

REPORT TO CABINET

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF216

DATE: 21 January 2013

TITLE:	BUDGET REQUIREMENT 2013/14	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	KEY DECISION	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr Mike Taylor Well Run Council Portfolio Holder	
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INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required: None
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		

1. RECOMMENDATIONS

It is recommended the Cabinet:

General Fund

- 1.1 Notes the provisional settlement for 2013/14.
- 1.2 Agrees a provisional target General Fund Budget Requirement of £13.982m for 2013/14 (inclusive of Special Expenses) for consultation purposes.

- 1.3 Agrees to consult on the proposals for Council Tax for 2013/14 and recommend a Council tax level at its February 2013 meeting.

Housing Revenue Account

- 1.4 Approves, in line with current policy of achieving rent convergence, an indicative rent increase for consultation purposes with the Tenant consultation forums on options for rent increases. This is an average increase for SKDC tenants of 4.57%.
- 1.5 Agrees to review the proposed rent increase at recommendation 1.4 above, at the February Cabinet Meeting, in light of consultation, and other related information.

Capital Programme

- 1.6 Agrees to receive detailed reports setting out recommendations for the Capital Programme for both the General Fund and Housing Revenue Account, at the February Cabinet meeting.

2. PURPOSE OF THE REPORT

- 2.1 The purpose of this report is to comment upon:
 - a. The updated Local Government Finance Settlement for 2013/14, and indicative proposals for future years.
 - b. The proposed budget requirement to be consulted on
 - c. Housing rent proposals 2013/14
 - d. Levels of reserves.
 - e. The proposed capital programmes for the General Fund and Housing Investment Programme (HIP)

This report sets out the settlement details and provides details for Cabinet to undertake consultation on the budget requirement for the General Fund and the Housing Revenue Account for 2013/14. Further work is ongoing to provide the detailed budget information which will be submitted to Cabinet in February and Council in March 2013.

3. DETAILS OF THE REPORT

3.1 Provisional Local Government Finance Settlement 2013/14 and estimates for 2014/15

Confirmation of the provisional settlement for 2013/14 was issued by CLG on the 19th December 2012 and has been confirmed as £8.024m. In future DCLG will include previously separately awarded grants in the overall settlement figure. Those specific grants that are applicable to the Council are; the Council Tax Freeze grant agreed in 2011/12 for 4 years (£157k), homelessness grant of £106k and Council Support grant of £757k (this being the District element of the Council Tax Support Scheme).

3.2 Cabinet will be aware that 2013/14 is the first year of the significant shift in how local government is financed following the introduction of the business rate retention scheme. The new funding allocation is a split between locally raised business rates which are retained and revenue support grant.

3.3 Table 1 below details the new funding split and compares this to what the Council received in 2012/13.

Table 1.

	Formula Grant Funding 2011/12	Formula Grant Funding 2012/13	Provisional settlement for 2013/14	Proposed settlement 2014/15*
Revenue Support Grant	£1.972M	£143K	£4.206M	
Redistributed business rates	£6.378M	£7.226M	£2.798M	
Total Formula Grant	£8.350M	£7.369M	£7.004M	£6.992M
Specific grants:	£157K			
• Council Tax	£106K	£316K (2yrs)	£157K	Now Specific grant rolled into the above
• Homelessness	N/A	£106K	£106K	
• Council Tax Support		NA ()	£757K	
Total (inc grants)	£8.401M	£7.791M	£8.024M	£6.992M
For comparative purposes only		(0)	(£757K)	N/A
Readjusted for council tax support scheme And one off council tax grant		(£157K)		
Re-stated grant		£7.634M	£7.267M	£6.992M

*based on indicative information provided by the Council's financial advisors

3.4 In comparative terms the decrease between 2012/13 and 2013/14 is £367k or 5%. This is over and above the reduction for Council tax support but is broadly in line with the budget modelling that has been undertaken during the financial year and enables the Council to continue its investment in the delivery of its priorities.

3.5 Looking ahead it is anticipated that further year on year reductions will be introduced to the revenue support grant element of the allocation. This will put increasing pressure on the council's services and as such the council will refresh its Medium Term Financial Strategy in the coming months in order that it can respond to appropriately.

3.6 **Specific Grants**

3.6.1 **Localisation of Council Tax Support** - In August 2011, the Department for Communities and Local Government (CLG) issued its consultation on a new localised scheme of discounts to replace existing council tax benefits from April 2013. As part of the localisation of support for council tax, the Government will no longer provide 100% funding of council tax benefits to local authorities but will instead provide a specific grant to billing and major precepting authorities. Significantly this means that funding for the Council Tax Support Scheme will see a transfer from a demand-led annually managed expenditure budget to a fixed expenditure limited budget. The implication of this is that the uncertainty and volatility in demand can lead to additional expenditure pressures falling completely on the district council to manage.

