

REPORT TO COUNCIL

REPORT OF: **Cllr Mike Taylor**
Resources and Assets Portfolio Holder

REPORT NO.: HOF 189

DATE: 1st MARCH 2012

| | | |
|---|--|--------------------------------------|
| TITLE: | Determination of Budget 2012/13 and indicative budgets to 2014/2015– General fund, housing revenue account and associated capital programmes. | |
| KEY DECISION OR POLICY FRAMEWORK PROPOSAL: | Budget Framework Proposal | |
| PORTFOLIO HOLDER: NAME AND DESIGNATION: | Cllr Mike Taylor Resources and Assets Portfolio Holder | |
| CONTACT OFFICER: | Daren Turner – Strategic Director Corporate Focus Tel: 01476 406301 Email: d.turner@southkesteven.gov.uk Richard Wyles – Head of Finance Tel: 01476 406210 Email: r.wyles@southkesteven.gov.uk | |
| INITIAL IMPACT ASSESSMENT: | Relevant EIAs have been completed by individual service areas. | Full impact assessment Required: N/A |
| Equality and Diversity | | |
| FREEDOM OF INFORMATION ACT: | This report is publicly available via the Your Council and Democracy link on the Council’s website: www.southkesteven.gov.uk | |
| BACKGROUND PAPERS | HOF184 – Report to Cabinet - Budget requirement 9.1.12 HOF185 – Report to Cabinet – Budget Proposals 6.2.12 | |

1. RECOMMENDATIONS

In relation to the General Fund (Revenue) SECTION B

Make recommendations a. to c:

- a. to approve the original base estimate for 2012/13 and indicative base estimates for 2013/14 and 2014/15 and to set a General Fund budget requirement of £14.027M for 2012/13 (inclusive of special expenses) as detailed in the summary at Appendix A page 1;
- b. to approve a Council Tax freeze for 2012/13 (including special expense areas)
- c. to approve increases in Fees and Charges for 2012/13 as set out in Appendix D

In relation to the Housing Revenue Account (HRA) SECTION C

Make recommendations d to i:

- d. to approve the Housing Revenue Account for the year 2012/13 to set dwelling rent increases in accordance with Government guideline rent providing an average rent of £71.08 (and an average rental increase of 7.65%) shown at Appendix A page 7
- e. to set an increase in garage rents of 5.6%
- f. to increase service charges by 5.6%
- g. and indicative years 2012/13 and 2014/15
- h. to approve the borrowing for the self financing of the HRA of a short term Maturity loan of term of between 8-9 years to the value of £25m and a 30 year Equalised Instalments of Principal (EIP) loan to the value of £96.6M
- i. In the event of extreme volatility in market rates between the date of the Council's decision and the date currently set for the financing implementation in respect of item h above to delegate to the Strategic Director Corporate Focus the authority to secure the most financially advantageous financing arrangement.

In relation to Capital and investment Programmes SECTION D

Make recommendations j. to l:

- j. approve the General Fund Capital programme for 2012/13 to 2014/15 detailed at Appendix B page 1
- k. approve the indicative Housing Investment programme for 2012/13 to 2014/15 detailed at Appendix B page 2
- l. approve the Capital Financing statement detailed at Appendix B page 3

In relation to the Reserves and balances SECTION E

Make recommendation m:

- m. To approve the use of the reserves as detailed at paragraph 16.

Management and prudential indicators SECTION F

Make recommendation n:

n. to approve the Treasury Management Strategy provided at Appendix D;

PART A

2. PURPOSE OF THE REPORT

2.1 To present to Council:

2.1.1 The Budget estimates for 2012/13, revenue and capital (including fees and charges), the level of Council tax and the subsequent Treasury management strategy.

2.1.2 To inform members of the changes to the Housing revenue account and to inform of the likely rent increase for 2012/13.

2.1.3 Members are asked to consider the contextual information presented and to recommend to Council approval of the Council's budget for 2012/13.

3. INTRODUCTION

3.1 Members will be aware that the international and national economic picture remains uncertain. Sovereign debt issues across Europe mean that economic recovery is slow and fragile across the euro zone.

The UK economy has reflected this uncertainty, growth has been slower than predicted which has resulted in the coalition government borrowing more than planned in the short term, this has in turn restricted the government's ability to close the national budget deficit as quickly as it had originally planned.

Although interest rates remain at an historic low position, inflation has been significantly above Bank of England target levels for most of the year; this has resulted in increases in essential commodity prices and a consequential increase in the cost of living. Inflation rates have recently begun to fall, largely as a result of Vat increases and fuel cost increases falling out of the RPI calculation, which in encouraging however future public sector spending reductions look almost certain as government continues its budget deficit reduction programme. The 2012/13 budget process has been delivered against this back ground.

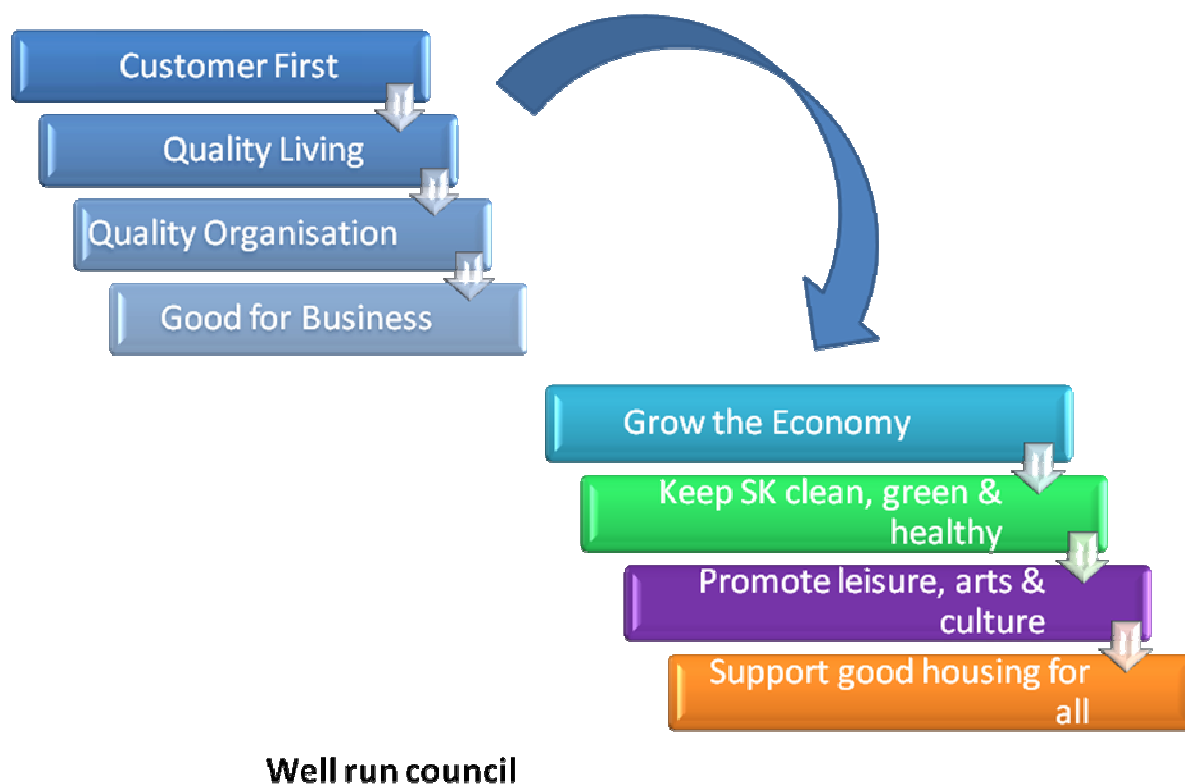
SECTION A

4. Budget Process 2012/13 - Estimates for 2013/14 and beyond.

4.1 2012/13 budget framework - background

4.1.1 The budget has been prepared in conjunction with the development and evolution of the Councils refreshed priorities and the new corporate plan. This forms part of today's Council agenda. The revised plan has been through Engagement PDG and discussed during the district wide consultation process (via the community drop in sessions).

