

REPORT TO CABINET

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF262

DATE: 13 January 2014

TITLE:	BUDGET REQUIREMENT 2014/15	
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: N/A	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 2014/15.
- 1.2 Agrees a provisional target General Fund Budget Requirement of £13.152m for 2014/15 (inclusive of Special Expenses).

- 1.3 Considers the feedback of the consultation with respect to Council Tax in order to recommend a Council tax level at its February 2014 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. This is an average increase for SKDC tenants of 5.13%.
- 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.

2. PURPOSE OF THE REPORT

- 2.1 The purpose of this report is to comment upon:
 - a. The updated Local Government Finance Settlement for 2014/15 and indicative proposals for future years.
 - b. The current consultation with respect to Council Tax level for 2014/15
 - c. Housing rent proposals 2014/15
 - 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 consider when considering the budget requirement including the current consultation on the Council Tax level for 2014/15. Further work is ongoing to provide the detailed budget information which will be submitted to Cabinet in February and Council in March 2014.

3. DETAILS OF THE REPORT

3.1 Provisional Local Government Finance Settlement 2014/15

Confirmation of the provisional settlement for 2014/15 was issued by CLG on the 18th December 2013 and has been confirmed as £6.956m. This award now includes all elements of grant including Council Tax Freeze grant (agreed in 2011/12 for 4 years), homelessness grant and Council Support grant. It is no longer possible to identify the allocation of Council Tax support grant as it has been incorporated into the overall grant.

- 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 and 2013/14.

Table 1.

	Formula Grant Funding 2012/13	Formula Grant Funding 2013/14	Provisional settlement for 2014/15	Indicative settlement 2015/16*
Revenue Support Grant	£143K	£4.206M	£3.492M	£2.319M
Redistributed business rates	£7.226M	£2.798M	£3.161M	£3.248M
Total Formula Grant	£7.369M	£7.004M	£6.653M	£5.567M
Specific grants:				
• Council Tax	£316K (2yrs)	£157K	£157K	£157K
• Homelessness	£106K	£106K	£104K	£104K
• C Tax support	n/a	£757K	n/a	n/a
• Efficiency support for sparse areas	n/a	n/a	£0.043K	0.034K
Total (inc. grants)	£7.791M	£8.024M	£6.957M	£5.862M

3.4 For the period 2010/11 to 2015/16 the grant has been reduced by £4.285M or 43% in cash terms. It can be seen that between 2013/14 and 2015/16 £2.1M has been removed from the Revenue Support Grant which reflects the reduced spending totals for the Department of Communities and Local Government. The reductions had been anticipated and are in line with the Medium Term Financial Strategy which identifies a budget gap emerging in 2015/16.

4. General Fund Budget Requirement, Council Tax and Reserves

4.1 Draft Budget Requirement

The proposed draft budget requirement for 2014/15 is £13.152m which comprises of the following:

Table 2

Formula Grant	£6.957M
Council Tax £142.06 x 43,522.4 (inc SEA)	£6.183m
Collection Fund surplus	£0.012K

SKDC Total (inc SEA)	£13.152m
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4.1.1 Council Tax Proposals

The Secretary of State has announced that for those Authorities who increase their relevant basic amount of council tax in 2014/15 by more than the referendum limit will be required to ask their electorate whether they approve or veto the increase in a binding referendum. However the referendum limit will not be announced until January although the figure has previously been set at 2%.

The Government has announced that a further council tax freeze grant in 2014/15 equivalent to a 1% increase is available. For South Kesteven this equates to a one-off grant of £63k. As part of the Autumn Statement it has also been confirmed that funding for council tax freezes will become part of local authority's baseline funding after the next spending review. Concerns about an impending "cliff edge" to the funding incentive should be reassured by a promise from the Chancellor to extend the funding into "future years".

Consultation is currently underway in order to seek resident views on a 1.75% increase (£2.23 per annum or 4p per week) for 2014/15 in the context of continuing to provide quality services and delivering the Council's priorities over the medium period. Although it is not a statutory requirement to consult with our residents (only businesses), the Cabinet is keen to hear the views of the community when considering the spending plans for the year ahead. The consultation is being undertaken using the Council's citizens panel (which is a representative sample of the district) and an on-line survey. The summary of the feedback will be compiled and presented to Cabinet at their February meeting.

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 2013 were £9.419m 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.

In preparation for the challenges the Council will face in the medium term and to ensure sufficient resources are available to fund the delivery of the priorities, a review the specific reserves has been undertaken. Full details will be presented to Cabinet in February as part of the budget framework proposals.

5. Housing Revenue Account - Rent Setting for 2014/15

5.1.2 The main element of policy relating to the HRA for 2014/15 is 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 meet rent convergence (the process whereby the rental levels are in line with similar properties in the social sector). The formula used is applying RPI inflation at the previous September (3.2%), plus 0.5% "real growth" + £2 per dwelling. The number of properties expected to reach rent convergence by 2015/16 is approximately 5400 with the remainder of the stock reaching convergence by the following year. For those properties that will have reached rent convergence by 2015/16, Government then expects local authorities to increase rents by no more than CPI (at September of the previous year) + 1 percentage point in any year.

The actual rent is calculated on a property by property basis using these parameters. For 2014/15 this has produced an average increase for SKDC tenants of 5.13%. At the level of individual dwellings, the percentage increase will depend upon each property's proximity to its target, with increases varying between 4.13% and 5.57%. In cash terms, the average rent will be £78.13 with a minimum of £52.24 and a maximum of £112.77. Garage rents and service charges are increased in line with September RPI figure.

5.1.3 HRA Reserves and Balances

The HRA has a number of specific reserves to assist in the delivery of the HRA Strategy and are used to fund both revenue and capital expenditure. In addition the HRA has a specific working balance which provides 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. Two new reserves have been created during the year to meet specific requirements namely the loan repayment reserve and the HRA improvement reserve.

6. Capital Programme – 2014/15 to 2018/19

6.1 General Fund Capital programme – Forecast Outturn

The General fund programme provides a forecast outturn of £3.681M. 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 is in excess of £19m 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 £6.144M. 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 2014/15 to 2018/19

The Programme continues to be developed in accordance with the Council's priorities, the Asset Management Plan and other strategies including ICT and fleet management. 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 capital programme is the continuation of the delivery of major capital projects that support the priority themes specifically that are well advanced under the corporate priority of 'grow the economy'.

6.3.2 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.

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

6.4.1 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.

6.4.2 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 remaining element of the specific capital reserve together with a revenue 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.

- 6.4.3 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 £5.735M 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 2014/15.

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.

14. APPENDIX: None