Council has approved the scheme for the localisation of council tax support from 1st April 2013 which has the following characteristics:

- i. 80% maximum eligibility for those who do not fall into a vulnerable group
- ii. 100% maximum eligibility for vulnerable customers (as defined)
- iii. No restrictions based on size of property or council tax band
- iv. Carer's, disabled and war pensioners protected
- v. Inclusion of enhanced working disregards meaning that a certain amount of earnings is ignored in the calculation of support

The grant in respect of the Council Tax support scheme, noted in paragraph 3.1 will not in future be paid out as benefit but will offset the reduction in the council tax base as a result of the new

scheme now being a discount from the Band D charge. The projected reduced base is shown in table 2 below:

Table 2.

Council Tax base 2012/13	Council Tax base 2013/14 (before base adjustment)	Adjusted Council Tax base 2013/14 to reflect support scheme and technical adjustments
47,105.80	47,561.10 (0.96%) growth	43,786.70
$£122.76 \times 47,105.80 =$ £5.782M	$£122.76 \times 47,561.10 =$ £5.839M	$£122.76 \times 43,786.70 =$ £5.375M

Council also approved a number of amendments to the council tax discount and exemption arrangements in relation to Class C (unoccupied and unfurnished), class A (in need of structural repair), the introduction of a 100% charge for properties that have been empty for a period of between six months and two years and the introduction of an empty homes premium of 150% for those for properties that have been empty for two years or more. All of these technical changes are to be introduced from 1st April 2013.

Based on the modelling undertaken it is anticipated that the proposed changes to the local scheme will meet the overall reduction in grant allocation Government has provided. However, the impact of the local scheme will be carefully monitored during 2013/14 to understand the impact of the changes which could lead to proposed amendments to the 2014/15 scheme.

3.6.2 Housing Benefit Administration Grant

This grant is a Department of Work and Pensions specific grant to help support the cost of housing benefit administration and the funding of anti-fraud measures. The allocation of housing benefit administrative subsidy has been announced and the Council will receive £731k in respect of administration subsidy (£735k in 2012/13) which includes a one-off amount of £34k. The latter amount is a one-off grant in response to the economic downturn and the acknowledgement that there has been a significant caseload increase for local authorities.

3.6.3 Homelessness Grant

The award for 2013/14 is £106k which is the same as in 2012/13 and the government has confirmed they are continuing to 2014/15 with the provision of the Homelessness grant. However, they have not confirmed what the future funding levels will be and from 2013/14 the grant will no longer be visible as it will be included in the overall grant settlement. This grant is currently used to finance a range of homelessness prevention initiatives including a rent deposit scheme and domestic abuse support. Other current initiatives funded from the homelessness grant award is in respect of a court desk service at Grantham County Court and is available to anyone facing repossession of their home. The advice given ranges from debt advice and homelessness prevention. This service is provided by South Kesteven Citizens Advice Bureau.

4. General Fund Budget Requirement, Council Tax and Reserves

4.1 Draft Budget Requirement

The proposed draft budget requirement for 2013/14 is £13.982m which comprises of the following:

Table 3

Formula Grant	£7.004m
Specific grants:	
Homelessness grant	£106k
Council freeze grant (2011/12)	£157k
Council Tax freeze grant (2013/14)	£63k
Council Tax support grant	£757k
Council Tax £134.62 x 43,786.70 (inc SEA)	£5.895m
SKDC Total (inc SEA)	£13.982m

4.1.1 Council Tax Proposals

The Secretary of State has determined that for those Authorities who increase their relevant basic amount of council tax in 2013/14 by more than 2%, their electorate will have the opportunity to

approve or veto the increase in a binding referendum. The Government has proposed a further council tax freeze grant in 2013/14 equivalent to a 1% increase for a 2 year period. For South Kesteven this equates to a grant of £63k for each of the 2 years. It is proposed that during January consultation will be undertaken with residents and the business community to receive their views and feedback on the suggested budget proposals for next year.

Government has also announced that for those district councils that fall within the lowest quartile of council tax rates in 2012/13, greater flexibility is granted over their council tax setting for 2013/14 only. This has the effect that those councils, which includes South Kesteven, are able to increase their Council tax to a financial limit of £5 on their Band D charge without the need to hold a public referendum. For South Kesteven, a £5 increase on the Band D charge would equate to a 4% Council tax increase and would generate an additional £218K.

4.2 General Fund Reserves and Balances

When considering the Budget requirement, the Cabinet must also have regard to the level of balances held and the purpose for which they are held. The general fund revenue balances, as at 31st March 2012 were £8.032m and a working balance of £2.370m. These are supplemented by additional earmarked reserves. The level of the working balance provides adequate cover for any unanticipated expenditure or loss of income that may occur over the course of the financial year. The Council has a policy that the working balance of the General Fund is maintained at between 4% to 5% of gross turnover or between 10% to 15% of net expenditure. This is in line with good practice and ensures the Council can meet any exceptional unforeseen costs during the course of the financial year. However it is proposed that the policy, together with all reserve policies, are reviewed annually as part of accounts closedown process in order to ensure they are maintained at the appropriate levels to fund the Council's priorities and delivery plans.

Work is underway on the proposed utilisation of reserves and the report to Cabinet in February will provide recommendations on the use of reserves once the full impact of the revised estimates and proposed capital programme for both general fund and housing revenue account have been assessed and financially modelled.

