

## REVENUE AND CAPITAL BUDGETS AND COUNCIL TAX 2013/14

**Submitted by: Executive Director (Resources and Support Services)**

**Portfolio: Finance and Budget Management**

**Ward(s) affected: All**

### **Purpose of the Report**

To enable Cabinet to recommend the 2013/14 General Fund Revenue Budget and the 2013/14 Capital Programme to Full Council, meeting on 27 February 2013, following consideration of comments received from the Transformation and Resources Overview and Scrutiny Committee of 24 January 2013 and the Scrutiny Café on 17 January 2013.

### **Recommendations**

**(a) That it be recommended to Full Council that the revised minimum balances requirement be £1,300,000 with the excess of £200,000 above the current levels being transferred to the Insurance Fund (£150,000) and the Renewals and Repairs Fund (£50,000)**

**(b) That it be recommended to Full Council that £80,000 be transferred out of the Standards Fund into the MMI Provision.**

**(c) That the 2013/14 General Fund Revenue Budget and the Capital Programme 2013/14 as detailed in the report to Cabinet dated 16 January 2013 be recommended to Full Council for approval.**

**(d) That the charges in respect of waiver permits be approved and added to the Scale of Fees and Charges.**

## **1. Background**

- 1.1 The 2013/14 Revenue Budget and the Capital Programme 2013/14 were considered by Cabinet on 16 January 2013, following which these were submitted to the Transformation and Resources Overview and Scrutiny Committee, on 24 January, for consideration. In addition members have had the opportunity to raise issues and receive explanations concerning the proposed budget for 2013/14 at a Scrutiny Café event held on 17 January.

A summary of the overall Revenue Budget is as follows:

	<b>Estimated Expenditure £</b>	<b>Rate of Council Tax (Band D) £ p</b>
Borough Council requirements –		
Total Net Expenditure	14,118,640	410.89
Less: External Support	<u>7,093,630</u>	<u>206.44</u>
	7,025,010	204.45
Collection Fund Deficit 2012/13	<u>3,700</u>	<u>0.11</u>
Requirement without Council Tax Support Grant	7,028,710	204.56

Less: Council Tax Support Grant	<u>949,280</u>	<u>27.63</u>
Borough Council Tax Requirement	<u>£6,079,430</u>	<u>£176.93</u>

External Support comprises Formula Funding (£6,920,850); Council Tax Freeze Grant (£172,780)

Council Tax Support Grant is payable to compensate for a reduction in the council tax base arising from the change from Council Tax Benefit to Council Tax Support. This would otherwise result in the Band D levy being significantly increased (at £204.56) despite the Borough Council Tax Requirement of £7,028,710 being kept closely in line with 2012/13 levels (£6,924,370).

- 1.2 The Borough's council tax levy of £176.93 is unchanged from the 2012/13 amount. The draft budget considered at your meeting on 16 January 2013 was compiled on the basis that there would be no need for a tax increase in 2013/14.

## 2. **Transformation and Resources Overview and Scrutiny Committee**

- 2.1 At its meeting on 16 January 2013 Cabinet approved the Revenue and Capital Budgets for 2013/14, 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 24 January 2013. 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. In addition, any comments relating to the fees and charges for 2013/14, which have 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 2013/14. This was received at the end of January 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 2012/13 is that there should be a minimum General Fund balance of £1.4m 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 27 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 set out below.
- The Insurance Fund will be insufficient to meet the cost of premiums and claims from 2013/14 onwards, with the shortfall indicated as at 31 March 2014 being around £125,000.

- 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 balance of £3,000 by 31 March 2014. It is felt that a balance of £3,000 provides too small a margin to cater for any unforeseen requirements.
- The level of minimum balances required after considering the risk assessment has reduced to £1.3m. This is due to a number of factors, for example:
  - ◆ The inclusion of an increased allowance for income shortfalls in the 2013/14 budget means that this risk is reduced and therefore requires less to be held in balances to mitigate the potential loss.
  - ◆ Amounts of money invested that are potentially at risk continue to reduce.
  - ◆ The risk of a National insurance increase has reduced as the Chancellor made no mention of an increase in his Autumn Statement.

4.4 It is proposed, therefore, to reduce the amount held as a minimum balance by £200,000 and to use this to top up the Insurance Fund by £150,000 and the Renewals and Repairs Fund by £50,000.

4.5 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 £100,000 is set aside in such a provision (the MMI Provision). A further £80,000 would be required to be set aside to represent 25% of the liability. It is proposed, therefore, that £80,000 be transferred from the Standards Fund, which has a balance of £95,000, into the MMI Provision. It is considered that the remaining balance on the Standards Fund will be sufficient to meet foreseeable costs, since only £5,000 has been charged to the Fund since it was established in 2005/06.

## 5. **Fees and Charges - Additional Charge**

5.1 A new charge in respect of “waiver permits” was omitted from the Scale of Fees and Charges submitted to Cabinet for consideration on 16 January. This charge will permit persons or organisations carrying out work at businesses within the Newcastle Town pedestrianised area to park in restricted zones. An amount of £15,000 is included in Appendix 1 to the budget report to Cabinet on 16 January, detailing savings and efficiencies, as additional income estimated to arise from this source. The new charges proposed are set out below.

	Fee/Charge 2012/13 £.p	Proposed Fee/Charge 2013/14 £.p	Increase/ Decrease £.p	Committee Approval/ Comments	VAT Status
<b>WAIVER PERMITS</b>				Cabinet	No VAT
Parking waiver permit (day one)	Free	15.00	15.00		
Parking Waiver Permit (additional days exc Sunday up to 7 days)	Free	5.00	5.00		

The Transformation and Resources Overview and Scrutiny Committee were made aware of this additional proposed charge when they considered the Scale of Fees and Charges at their meeting on 24 January.