

CABINET - 16 JANUARY 2013

THE OVERVIEW & SCRUTINY COMMITTEE - 21 JANUARY 2013

GENERAL FUND BUDGET UPDATE 2013/14

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

CAB2362: Financial Strategy 2013/14 to 2015/16, 4 July 2012

CAB2377: General Fund Revenue Budget – Review 2012/13, 12 September 2012

CAB2414: General Fund Budget Consultation 2013/14, 14 November 2012

CAB2407: Council Tax Base 2013/14, 5 December 2012

CAB2415: Localisation of Council Tax Support and Council Tax Changes, 5 December 2012

CL81: Localisation of Council Tax Support and Council Tax Changes- update, 9 January 2013

EXECUTIVE SUMMARY:

This report provides an update on the General Fund Revenue Budget. Consultations have been carried out with; The Overview & Scrutiny Committee; with parish and town councils; the Winchester Town Forum; the business community, and the Winchester District Strategic Partnership. The Change Plans for 2013/14 are being

considered elsewhere on this agenda – Report CAB2419 refers.

A number of the uncertainties identified in the November consultation report have now been clarified including the proposed amount of Government support the Council will receive for next year.

The final budget and council tax proposals, presenting a balanced budget for next year, will be considered by Cabinet, The Overview and Scrutiny Committee and Council in February.

RECOMMENDATIONS:

That Cabinet:

That Cabinet notes the update on the budget position as part of its deliberation of the budget.

That The Overview & Scrutiny Committee:

Notes the updated position and considers any further proposals it wishes to make to Cabinet on the Budget.

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REPORT OF HEAD OF FINANCE

1. Introduction

- 1.1. Report CAB2414 (November 2012) identified a number of factors affecting the Council's future revenue budgets. Consultation has been carried out with; The Overview & Scrutiny Committee; with parish and town councils; the Winchester Town Forum; the business community, and the Winchester District Strategic Partnership. Comments arising during the course of consultation are under consideration and participants are thanked for their contributions.
- 1.2. The Change Plans for 2013/14 are being considered elsewhere on this agenda – Report CAB2419 refers.
- 1.3. The Government has now announced the provisional grant settlement figures for the next two years and a number of the other issues have now been clarified.
- 1.4. Consultation on the provisional grant settlement will end on Tuesday 15 January 2013, following which the Local Government Finance Report for the year, will be laid before the House of Commons by the Secretary of State for Communities and Local Government.

2. Setting the Baseline

- 2.1. The review of the current year (2012/13) in September (CAB2377 refers), made no revisions to the budget and ongoing monitoring has not identified any new issues. An update on the full year forecast outturn will be included in the Budget and Council Tax report, for approval in February.

3. External Factors

- 3.1. The November consultation paper considered a number of external factors affecting the budget that were not quantifiable at that time. More information is now available for some of the items, for which the updated position is provided below:

3.1.1. *The Government's review of Local Government resources and any changes to the distributional system from 2013/14*

The provisional settlement figures announced in December compare with the forecast included in the Financial Strategy in July (CAB2362) as follows:

Provisional 2013/14					
	formula funding	2011-12 council tax freeze grant	Council Tax Support funding	Homelessness prevention funding	
Total					
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Revenue Support Grant	2,929	2,310	104	376	138
Baseline funding level	1,948	1,537	69	250	92
Start up Funding	4,877	3,847	173	627	229
Compared with Indicative Revenue projections (July 2012)					
	4,178	3,815	173		190
Variance higher/ (lower)	699	32	0	627	39

It can be seen that Formula Funding is £32,000 higher than forecast in July 2012 and Homelessness Prevention Funding has been increased by £39,000 over 2012/13 levels.

Council Tax Support Funding is considered in more detail below.

The provisional allocations for 2014/15 compare with the July forecasts as follows:

Provisional 2014/15					
	formula funding	2011-12 council tax freeze grant	Council Tax Support funding*	Homelessness prevention funding	
Total					
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Revenue Support Grant	2,274	1,661	102	376	135
Baseline funding level	2,008	1,593	71	250	94
	4,282	3,253	173	627	229
Compared with Indicative Revenue projections (July 2012)					
	3,878	3,515	173		190
Variance higher/ (lower)	404	(262)	0	627*	39

**Council Tax Support Funding is not identified separately in the provisional figures for 2014/15, but is included here at the same levels as for 2013/14 for the purposes of comparison.*

Formula Funding is £262,000 worse than forecast because of further reductions in total funding available to Local Authorities for 2014/15.

