

Council Tax and Budget 2013/14

Portfolio:	Finance
Ward(s) Affected:	All

Purpose

To approve the Council's Budget and Council Tax for the Financial Year 2013/14.

Introduction

1. The purpose of this paper is to enable the Council to set its Budget and Council Tax for 2013/14. Under statute these functions cannot be delegated to the Executive.
2. This year's budget is again prepared against a backdrop of reduced funding for local authorities. Last year the formula grant for Surrey Heath was reduced by over £500,000 and for 2013/14 another £358k has been cut. This means that in the last three years government funding to the borough has been cut by over 37% resulting in a greater proportion of the Council's costs falling on Council Tax payers.
3. Despite these funding reductions the Council has pursued a financial strategy of balancing its budget year on year by making savings through transformation and increasing income. A significant amount of cost has been taken out of the Council without a major impact on frontline services but it is likely that future savings will need to come from service redesign and increased income.
4. The net cost of services for 2013/14 as presented shows no change compared with the previous year. This hides the fact that within the budget is a reduction of £250k Atrium rental income, £25k in additional costs for the Localisation of Council Tax and £50k homelessness costs (which are now funded out of revenue support grant rather than a specific grant and hence form part of the net cost of services.) These factors together with the effects of inflation, rising costs and demand have all been absorbed by making savings.
5. Staff costs have been reduced by £118k this year. Over £1.75m has been removed from the staffing budget over the last 3 years.
6. A budget summary is attached as Annex A within this paper. More detailed budget pages by function and portfolio which underly this are available on Escene and in the Members' Room. Hard copies can be provided on request.
7. For the third year running the Government is offering all Councils who decide to freeze their Council Tax for 2013/14 a compensatory grant equivalent to an increase of 0.5% payable for 2 years. The issues surrounding this are explained in more detail later in this paper. In order to give a choice this paper includes two budget options for members to consider as follows:
 - a) Freeze Council Tax and accept the grant;
 - b) Increase Council Tax by 1.9% and reject the grant
8. Members may also decide on a different option but they need to bear in mind that any Council tax increase over 2% will be deemed "excessive" and thus require a referendum for approval.

Current Position

9. The budget monitoring report for December predicts that the Council will be £86k underspent as at the end of the year. As this represents just 0.8% of the budget things are still finely balanced and a close control on costs will need to be maintained if the Council is to end the year on budget. A full quarterly financial report is being presented to the March Executive.

General Fund Revenue Estimates

10. The complete budget is attached as Annex A to this paper. To aid understanding this has been broken down in to sections and is examined in more detail below.

Cost of Services

11. The General Fund Revenue Estimates set out the Council's Expenditure and Income Budget for the year 2013/14. At its meeting on 19th February 2013, the Executive recommended to Council the General Fund Revenue Estimates for 2013/14 as shown below.

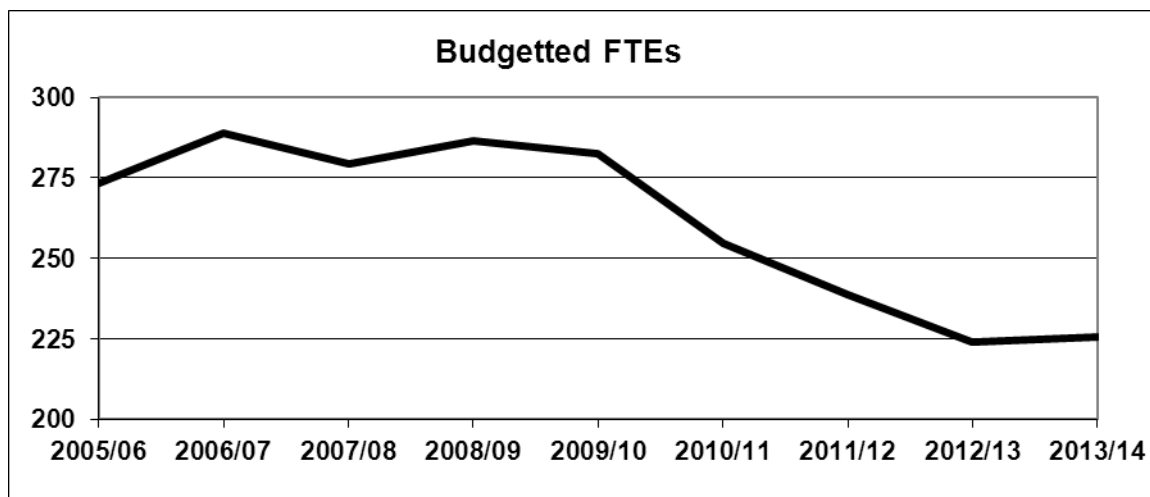
				2012/13	2013/14	
				ORIGINAL	ORIGINAL	CHANGE
				£	£	£
PORTFOLIO'S						
Business				1,967,850	2,104,830	136,980
Regulatory				2,197,400	2,204,930	7,530
Corporate				1,372,580	1,330,030	-42,550
Community				5,842,870	5,609,170	-233,700
Finance				2,338,220	2,002,450	-335,770
Transformation				501,600	691,660	190,060
				14,220,520	13,943,070	-277,450
Less: Staff cost amendments				-275,080	-175,505	99,575
FRS17 Pensions				-345,930	-195,210	150,720
Less: Internal asset charges				-2,128,320	-2,100,968	27,352
NET COST OF SERVICES				11,471,190	11,471,387	197