Detailed analysis of their use in the current financial year is undertaken with projections for their proposed use during the next three years. Further details regarding this will be given at the February meeting.

5. Housing Revenue Account - Rent Setting for 2013/14

5.1.2 The main element of policy relating to the HRA for 2013/14 is, once again, the setting of rents. The Council's current policy is to keep in line with the Government's guidance on rent restructuring.

Existing policy is to establish the percentage local authority rent by applying RPI inflation at the previous September, plus 0.5% "real growth" and a convergence factor to reflect the number of years to rental convergence.

The September 2012 inflation figure was 2.6% and the draft determination is based upon convergence within three years, by 2015/16.

The actual rent is calculated on a property by property basis using these parameters. This has produced an average increase for SKDC tenants of 4.57%. At the level of individual dwellings, the percentage increase will depend upon each property's proximity to its target, with increases varying between 3.10% and 6.57%. In cash terms, the average rent will be £74.32 with a minimum of £50.17 and a maximum of £106.82. Garage rents and service charges are increased in line with dwelling rents.

At the Cabinet meeting in February a report will be presented of the proposed rent increase in light of consultation, together with proposals regarding garage rents and other service charges.

HRA Reserves and Balances

The HRA has 2 specific reserves; namely the working balance and the Major Repairs Reserve. The working balance is intended to provide financial support to the HRA should any significant unforeseen costs arise during the financial year. The Major Repairs Reserve is the primary source of funding for the HRA capital programme and is proposed to be utilised to fund the investment in the housing stock over the next 5 years. It is also proposed to introduce 2 specific reserves for the HRA as part of the budget framework for 2013/14. A reserve is to be created that will be ringfenced in order to repay the £25m maturity loan (that was taken as part of the self financing of the HRA) in 2019/20. Annual surplus contributions will be made to the reserve in order to build up the necessary level of balance. A further reserve will be introduced under the heading of 'HRA improvement reserve'. This reserve will be utilised on an invest to save basis whereby service improvement and transformation projects

can be financed that will, in the longer term, deliver financial efficiencies.

6. Capital Programme – 2013/14 to 2017/18

6.1 General Fund Capital programme – Forecast Outturn

The General fund programme provides a forecast outturn of £3.794m. The programme has been developed over a five year period which supports the delivery of treasury management activities specifically long term investment decisions. The proposed programme over the five year period totals £13.249m and the financing of the programme will be a combination of reserve contributions, direct revenue financing and utilisation of specific grants.

6.2 Housing investment programme (HIP) – Forecast Outturn

The HIP programme provides a forecast outturn of £4.404m. The proposed 5 year programme continues to be developed in respect of delivering and maintaining the decent homes standard. There continues to be significant investment in the Council's housing stock which has been profiled over the 30 year business plan. Funding the HIP programme will be met from the major repairs allowance and contributions from revenue.

6.3 Programme 2013/14 to 2017/18

The Programme continues to be developed in accordance with the Council's priorities, the Asset Management Plan and in accordance with the Capital Strategy. The programme comprises of both General Fund and HRA. The capital programme for the HRA has been compiled using the data from the stock condition survey which has been analysed and profiled over the 30 year business plan.

6.3.1 General Fund Programme

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 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. A provisional allocation has also been included in 2014/15 and 2015/16 for the progression of the Southern Quadrant relief road.

6.3.2 Appraisals undertaken 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. Provision is also included for the continuation of purchasing and supplying wheelie bins.

6.3.3 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 as they are classified as non-enhancing expenditure:

TABLE 4

Expenditure Heading	2013/14	2014/15	2015/16
Flat Roofs	£125K	£100K	£100K
DDA and FRA sheltered housing schemes	0	£105K	£90K
Asbestos removal in void properties	£150K	£150K	£150K
Major void refurbishments	£100K	£100K	£100K
Internal and external painting programmes	0	£200K	£200K
Door entry systems	£80K	£80K	0
Drainage works	£25K		

6.4 **Proposed method of financing the Capital Programme**

6.5 The Capital Programme 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.

6.6 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 remaining element of the specific capital reserve together with a contribution of £500K in each of the financial years. There is no immediate borrowing requirement within the timescale of the capital programme. As part of the implementation 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.

6.7 In respect of the HRA capital programme the financing of the programme will be met from the Major Repairs Reserve (MRR). 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. However this position will change should the capital programme exceed the allocated depreciation over the period of the programme.

7. OTHER OPTIONS CONSIDERED

There are no alternative options necessary in respect of this report.

8. RESOURCE IMPLICATIONS

This report details the budget requirement for 2013/14.

9. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

N/a

10. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

N/a

11. CRIME AND DISORDER IMPLICATIONS

N/a

12. COMMENTS OF FINANCIAL SERVICES

These comments are included in the report.

13. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

The recommendations relate to proposals for the budget which forms part of the budgetary and policy framework. Members must consult with residents on the proposals contained within this report as required in accordance with statutory regulation and constitutional requirements. All the relevant provisions of the Localism Act 2011 have been taken into account in the proposals detailed in this report.

14. APPENDIX:

Capital Programme