3.1.2. **Council Tax Support Funding**

The changes being implemented by the Government, and the local scheme proposed, in relation to the localisation of Council Tax Support are discussed in the report to the Cabinet in December (CAB2415 refers), considered by Council in January (CL81 refers). It is expected that the reductions to the Council Tax Base as a consequence of the Localisation of Council Tax Support will be fully offset by the changes proposed to Council Tax discounts and exemptions and Council Tax Support Funding.

Council Tax Support Funding is proposed to be applied as follows:

	<u>£</u>
Winchester Town Account	80,460
Winchester District (excluding Town)	391,698
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Total WCC	472,158
Grants to Parish & Town Councils	154,802
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Total	626,960
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3.1.3. Transitional grant – The Department for Communities and Local Government is making additional funding available for one year to support local authorities in developing council tax support schemes. The grant will be payable in March 2013 to those authorities who adopt schemes that comply with criteria set by Government to ensure that low income households do not face an extensive increase in their council tax liability in 2013-14. The scheme being proposed by the Council complies with the criteria. Applications are to be made after 31 January and the amount available for Winchester is £16,858.

In addition, the Council has received an additional grant of £84,000 in 2012/13 to support the one off costs associated with the implementation of the scheme changes, most of which is required to fund the costs of changes to the system software.

3.1.4. **The amount of New Homes Bonus and Affordable Homes Bonus earned**

New Homes Bonus is an “un-ringfenced” grant receivable in recognition of net additions to effective housing stock in the area. The Bonus is intended to be a

permanent incentive paid in respect of new build, conversions, and long-term empty properties brought back into effective use. Payments for each eligible property are paid for six years and are calculated per home in terms of the national average Council Tax Band for that home. A flat rate of £350 per year is also paid for each affordable home delivered (of which the Council receives 80%: £280). As “un-ringfenced” grant, such funds can be spent on either revenue or capital, strategic projects, or placed in reserves. To date the Council has applied all of this grant to support revenue expenditure, in the year received.

The amount of New and Affordable Homes Bonus is as follows:

	Annual addition <u>£'000</u>	Total <u>£'000</u>
Year 1 (2011/12)	495	495
Year 2 (2012/13)	645	1,140
Year 3 (2013/14)	459	1,599

The amount for 2013/14 is £81,000 lower in total than previous projections, which will also impact on 2014/15.

However, the previous medium term financial strategy forecasts made adjustments to government grants receivable as it was expected that New Homes Bonus would be top sliced from the total formula funding pot. The adjustments for 2013/14 and 2014/15 are not required – releasing £540,000, and £1,116,000 to the forecasts respectively.

To show the effect of the Provisional Settlement figures, an update of the Indicative Revenue Projections that were included in the Medium Term Financial Strategy in July 2012 is provided at Appendix A.

3.1.5. **Planning fees**

Regulations to uprate planning application fees by 15% in line with inflation since 2008, came into force on 22 November 2012. This will add an estimated £75,000 per annum to planning income.

3.1.6. **South Downs National Park Authority (SDNPA)**

The Park Authority has notified the Council of the proposed payment for the provision of a Development Management service in 2013/14. A uniform reduction across the National Park has been applied for next year and the amount receivable by the Council for continuing to help deliver a high quality development management service in 2013/14 is £489,900. This compares to £515,000 in 2012/13 and is in line with expectations.

4. Council Tax

- 4.1. The Council Tax Base for 2013/14 is to be considered by The Council for approval on 9 January (CL82 refers). This takes into account the changes arising from the localisation of Council Tax Support and changes to Council tax discounts and exemptions (*referred to in paragraph 3.1.2 above*).
- 4.2. In 2011/12, the Council froze Council Tax at 2010/11 levels and will receive £173,000 p.a. as compensation for the council tax income foregone, for the period of the Spending Review.
- 4.3. The Council froze Council Tax again in 2012/13 and received a one-off grant of £0.174m (of which £0.022m was applicable to the Winchester Town Account).
- 4.4. For councils that freeze council tax for 2013/14 the Government is offering a freeze grant equivalent to 1% for 2 years. The indicative figure for Winchester is £70,254 (including the Town Account). Indicative 2013-14 freeze grants for each authority and PCC can be found at: <http://www.local.communities.gov.uk/finance/1314/indfrgrant.pdf> Final amounts will be confirmed after council tax levels for 2013-14 and the 2013-14 tax bases are known.
- 4.5. For councils who want to increase council tax, the Government is proposing a 2% trigger point for council tax referendums so that if an authority wishes to raise its relevant basic amount of council tax in 2013-14 by more than two per cent, its local electorate will have the opportunity to approve or veto the increase in a binding referendum.