12. An analysis of the changes to individual budget pages is included within the General Fund Estimates paper presented to Executive on the 19th February. A complete set of budget pages is available on E scene and there are copies in the Member's Room.

Savings in the Budget

13. Savings of £325k have been made in the 2013/14 budget but these have been absorbed by reductions in income and new cost pressures.

14. The charts below show the total wages costs including NI and pensions and budgetted head count from 2005/06 to 2013/14.



15. No increase in respect of costs or inflation have been included within the budget unless contractual and these have absorbed within the existing spend envelope.
16. Rental income from the Atrium had been supported from an rent equalisation reserve however over the last 2 years the budgetted income has been reduced by £550k to reflect the fact that the reserve was exhausted and rents were unlikely to increase much above £250k in the short term. No further reductions are anticipated as rents are now considered to be at their lowest point.

Other Items

17. Asset charges are charged to individual services as they represent the cost for the use of an asset to provide that service. These are included within each portfolio and are probably best thought of as a depreciation charge. However Government accounting rules mean that these charges cannot form part of the Council Tax Requirement and be charged to council tax payers and hence are reversed out in the budget.
18. Part of the cost of providing a service includes the notional cost of providing the accrued pension benefits for staff for that year. However Government accounting rules state that only the actual contributions paid can be charged to council tax payers so an adjustment is made to the budget to reflect this. The fund is due for its triennial actuarial review in March 2013 but any adjustment in contributions will not take effect until April 2014.

19. Each individual service budget includes the cost of the full staff establishment. However it has been assumed that on average there will be a 3% vacancy margin and this has been deducted from the overall budget. The percentage has been set at 3% for a number of years and every year has been achieved corporately. This figure also includes an allowance for the creation of apprenticeships and a potential salary increase.

One off Costs and items funded from reserves

20. Management Board examined the 2013/14 Estimates in detail to identify expenditure which was either of a non-recurring nature or could be funded from reserves. Although there were no one off costs the following items are being funded from reserves:
- £75,000 from the Community Fund relating to Community Grants included in the budget. Typically this budget is under spent.
 - £250,000 from the Capital Revenue reserve relating to Transformation costs. This is deemed to be an investment to deliver transformational change to Council services and thus deliver savings in the medium term.

Members are asked to APPROVE that expenditure of £325,000 be funded from reserves.

Investment Income

21. The continuing low interest rate policy pursued by the Bank of England continues to have a detrimental affect on returns from the council's investments. It is expected that the base rate will not rise during 2013/14. A review of the investment strategy in October 2012 has meant that income is exceeding budget for 2012/13 and indeed is predicted to be £225,000 in 2013/14.
22. During 2012 £3m of the money held in the two Icelandic Banks Glitnir and Landsbanki was returned. The remainder is held in Iceland due to currency controls but is earning interest at a rate of 4.0%.

Contribution to the Repairs and Renewals Fund

23. A £130k contribution is made to the repairs and renewals fund to fund the purchase of IT, plant and vehicles so that the costs do not fall on individual services.

Contribution to Parishes

24. Currently Council Tax benefit is paid to individuals whose qualify for help with their Council Tax. Effectively the Department of Work and Pensions makes a payment to the Council in lieu of the claimants Council tax liability.
25. From April 2013 this is being replaced by a "Local Council Tax Support Scheme" (LCTSS) where, in exchange for a grant (which only covers 90% of the old scheme costs), Councils award claimants a discount on their Council Tax depending on their personal circumstances. The discount reduces the Council's tax base and hence included within the grant given to Boroughs to pay for the scheme is an allowance for parishes which are adversely affected by the reduction in the tax base due to these changes. Although it does not have to Surrey Heath has decided to pass on this year a portion of this grant to compensate parishes for the reduction in their tax base due to the introduction of the LCTSS.

New Homes Bonus

26. In 2010 the Government announced a new incentive to encourage house building. This gave local authorities £1,150 for each new housing unit built or brought back in to occupation plus a further £350 for each unit of affordable housing. The value of the incentive is calculated each year by reference to the Council Tax Base and then paid in the following year and for 5 years after that.
27. The Council received £69k in 2011/12, £307k in 2012/13 and will get £634k in 2013/14 based on house building in the previous year.
28. For 2011/12 and 2012/13 the New homes bonus was funded by the treasury but for 2013/14 onwards it is being funded by top slicing the business rates. This reduces the amount of money available to be redistributed to Councils as grant. Due to this change in the funding of NHB £450k has been built in to the budget this year compared with £108k in 2012/13. It should be noted that NHB funding is only temporary and it is unclear what will happen to this money once the NHB scheme ends.
29. Given the potential rewards available from this scheme the Council should consider encouraging new development and bringing back more empty houses in to occupation.

