

COUNCIL

11 FEBRUARY 2014

REPORT OF CABINET

A.2 EXECUTIVE'S PROPOSALS - BUDGET AND COUNCIL TAX – 2014/15

(Reference prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present to Council the Cabinet's budget proposals including the Council Tax for District and Parish / Town Council Services for 2014/15.

EXECUTIVE SUMMARY

The information and recommendations set out in this report reflect the Cabinet's budget proposals approved for submission to Council at their meeting on 24 January 2014. In accordance with the agreed delegation, the position considered by Cabinet on 24 January 2014 has been updated to reflect changes to the income figures for Business Rates. This has not had an impact on the overall net budget position previously considered.

For 2014/15, the Cabinet's budget proposals set out a capital programme totalling **£1.493m** and a Council Tax requirement of **£6.419m** (total net budget totalling **£16.361m**)

The overall revenue budget reflects a band D council tax 'freeze' for this Council's services in 2014/15.

The budget recommended by Cabinet for approval by Council includes only the District and Parish elements of the Council Tax rather than those from the major precepting authorities. The formal approval of the 'full' Council Tax levy for the year, including the precepts from Essex County Council, the Police and Fire Authority, is delegated to the Council Tax Committee which is due to meet on the 20 February 2014.

RECOMMENDATION(S)

a) That having had regard to the Chief Finance Officer's (S151 Officer) report on the Robustness of Estimates and Adequacy of Reserves in accordance with the requirements under Section 25 of the Local Government Act 2003, and having taken account of the responses to the budget consultation process the Council approves the budget proposals (based on a 0% band D council tax increase for district services) and agrees:

- i) That the total net revenue budget for 2014/15 be set at £16.361m and revised net budget for 2013/14 of £17.570m (a council tax requirement of £6.419m and £6.272m respectively excluding parish precepts).**
- ii) That the capital programme be approved totalling £1.493m in 2014/15.**
- iii) That the detailed budgets be as per the Cabinet's budget proposals of 24 January 2014 updated for the final Formula Grant**

settlement when received from the Government, which if different to that included will be adjusted against the Fit for Purpose Budget for 2014/15 accordingly.

- iv) The calculation of the Council's Council Tax requirement, Special Expenses and Parish/Town Council precepts, as set out at Appendix C. (*This includes the contrary resolution in paragraph b) of that appendix*).
- v) The Council Tax for District and Parish/Town Councils' services as at Appendix F and that these are the amounts to be taken into account for the year in respect of the categories of dwellings listed in different valuation bands.
- vi) That subject to the above, if budget adjustments are required following the late notification of further external / grant funding then in consultation with the Finance and Asset Management Portfolio Holder, the related expenditure budgets are adjusted accordingly with no net impact on the budget requirement or Capital Programme set out above.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Careful planning to ensure financial stability underpins the Council's capacity to achieve the objectives set out in the Corporate Plan and Community Strategy. Individual elements of the Financial Strategy are risk assessed against the aspirations of the Council, as well as statutory service requirements. The approach for 2014/15 builds on previous successful financial planning and is key to the Council's aim to deliver sustainable and joined up services to everyone in the District. This is particularly important in the current climate when resources are scarce and the Council will need to focus even more on identifying and funding its key priorities.

This report will have direct implications on the Council's ability to deliver on the commitments, objectives and priorities set out in both the Corporate Plan and the Community Strategy up to 2016. It will particularly impact on the speed with which the Council can deliver its priorities, rather than the priorities themselves.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are fully considered in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets, IT etc.

Risk

There are clearly risks associated with the financial forecast. The actions to achieve a fully funded budget, including limiting budgets to previous years prices where applicable and restricting cost pressures, give rise to the potential for items that have not been funded to emerge or for increases in income etc. not to materialise in reality. This is particularly so given the current economic climate, the reductions in the availability of public sector

funding, the Government's programme of change for Councils' services and the impact on the Council's core funding streams from changes to business rate distribution and council tax.

In view of the above it is important that the Council has a sufficient level of uncommitted reserves set aside to support the approach identified within the financial forecast. An uncommitted reserve of **£4.000m** (including the **£1.600m** minimum working balance) has been approved previously to insure against the eventuality of pressures on the budget through additional unexpected expenditure or removal of funding. The level of reserves has been revisited in light of the risks identified and the figure of **£4.000m** (including the **£1.600m** working balance) is still deemed to be sufficient.

