

REVENUE AND CAPITAL BUDGETS AND COUNCIL TAX 2014/15

Submitted by: Executive Director (Resources and Support Services)

Portfolio: Finance and Resources

Ward(s) affected: All

Purpose of the Report

To enable Cabinet to recommend the 2014/15 General Fund Revenue Budget and the 2014/15 Capital Programme to Full Council, meeting on 26 February 2014, following consideration of comments received from the Transformation and Resources Overview and Scrutiny Committee of 22 January 2014 and the Scrutiny Café on 14 January 2014 and following a review of the Council's balances and reserves.

Recommendations

(a) That it be recommended to Full Council that £278,000 be transferred out of the Contingency Reserve into the Renewals and Repairs Fund (£100,000) and the Insurance Fund (£178,000).

(b) That it be recommended to Full Council that £65,000 of transitional costs in relation to the Housing Advice Contract be met from the New Homes Bonus Reserve.

(c) That it be recommended to Full Council that £86,000 be transferred out of the Renew Reserve into the Contingency Reserve.

(d) That the 2014/15 General Fund Revenue Budget and the Capital Programme 2014/15 as detailed in the report to Cabinet dated 15 January 2014 be recommended to Full Council for approval with the addition of the proposal outlined in paragraph 4.8 in respect of Keele Golf Course.

(e) That the fee for 2014/15 in relation to a Scrap Metal Dealer Collectors Licence be £150.

1. **Background**

1.1 The 2014/15 Revenue Budget and the Capital Programme 2014/15 were considered by Cabinet on 15 January 2014, following which these were submitted to the Transformation and Resources Overview and Scrutiny Committee, on 22 January, for consideration. In addition members have had the opportunity to raise issues and receive explanations concerning the proposed budget for 2014/15 at a Scrutiny Café event held on 14 January.

A summary of the overall Revenue Budget is as follows:

	Estimated Expenditure	Rate of Council Tax (Band D)
	£	£ p
Borough Council requirements – Total Net Expenditure	13,452,300	385.56
Less: External Support	<u>(7,191,580)</u>	<u>(206.12)</u>
	6,260,720	179.44
Less: Collection Fund Surplus 2013/14	(87,580)	(2.51)
 Borough Council Tax Requirement	 <u>£6,173,140</u>	 <u>£176.93</u>

External Support comprises Formula Funding (£7,121,710); Council Tax Freeze Grant in respect of 2014/15 (£69,870)

- 1.2 The Borough's council tax levy of £176.93 is unchanged from the 2013/14 amount. The draft budget considered at your meeting on 15 January 2014 was compiled on the basis that there would be no need for a tax increase in 2014/15.

2. Transformation and Resources Overview and Scrutiny Committee

- 2.1 At its meeting on 15 January 2014 Cabinet approved the Revenue and Capital Budgets for 2014/15, recommending no increase in Council Tax. The report and the recommendations were referred to the Transformation and Resources Overview and Scrutiny Committee for comments.
- 2.2 The Scrutiny Committee met on 22 January 2014. The Chair of the Committee will be attending the Cabinet meeting to present the Committee's observations and comments on the report and budget proposals and will also give feedback from the Budget Scrutiny Café held on 14 January 2014. In addition, any comments relating to the fees and charges for 2014/15, which have also been scrutinised by the Committee, will be reported to you.

3 Final Finance Settlement notification

- 3.1 At the time of compiling this report the government have not yet notified the Council of the final amount of its grant funding for 2014/15. This was received at the beginning of February last year. However, there is unlikely to be a significant change from the amounts notified as the provisional settlement figure. If the amounts do change, the table in paragraph 1.1 will require amending to reflect the changes. A verbal update will be given at the Cabinet meeting.