Members are asked to NOTE that £450,000 of the New Homes Bonus for 2013/14 has been used to support the budget

30. The overall estimated expenditure of reflects all the items above. The level of savings required to achieve a balanced budget will vary depending on the decision taken with regard to Council Tax. These options are discussed in more detail in the next section of this paper.

Funding of the Budget

31. The budget is funded from a number of sources. These are:
- a) Local Government Settlement including localisation of business rates
 - b) Council Tax and Council Tax Freeze
 - c) New Homes Bonus (para 28 above)

Local Government Settlement and Localisation of Business Rates

32. 2013/14 marks the first year when the amount of income a local authority receives is related to the level of business rates it collects. In simple terms the Government has determined a “start up funding allocation” for each local authority based on the overall local government spending envelope. For Surrey Heath this has been set at £3.430m.
33. The £3.430m includes £1.370m to be raised from business rates determined as follows:

	<i>£000</i>	
Rates Collectable	32,750	Based on average rates over past two years
Less: payable to central government (redistributed as grant and retained by treasury)	16,375	50%
Local Share	16,375	50% of collection
Less: payable to SCC	-3,275	20% of local share
NNDR Baseline	13,100	Rates kept before tariff
Less ‘Tariff’	-11,730	Tariff set by govt. to go to ‘top-up authorities’
Net Retained	1,370	Within the £3,430k formula funding in the settlement

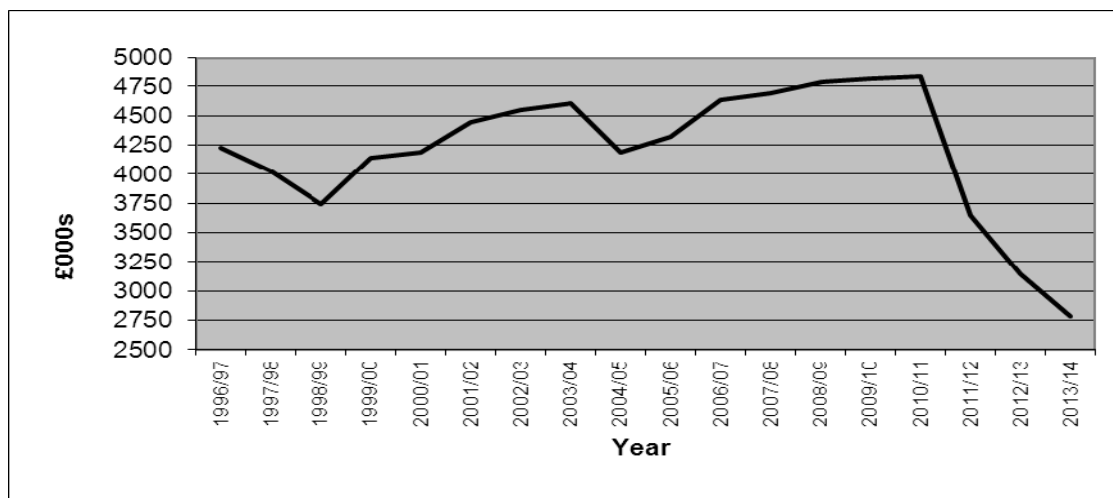
34. Until 2012/13 formula grant funding, including redistributed business rates, had been fixed in the local government finance settlement and this allocation was not varied during the year. Under the business rates retention scheme Councils enjoy gains or suffer losses from variations to the business rates collected, whether that be due to changes in collection rates, revaluations or more/fewer businesses.
35. For every additional £1 collected 50p goes to the government, 10p to Surrey CC and 20p for the safety net and 20p for Surrey Heath. Hence a 1% increase in business rates of £327k would give Surrey Heath £65k.
36. For every £1 not collected 50p loss goes to the Government, 10p loss to Surrey CC and 40p loss to Surrey Heath. However our total losses are capped at £103k due to the safety net.