LEGAL

The current arrangements for setting and agreeing a budget and for the setting and collection of council tax are defined in the Local Government Finance Act 1992. The existing legislation defining the arrangements for charging, collecting and pooling of Business Rates is contained within the Local Government Finance Act 1988. These were both amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.

The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Rates Retention Scheme and the Localisation of Council Tax Support.

The 'Calculation of Council Tax Base Regulations 2012' set out arrangements for calculation of the council tax base following implementation of the Local Council Tax Support Scheme. These arrangements resulted in a lower tax base for the District Council, major preceptors and town and parish councils.

The Localism Act 2012 introduced legislation around the right of veto for residents on excessive Council Tax increases and on the arrangement for Housing Revenue Account (HRA) accounting.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

These implications have no impact on the budget itself. However, they are taken account of in the delivery of individual services and projects.

PART 3 – SUPPORTING INFORMATION

2014/15 BUDGET PROPOSALS

On 24 January 2014 the Cabinet considered the following report:-

A.6 FINAL GENERAL FUND REVENUE BUDGET AND CAPITAL PROGRAMME 2014/15

Cabinet resolved (minute 123 refers):

- a) *That the report and appendices be agreed as Cabinet's detailed budget proposals for 2014/15 subject to the following amendments:*

- *That additional income of £60k from the Essex Police and Crime Commissioner be included in the budget, of which £20k to be allocated to support Community Safety Initiatives and;*
 - *That additional income of £32k from Council Tax be included in the budget to reflect a Council Tax 'freeze' in 2014/15.*
- b) *That if the financial position changes prior to Council considering the budget on 11 February 2014, delegation be given to the Corporate Director (Corporate Services) to adjust the Fit for Purpose Budget as required in consultation with the Finance and Asset Management Portfolio Holder.*
- c) *That, in consultation with the Leader / Finance and Asset Management Portfolio Holder, the Corporate Director (Corporate Services) reports directly to Council in respect of the formal draft resolutions necessary to implement the Cabinet's budget proposals along with any late information or notifications received from Communities and Local Government etc. as may necessarily affect the budget.*

RECOMMENDED TO COUNCIL

- d) *That following the consideration of the comments from the Corporate Management Committee and the responses from the budget consultation activities undertaken and subject to the amendments in recommendation a) above, the following final budget proposals be made (based on a 0% increase in a Band D council tax for district services):-*
- i) *That the detailed budgets as per Appendix A as agreed be approved with a Council Tax Requirement for 2014/15 of £6.419m. (£6.272m for 2013/14) (excluding parish precepts).*
- ii) *That, the Council agrees and formally approves:*
- a) *The specific recommendations, calculations and other matters in respect of the Council's requirements – Appendix C as agreed (This includes the contrary resolution in paragraph (b) of that Appendix)*
- b) *The Council Tax for District and Parish/Town Councils – Appendix F as agreed.*

CHANGES SUBSEQUENT TO THE CABINET'S PROPOSALS OF 24 JANUARY 2014

At the time this report was printed, the final grant settlement from the Government had yet to be received. Historically the final figure has not been significantly different to the draft figures, so if the final settlement differs to the amount currently included in the budgets, then it is proposed that a corresponding adjustment is made to the Fit for Purpose Budget with no impact on the Council Tax Requirement of **£6.419m**.

In accordance with the agreed delegation, the position considered by Cabinet on 24 January 2014 has now been updated to reflect subsequent changes.

The changes required to the budget relate to Business Rates and reflect the figures within the associated 'property base' return that was approved by the Finance and Asset Management Portfolio Holder on 30 January 2014. In respect of 2014/15 the changes have been minimal with just an additional **£0.0002m** of net income being added into the budget.