5. Locally generated income

- 5.1. Car parking charges were approved in November (CAB2410 refers) and have increased the budgeted income for 2013/14 by £60,000 p.a
- 5.2. Building control fees are being reduced in order to comply with the legislative requirements to breakeven over time.

6. Expenditure

- 6.1. Personnel Committee (on 3 January) considered 3 reports that will impact on expenditure:
 - Organisational Development: Phase 5 (PER226 refers);
 - Housing Services Staffing proposals (PER227), and
 - Financial Services Review (PER228).

The implications on recurring revenue costs and one-off redundancy and pension costs will be reflected in the final budget proposals.

7. Reserves

7.1. The Audit Commission issued a report in December 2012 entitled "Striking a balance". This presents findings from research undertaken in 2012 on the level of reserves that councils hold and makes recommendations intended to improve council's decision making around reserves. Simply put, the recommendations are that more information is provided to members on reserves. How this is best achieved (by enhancing the current reporting within the Budget Report, Outturn Reports and Statement of Accounts, is currently under consideration).

8. Winchester Town Reserve

8.1. The Winchester Town Budget will be considered by the Town Forum at its meeting in January.

OTHER CONSIDERATIONS:

9. SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

9.1. In order that limited resources are matched most appropriately to the Council's priorities the Budget should be considered in the context of the Sustainable Community Strategy and the Change Plans.

10. RESOURCE IMPLICATIONS:

10.1. As set out in the report.

11. EQUALITIES

11.1. The Financial Strategy supports the Council's Change Plans which in turn support the Winchester District Sustainable Community Strategy (WDSCS). The Community Strategy, which sits above the Change Plans in planning terms, was subjected to an equalities impact assessment.

12. RISK MANAGEMENT ISSUES

12.1. A risk assessment will be presented with the final budget proposals.

BACKGROUND DOCUMENTS:

None

Appendices

Appendix A: Indicative Revenue Projections reflecting provisional grant settlement.

GENERAL FUND – INDICATIVE REVENUE PROJECTIONS**OPENING BALANCE**

One-off budgets & Stepped Growth / Savings

Contractual commitments inflation

Employee Costs (0% 12/13, 1% 13/14 & 14/15)

Cost of Services (incl. Trading Accounts)**Other Operating Income & Expenditure**

Payment of Parish Precepts

Grants to parishes

Financing & Investment Income & Expenditure

Minimum Revenue Provision & Voluntary Revenue Contribution

Taxation & Non-Specific Grants

Council Tax Income

Council tax surplus

Parish Precepts

Non-ring fenced Govt grants

Formula Funding

2011/12 Council Tax freeze grant

Council Tax Support funding

Homelessness prevention funding

New & affordable Homes Bonus

(Surplus) / deficit on Provision of Services**Adjustments between Accounting basis and Funding basis under Regulations****Other planned Movements in Reserves**

Transfers to or (from) Major Investment Reserve

Transfers to or (from) other Earmarked Reserves

Transfers to or (from) Winchester Town Reserve

FORECAST DEFICIT / (SURPLUS)

	2012/13	2013/14	2014/15
	Original Estimate	Forecast	Forecast
	£000	£000	£000
		14,889	14,791
		(778)	78
		350	361
		330	330
	14,889	14,791	15,560
	2,287	2,287	2,287
		155	155
	(135)	(103)	(73)
	126	284	284
	(6,975)	(6,583)	(6,583)
	(28)		
	(2,287)	(2,287)	(2,287)
	(5,842)		
		(3,847)	(3,253)
		(173)	(173)
		(627)	(627)
		(229)	(229)
		(1,599)	(2,175)
	2,035	2,069	2,886
	(2,101)	(2,101)	(2,101)
	(66)	(32)	785
	(56)		
	53	519	601
	69	80	61
	0	567	1,447