37. Changes due to revaluations (of which there are many pending), bad debts etc will all go against the £32.75m collection target. Initial estimates show that the Council should collect more than the £32.75m target however this potential income has not been built in to the budget due to the level of uncertainty. Any additional income achieved in 2013/14 will be initially be placed in a "Business Rates equalisation reserve" to deal with future losses.
38. The Government can adjust the total level of funding the Council gets by adjusting the level of central share (the 50% business rates top slice) that is redistributed to Councils.
39. This new funding system means that it is very important that the Council not only encourages business growth, primarily through development, but also supports and grows its existing businesses.
40. Surrey Heath's final funding confirmed in Parliament on the 4th February 2013 is as follows:

	Final Allocation 2013/14 £000	Actual Allocation 2012/13 £000	Actual Allocation 2011/12 £000	Actual Allocation 2010/11 £000
Core Funding				
Revenue Support Grant	1,415	63	862	613
Share of Business Rates	1,370	3,080	2,789	4,225
	2,785	3,143	3,651	4,838
Other Grants rolled in:				
Council Tax Freeze Grant	176	176		
Homelessness Grant	50			
Council Tax Support Funding (£26k parishes)	419			
	3,430	3,319	3,651	4,838

41. This core grant has been reduced by £358k or 12%. This shortfall has been made up by additional New Homes Bonus funding.
42. The Council Tax freeze grant is given as compensation for the Council tax freeze agreed in 2011/12 and is payable for 2013/14 and 2014/15. The grant paid for the freeze in 2013/14 was payable for one year only and did not form part of the overall central government grant.
43. The Homelessness grant is given to assist with pressures authorities face with homelessness and has been paid as a specific grant for a number of years but now forms part of the general grant. The Council Tax support funding is Surrey Heath's share of funding contribution given by Government to pay for the replacement to the Council Tax benefit scheme. Both of these grants will be rolled in to the general revenue support grant next year.
44. The Government has stated that the indicative grant for 2014/15 will be £3.004m representing a reduction of £426k or 12.4% excluding new homes bonus. Further reductions can be anticipated.

45. A graph showing the local government funding Surrey Heath receives is below:



Council Tax and Council Tax Freeze

46. Each property in the borough is placed in one of 8 property bands A to H depending on the value of the property. Band D is considered as the “national average” Council Tax band and it is this band that is used for setting the tax and comparing with other authorities. A Band A property pays 2/3 of a Band D one and a Band H one twice as much. Due to the nature of houses in the borough Surrey Heath has one of the highest proportions of top banded properties in the country meaning that on average many householders pay more than the standard Band D rate.
47. Council Tax is levied on what is known as the “tax base” or the number of Band D equivalent properties in the borough. This year the base has technically fallen due to changes in the treatment of what was Council Tax benefit. However if this is ignored the base has actually risen by 333 band D equivalent properties due to increased house building. The base is shown in the table below:

Summary of Tax Base for 2013/14			
Precepting Authority	Tax Base 2012/13	Tax Base 2013/14	Change
<i>Local Preceptors:</i>	A	B	C = B - A
Bisley	1,486.15	1,446.69	-39.46
Chobham	1,975.81	1,883.64	-92.17
Frimley and Camberley	23,841.59	22,592.61	-1,248.98
West End	2,030.03	1,983.37	-46.66
Windlesham	8,143.32	7,933.90	-209.42
Surrey Heath Total	37,476.90	35,840.22	-1,636.68

48. Although Surrey Heath collects Council Tax on behalf all the preceptors only approximately 12% of the total bill actually comes back to this Council.
49. The Council is at liberty to set whatever level of Council Tax it so wishes but under the Localism Act any increases deemed to be “excessive” will trigger a local referendum (at the Council’s expense) on the increase requested. The Government by regulation decides what level of increase is considered “excessive” and in December the Communities Secretary Mr Eric Pickles announced the level would be set at 2%.

- 50. The Government has stated that any Council that decides to freeze its Council Tax for 2013/14 would receive an additional special grant equivalent to an increase of 1.0% (£71,500 for SHBC) for 2013/14 and 2014/15. This is the third year a freeze grant has been offered. In 2011/12 a grant equivalent to 2.5% payable for 4 years was offered and in 2012/13 a one off grant of 2.5% was offered.
- 51. The Secretary of State made a statement to Parliament on the 30th January stating that the excessiveness principles for 2014/15 would take in to account increases made in 2013/14 and may be different for different categories of authority.
- 52. The table below illustrates the cumulative effect on service funding of the Council Tax freezes. This is illustrated in the table below:

FINANCIAL EFFECT OF COUNCIL TAX FREEZE											
					2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Total
Scenario 1 - Accept freeze grants in all years											
- Grant for freeze in 2011/12					175,790	175,790	175,790	175,790			527,370
- Grant for freeze in 2012/13						175,790					175,790
- Grant for freeze in 2013/14							71,537	71,537			143,074
Total funding					175,790	351,580	247,327	247,327	0	0	846,234
Scenario 2 - Freeze grant taken in 2011/12 and 2012/13 but rejected for 2013/14											
- Grant for 2011/12					175,790	175,790	175,790	175,790			527,370
- Grant for 2012/13						175,790					175,790
- Council Tax rise of 1.9% for 2013/14 and after							133,600	136,138	138,725	141,361	549,824
					175,790	351,580	309,390	311,928	138,725	141,361	1,252,984