The diagram below demonstrates, how the existing priorities have been developed and reshaped to reflect current issues and aspirations for the district .Detailed plans are now being developed to deliver a number of priority projects, resources for delivering these have been provisionally allocated to these as part of a review of revenue balances and reserves during the budget process (see section E).



4.1.2 The Council must make a number of assumptions when compiling budgets, they are relevant to both the General fund and the HRA for the 2012/13 the following have been used:

Table 1

| Inflation Factors | Assumption (%) |
|---|--|
| Salary Inflation for 2012/13 | 0 except £250 provision for salaries <£21K |
| Retail Price Index | 3.4 |
| National Business Rate | 3.1 |
| Utility Cost increase | 10 |
| Drainage Board Levies | 3.1 |
| Fuel costs | 5.0 |
| Interest Rates | 1.5 |
| Salary Vacancy Factor | 3 |
| Growth in numbers of Band D equivalent properties | 1.0 |

- 4.1.3 Investment Income - the financial forecasts in respect of investment income over the next four years have been modelled on the following anticipated levels of interest rates (provided by the investment advisors):

Table 2

| Financial Year | 2012/13 | 2013/14 | 2014/15 |
|--|---------|---------|---------|
| Base Rate | 0.50% | 1.25% | 2.5% |
| Money Market Rate (average mid-term point.) | 1.5% | 1.90% | 3.1% |

- 4.1.4 This information has been utilised to anticipate the potential levels of interest income the Council will receive for its investment of the reserve balances. This income will be shared between the General Fund and the Housing Revenue Account. As the spending plans of the reserves progress then there will be a corresponding reduction in the amount of interest income that will be received. Scenario planning in respect of continuing investment, forecast interest rates and potential for borrowing will be a feature of the medium term and will be undertaken within the framework of the Treasury Management Strategy.

5. Context

- 5.1.1 On 13 December 2011, the Minister confirmed the final year of the two year grant settlement first announced in December 2010. Formula grant to all authorities will fall by a further 7.7% on top of the 9.9% cut in 2011-12. For single tier county councils and shire districts this means that the total reduction over two years will be 19.3%. Damping will continue with the floors as announced in February 2011. Council Tax Referendum thresholds for 2012-13 have been announced as 3.5% for single tier, county councils and shire districts, 4% for police and fire authorities and the GLA and 3.75% for the City of London. These are 1% above the figures for which the one year freeze grant for 12-13 will be paid.

- 5.1.2 The Government are also proposing to provide a transition grant of £20m in 2012/13, to ensure that no authority in receipt of formula grant faces a reduction of more than 8.8% in 'revenue spending power' in 2012/13. This encompasses:

- a. Council tax requirement
- b. Formula Grant
- c. Specific grants within the aggregate External finance

Twelve Authorities have received this grant, SKDC is not one of those, the Government has made it clear that the transition grant will end in 2013/14.

South Kesteven settlement

- 5.1.3 Confirmation of the final settlement for 2012/13 was issued by CLG on the 31st January 2012 and has been confirmed as £7.526M. The grant is made up of £143k in revenue support grant and £7.383m in redistributed business rates. The figure includes £157K in respect of the Council Tax Freeze grant agreed in 2011/12 which runs for a 4 year period. A further incentive was added to the settlement to allow Councils to freeze council tax for a further year. However the

grant put in place to support this, in SKDC case a further £159K, is only available for one year and not the four offered in the previous settlement. Hence any expenditure in relation to this grant will need to be raised in Council tax in future years.

The details of the grant projections are shown at Table 1. The table shows the specific grant allocation for the Council as part of the 2 year settlement and also includes estimates for the following 2 year period:

Table 3.

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|---------------------------------|---------|----------|----------|----------|
| Formula Grant (excl. CT Freeze) | £8.350K | £7.369K | £7.366K | £7.018K |
| Year on year reduction | | (0.981m) | (0.003m) | (0.348m) |
| % | | (11.7%) | 0% | (5%) |

- 5.1.4 The adjusted grant in 2010/11 was £9.619m, this will have reduced by £2.250m or 23.39% by the end of the 2 year settlement period. This represents a significant reduction in central government grant support and the Council has responded positively to the financial squeeze through a wide range of cost reduction and efficiency programmes.

The position after 2012/13 is even more complex due to the Government's proposal regarding Business Rate retention and Localisation of Council tax support (benefits) changes.

5.2 Specific grants

- 5.2.1 Specific grants continue to provide an important source of funding for Local Government, the specific grants notified as payable to South Kesteven District Council are summarised below. Members can see from Table 4 that, in line with other grant reduction, income from these areas will decline in future years.

Table 4.

| Description | 2011/12 £'000 | 2012/13 £'000 |
|--------------------------------------|------------------|------------------|
| Housing Benefit Administration Grant | 845 | 808 |
| Homelessness | 106 | 106 |
| Total Specific Grants | 951 | 914 |

5.3 Non Specific grants

- 5.3.1 Continuation of the NHB scheme has been confirmed by DCLG £666K has been received in 2011/12; a further £623K has been provisionally allocated for in

2012/13. This is a six year scheme and the benefits will be factored in to the Medium Term Financial Plan accordingly to contribute to the delivery of the council's key priorities and ensure maximum benefit for all communities across the district whilst at the same time securing local benefit from any relevant and associated planning agreements

6. Review of 2011/12 – forecast outturn

- 6.1 During the course of the financial year regular monthly budget monitoring is undertaken with service budget holders in order to monitor expenditure and income compared with budget prediction. A key element of this monitoring is forecasting the year end outturn position.
- 6.2 The General Fund is currently forecast to be circa £800k underspent at the year end. This is largely as a result of the delivery of savings and efficiencies during the year as part of the ongoing transformation and efficiency plan. Some of the actions taken have resulted in savings earlier than expected and in some cases at a higher level. The Council committed, as part of its budget setting round for 2011/12, to set aside £500k at the end of the year as an Invest to Save Fund to help pump prime efficiency projects with defined payback. The Council will now be able to deliver against this commitment. Discussions are advanced with respect to spending proposals in the current financial year in order that any available resources can be diverted to priority areas and projects. Specifically these spending plans are in respect of the installation of PV panels. It is likely that the Council will be able to add to GF balances at the end of the year, this is perhaps a prudent strategy given the future budgets risks faced by the Council which are detailed later in the report.
- 6.3 It is anticipated that the forecast outturn of the HRA will be a deficit of £341k which is below the budgeted deficit of £712k. Over the period of the budget proposals, the HRA is showing a budgeted surplus position based on the anticipated levels of income and expenditure. This projection is based on the current HRA business plan which is being re-modelled and updated in readiness for the self financing funding model.

SECTION B

7. General Fund

- 7.1 The Council set out, during the 2010/11 budget round, a clear action plan to reduce costs and maximise efficiencies in response to the £2.25m reduction in grant and the additional cost pressures it has faced. Initiatives have included the sharing of senior officer posts, re-negotiating third party contracts, implementing a transformation efficiency programme and responding to the customer consultation findings undertaken in summer 2010. This programme will continue into 2012/13 thus helping to release resources to deliver key priority projects.
- 7.2 The Council is committed to protecting front line services and, as such, has worked tirelessly to reduce overheads and “back office” costs to respond to the grant cuts, other cost pressures and falling income levels. Work started before the previous budget round and the Council has a comprehensive business

transformation plan which lays out a programme of efficiency incentives that will release savings over the coming years. This is backed up by a robust project management methodology this will be delivered by senior managers with the support of all staff and a dedicated programme office. The council will continued to identify new efficiencies and savings as it moves forward aimed at protecting front line services.

