

BUDGET AND COUNCIL TAX SETTING 2015/16

Council – 17 February 2015

Report of Chief Finance Officer

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 2015/16 and to approve the 2015/16 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.

Portfolio Holder Cllr. Ramsay

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Recommendation to Council:

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

Introduction and Background

- 1 This report is the final stage of the 2015/16 budget process that started in September 2014.
- 2 Further details can be found in the 'Revenue Budget and Council Tax' report that was considered by Cabinet on 5 February 2015 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 15 January 2015.
- 4 This report has the following appendices relating to the budget and council tax setting process:

- Appendix A – Town and Parish Council precepts and council tax rates.
- Appendix B – Council tax setting recommendations.
- Appendix C – Council tax rates across the District.
- Other relevant appendices are included in the ‘Revenue Budget and Council Tax’ report that was considered by Cabinet on 5 February 2015 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 A and total £3,565,144. The increase in the average band D council tax for Town and Parish Councils is 0.74% and results in an average band D council tax figure of £73.95 for 2015/16.

Kent County Council

- 6 Kent County Council met on 12 February 2015 and their precept is £52,547,382, with no adjustment for a collection fund surplus or deficit. This will result in a band D council tax of £1,089.99.

Kent Police and Crime Commissioner

- 7 The Kent Police and Crime Panel have approved the Kent Police and Crime Commissioner’s precept of £7,093,962, with no adjustment for a collection fund surplus or deficit. This will result in a band D council tax of £147.15.

Kent and Medway Towns Fire Authority

- 8 Kent and Medway Towns Fire Authority met on 13 February 2015 and their precept is £3,405,969, with no adjustment for a collection fund surplus or deficit. This will result in a band D council tax of £70.65.

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 31 March 2014 was £408,039. The actual balance is very small in the context of the gross council tax collectible during 2013/14 of £72m.

- 11 The calculation at 15 January 2015 estimates a nil balance on the collection fund at 31 March 2015. This is based on the tax bills issued for the year, current collection performance and the level of bad debt provision held.

Opinion under the Local Government Act 2003 (LGA 2003)

- 12 Under the LGA 2003 the Statutory Finance Officer (Chief Executive) 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 2015/16 budget.
- The Financial Strategy, including a 10-year Budget, clear financial objectives, sensitivity analysis and the savings package.
- Growth and savings suggestions proposed.
- The strong financial control structure and effective performance management within the Council, confirmed by 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 Finance and Resources Advisory Committee.
- Effective Internal/External audit system, with risk-based audits, reporting through the Audit 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 2015/16 budget proposals; these are set out in some detail in Appendix I to the Budget report to Cabinet on 5 February 2015. This Appendix was also considered by the Finance and Resources Advisory Committee on 20 January 2015. Some of the more significant items are set out below.

a) Pay costs

Pay costs are budgeted on 100% basis, with a 2.2% inflationary pay award included from January 2015 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) Income

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

c) Pensions funding

The next actuarial valuation will take effect from 2017/18.

d) Investment receipts

Interest receipts have remained low in 2014/15 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 2015/16 is reported separately on this Agenda.

e) 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 implications arising from the elections on 7 May 2015 may need to be considered by Members separately.

- 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 underspent or over achieve 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 in Appendix H of the Budget report considered by Cabinet on 5 February 2015. 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 April 2014	3,713
Estimated balance 1 April 2015	1,500

- 18 It is recommended that the Council hold a minimum General Fund reserve balance of 10% of its net Revenue Budget, for emergencies.

- 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 2015/16 this equates to £1.4m).

Capital Programme

- 20 The Capital Programme 2015/18 has been approved by Cabinet following a recommendation from the Finance & Resources Advisory Committee.
- 21 One of the items in the Capital Programme is the Property Investment Strategy. A decision was made by Council on 22 July 2014 that £5m be put aside for this purpose from a review of reserves and Cabinet were informed that Members may wish to review this sum at a later date.
- 22 Having recently made the first acquisition following the implementation of the strategy and with further opportunities being identified, there is a clear requirement to push ahead so that the council can become more self-sufficient. Therefore, it would be beneficial to increase the amount available for this purpose. Council are asked to set aside a further £3m (making a total of £8m) which can be funded from the unallocated element of the Capital Receipts Reserve.
- 23 Members are assured that any property acquisitions will be supported by a thorough business case and approved by the Finance and Resources Portfolio Holder.
- 24 If approval is obtained for the additional £3m, the Capital Prudential Indicators, which are included in the Treasury Management Strategy report, will be impacted and performance against these indicators will be reported to the Finance & Resources Advisory Committee during the year.

Referendums relating to council tax increases

- 25 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 2015/16 council tax levels for billing and major precepting authorities, resulting in an increase of 2% or above for most authorities being declared excessive. No equivalent principles are being proposed for Town and Parish Councils.

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 included as Appendix I to the Revenue Budget and Council Tax 2015/16 report.

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 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 recommendations are set out in the formal council tax resolution attached in Appendices B and C.

If the resolution is approved, the total band D council tax will be as follows:

	2014/15	2015/16	Increase
	£	£	%
Sevenoaks District Council	189.18	192.87	1.95
Kent County Council	1,068.66	1,089.99	1.996
Kent Police and Crime Commissioner	144.28	147.15	1.99
Kent and Medway Towns Fire Authority	69.30	70.65	1.95
Sub-total	1,471.42	1,500.66	1.99
Town and Parish Council (Average)	73.41	73.95	0.74
Total	1,544.83	1,574.61	1.93

Appendices

Appendix A – Town and Parish Council precepts and council tax rates

Appendix B – Council tax setting recommendations

Appendix C – Council tax rates across the District

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.

Report to Cabinet 5 February 2015 – Capital
Programme and Asset Maintenance 2015/18

Report to Cabinet 5 February 2015 – Revenue
Budget and Council Tax 2015/16

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Chief Finance Officer