- 53. It can be seen that even rejecting the freeze grant for 2013/14 has a cumulative positive effect on income of £400k in 3 years. The two year freeze so far has “saved” a Band D taxpayer £9.40 on their annual Surrey Heath precept. A further freeze in 2013/14 would save an additional £3.52 a year.
- 54. The pros and cons of a freeze are summarised below:

Arguments for Council Tax Freeze	Arguments for Council Tax Increase
Freeze generally popular with tax-payers in difficult economic times	Freeze will leave Council £52,000 p.a. worse off next year and £138,000 p.a. from 2015/16 (compared to a 1.9% increase)
1.9% increase would be £3.52 extra for the year on the SHBC charge	2011/12 Council Tax freeze funding will also end in 2015/16 providing a double funding hit
Freeze decision partly covered by government funding for next two years	Freeze will require additional savings to those already projected
Risk that Government could through future funding penalise authorities that increase council tax	Could require higher tax increase in future years to recover position

55. The current Surrey Heath Band D Council Tax is £185.45. The table below shows members the effect of the two scenarios on our share of Council Tax:

Surrey Heath Council Tax for Band D equivalent properties

Options	Percentage	Increase £	Weekly Increase £	New annual Cost £	New Weekly Cost £
A	0%	0	0	185.45	3.57
B	1.9%	3.52	0.07	188.97	3.64

Every 1% increase in Council tax raises approximately £71,500 annually

56. Surrey County Council and Surrey Police have both decided to increase their precepts by 1.99%. Hence even if Surrey Heath opts for a freeze residents will see their bills increase by an average of 1.7% as per the table below:

	2012/13	2013/14	2013/14	% Change
		0% Inc	1.9% Inc	
Surrey Heath BC	185.45	185.45	188.97	0%/1.9%
Surrey County	1,149.66	1,172.52	1,172.52	1.99%
Surrey Police	203.49	207.55	207.55	1.99%
	1,538.60	1,565.52	1,569.04	1.7%/1.98%

57. Given the longer term financial implications the Sec 151 officer would urge members to increase Council tax this year within the referendum threshold of 2%.

Members are asked to NOTE the financial implications of a Council Tax freeze and the Ministers statement on “excessive” Council Tax increases

Total Budget

58. The complete summary budget including Council Tax options is shown in Annex A.

A reconciliation to the “Estimated net Expenditure” as presneted to Executive is shown below:

	£
Estimated net Expenditure per Executive Report	10,624,387
Add: Transfer to Reserves re Collection Fund Surplus	143,430
Less: Contribution to Parishes and Special Exps re LCTSS	-23,000
Estimated net Expenditure per Council Report	10,744,817

Other Matters

Collection Fund

59. The Borough Council collects Council Tax on behalf of all precepting authorities. If the amount collected is less than predicted this results in a deficit on the Collection Fund.

Conversely, if the amount collected is greater than predicted this results in a surplus. Any deficit or surplus is shared amongst all the principal precepting bodies. As Surrey Heath has one of the highest collection rates in the country the fund is forecast to be in surplus at the 31st March 2013.

60. The Executive Head of Finance has declared a surplus for 2012/13 of £1,100,000 which will be distributed amongst all major preceptors. The share for Surrey Heath is £143,430 which has been transferred to reserves.

Members are asked to NOTE the Council Tax surplus of £1.1m being declared

Reserves and Provisions

61. The Council maintains a number of earmarked reserves and provisions. These are reviewed on an annual basis by the Performance and Audit Scrutiny Committee. All reserves and provisions are considered appropriate and supportive of future expenditure requirements. Revenue Reserves (including earmarked reserves) are projected to be almost £18m and Capital Reserves £1.7m at the 31st March 2013.

Adequacy of the General Fund

62. The General Fund reserve is the Council's contingency fund which needs to be sufficient to deal with any unexpected expenditure.
63. Whichever option for Council tax is taken it is predicted that the general fund will be £1.2m at the 31st March 2014.
64. In respect of the General Fund working balance, a risk calculation (annexe B) indicates that a minimum balance of £1.1m is needed to provide financial cover for day to day cash flow and any financial emergencies which may occur during the financial year. This is satisfied by both of the Council Tax options presented.

Medium Term Financial Forecast

65. The Council is required to consider a financial forecast which predicts the Councils finances for the next 5 years. This is particularly difficult this year for the following reasons:
- a) This year's settlement included indicative figures for 2014/15 but nothing for the period after that. Our advisors LG futures have modelled the spending review figures to arrive at an estimate of future funding – this has been used in the forecast.
 - b) Surrey Heath is expected to collect £37.5m in business rates each year. For every 1% increase in this figure Surrey Heath gains an extra £65k but for a fall losses are capped at £102k. It has been assumed in the forecasts that the baseline figure will be achieved.
 - c) The Localisation of Council Tax Support commences in April with some residents becoming liable for Council Tax for the first time. The forecast assumes that the funding provided will grow in line with growth in claimants but this may not be the case.
 - d) Members will decide on the level of Council tax for 2013/14 at this meeting and this will influence the forecast going forward. It has been assumed that the "referendum trigger" will remain at 2% however it may be reduced in future years.