The budget process has taken into account this need to make cost savings and maximise efficiencies in order to develop a sustainable budget across the term of the MTFP. All areas of the Councils operations have contributed to the process.

Table 5 below provides some examples of a range of initiatives undertaken to address the budget shortfall:-

Table 5.

| Description. | Estimated 2012/13 Saving £'000 | Detail. |
|--|--------------------------------|---|
| Next Steps programme | 305 | Reductions in management and overhead costs. Ongoing savings |
| Budget Consolidation | 165 | Cross Council departmental review of budget heads. Ongoing savings. |
| Review of vacant posts | 166 | Ongoing review of post when they become vacant to evaluate different methods of service delivery. Ongoing savings |
| Vacancy management | 120 | Budgeting for lower than full establishment to take account of recruitment time. Ongoing savings |
| Re-negotiation of the grounds maintenance contract | 70 | Working with contractor to reduce costs. Ongoing saving. |
| Cash collection contract for car parking services | 50 | As above |
| Service reviews | 72 | Env Services and the Arts. Ongoing savings. |
| Re- assessment of Authority risk profile resulting in greater in-house insurance cover | 72 | Reassessment of insurance risk. Ongoing savings |
| Centralised ICT hardware and software budgets delivering efficiencies | 22 | Harmonising and centralising budget heads. Ongoing savings. |
| Leisure Contract review | 366 | Change to an IPS model. Ongoing savings |
| Misc savings – feedback from public consultation | 119 | Various savings in areas such as waste collection initiated following the consultation undertaken inf2010 |

7.3 The Council, as is the case in most years, has also had to accommodate some growth in costs in a number of areas, as well as a loss of income. Some of these costs include:-

Table 6.

| Description. | Estimated 2012/13 cost £'000 | Detail. |
|------------------------------|------------------------------|--|
| Maintenance budgets | 50 | Increase in resources for the utility monitoring and periodic electrical testing to properties. |
| | 10 | Water testing works to commercial properties |
| | 20 | Fire risk assessment works to commercial properties |
| Civilian parking enforcement | 20 | One-off funding to facilitate the implementation of civilian parking enforcement in South Kesteven. (This cost will include the necessary infrastructure changes |
| Leisure centres | 66 | Improvement and maintenance works to the leisure centres |
| Public Realm | 170 | Investment in public realm works as a key element of the redevelopment of Grantham town centre |
| Waste Services | 100 | Impact of introduction of new waste transfer station |
| Property improvements | 25 | DDA works to commercial properties |
| Admin buildings | 45 | Business Rates increases |
| | | |

7.4 The budget proposes a net service expenditure of £16.108M broken down by directorate focus as follows:

Table 7.

| | Original base 2011/12 £'000 | Estimated base 2012/13 £'000 | Indicative base 2013/14 £'000 | Indicative base 2014/15 £'000 |
|---------------------------------|-----------------------------------|---------------------------------------|--|--|
| Community and Environment Focus | 9,837 | 9,383 | 9,350 | 9,442 |
| Corporate Focus | 4,511 | 3,912 | 3,936 | 4,069 |
| Development and Growth Focus | 2,037 | 2,219 | 1,985 | 2,004 |
| Special Expense Areas | 565 | 594 | 609 | 626 |
| Net Service Expenditure | 16,950 | 16,108 | 15,880 | 16,141 |
| Net Interest | (76) | (144) | (169) | (447) |
| Minimum Revenue Provision | 194 | 186 | 179 | 172 |
| Capital Charges | (2,669) | (2,566) | (2,698) | (2,759) |
| Revenue contribution to capital | 500 | 659 | 500 | 500 |
| Net movement on reserves | (71) | (216) | 395 | 357 |
| Budget Requirement | 14,828 | 14,027 | 14,087 | 13,964 |

- 7.5 The overall General Fund position for 2012/13 is shown at Appendix A page 1. The total service expenditure (net of direct income) for 2012/13 is estimated at £16.108M. (The 2011/12 base has been amended to reflect the in-year changes to the directorate responsibility of a small number of service areas). Interest and investment income has been estimated at £298K based on the proposed use of capital resources whilst also taking into account expected movements in interest rates. Further details of the Council's investment strategy are contained in Appendix E to this report.

8 Special Expense Areas (SEA)

- 8.1 Special Expense Areas make use of provisions under the Local Government Finance Act 1992 which provide for different amounts of Council tax to be calculated for different parts e.g. parished and unparished areas of the district, depending on what, if any, special items relate to those parts. A special item is an item which relates to only part of the district's area. Treating expenses as special expenses does not affect the overall amount that the council needs to raise through Council tax across the whole of the district.
- 8.2 The Council seeks to fully recover the net expenditure of the special expense areas and the proposed budget for 2012/13 has been prepared on the basis of full recovery of costs. It should be noted that increases in the special expense precepts count towards the overall council tax capping calculation for the district.

9. Fees and Charges

9.1 Resources PDG has been reviewing fees and charges as a key element of their workplan and have commissioned external support to undertake an income review benchmarking study which compared fees and charges across a number of east midlands councils. This review has also given considered information relating to over 50 local authorities charging regimes outside of the geographical boundaries of the east midlands.

9.2 Initial findings showed that the Council was not out of step with other Councils to any great extent. However, some opportunities were noted and will be taken forward for implementation or further investigation.

In order to ensure the Authority maximises income generation the following is required:-

- A clear corporate charging policy - subsidised service or cost recovery, concessions policy, correlation of charges to wider corporate priorities and impact of completion for similar services provided by the private sector
- Clarity over full cost recovery and subsidy
- A perspective on fairness in charging – impact charges have on specific groups or individuals
- Adopting a commercial approach – trading, flexible pricing structure to stimulate demand
- An approach to premium charging – to reflect either additional demand or an enhanced service
- Charges linked to environmental objectives

9.3 These key themes will form the next stage of the work to be undertaken over the coming months (by the Resources PDG) in order to develop a coherent charging strategy that compliments and supports the Council's corporate plan. It is anticipated that the review will be completed by the summer of 2012. The implementation of the strategy will be incorporated into the budget proposals from 2013/14.

9.4 Consideration has been given to fees and charges that are currently in place. In order to ensure that the current charges are kept in alignment with service costs Cabinet has recommended that the charges (where not statutorily set) are increased in line with inflation (RPI) from 2012/13.

One of the areas considered for introducing charging, specifically mentioned in the Deliotte's report as noted above, is in respect of the green waste service. This complements existing work taking place in this area which had originally begun during the public consultation in the summer 2010, a representative sample gave support for the introduction of charging for the collection of green waste of an annual charge. The benchmarking review supports the principle of those residents who use the scheme make a contribution towards its costs. The review also identified that a number of councils have introduced a chargeable service or are

considering the introduction of an annual charge from 2012/13. The charge would contribute towards the recovery of the operational costs of the service and would establish the principle that the direct users pay for the service rather than the general taxpayer. The charge of £25 is broadly in line with other councils that have introduced a chargeable green waste service. The proposed budgets have been based on an assumed take up of 50% of the existing customers currently receiving the service which equates to a budgeted income projection of £340,000. This figure has been based on comparative schemes that have been implemented by other councils. If the actual take up is significantly different to the budgeted projection then this will be monitored throughout the financial year.

