

REVENUE BUDGET AND COUNCIL TAX

Cabinet – 7 February 2013

Report of the: Chief Executive Designate

Status: For Decision

Key Decision: No

Executive Summary: This report sets out the proposed budget and required level of Council Tax for 2013/14. The report details changes to the draft budget since the Cabinet meeting on 10 January.

The proposed net expenditure budget is £13.800m (£13.443m in 2012/13). Subject to any further changes this would result in a Council Tax increase of 1.98% in 2013/14, with the District's Council Tax being £185.49 for a Band D property for the year (£181.89 in 2012/13).

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 Cabinet:

It is recommended to Council that:

- (a) The Summary of Council Expenditure and Council Tax set out in Appendix C be approved.
- (b) The 10-year budget 2012/13 to 2022/23 set out in Appendix A, including the growth and savings proposals set out in Appendix B, be approved and that where possible any variations during and between years be met from the Budget Stabilisation Reserve.
- (c) The changes to reserves set out in Appendix F be approved.

Background and Introduction

- 1 Members will be aware that the 2013/14 budget process started in September 2012 with consideration of a report on the Council's financial prospects. The Select Committees reviewed the budget and service plans in October and November and reported back to Cabinet on 6 December 2012. Cabinet received a further report on 10 January which contained details of the Government's provisional settlement figures for 2013/14 and 2014/15.

2 The adoption of the 10-year budget over the last two years has resulted in a much more stable budget position than had previously been achieved.

3 This report includes a number of attachments:

- Appendix A – 10-year budget;
- Appendix B – Growth and savings;
- Appendix C – Summary of Council Expenditure and Council Tax;
- Appendix D – Summary Service Analysis in budget book format;
- Appendix E – Analysis of pay costs;
- Appendix F - Reserves
- Appendix G – Risk analysis;
- Appendix H – Financial Strategy (available on the website).

Changes made since 10 January 2013

4 The Council Tax increase for 2013/14 has been reduced to 1.98% resulting in a Band D Council Tax of £185.49. This is the closest it can be below the 2% referendum limit and still be divisible by 9 which is best practice as Council Tax bands are set in units of 9 (e.g. Band D 9/9ths, Band E 11/9ths).

5 Members continue to have the option to freeze the Council Tax and apply for a grant from Government equivalent to a 1% increase in Council Tax. The option to freeze the Council Tax would require the Council to identify an additional £1.8m in savings or additional income over the duration of the 10-year budget.

6 For the remaining confirmed four years of the New Homes Bonus, £120,000 per annum will be transferred to the Budget Stabilisation Reserve instead of to the Big Communities Fund. This was requested by Cabinet on 10 January.

Integration with other budget reports on the Cabinet Agenda

7 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.

2012/13 Outturn

8 Supported by the Finance Advisory Group, tight financial monitoring and control has been in place for a number of years and again for 2012/13. Given the constraints being placed on all budgets, and the savings planned for 2013/14 and future years, it is essential that the Council continues to operate on this basis.

- 9 The latest monitoring figures indicate a small favourable variance at the year end. However, it should be recognised that this has been a challenging budget year for a number of reasons, including reduced income streams and the continued impact of the recession. In spite of this, officers, with the support of the Finance Advisory Group, are continuing to ensure the year-end outturn remains within budget.
- 10 Key risk items in the current year include:
- 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).

Estimated Income from Business Rates

- 11 In previous years the estimate of the amount collected from business rates was not of great importance since it was all paid to central government. From 2013/14 the amount collected will have a direct bearing on the funding of this council.
- 12 The Council has to calculate by 31 January each year the amount it estimates it will collect from business rates in the following year. It is difficult to estimate this accurately due to the high number of outstanding appeals against the rateable value. The rateable value of the premises with appeals outstanding is £28m but it is not known when these appeals will be determined or the likelihood of success.
- 13 The following table is a summary of the estimated income from business rates in 2013/14:

Estimated Business Rate Income 2013/14	£m
Gross Rateable Value at 30/09/12	90.501
Net rate yield	33.677
Shared between:	
Central share	16.838
KCC share	3.031
KF&R share	0.337
SDC share *	13.471

Total	33.677
*a tariff is applied to this figure to reduce it to £1.862m which is the Business Rates element of the Government Support amount included in the 10-year budget.	

- 14 The estimated share for this Council is at the same level as the safety net used in the calculation of Government Support included in the 10-year budget. It is hoped that actual income will be higher than this but bearing in mind the significant risks to the Council it is prudent to estimate at this level.
- 15 Any surplus or deficit at the end of the year will be taken into account when setting the budget for the following year.

Medium Term Prospects

- 16 The 10-year budget includes previously agreed savings up to 2014/15 to help to achieve a balanced budget.
- 17 Looking at both national and local issues, the medium term prospects remain difficult, in that the Council is likely to be faced with a number of substantial additional financial pressures. These include:
- reduced Government support and the change to the Business Rates Retention Scheme;
 - the economic downturn has resulted in increased demand for some services and also reduced investment and other income;
 - expectations that Council Tax increases will remain low;
 - the ongoing effect of Welfare Reform changes (e.g. Localisation of Council Tax Support, Universal Credit).
- 18 The 10-year budget at Appendix A already reflects the impact of a number of these pressures on the Council's finances. Members will appreciate that there is considerable uncertainty over many of the financial assumptions for future years and that this is an evolving picture. Officers continue to track and analyse the latest information and views.

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 F. 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. The remainder of the General Fund reserve is the only resource not earmarked to a particular future need.

2013/14 Budget and Council Tax

- 21 After allowing for the savings previously agreed and the key changes made during this budget process, the resulting net expenditure for 2013/14 is £13.800m. As shown in Appendix C this results in Council Tax income of £8.728m, meaning that the District element of the Band D charge will be £185.49.
- 22 The other preceptors are yet to announce their increases. Members will be updated at the meeting with the latest information.

Key Implications

Financial

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

Community Impact and Outcomes

- 24 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.

- 25 There are no legal or human rights implications.

Equality Impacts

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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	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

Conclusions

- 27 Members will be aware that the Council continues to face financial pressure from the economic downturn and reductions in Government funding. Income is expected to remain depressed whilst demand for key services has remained high.
- 28 The future financial prospects for the public sector are increasingly difficult. However, this budget will ensure the Council is in a financially sustainable position.

Risk Assessment Statement

- 29 The budget risk analysis is attached at Appendix G to this report. The Finance Advisory Group reviewed these risks as part of the budget process at its meeting on 23 January 2013.
- 30 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.
- 31 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.
- 32 The Council has in place a number of specific reserves and provisions to address identified risks.

Appendices

Appendix A – 10-year budget

Appendix B – Growth and savings

Appendix C – Summary of Council Expenditure and Council Tax

Appendix D – Summary Service Analysis in budget book format

Appendix E – Analysis of pay costs

Appendix F – Reserves

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Appendix H – Financial Strategy (available on the website)

Background Papers:

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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