Forecast Scenarios

66. A forecast was included within the General Fund Estimates paper presented to Executive on the 18th February 2013. This gave various savings requirements for each set of assumptions and are set out in the tables below:

Scenario Assumptions

Category	Best	Prudent with Freeze	Prudent without freeze
Inflation	1% rising to 2%	2%	
Investment Returns	1.00% to 3%	1.00% to 2.0%	
Government Funding	Cuts for 2 years then level	Cuts as per LG futures advice	
Council Tax	1.9% increase pa	0% in 2013/14 then 1.9%	1.9% in each year
Freeze Grant 2013/14	Reject	Accept	Reject
Fees and Charges	2.5% to 3%	2.5%	

Projected outcomes

	BEST CASE			PRUDENT WITH FREEZE			PRUDENT NO FREEZE		
	Annual Savings	General Fund	Reserves	Annual Savings	General Fund	Reserves	Annual Savings	General Fund	Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
2013/14	243	1,000	16,960	300	1,000	16,960	243	1,000	16,960
2014/15	158	1,000	16,055	391	1,000	16,055	391	1,000	16,055
2015/16	37	1,000	16,181	356	1,000	16,181	283	1,000	16,180
2016/17	0	1,122	16,637	170	1,000	16,515	168	1,000	16,514
2017/18	0	1,426	16,943	75	1,000	16,516	73	1,000	16,516
2018/19	0	1,858	17,141	176	1,000	16,282	173	1,000	16,282

67. It should be noted that with the exception of the “best case” scenario further savings will be required each year. This is in line with expected cuts in government funding.
68. In all scenarios capital reserves expire in a relatively short time after which capital needs to be funded out of revenue or borrowings. This puts an additional budget pressure on the Council.
69. None of the forecasts include anything from the “new homes bonus” apart from the £450k included in this years budget (and carried forward). This may generate a significant amount of money going forward given the level of building predicted in the borough.

Members are asked to NOTE the outcome of the financial forecast

Risks to the Proposed Budget

70. There are a number of financial risks contained within the budget as follows:

Income Projections

71. A number of services are reliant on income to pay for their services. Whilst services have been prudent in their estimates economic factors or changes in legislation that are beyond the council's control can affect the Council's ability to levy charges.
72. The property market is still very soft hence there is still downward pressure on rents although this is reducing.

Achievement of savings

73. The savings in the budget may be difficult to achieve given the level of savings found in the past. It is likely that savings may need to come from changes to service provision and/or additional income through fees and charges.

Inflation

74. Inflation continues to be a risk going forward.

Funding Risks

75. There has been a significant transfer of financial risk from central to local government arising from the Local Government Finance Act 2012. This will require the Councils to manage a Local Council Tax Support Schemes with reduced and cash limited central government financial support. Although the reduction in support provided have been set at a level that covers all of the central government funding loss there may be issues with Council Tax collection. Similarly the Council may not achieve all of its income from changes made to technical reforms to council tax (property discounts and premiums). In addition there are risks around the collection of business rates which now link directly to income which have been explored elsewhere in this paper.

Members are asked to NOTE the risks outlined above

Robustness of the 2013/14 Budget

76. The Local Government Act requires the Council's Chief Financial Officer to report to Council upon:

- (i) the robustness of the estimates made for the purposes of the calculation of the council tax requirement; and
- (ii) the adequacy of the proposed financial reserves

The Council is required to have regard to this section of the report when making decisions in respect of the budget requirement.

77. The Council's Chief Financial Officer confirms he is satisfied that the preparation of the 2013/14 estimates has been undertaken with rigour and due diligence and provides the appropriate level of resources to meet forecast service requirements whichever option A or B for Council tax is adopted. He also reports that the Council's reserves, provisions and the General Fund Working Balance, supplemented by the Revenue Capital Reserves are at such levels to meet all known future expenditure requirements and fund any unforeseen or urgent spending which may arise.
78. The Chief financial officer would like to draw attention to the risks within the budget particularly around the council's ability to continue to deliver savings in the future.

Members are asked to note the comments in respect of the robustness of the 2013/14 budget and the adequacy of Reserves, Provisions and the General Fund Working Balance

Conclusion

79. This year Surrey Heath is again setting a balanced budget. Significant cost reductions and income growth have been achieved but this has been offset in part by underperformance in historical rental income projections. Whichever budget is adopted savings of between £253k and £309k will be required. These would have been greater had not more of the new homes bonus been used to support the budget this year.
80. Since 2011 almost £2m has been lost in government funding and a further reduction of at least another £1m can be anticipated over the next few years. To date savings have been achieved through a combination of internal efficiencies, staff reductions and increased income without any real adverse affect on front line services. Although there is still scope for additional income generation and further efficiencies this is unlikely on its own to cover the funding shortfalls predicted going forward.