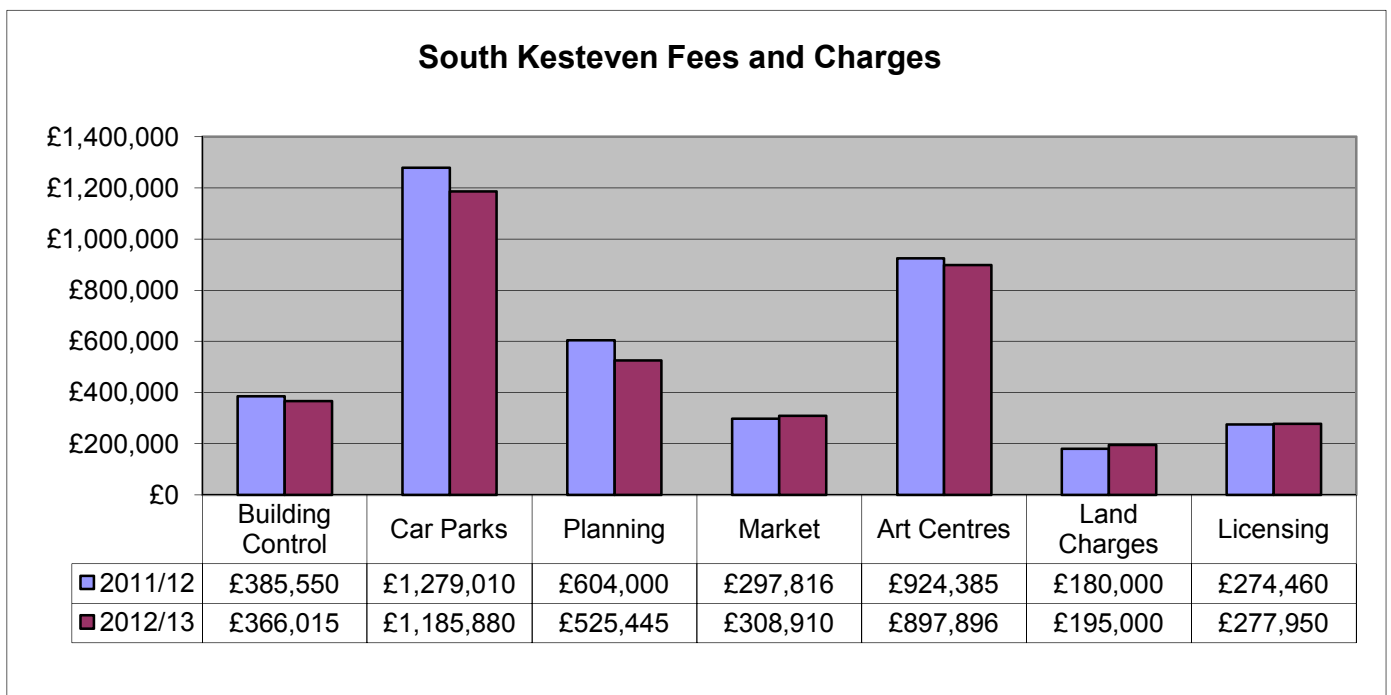
This was considered by Cabinet and the key principles of proposed charging from 1 April 2012 are:

- Joining fee for a new customer of £35 (includes their first green bin and first year's collection)
- Purchase of additional green bins £26
- An annual charge of £25 for the collection of the first green bin - For householders that have more than one green bin then subsequent bins will be emptied for £10 per annum per bin

The payment period will run from 1 April – 31 March each year.

9.5 In summary, fees and charges remains a key element of delivering the Council's stated priority aims whilst supporting a robust medium term financial plan and the proposals underpinning the charging strategy will ensure this focus is maintained. The key areas of income generation are shown in the table below:

Table 8.



10 The District's basic amount of Council Tax 2012/13

- 10.1 The calculation of the Council's basic amount of Council Tax is made by deducting from the budget requirement £14.027M (including special expense areas, but excluding parishes) referred to above, the external support that will be received from the Government from Formula Grant is £7.526million (including £157K in respect of Council tax freeze grant agreed in 2011/12) and there is an additional one-off council tax freeze grant of £159K for 2012/13. Therefore, the council tax requirement for 2012/13 is £7.741M (including special expenses and parish precepts) and £6.342M (excluding parish precepts).
- 10.2 The result is divided by the Council Tax Base of 47,105.80. The proposed band D Council Tax is £134.62 (excluding parishes), representing a council tax freeze for 2012/13 in respect of the district council element of the Council tax demand.
- 10.3 Consultation has been undertaken as part of the community forum events that are taking place throughout the district during January. Feedback from those events are strongly in support of a council tax freeze for 2012/13 as it will greatly assist council tax payers during these difficult economic times.

SECTION C

11 Housing Revenue Account (HRA) background

- 11.1 Following the general election, the new Government reaffirmed the decision to replace HRA Subsidy with a new regime of self-financed housing authorities. In February 2011 the government published *Implementing self-financing for council housing*, which set out the rationale, methodology and financial parameters for the introduction of HRA self-financing in England. Following enactment of the Localism Act on 15th November, self-financing for all authorities will commence on 1st April, 2012.
- 11.2 Self-financing will mean that in future authorities will keep all their rental income but with the proviso that collectively they will have to take on the national HRA debt, with a proportion of this debt allocated to each individual council. Each authority will have its existing level of debt readjusted, according to the valuation of its council housing stock. All things being equal, the higher the valuation the greater will be the amount of debt that will be allocated.
- 11.3 Valuations were based on stock numbers as at 1 April 2011 and assumed levels of income and need for expenditure over 30 years. The valuation model took into account planned demolitions and properties sold under the Right To Buy regime..
- 11.4 The valuation of the business plan has modelled the value of the Council housing stock at £136M. Deducting the amount the Council can raise to fund capital investment for its stock of £14M has resulted in the debt settlement figure being calculated at circa £122M, with a debt ceiling i.e. the maximum amount the Council can borrow.
- 11.5 Authorities are to be required to model a 30-year Business Plan using real, as opposed to subsidy, levels of income and expenditure in order to demonstrate the

viability of their self-financed HRA's. The interest rate at which the authority will be able to borrow in March 2012 is, at present, unknown, and rates are currently very volatile, therefore officers have been modelling a range of scenarios.

11.6 The modelling has also incorporated a number of different scenarios of the varying financing options available. The loan could be taken from the money market generally (i.e. directly from a bank), through a bond issue (although the SK debt level would be insufficient on its own) or using the Public Works Loans Board (PWLB). Recent changes to the interest rates potentially being offered by the PWLB, IE offering a 0.86% discount to rate on the day of the transaction means that it is likely the Council will chose this option. The PWLB is a statutory body operating with the UK Debt Management Office, an executive Agency of HM Treasury. PWLB's function is to lend money to local authorities and other prescribed bodies. (These reduced rates will be available on 26th March 2012 only.)

11.7 There are 3 main types of fixed rate loan available from PWLB:

- Maturity – Where interest only is paid throughout the duration of loan.
 - Annuity – Where principle and interest is paid throughout the loan period, high levels of interest at the start with this decreasing as the capital debt reduces (similar to a mortgage)
 - Equal Instalment of Principal (EIP) – Where both interest and principle are paid but in equal instalments throughout the loan term.
- [Note all of these loan types can be repaid by the council at any time]*

There is no stipulation about the term of the loan, and as such many different short, medium and long term options (using the above have been modelled)

11.8 In modelling the options the Council has considered how the HRA can support the delivery of its key priorities, most significantly "good housing for all". Cabinet and the Resources PDG have been anxious that as much flexibility as possible should be built into any model, particularly in the short term, to allow the council to take advantage of both the opportunities presented by the increased cash flow into the HRA but also the historically low interest rates being offered by the PWLB. In support of delivering the Council's priorities an allocation of £2.25M is available to deliver the independent housing segment of Phase 1 Station Approach redevelopment.