As part of the Government's Autumn Statement, a number of announcements were made in connection with Business Rates which result in a smaller increase in income in 2014/15 than would otherwise be the case e.g. 'capping' the increase to 2% rather than the RPI figure of 3.2% for September 2013 and extending the enhancement to small business rate relief into 2014/15. The Government have responded to this by making the commitment to 'reimburse' local authorities for this 'lost' income via a Section 31 grant rather than as part of the general financial settlement. Figures calculated as part of the 'property base' calculations indicate the level of net reimbursement to be approximately **£0.500m**. However the treatment of business rate income appears to be still evolving especially as we have yet to work our way through the year end requirements under the new local retention model. Clarity is still being sought on the treatment of business rate income under this new local retention model and therefore at this stage the indicative net reimbursement amount mentioned above has not been reflected in the budget. It is also worth noting that this figure is based on estimates and could be different once the actual outturn position for the year is known. Once more certainty has been obtained, along with a better understanding of the risks associated with building such an amount into the budget, an update will be provided to Members.

In respect of the 2013/14 revised position for business rate income, a S31 grant was received on 31 January 2014 that totalled **£0.703m**. To some extent this reflects a similar position to that explained above in as much that it relates to the Government reimbursing the Council for 'lost' income due to enhanced small business rate relief being provided to relevant local businesses in 2013/14. However at this stage it is understood that there will be a corresponding adjustment to the Council's NNDR levy payment which would in effect reduce the gain from the grant income with the potential net position being nearer **£0.300m**. Therefore based on current information, net grant income of **£0.300m** has now been included in the 2013/14 revised budget.

The changes set out above have been adjusted against the Fit for Purpose Budget which now stands at **£2.791m** for 2013/14 and **£0.221m** for 2014/15.

There have been no further changes required to the budgets.

At this stage in the budget setting process it is acknowledged that the Council may still receive notification of additional specific grants from the Government. A recommendation is set out above that provides a delegation to include such amounts in the budget as necessary.

BUDGET SUMMARIES

The revenue budget and capital programme are summarised below. In respect of the revenue budget, this is based on a Band D Council Tax 'freeze' for this Council's services in 2014/15.

Table 1 – General Fund Revenue Budget - 2013/14 Revised and 2014/15 Estimates

	2013/14 Original £m	2013/14 Revised £m	2014/15 Original £m
Net Cost of Services	18.602	28.217	17.582
Revenue support for capital investment	0.881	3.016	0.396
Financing items	(0.958)	(1.183)	(1.190)
Net Expenditure	18.525	30.050	16.788
Contribution to /(from) Reserves	(0.879)	(12.480)	(0.427)
Total Net Budget	17.646	17.570	16.361
Locally retained share of Business Rates	(4.503)	(4.503)	(4.585)
Revenue Support Grant	(6.720)	(6.644)	(5.103)
Collection Fund Surplus	(0.151)	(0.151)	(0.254)
Council Tax Requirement (for Tendring District Council)	6.272	6.272	6.419
Parish Precepts	1.287	1.287	1.327
Council Tax Requirement (as per Requisite Calculations)	7.559	7.559	7.746

Table 2 – Capital Programme - 2013/14 Revised and 2014/15 Estimates

	2013/14 Original Budget £m	2013/14 Revised Budget £m	2014/15 Original Budget £m
EXPENDITURE	6.261	7.713	1.493
FINANCING			
External Contributions	0.026	0.171	0
S106	0.236	0.236	0.011
Leasing	0.226	0.226	0.160
Government Grants	2.993	3.193	0.826
Capital Receipts	0.872	0.872	0.100
Direct Revenue Contributions	0.121	1.126	0.196
Earmarked Reserves	1.787	1.889	0.200
Total Financing	6.261	7.713	1.493

ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

The report *Final General Fund Revenue Budget and Capital Programme 2014/15* considered by Cabinet on 24 January 2014 set out the Chief Finance Officer's (S151 Officer) report on the Robustness of the Estimates and the Adequacy of the Reserves as required by section 25 of the Local Government Act 2003. The relevant extract from the report is attached at **Appendix A**. Taking into account all the relevant issues the estimates can be considered as robust and are supported by adequate reserves.

At its 13 December 2013 meeting, Cabinet considered the **'UPDATED FINANCIAL BASELINE 2014/15 AND DETAILED BUDGET PROPOSALS FOR A REVISED BUDGET 2013/14 AND ORIGINAL BUDGET FOR 2014/15'**. Within that report a look ahead to the Council's forecasted financial position from 2015/16 onwards was highlighted, which provides the background to the budget setting process for 2014/15 that is worth briefly revisiting as part of this report as follows:

Based on a number of assumptions and risks, early forecasts show a funding 'gap' of £1.800m in 2015/16 rising to in excess of £4.000m on a cumulative basis by 2018/19. This forecast will be reviewed early in 2015/16 and reported to Members accordingly.