Legal implications

81. The Council has a statutory duty to set a balanced budget. The budget, which is approved by full Council, will form part of the Council's Budget and Policy Framework. With only a very few exceptions, all decisions of the Executive, Council, Officers, and subordinate bodies must be taken in accordance with the council's Budget and Policy Framework.
82. The Council has a duty to appoint an officer with specific responsibility for the proper administration of its financial affairs. At Surrey Heath Borough Council, this officer is the Executive Head of Finance ("Section 151 Officer"). When making recommendations for the budget, the Council's Section 151 Officer must report on both the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council's Section 151 Officer has a duty to make a formal report (to full Council and to the external auditor) if it appears to him that the expenditure or proposed expenditure of the council is likely to exceed the resources available to it to meet that expenditure.

Equality Implications

83. The Council recognises that where budgetary proposals are likely to have a significant impact on Council policies or service provision, such changes may have a disproportionate impact on particular sectors or groups within the population. It is thus important to conduct an assessment of such impact, in line with the Council's commitments as set out in our Corporate Equality Plan, and in compliance with our statutory equality duties.

84. Where significant service changes are likely to occur as part of proposals included in budgetary proposals, the Council will consider conducting an Equality Impact Assessments (EIA) of these proposals. EIAs are all about considering how such proposals may impact, either positively or negatively, on different sectors of the population in different ways. The purpose of such assessments is to:
- Identify whether the proposals are likely have a disproportionate impact on any particular group within the population;
 - whether such an impact is positive or negative; and
 - whether such an impact might constitute unlawful discrimination.
85. Where disproportionate negative impact and/or unlawful impact are identified, the assessment provides a means for the Council to take appropriate steps to either avoid such an impact or take appropriate action to mitigate it.
86. The main change affecting service users is the Local Council Tax Support Scheme which will replace national council tax benefits from April 2013 and the technical reforms to council tax (discounts and premium). The decisions on the local council tax support scheme for this Borough were agreed by the Council on the 22nd January 2013. The Equality Impact Assessment was attached as an annex to the report presented at that meeting.

Proposals

87. There are two different proposals for members to consider depending on the level of Council tax set.

SET OF PROPOSALS A – 0% COUNCIL TAX INCREASE

Members are asked to:

- i. NOTE that under delegated powers the Executive Head of Finance calculated the amount of the Council Tax Base as 35,840.22 (Band D Equivalent properties) for the year 2013/14 calculated in accordance with the Local Government Finance Act 1992, as amended;
- ii. APPROVE expenditure totalling £325,000 be charged directly to reserves;
- iii. NOTE that £450,000 of the new homes bonus is being used to support the 2013/14 budget;
- iv. NOTE the implications of the Council Tax freeze grant and that an increase in Council Tax increase deemed to be excessive is 2.0%;
- v. NOTE that a council tax surplus of £1.1m is being declared;
- vi. NOTE the comments in respect of the robustness of the 2013/14 budget and the adequacy of the Council's reserves, provisions and the General Fund Working Balance;
- vii. NOTE the comments in respect of the financial forecast;
- viii. NOTE that of the Council's Budget requirement, £168,671 be a special expense relating to the non-parished area of the Borough.
- ix. APPROVE the Budget Requirement for 2013/14 of £10,458,396 as set out in Annex A;
- x. APPROVE the Council Tax Requirement for the Council's own purposes for 2013/14 of £6,646,569 as set out in Annex A and;
- xi. RESOLVE that the Council Tax for 2013/14 (excluding special expenses and parish precepts) be set at £185.45 for a Band D property being same as 2012/13 and 2011/12

SET OF PROPOSALS B – 1.9% COUNCIL TAX INCREASE

Members are asked to:

- i. NOTE that under delegated powers the Executive Head of Finance calculated the amount of the Council Tax Base as 35,840.22 (Band D Equivalent properties) for the year 2013/14 calculated in accordance with the Local Government Finance Act 1992, as amended;
- ii. APPROVE expenditure totalling £325,000 be charged directly to reserves;
- iii. NOTE that £450,000 of the new homes bonus is being used to support the 2013/14 budget;
- iv. NOTE the implications of the Council Tax freeze grant and that an increase in Council Tax increase deemed to be excessive is 2.0%;
- v. NOTE the a council tax surplus of £1.1m is being declared;
- vi. NOTE the comments in respect of the robustness of the 2013/14 budget and the adequacy of the Council's reserves, provisions and the General Fund Working Balance;
- vii. NOTE the comments in respect of the financial forecast;
- viii. NOTE that of the Council's Budget requirement, £168,671 be a special expense relating to the non-parished area of the Borough.
- ix. APPROVE the Budget Requirement for 2013/14 of £10,514,550 as set out in Annex A;
- x. APPROVE the Council Tax Requirement for the Council's own purposes for 2013/14 of £6,772,854 as set out at paragraph 60 and;
- xi. RESOLVE that the Council Tax for 2013/14 (excluding special expenses and parish precepts) be set at £188.97 for a Band D property being an increase of 1.9% compared to 2012/13.