11.9 PWLB interest rates are lower on shorter term loans (up to 10 years) rates gradually increase up to and past 30 years (50 year loans are available). EIP loans carry the lowest rate of interest and do reduce capital over the term. Cabinet and PDG members agreed that the council could clearly plan for housing growth and regeneration in the shorter term and looked to marry up existing capital projects with the opportunities being presented by the HRA changes.

11.10 Against this background the Resources PDG has recommended that the Council split the maturity profile of the loan. One maturity loan of £25m to be taken on 8-9 year profile the balance to be taken as a 30 year EIP loan.

This approach gives the Council cash flow advantages in the short-term, but sees the council make a contribution to the reduction of the total debt within 9 years. The 30 year loan locks in a very low interest rate, budget certainty and enables

the Council to make capital contributions to the loan over the term. The Council will have the opportunity to repay this at any term during the term.

Tenants have been kept informed about the changes in respect of refinancing utilising Skyline and liaison groups. The latest position of the determination and the options available were discussed at a recent meeting and tenant representatives were supportive of the approach being taken. They gave their support to work with the Council on the development of future HRA related strategies and plans.

12 Housing Revenue Account 2012/2013

12.1 HRA budgets have been compiled in line with the existing Housing business plan, the updated stock survey information and reflect the changes in the financing from the national subsidy system to the self-financing model. The details relating to the 2012/13 HRA revenue spending proposals are detailed at Appendix A page7.

12.2 During the budget process a number of growth bids have been incorporated into the base budgets in order to meet the service requirements of the HRA:

| Expenditure Detail | Estimated 2012/13 cost £'000 |
|---|------------------------------|
| Asbestos surveyor and administration support | 55 |
| Additional resourcing for the Repairs service | 33 |
| Asbestos assessment work | 20 |
| Electrical testing rolling programme | 18 |
| Removal of asbestos in specific properties | 200 |
| Maintenance of communal doors | 4 |
| Fire risk assessment at supported housing schemes | 23 |
| Annual servicing and maintenance of smoke alarms | 35 |

There have been a number of previously capitalised schemes that are now being charged directly to the revenue account in order to comply with accounting requirements.

12.3 The September 2011 inflation figure was 5.6% and the draft determination is based upon convergence within four years, by 2015/16. This has produced a national average guideline rent increase of 7.8%. The uplift applied to the allowances is the GDP deflator, currently estimated at 2.5%. However, in recognition of the fact that the system was under-funded, the Government have increased the allowances in line with research which they had commissioned.

12.4 Guideline rent is a notional figure used in the HRA valuation calculations, whilst actual rent is that which is actually charged to the tenants. The actual rent is calculated on a property by property basis using the same parameters as the Government has used for guideline rent. This has produced an average increase for SKDC tenants of 7.65%. At the level of individual dwellings, the percentage increase will depend upon each property's proximity to its target, with increases varying between 6.10% and 9.92%. In cash terms, the average rent will be £71.08 with a minimum of £48.47 and a maximum of £101.67. Garage rents and service charges have been increased in line with dwelling rents. Consultation has been

undertaken with tenants via the District Wide Tenants Panel on 23rd January 2012 with respect to the proposed increases and no specific concerns were raised. All tenants are being contacted and details of their specific rent increase will be provided.

SECTION D

13 Capital Programme 2012/13 - 2014/15 (GF and HRA)

13.1 The recommended Capital Programme (Appendix B pages 1-3) provides a forecast outturn for 2010/11 of £7.747M and an indicative 3 year programme totalling £24.529M for the financial years 2012/13 to 2014/15. This is a significant capital programme in terms of projects and financial investment and the Council will need to ensure it has sufficient capacity to ensure the delivery of the programme in the timescales proposed.

13.2 Housing Investment Programme (HIP) 2011/12 Forecast outturn

The forecast outturn in respect of the housing investment programme is £5.410M compared with the budget of £6.755M which is a variance of £1.345M. A thorough review of the spending profile has been undertaken in order to maximise the contractual arrangements that are in place. This has resulted in a reduced amount of slippage from 2011/12 of £200K carrying over into 2012/13.

13.3 General Fund 2011/12 Forecast outturn

The forecast outturn is anticipated to be £2.337M compared with the original budget of £4.582M. Budgets totalling £2.08M has been identified on the 2011/12 General Fund Programme and will be carried over to be included in the 2012/13 Capital Programme.

14 Programme 2012/13 to 2014/15

14.1 The Programme has been compiled based on the Council's priorities, the Council's Asset Management Plan and in accordance with the Council's Capital Strategy. The Programme comprises of both General Fund and Housing Revenue Account (HRA) Schemes. The capital programme for the HRA has been compiled using the data from the 100% stock condition survey which has been analysed in order of priority of need and ensuring the Council meets and maintains the decent homes standard.

14.2. General Fund Programme

14.2.1 The main emphasis of the General Fund 2012/13 capital programme has been the continuation of the major capital projects that are well advanced under the new corporate priority of 'grow the economy'. Funding is made available to complete the delivery of the Bourne town centre development, the progression of the Station approach development in Grantham and the provision of serviced employment land. Within the development and growth agenda some flexibility within capital allocations may be required as whilst the council works hard to deliver to timescale some projects have external influences. The level of certainty on timescale is often affected by the level of control the council has over land ownership and can therefore be influenced by the need to affect statutory processes. Equally new

opportunities may arise to attract investment from external funding streams which may need match funding.

14.2.2 The development of a community access point in Bourne which will bring together key public services within one centre providing customers access to a wide range of services and information will continue to be funded through the programme. The continuation of this project underpins the 'Customer First' approach the Council has adopted and will also bring financial benefits to the parties delivering services from the centre.

14.2.3 Appraisals undertaken by the finance team conclude that outright purchasing waste vehicles remains the most financially advantageous under the current climate and, to ensure the continuation of the quality service, budgets have been included for the rolling replacement of three vehicles per annum for the term of the capital programme.

The remaining elements of the capital programme have been developed based on delivery of improvements and investments in Council assets as identified in the Council's Asset Management Plan and other corporate strategies.

14.3 Housing Investment Programme (HIP)

The investment in the Council's housing stock over the period of the capital programme has been formulated utilising the detailed stock condition survey that has been undertaken. The spending profile reflects the desire to achieve and maintain 'decent homes standard' over the period of the capital programme. The programme also includes a number of projects that will enable the Council to deliver quality housing provision and estate management. A number of expenditure headings have been removed from the capital programme and are now included directly to the revenue budgets in order to comply with new accounting requirements. These are:

TABLE 9

| Expenditure Heading | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 |
|---|--------------------------|--------------------------|--------------------------|
| Structural Improvements | 100 | 100 | 100 |
| Property Refurbishments | 30 | 30 | 30 |
| Communal Doors | 30 | 30 | 30 |
| Wall Finishes | 250 | 235 | 215 |
| DDA compliance | 200 | 200 | |
| Fire Risk Assessment work | 80 | | |
| Sound Insulation | 100 | 100 | 100 |
| Installation of smoke, heat & carbon monoxide detectors | 150 | 226 | 226 |
| Disabled adaptations | 100 | 100 | 100 |

15 Proposed method of financing the Capital Programme

- 15.1 The detailed Capital Programme contained within Appendix B also identifies the proposed method of financing the Capital Programme which will be reviewed when preparing the Statement of Accounts for each financial year to enable the most effective form of financing to be adopted by the Council.
- 15.2 In respect of the capital programme the summary financing statement has been prepared for the General Fund and the Housing Revenue Account. In respect of the General Fund it is proposed to utilise the capital receipts reserve, grant funding and the specific capital reserve together with a contribution of £659K in 2012/13 from revenue. There is no immediate borrowing requirement within the timescale of the capital programme. However this funding proposal fully utilises the General Fund capital reserve and reduces the useable capital receipts reserve from a forecast outturn of £8.280M to £4.555M by March 2015. As part of the review of the Asset Management Plan a thorough review of the Council asset portfolio is being undertaken, this will identify potential future disposal receipts which will be utilised to fund future capital programmes. Indicative figures have been built in for modelling purposes.