BACKGROUND PAPERS FOR THE DECISION

Working papers held in accountancy

APPENDICES

Appendix A	Extract from Cabinet report 24 January 2014 setting out the Chief Finance Officer's (S151 Officer) report on the Robustness of the Estimates and the Adequacy of the Reserves
Appendix B	Special Expenses 2014/15
Appendix C	Required Budget Calculations 2014/15
Appendix D	Calculation of District and Parish / Town Council Taxes for All Areas 2014/15
Appendix E	Precepts on the Collection Fund 2014/15
Appendix F	District and Parish/Town Council Tax Amounts 2014/15. (excludes Council Tax amounts for County, Fire and Police services 2014/15 which will form part of the final Council Tax setting process via the Council Tax Committee)
Appendix G	Calculation of Estimated Surplus on the Collection Fund for 2014/15

Extract from Cabinet Report 24 January 2014

Robustness of Estimates and Adequacy of Reserves – Report under Section 25 of the Local Government Act 2003.

As part of the requirements set out in legislation, the Chief Finance Officer (S151 Officer) must report to Council as part of the budget process on the following two matters:

Robustness of the Estimates

The budget estimates for 2014/15 have been prepared within the framework of a risk based process. Clear rationale has been stated surrounding the formulation of the 2014/15 budget which is supported by reserves. This position has been supported by a programme of actions, including the fundamental service review (FSR) process and other departmental restructures, which has contributed substantially to delivering a robust and sustainable financial position. A fundamental review of reserves was undertaken during the estimates process which identified that the Council's current level of reserves remain adequate to 'underwrite' risks and uncertainties that are also inherent within the budget setting process. A specific statement on reserves is set out further on in this section of the report.

The budget continues to take account of the outturn position from the previous year and the Council applies a tried and tested approach to the identification of cost pressures which also allow it to remain alert to potential changes to its financial position. Clear actions also form part of the Council's Annual Governance Statement that includes amongst other things a number of financial risks and issues that enable the Council to keep a watching brief on significant upcoming matters that have a financial consequence. Where the Council has made a significant financial commitment, such as to the Clacton and Holland Coast Project, money has been found from within existing budgets and set aside accordingly rather than relying on projected savings or future forecasts.

The need to continue with a planned budget reduction programme is clearly recognised and remains the key focus for the Council to enable it to continue to provide quality services and associated investment at a time of reducing budgets.

In respect of the 2014/15 budget, work has been undertaken in association with departments to produce detailed budgets that are to a large extent effectively cash limited to previous year's spending levels. Inflationary pressures have been separately considered with budgets adjusted to take account of such pressures. It is also important to highlight that the Council continues to find savings from within its underlying revenue budget rather than rely on potentially time limited income such as from the New Homes Bonus to balance the budget.

2014/15 is the second year of the business rates retention model and Local Council Tax Support Scheme (LCTSS). Work has been undertaken during the year to continue to address the potential risks these significant changes have introduced with robust estimates of their on-going impact.

It is recognised that there are risks inherent within the Council's financial framework and corresponding detailed estimates. However, action has been taken to mitigate these risks as far as possible. The budgets have been prepared against the background of a continuing and challenging economic climate resulting in on-going reviews of significant budgets within this context especially those that are more volatile in nature such as income forecasts. This significant area of risk will be closely monitored throughout the year.

Within the Financial Strategy framework there is Cabinet involvement at various stages in addition to a comprehensive review and associated input from the Corporate Management

Committee.

Regular and comprehensive monitoring of the budget will be undertaken during 2014/15 as part of the well-established and comprehensive Corporate Budget Monitoring process so issues can be identified and action can be taken at the earliest opportunity if and when appropriate.

The proposed budget resulting from this process is therefore robust and deliverable and is supported by reserves with further details below.

Adequacy of the Reserves

An integral part of the Council's overall strategy is that the level of reserves is sufficient to support identified risks along with supporting a sustainable budget position in the longer term. The level of uncommitted reserves forecast at 31 March 2015 is **£4.000m** including the minimum working balance of **£1.600m**. All of the reserves are regarded as adequate.