4 Balances and Reserves

- 4.1 The Council's Balances and Reserves Strategy for 2013/14 is that there should be a minimum General Fund balance of £1.2m and a minimum balance on the Contingency Reserve of £100,000. The Council currently holds these reserves.
- 4.2 A review of all the Council's Balances and Reserves together with a risk assessment has been carried out for inclusion in the final report on the budget to Full Council on 26 February.
- 4.3 The review and risk assessment indicate the following:

- Most of the reserves are still adequate to meet normal levels of expenditure, with two exceptions referred to below
 - The Insurance Fund will be insufficient to meet the cost of premiums and claims from 2014/15 onwards, particularly since negotiations with the insurers indicate that they will require a substantial increase in premiums for 2014/15. The estimated shortfall as at 31 March 2015 is around £162,000.
 - By 2014/15 the Renewals and Repairs Fund is likely to be insufficient to meet the cost of repairs and maintenance of council buildings and structures, with an estimated overdrawn balance of £24,000 by 31 March 2014, which worsens to an estimated overdrawn balance of £84,000 by 31 March 2015. It will be necessary, therefore, to top-up the reserve in order to fund essential repairs and maintenance expenditure.
 - The level of minimum balances required after considering the risk assessment remains at £1.3m.
- 4.4 As outlined above, there is a need to replenish two reserves, the Insurance Fund and the Renewals and Repairs Fund. Owing to the recent settlement with the owner of The Square concerning arrears of rent, an amount of £393,000 was received, £115,000 of which relating to 2013/14 was recorded in that years accounts, with the balance being paid into the Contingency Reserve. It is proposed to utilise the remaining balance of £278,000 from the Contingency Reserve to replenish these two reserves, £100,000 to be transferred into the Renewals and repairs Fund and £178,000 into the Insurance Fund.
- 4.5 As reported to Cabinet on 15 January 2014, following the completion of the tendering exercise in respect of the Housing Advice Contract, there will be some transitional set up costs, amounting to around £65,000 to ensure a smooth changeover to a new contractor. It is proposed to fund these costs, arising in 2014/15, from the New Homes Bonus Reserve, which is predicted to have a balance at 31 March 2014 of £83,000. This balance has arisen because of savings on capital schemes intended to be financed from the reserve, together with the Council's Social Housing commitment of £65,000 included in the 2013/14 Housing Capital Programme and originally intended to be financed from New Homes Bonus now to be met by way of land transfers.
- 4.6 The RENEW Reserve was originally set up to meet revenue costs in relation to the North Staffordshire Housing Market Renewal Programme. This programme has now ceased. There remains a balance on the reserve, most of which is no longer required for meeting commitments arising from the renewal programme, the last of which expires in 2014/15. The predicted balance as at 31 March 2014 is £86,000. It is recommended, therefore, that this amount be transferred to the Contingency Reserve and the Renew Reserve be extinguished.
- 4.7 Previous reports have drawn attention to the situation with regard to Municipal Mutual Insurance (MMI), whereby the Council may be subject to clawback in respect of claims settled by the company after they went into administration. Potentially the liability could amount to around £721,000. Current advice is that authorities should set aside around 25% of their potential liability as a provision to meet this eventuality. Presently, an amount of £180,000 is set aside in such a provision (the MMI Provision). Notification has been received from the Municipal Mutual Scheme Administrator that a levy of 15 per cent of the liability in excess of £50,000 will be made in January 2014. This will mean that a payment of £101,000 will become due. The payment will be met from the MMI Provision.

- 4.8 Cabinet, at its meeting on 15 January, received a report concerning Keele Golf Course and resolved that the course be closed until further notice. The budgetary implications of this decision are that the net income of £30,000 included in the base budget will no longer be achieved and there will be holding costs arising in 2014/15, pending a decision on the long term future of the site. There has been an improvement in the collection fund position in that the £3,700 deficit contribution to the fund included in the base budget is estimated to be a surplus contribution from the fund of £87,580 in 2014/15, as shown in the table at paragraph 1.1, a net improvement of £91,280. It is proposed, therefore, that £30,000 of this additional income arising from the collection fund contribution be used to adjust the net income figure included in the base budget for the golf course and that the balance of £61,280 is set aside for holding and maintenance costs until a decision is made with regards to its future use.

5 Fees and Charges - Amendment

- 5.1 The proposed fee for 2014/15 relating to “Scrap Metal Dealer Collectors Licence” was shown in error on the scale of fees and charges considered by Cabinet on 15 January as £200. This should, in fact, have been shown as a proposed fee of £150. The Transformation and Resources Overview and Scrutiny Committee were made aware of this when they considered the Scale of Fees and Charges at their meeting on 22 January and made no adverse comments.