In respect of the HRA capital programme the financing of the programme will be met from the Major Repairs Reserve (MRR) without any further need for a contribution from revenue. This is due to amount being made available from the componentisation of the depreciation which is calculated at £5.2M per annum. As this amount exceeds the current capital programme the MRR is projected to increase over the period of the capital programme. This projection will be reviewed once the self-financing arrangements are finalised in order to enhance the opportunities that will be created from the increasing HRA balances.

- 15.3 The current Council policy in respect of the use of the useable capital receipts reserve is to use the housing capital receipts to contribute towards the financing of both the General Fund and the Housing Revenue Account but the non-housing capital receipts would be used only to finance the General Fund programme. It is proposed to review this policy once the new HRA financing arrangements are in place in order to separately identify the capital receipts from the sale of housing stock assets. This will enable the Council to undertake financial assessments before considering new build schemes and the financial affordability of schemes utilising RTB receipts and internal borrowing.

SECTION E

16 Reserves and Balances

- 16.1 The Local Government Act 2003 requires the Chief Financial Officer, (section 151 officer), to report on the adequacy of financial reserves when consideration is given to the General Fund budget requirement for the year. Under the Local Government Finance Act 1988, all balances held by the Council are at the direct disposal of the General Fund with the exception of the Housing Revenue Account balance, the Collection Fund or any funds held in trust. A statement showing the forecast balances of revenue and capital reserves is provided at Appendix C.

16.2 Existing Balances

The **General Fund working balance** is required so that the council has sufficient funds available to meet its cash flow requirements and to protect services against unforeseen events that have a financial consequence and are not included in the budget framework. The forecast of revenue reserves reflects the Council's policy, as set out in the Medium term financial plan and maintains the General Fund balance at just under 15% of net expenditure.

Other reserves currently held include:-

- The **Insurance Reserve** – is available to be utilised during 2011/12 to meet the costs in respect of any planning determination appeals. During the year a review of the risk profile has been undertaken and a shift towards internal self insurance has been agreed with the Council's insurers. This has the advantage of using the internal resources and thereby reducing external insurance premiums. The levels of excess amounts have been reviewed and therefore the level of the reserve has been stabilised to ensure sufficient internal resource is available for any insurance costs that may arise.
- The **Employees Pension Reserve** - is held to protect the Council from large increases in employer's contribution rate following the actuaries triennial valuations and related issues. Any changes in employer contribution rates as a result of the findings of the Public Service Pensions Commission (chaired by Lord Hutton) are likely to see reductions in funding requirements. Although adequate for its current purposes this reserve will be reviewed in lieu of the "Hutton" findings at the end of the financial year.
- Any annual surpluses from the chargeable element of Building Control activities are set aside in the **Building Control reserve** and used to finance service improvements and offset any future deficits. Following a review of the service it is anticipated the modest surplus contributions will be made to the reserve of the period of the budget. However, this will be subject to review following the recent introduction of a new structure of fees and charges.
- The **Priority Themes and service improvement reserve** – This reserve together with the allocation of funding from the New Homes Bonus will be fully utilised over the medium term to deliver a range of priority projects that support the Council's ambitions as identified in the new Corporate Plan. Specific projects identified include Destination SK, events and festivals to be held across the District, apprenticeship schemes and forward funding of key infrastructure projects which could include the Southern Quadrant Relief Road.
- **The Working balance of the HRA – The working balance** on the HRA is projected to be £9.578M as at 31st March 2012. The use of the balances will be reviewed following the changes to the financial model of the HRA. These proposals will be incorporated into the updated business plan and the Council's aspirations for the delivery of social housing in the district.
- **Special Expense Reserve** – This reserve (which is made up of individual SEA reserve balances) is utilised to financially support transactions and future spending proposals in respect of the special expense areas. The reserve will be used during 2012/13 to finance specific spending proposals in respect of the Grantham SEA.

SECTION F

17. Prudential Code

17.1 The Council complies with the Prudential Code for controlling Local Government Capital Finance. The key objectives of the code are to ensure that:

- Capital Investment Plans are affordable, prudent and sustainable
- All external borrowings and other long term liabilities are within prudent and sustainable levels
- Treasury Management decisions are taken in accordance with good practice and in a manner that supports prudence, affordability and sustainability
- The Local Authority is accountable for decisions made
- It supports local strategic planning, local asset management planning and proper option appraisal.

17.2 The Council's current financial planning systems demonstrate the affordability of the capital programme and the 2012/13 estimates have been prepared in the context of these plans and controls.

18 Treasury Management and Investment Strategy

18.1 In accordance with the requirements of Local Government Act 2003 a Treasury Management Strategy is provided within Appendix E outlining the Council's prudential indicators for 2012/13 – 2014/15 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements as required by the Local Government Act 2003:

- The reporting of the prudential indicators setting out the expected capital activities as required by the CIPFA Prudential Code for Capital Finance in Local Authorities (Appendix E Section);
- The Council's Minimum Revenue Provision (MRP) Policy, which sets out how the Council will pay for capital assets through revenue each year (Appendix E Section 1);
- The treasury management strategy statement which sets out how the Council's treasury service will support the capital decisions taken above in accordance with the CIPFA Code of Practice on Treasury Management (Appendix E Section 2);
- The investment strategy which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss (in accordance with the CLG investment guidance) (Appendix E Section 3);

- 18.2 A review of the Treasury Management strategy has taken place in conjunction with the Council's treasury management advisors to ensure the strategy provides a framework for effective, efficient treasury management activity and ensure the Council's exposure to risk is minimised. Whilst it is widely acknowledged that exposure to risk cannot be removed, good governance and scrutiny arrangements help to ensure the exposure is minimised. The Council's arrangements in respect of robust monitoring and reporting of treasury management activities are based on best practice. Specifically, Governance and Audit Committee ensure the governance and scrutiny function is undertaken on behalf of the Council and during the past year has received specific treasury management training and receives regular half yearly reporting information.

The strategy has been updated to reflect the impending HRA self-financing payment which required changes to the Operational Boundary and Authorised Limits, which council approved at their meeting on 8th December 2011. As regards the Investment Strategy two changes have been made. The first is to include criteria of allowing investments to be placed with Part-nationalised institutions as these counterparties would fall within the specified investment category to reflect their high credit quality as they are part owned by the government. The second is to remove the group limit on Money Market Funds (whilst maintaining a limit of £5m per fund) to reflect their high credit worthiness and allow the Council more flexibility to utilise these investment options.

