015 were the two requested by Cabinet at that meeting. These were to reduce the Council Tax increase assumption for 2016/17 – 2018/19 from 3% to 2% which resulted in a budget gap over the 10 years of £571,000 (or £57,000 per annum), and for officers to make the required saving by initially looking at back office functions noting that this may have staffing implications.
- 13 These changes result in a balanced 10-year budget.
- 14 A summary of these changes is shown below:

10-Year Budget	£m
Previous 10-year budget gap/(surplus) at 15/01/15	(2.0)
Changes:	
Council Tax 2016/17–18/19 assumption reduced from 3% to 2%	2.6
SCIA21 savings	(0.6)
Revised 10-year budget gap/(surplus)	(0.0)

2015/16 Budget and Council Tax

- 15 After allowing for the growth and savings agreed and the key changes made during this budget process, the resulting net expenditure for 2015/16 is £14.253m. As shown in Appendix E this results in Council Tax income of £9.298m, meaning that the District element of the Band D charge will be £192.87.
- 16 The other preceptors are yet to announce their increases. Members will be updated at the meeting with the latest information.

Integration with other budget reports on the Cabinet Agenda

- 17 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.

Looking Ahead

- 18 The 10-year budget strategy and the current position explained above put this council in a strong position going forward. However, with Parliamentary and local elections due to take place on 7 May 2015, officers intend to carry out a review

shortly afterwards to take account of any changes being suggested that may have an impact on the financial position of this council.

Adequacy of Reserves

- 19 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 H. This review should ensure that all provisions and earmarked reserves are adequate for their purposes.
- 20 It is recommended that the Council hold a minimum General Fund reserve balance of 10% of its net Revenue Budget, for emergencies.

Council Tax Support Funding for Town and Parish Councils

- 21 The Government introduced a change from Council Tax Benefit (CTB) to Council Tax Support (CTS) from 1 April 2013. CTB was fully reimbursed by Government but CTS is a Council Tax Discount (similar to the Single Person Discount) and local authorities now only receive the amount of Council Tax they collect.
- 22 To partly offset this, the Government gave a grant to Major Precepting Authorities (i.e. Sevenoaks District Council, Kent County Council, Fire and Police) in 2013/14 amounting to 90% of the CTB they had received in 2012/13. Town and Parish Councils were initially excluded from this but the Government later changed their minds and allocated an additional identifiable grant to billing authorities to pass on to Town and Parish Councils.
- 23 When allocating this additional grant for 2013/14, the Government pointed out that this may not continue in future years. Officers advised Town and Parish Councils that in view of the information published by Government it could not be certain that this additional funding would be paid in future years. This resulted in many Town and Parish Councils increasing their Council Tax Precept (as Town and Parish Councils do not have a referendum limit like Major Precepting Authorities) to offset the future likely loss of this funding stream.
- 24 When the Government announce the funding settlement each year they can show funding in the following three ways:
 - a. Ring-fence an amount so that it has to be spent on a specific purpose or it has to be returned.
 - b. Highlight an amount for a specific purpose using a separate formula (e.g. Homelessness in 2015/16); this does not have to be spent on the specific purpose.
 - c. Revenue Support Grant – a formula based grant that can be used for any legal purpose.
- 25 In 2013/14 the additional funding for Town and Parish Councils was shown as a (b), in 2014/15 and 2015/16 it is within (c) and no specific amount for this purpose is shown.

- 26 Governments have treated other funding in a similar way in the past, e.g. Concessionary Fares, when funding was initially separately identified but was later included within the Revenue Support Grant.
- 27 As the additional funding for Town and Parish Councils was clearly identified in 2013/14, Sevenoaks District Council was early to commit to pay the full amount.
- 28 Officers have continued to inform Town and Parish Councils that if this additional funding could not be clearly identified in the grant settlement, it is likely that nothing would be passed on to Town and Parish Councils.
- 29 Westerham Town Council sent a pre action protocol letter to the Council on 10 March 2014 which is an initial step towards seeking a Judicial Review of the decision made by Council on 18 February 2014.
- 30 Officers obtained the advice of a leading Queens Counsel who confirmed that Sevenoaks District Council has discretion whether to pass any funding on to Town and Parish Councils. Counsel also advised that the Council should make a fresh decision whether to pass on any funding on the basis that some funding has been included regardless of the Council's view that no funding was included in the Government Grant Settlement.
- 31 A report was presented to Council on 13 May 2014 requesting that members approve one of three options for 2014/15. Members decided not to pass on any funding to Town and Parish Councils for Council Tax Support in 2014/15. The same options are included in the recommendations of this report for 2015/16.
- 32 The amount of Revenue Support Grant given by Government to Sevenoaks District Council has reduced by 32% in 2015/16 (48% since 2013/14) and will continue to reduce in future years. If a proportion of the grant is passed on to Town and Parish Councils, further savings would be required to continue to have a balanced 10-year budget.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

For the effective management of our resources and in order to achieve a sustainable budget it is essential that all service cost changes and risks are identified and considered.

Current and future pressures were included in the Service Overviews presented to the Advisory Committees and each Service Change Impact Assessment (SCIA) includes the likely impacts including a risk analysis.

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.

Equality Assessment

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups. The decisions recommended through this paper directly impact on end users. The impact has been analysed and does not vary between groups of people. The results of this analysis are set out immediately below.

Individual equalities assessments have been completed for all Service Change Impact Assessments (SCIAs) to ensure the decision making process is fair and transparent. These were included in the Draft Budget 2015/16 report to Cabinet on 11 December 2014.

Community Impact and Outcomes

In making any budget proposals, Members need to consider the impact on customers, service quality and staff well-being, to ensure that the budget supports the Council's aspirations for customer-focused services.

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. The 10-year budget shows a balanced position over the whole period which keeps this council in a strong position going forward.

The future financial prospects for the public sector are increasingly difficult, with the added uncertainty of the pending elections. However, this budget ensures the Council is in a financially sustainable position but it will be reviewed when changes resulting from the elections are known.

Appendices

Appendix A – Budget timetable

Appendix B - 10-year budget

Appendix C – Summary of the Council's agreed

savings and growth items

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

Appendix E – Summary of Council Expenditure and Council Tax

Appendix F – Summary of service analysis in budget book format

Appendix G – Analysis of pay costs

Appendix H – Reserves

Appendix I – Risk analysis

Background Papers:

Report to Council 18 February 2014 – Budget and Council Tax Setting 2014/15

Report to Cabinet 11 September 2014 – Financial Prospects and Budget Strategy 2015/16 and Beyond

Report to Strategy and Performance Advisory Committee 7 October 2014, Housing and Community Safety Advisory Committee 8 October 2014, Economic and Community Development Advisory Committee 21 October 2014, Local Planning and Environment Advisory Committee 23 October 2014, Finance and Resources Advisory Committee 11 November 2014 – Budget 2015/16: Service Reviews and Service Plan Impact Assessments (SCIAs)

Report to Cabinet 11 December 2014 – Draft Budget 2015/16.

Report to Cabinet 15 January 2015 – Draft Budget 2015/16 – Update.

**Adrian Rowbotham
Chief Finance Officer**