Options

88. The Council can accept, reject or amend any part of the budget, non recurring expenditure items, savings target and/or the Council Tax Requirement. Any changes however may have an impact on the overall robustness of the budget which may then need to be reassessed.
89. The Council can accept, amend or reject any of the proposals for levels of Council Tax as they see fit. Each 0.1% change the level of Council Tax changes the savings required by approximately £7,000. Any alternative proposal would need to be assessed to ensure that budget remained robust and considered take in to account the "excessiveness" principles if appropriate .

Officer recommendation

90. The Section 151 Officer would recommend that members increase Council Tax by 1.9% in order to protect and maintain services and the Council's finances in the longer term.

Background Papers: Detailed revenue estimates.

Author and Head of Service: Kelvin Menon 01276 707257
e-mail: kelvin.menon@surreyheath.gov.uk

ANNEX A

2013/14 GENERAL FUND ESTIMATES WITH COUNCIL TAX OPTIONS

PORTFOLIO'S	2012/13	2013/14	2013/14
	Budget £	OPTION A 0% Ctax Inc £	OPTION B 19% Ctax Inc £
Business	1,967,850	2,104,830	2,104,830
Regulatory	2,197,400	2,204,930	2,204,930
Corporate	1,372,680	1,330,030	1,330,030
Community	5,842,870	5,609,170	5,609,170
Finance	2,338,220	2,002,450	2,002,450
Transformation	501,600	691,660	691,630
	14,220,620	13,943,070	13,943,070
Less: Staff cost amendments	-275,080	-175,505	-175,505
Pension adjustment	-345,930	-195,210	-195,210
Internal asset charges reversed	-2,128,320	-2,100,968	-2,100,968
NET COST OF SERVICES	11,471,190	11,471,367	11,471,367
Less: Funding from Reserves	-325,000	-325,000	-325,000
Add: Contribution to Repairs & Renewals Fund	130,000	130,000	130,000
Add: Tilt to Reserves from Collection Fund	0	143,430	143,430
Less: Investment Interest earned	-180,000	-225,000	-225,000
Less: New Homes Bonus	-107,781	-450,000	-450,000
ESTIMATED NET EXPENDITURE	10,968,409	10,744,817	10,744,817
Less: Savings Target	-367,869	-309,421	-253,267
Add: Contribution to Parishes		23,000	23,000
BUDGET REQUIREMENT	10,620,540	10,458,396	10,514,550
Less: Sec 31 Grant in Lieu of Council Tax	-173,749	-70,131	0
Less: Collection Fund Surplus		-143,430	-143,430
Less: Government Formula grant	-3,318,700	-3,429,595	-3,429,595
Add: Parish Precepts	475,780	482,158	482,158
COUNCIL TAX REQUIREMENT	£7,603,871	£7,297,398	£7,423,683
Less: Special Expenses	-178,000	-168,671	-168,671
less: Parish Precepts	-475,780	-482,158	-482,158
OWN COUNCIL TAX REQUIREMENT	6,950,091	6,646,569	6,772,854
Band D equivalent Properties	37,476.90	35,840.22	35,840.22
Base Council Tax per Band D property	£186.46	£186.46	£188.97

Notes:

- i) Special Expenses are a deduction from the overall borough budget representing the cost of providing services in non parished areas of the borough that are paid for by parishes in the parished areas of the borough. This "special expense" is then charged as part of Council Tax on the non parished part of the borough as an additional cost. These have reduced to take account of the change in the tax base
- ii) Freeze grant figures are approximate and subject to confirmation. Any difference will be added or deducted from the savings target

ANNEX B

GENERAL FUND REVENUE RESERVE						
CALCULATION OF THE MINIMUM REQUIREMENT						
				Calculation Basis		TOTAL
				Base	%	Total
				£000		£000
Provision for cash flow on expenditure Items						
Based on gross General Fund Expenditure				19,000	3%	475
Provision for shortfall in major income budgets						
Arena				250	4%	10
Building control Fees				281	4%	11
Car Park Income				1,800	4%	72
community alarms				161	4%	6
community Transport				194	4%	8
Development Control				397	4%	16
Housing				96	4%	4
Licensing				142	4%	6
Local Land charges				200	4%	8
Meals on Wheels				164	4%	7
Older peoples centres				159	4%	6
Parks				213	4%	9
Property Rents				1,063	4%	43
Theatre				850	4%	34
Waste and recycling				983	4%	39
				6,953		278
Other Contingencies						
- Major Incident or business recovery						50
Cost of major enquiry						50
- Shortfall on LCTSS scheme						50
- Shortfall on Business Rates						50
Failure to achieve savings target						150
TOTAL RESERVE REQUIRED						£1,103