19 Collection Fund

- 19.1 All transactions associated with Council Tax are shown in the Collection Fund.
- 19.2 To comply with CIPFA's Best Value Accounting Code of Practice authorities are required to forecast the out-turn on the Collection Fund as at 31st March each year in order to distribute this amount to precepting bodies in the following financial year (together with any remaining unallocated surplus from previous years).
- 19.3 For this financial year SKDC has forecast the out-turn for 2011/12 and in 2012/13 will distribute this forecast together with the remaining surplus from the 2010/11 out-turn. Remaining surplus (or deficit) from previous years occurs when there is a difference between the forecast for that year and the actual out-turn.
- 19.4 Any surplus or deficit arising from Council Tax transactions is shared between South Kesteven District Council, Lincolnshire County Council and Lincolnshire Police (the precepting bodies) in proportion to their demands on the Collection Fund.
- 19.5 The accumulated surplus on the Collection Fund at 31st March 2011 was £261K of which £255K will have been distributed during 2011/12. The forecast out-turn for 2011/12 is a surplus of £6K. This leaves a total of £12K for distribution in 2012/13. This will be distributed as follows:

| | £K |
|---|-----------|
| Lincolnshire County Council | 9 |
| Lincolnshire Police | 2 |
| South Kesteven District Council | <u>1</u> |
| Total Surplus on Collection Fund | 12 |

- 19.6 The amounts due to Lincolnshire County Council and Lincolnshire Police will be distributed on a pro rata basis, utilising the precept mechanism.
- 19.7 The council tax income budget for 2011/12 was produced based on an anticipated increase in tax base of 1.01% - the same increase as in the previous year. This has resulted in a forecast of a very small surplus in 2011/12.
- 19.8 Since 2004/5 Council billing authorities have had the powers to reduce the discount on second homes from 50% to a minimum of 10%, this has the effect of generating additional income for the billing authority and the precepting authorities (the County Council and the Police Authority). In 2005/6 the discount was reduced to the minimum of 10%. The County Council and the Police Authority agreed that the additional income would be spent within the district on agreed schemes of mutual benefit.
- 19.9 The amount due from the County Council for 2011/12 is £93K and from the Police Authority is £16K. It is estimated that the amount for 2012/13 will be £100K, and £17K respectively. This is proposed to be utilised on an equal basis to help fund the work of the CCTV monitoring centre and to provide Disabled Facilities Grants. At the time of compiling the report it is anticipated that Lincolnshire County Council will propose a council tax freeze for 2012/13 and Lincolnshire Police Authority are reviewing a number of potential scenarios. The actual position will be confirmed in readiness for the Budget report to Council on 1st March 2012.

20 Statement by Chief Finance Officer (S151 officer)

- 20.1 The 2012/13 Budget and indicative budgets for 2013/14 to 2014/15 have been drawn up to take account of the Council's various strategies, policies and the financial context, in particular:
- The Corporate Plan
 - The Medium Term Financial Plan (MTFP)
 - Service Strategies and Plans
 - The economic context and recent grant announcements
 - The 2011/12 forecast outturn

The medium term financial plan (MTFP) was reviewed and updated in December 2010 to reflect the current financial climate and the framework in which the Council's budgets are allocated. It sets out how the Council is responding to the significant changes to the financial climate over the next 4 financial years. The budget framework proposals have been prepared within the context of the MTFP, the HRA business plan and the recent national grant settlements.

- 20.2 The purpose of this statement is to comply with the requirements of the Local Government Act 2003 whereby the Chief Finance Officer must report on:
- (a) the robustness of the estimates made for the purposes of the budget calculations and
 - (b) the adequacy of the proposed financial reserves
- 20.3 In approving the budget, Council must take account of the advice of the Chief Finance Officer in respect of the above. For 2012/13 I can advise that the budget presented to the Cabinet is robust in its formulation and the level of reserves is adequate for the organisation.

21 Risks to the budget

- 21.1 In formulating my opinion the following risks and factors have been taken into account.
- a. The **grant settlement from Government** has been announced for 2012/13 only. Thereafter the grant settlement process is changing with the introduction of the localisation of business rates. Full details of the potential impact this will for the Council are not yet available but preliminary analysis has determined this new financing arrangement could prove challenging. These changes also brings opportunities as future funding will be closely aligned to local economic growth which should be complemented by the Council's ambitions for stimulating the local economy.
 - b. The impact of the **economic climate** will place higher demand on particular services in relation to social care and well being, specifically benefit advice and support and homelessness. This may create additional resource pressures in these service areas.
 - c. **Fees and Charges income** – The report has identified a continued shortfall in the projected income levels for next year based on the current year's forecasting. The income forecasts will need to be carefully monitored to identify any further reduction in levels and whether there is any identified improvement in the future years. The review of fees and charges that is currently underway is vitally important in order to develop a local charging policy that clearly identifies charges based on cost recovery and where further opportunities for income generation exist.
 - d. **Investment Income** – the forecast in respect of investment income is included in the budget proposals and shows an improvement over the three year period. Given the current volatility in respect of the economic market there is a risk of investment income not achieving this level.
 - e. The future financial viability of the **Housing Revenue Account** will need to be updated and reviewed following the implementation of the self financing

system which will be effective from 1st April 2012. Specifically this will update the repayment schedule that has been implemented which will then demonstrate the financial viability of the HRA over the 30 year plan. This will also assist strategic decision making in respect of investment and refurbishment of the housing stock.

- f. **Council Tax benefit changes** – With effect from 1st April 2013, the Council will be directly responsible for setting and implementing a local policy with respect to the administration and grant of council tax benefit. These changes are being introduced in the context of a 10% reduction in grant award whilst adhering to the national compliance of protecting prescribed vulnerable groups. Significant work will be required to model different scenarios of the financial impact on those claimants (such as working age claimants) who will be receiving a reduced amount in benefit assistance. The Council will need to consider the potential impact this will have on the claimants themselves and the wider impact this could have including a reduction in collection of rent and council tax and increased pressure on some key front line services.
- g. **Business Rate Retention Proposals - Under the scheme, those authorities that** see increases in their business rates tax base and associated revenues should financially benefit from the scheme, whilst those with declining business rates will lose. The magnitude of these gains and losses will be determined by which options are eventually chosen from those set out in the consultation and technical papers.

The potential impact of this has been modelled and the estimated figures at this time have been included in table 3 above and show a further reduction in grant of £0.351m over the next 2 years.

- h. **Capping powers** will be utilised for the setting of the 2012/13 council tax levels and the Council will be exposed to the risk should it decide to set a council tax higher than the 3.5% level that the Government has indicated would be acceptable.

22 Comments of the Legal and Democratic Services

The budget forms part of the Council's Budgetary Framework. Members should have regard to the comments of the Strategic Director – Corporate focus as the Council's Chief Financial Officer which are set out in section 13 above when making their recommendations to Council in accordance with the Local Government Act 2003. Any budget must be set in accordance with the Budget and Policy Framework Procedure Rules as set out at part 4 of the Constitution.

23 Appendices:

Appendix A – Revenue Estimate 2012/13 and indicative budgets 2013/14, and 2014/15

Appendix B – Capital Estimates 2012/13 to 2014/15

Appendix C – Fees and charges 2012/13

Appendix D – Treasury Management Strategy

END OF PART A

COUNCIL TAX SETTING - PART B

1 INTRODUCTION

The purpose of this part of the report is to set the level of Council Tax for 2012/13 in accordance with relevant statutory requirements (based on a zero council tax increase).

2 RECOMMENDATIONS

The requirements are set out in paragraphs 32 to 36 of the Local Government Finance Act 1992 and it is necessary for the Council to adopt the following formal recommendations:-

- 1) That the following amounts be calculated by the Council for the year 2012/13 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992 (as amended)
 - a) £78,763,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (2) (a) to (e) of the Act (including special expense and parish precepts).
 - b) £63,653,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (3) (a) to (c) of the Act.
 - c) £15,110,000 being the amount by which the aggregate at a) above exceeds the aggregate at b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.
 - d) £7,369,000 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed Non-Domestic Rates and Revenue Support Grant increased by the amount of the sum to be transferred from the Collection Fund to the General Fund
 - e) £164.33 being the amount at c) above less the amount at d) above, all divided by the Council's tax base of 47,105.8 as recorded in minute 34 of the cabinet meeting of 5 December 2011, in accordance Section 33(1) of the Act, as the basic amount of its Council Tax for the year 2012/2013.
 - f) £1,958,546 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
 - g) £122.76 being the amount of e) above, less the result given by dividing the amount of f) above by the Council's tax base relating to special items as set on 5 December, 2011 calculated by the Council in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for year for dwellings in those parts of its area to which no special item relates.

h) Part of the Council's area

Band D equiv.

| <u>Parish</u> | <u>Band D Equivalent</u> |
|---|-------------------------------------|
| | No. |
| Grantham | 11274.8 |
| Stamford | 7131.8 |
| Bourne | 5005.5 |
| Allington | 359.0 |
| Ancaster | 582.4 |
| Aslackby & Laughton | 113.7 |
| Barholm & Stow | 34.2 |
| Barkston & Syston | 263.6 |
| Barrowby | 726.3 |
| Baston | 543.4 |
| Belton & Manthorpe | 205.0 |
| Billingborough | 485.1 |
| Bitchfield & Bassingthorpe | 58.1 |
| Boothby Pagnell | 64.2 |
| Braceborough & Wilsthorpe | 135.9 |
| Ropsley, Humby, Braceby & Sapperton | 341.3 |
| Burton Coggles | 38.8 |
| Careby, Aunby & Holywell | 68.6 |
| Carlby | 212.6 |
| Carlton Scroop & Normanton | 129.1 |
| Castle Bytham | 301.7 |
| Caythorpe | 539.8 |
| Claypole | 505.7 |
| Colsterworth, Gunby & Stainby & N. Witham | 737.9 |
| Corby Glen | 399.7 |
| Counthorpe & Creeton | 34.3 |
| Deeping St James | 2464.9 |
| Denton | 121.4 |
| Dowsby | 62.4 |
| Dunsby | 46.4 |
| Stoke Rochford & Easton | 86.6 |
| Edenham | 113.0 |
| Fenton | 56.0 |
| Folkingham | 299.4 |
| Foston | 218.1 |
| Fulbeck | 220.4 |
| Greatford | 126.1 |
| Great Gonerby | 809.3 |
| Great Ponton | 130.1 |

| | |
|---------------------------------|--------|
| Haconby | 194.3 |
| Harlaxton | 338.1 |
| Heydour | 155.5 |
| Honington | 71.6 |
| Horbling | 167.1 |
| Hougham | 79.5 |
| Hough on the Hill | 167.3 |
| Ingoldsby | 115.8 |
| Irnham | 103.7 |
| Kirkby Underwood | 84.1 |
| Langtoft | 752.8 |
| Lenton, Keisby & Osgodby | 66.8 |
| Little Bytham | 112.1 |
| Little Ponton & Stroxtun | 70.9 |
| Londonthorpe & Harrowby Without | 1743.3 |
| Long Bennington | 899.3 |
| Market Deeping | 2058.5 |
| Marston | 151.1 |
| Morton | 831.1 |
| Old Somerby | 92.3 |
| Pickworth | 76.3 |
| Pointon & Sempringham | 199.7 |
| Rippingale | 346.8 |
| Sedgebrook | 144.9 |
| Skillington | 137.5 |
| South Witham | 489.5 |
| Stubton | 75.2 |
| Swayfield | 146.7 |
| Swinstead | 89.9 |
| Tallington | 200.8 |
| Thurlby | 816.9 |
| Toft, Lound & Manthorpe | 137.9 |
| Uffington | 316.4 |
| Welby | 77.5 |
| Westborough & Dry Doddington | 152.4 |
| West Deeping | 125.0 |
| Witham on the Hill | 99.9 |
| Woolsthorpe | 152.0 |
| Wyville cum Hungerton | 18.9 |

being calculated by adding to the amount at (g) above the amounts of special item relating to dwellings in those parts of the Council's area, divided in each case by the individual tax bases as recorded in minute 49 in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which special item relates.

- i) The amounts on the attached schedule (Appendix A to Part B), being the amounts given by multiplying the amounts at g) above and h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in valuation Band 'D', calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.
- j) That it be noted that for the year 2012/13 Lincolnshire County Council has stated the following amounts as a precept issued to the Council in accordance with Section 40 of the Local Government Finance Act, 1992, for each of the categories of dwellings shown below:-

Valuation Band

| A £ | B £ | C £ | D £ | E £ | F £ | G £ | H £ |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 710.46 | 828.87 | 947.28 | 1065.69 | 1302.51 | 1539.33 | 1776.15 | 2131.38 |

- k) That it be noted that for the year 2012/13 Lincolnshire Police Authority has stated the following amounts as a precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Valuation Band

| A £ | B £ | C £ | D £ | E £ | F £ | G £ | H £ |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| TBC | TBC | TBC | TBC | TBC | TBC | TBC | TBC |

- l) That, having calculated the aggregate in each case of the amounts at i), j) and k) above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the amounts in Appendix B to part B as the levels of Council Tax for the year 2012/13 for the categories of dwellings shown in Appendix A to part B.

3 BACKGROUND

- 3.1 The Council's budget requirement has been recommended by the Cabinet and is dealt with in Part A of this report. Parish precepts are added to the District Council's net expenditure requirement. Government support and adjustments to Collection Fund relating to Community Charge and District Council's share of Council Tax are then deducted from the spending requirement to give a Demand on the Collection Fund.

- 3.2 The Council Tax Base of 47,105.8 was approved at the Cabinet meeting held on 5 December 2011 and the budget requirement will be spread by reference to the tax base previously approved, taking into account the precepts of individual Parishes recoverable over the Parish tax base.
- 3.3 The Council Tax bill for 2012/13 includes the requirements of Lincolnshire County Council and the Lincolnshire Police Authority which are responsible for setting their own Council Tax levels.
- 3.4 Lincolnshire County Council determined its Council Tax requirement at the meeting held on 17th February 2012, as follows:

| | |
|-------------------------------|-----------------|
| Total Council Tax Requirement | £253,262,741.78 |
| SKDC precept element | £50,200,180.00 |
| Band D tax | £1,065.69 |

- 3.5 Lincolnshire Police Authority will determine its Council Tax requirement at a meeting to be held on 24th February 2012. (an addendum will be circulated at the Council meeting when the figures have been confirmed):

| | |
|-------------------------------|-----|
| Total Council Tax Requirement | TBC |
| SKDC precept element | TBC |
| Band D tax | TBC |

- 3.6 The overall increases for Band D tax payers, by Authority, are shown in the table below:

| Council Tax Details 2011/12 | | | | |
|---|-------------------|-------------------|---------------|---------------|
| | 2011/12 Band D | 2012/13 Band D | Increase £ | Increase % |
| Lincolnshire County Council | 1065.69 | 1065.69 | 0.00 | 0.00 |
| Lincolnshire Police Authority | 179.28 | TBC | TBC | TBC |
| South Kesteven District Council | 122.76 | 122.76 | 0.00 | 0.00 |
| South Kesteven + Special Expenses | 134.62 | 134.62 | 0.00 | 0.00 |
| South Kesteven + Special Expenses + Parishes | 163.46 | 164.33 | 0.87 | 0.53 |

4 SETTING THE COUNCIL TAX

- 4.1 The Local Government and Finance Act 1992 requires the Council to set Council Tax across the 8 valuation bands, and all precepting Parishes. The levels of overall Council Tax by Parish are attached at Appendix B to part B.

5 COMMENTS OF FINANCIAL SERVICES

- 5.1 The financial implications of this section are included in Part A of the report above.

6 COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

- 6.1 The Local Government Finance Act 1992 sets out the requirements placed upon the Council in relation to making formal recommendations relating to the setting of Council Tax and the Council's responsibilities as a billing authority.