

 <b>Executive 11 December 2013</b>		<b>Agenda Item No. 5</b>
<b>Title</b>	General Fund base budgets latest 2013/14 and original 2014/15	
<b>For further information about this report please contact</b>	Marcus Miskinis <a href="mailto:Marcus.miskinis@warwickdc.gov.uk">Marcus.miskinis@warwickdc.gov.uk</a> 01926 456804	
<b>Wards of the District directly affected</b>	None	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>		
<b>Background Papers</b>	Executive 7 August 2013 – Budget Review to 30 June 2013; Executive 9 October 2013 – Fees and Charges 2014/15 Executive 13 November 2013 – Budget Monitoring to 30 September 2013	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes Ref 494
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	18 Nov 2013	Andrew Jones
Head of Service	18 Nov 2013	Mike Snow
CMT	19 Nov 2013	
Section 151 Officer	n/a	Finance Report
Monitoring Officer		
Finance	n/a	Finance Report
Portfolio Holder(s)	20 Nov 2013	Cllr Mobbs
Consultation Undertaken		
None		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

## **1. SUMMARY**

- 1.1 This report sets out the latest projections for the General Fund revenue budgets in respect of 2013/14 and 2014/15 based on the current levels of service, and previous decisions. There are further matters that will need to be reviewed in order to finalise the base position as part of the 2014/15 budget setting process as set out in paragraph 7.5.
- 1.2 The 2013/14 latest budgets show a forecast surplus of £671,300 before any appropriations.
- 1.3 The proposed 2014/15 Base Budget presents a forecast surplus of £852,500 in the Council's expenditure in continuing to provide its services and meet its commitments.

## **2. RECOMMENDATIONS**

- 2.1 Members note the latest financial forecasts for the Medium Term as outlined in Section 8 below and the total on-going savings of £1.2 million to be achieved by 2018/19.
- 2.2 To recommend to Council:
  - (a) the latest base budget for the General Fund services in respect of 2013/14 as outlined in Appendix 'C';
  - (b) the base budget for the General Fund services in respect of 2014/15 as outlined in Appendix 'C'.
- 2.3 It is recommended that the Grant to cover the Impact of the Council Tax Reduction Scheme on the Tax Base for 2014/15 be awarded at £102,471 to reflect the actual costs of the scheme to the Parishes.
- 2.4 Future determination of the Council Tax Reduction Scheme grant be delegated to the Head of Finance.
- 2.5 That £300,000 of the 2013/14 projected surplus be appropriated to the Planning Reserve.

## **3. REASONS FOR THE RECOMMENDATION**

- 3.1 The Council is required to determine its budget requirements in order to set the Council Tax for 2014/15.
- 3.2 In setting its Base Budget and Council Tax for the following financial year, members need to be aware of the medium term financial implications which take into account changes to the budgets for both 2013/14 and 2014/15. Section 8 informs Members of the latest assumptions incorporated into this forecast.
- 3.3 At the time of writing this report, the Tax Base for 2014/15 is being finalised. Calculations on the reduced costs of the new Council Tax Reduction Scheme plus a reduced take up in the current year claimants, show that the costs to Parishes will reduce to £102,471. Last year, Parishes were awarded a total of

£117,734 of which some £13,000 was non-recurrent. It is recommended that the grant for 2014/15 be awarded at £102,471 to reflect the actual costs of the scheme to the Parishes. The calculation of the Tax Base is a complex process and needs to be readily available to Parishes, alongside notification of the Grant being award, as early as possible to enable them to start their Budget and Precept planning process. Since the costs to each Parish will vary according to the numbers of claimants and amounts of reduction awarded, it is proposed that for future years, determination of the grant be delegated to the Head of Finance. The total change in the annual amount will be reflected in the Financial Strategy which is presented to Members in February.

- 3.4 Should the final Tax Base figure become available prior to the meeting on the 11<sup>th</sup> December, members will be informed of this and how it impacts on the medium term projections at that meeting.
- 3.5 The demands upon the Planning Reserve have been reassessed taking into account the ongoing work in the Local Plan. Whilst the Reserve should be able to accommodate these costs it will not have sufficient to fund the potential liabilities relating to Tree Preservation Orders (TPOs) discussed at November Executive nor the HS2 post discussed elsewhere on this agenda. It is recommended that £300,000 of the 2013/14 projected surplus be appropriated to the Planning Reserve.

## **4. POLICY FRAMEWORK**

### **4.1 Policy Framework**

The General Fund latest base budget 2013/14 and original budget 2014/15 report forms part of the Budgetary Framework which is the resource strategy for implementing Fit for the Future. This report is in accordance with the Council's Financial Strategy as last approved by the Executive in February and Budget Reviews in August and November.

### **4.2 Fit For the Future**

One of the key elements of Fit For the Future is ensuring that the Council achieves the required savings to enable it to set a balanced budget whilst maintaining service provision. This report updates members on the financial projections for future years, savings required to be found and some of the key issues needed to be considered in preparing the 2014/15 budget and beyond.

- 4.3 In April 2012, members approved Fit for the Future Savings targets for 2013/14 (£834,000). The revised predicted savings from Fit for the Future were later revised to £810,000 have been built into the budgets now presented to Members for their approval.

## **5. BUDGETARY FRAMEWORK**

- 5.1 Securing savings and balancing its Budget will enable the Council to deliver its aspirations and priorities as well as core services. The Financial Strategy underpins all of its other strategies.

- 5.2 Members are reminded that the 2014/15 Council Tax will be set in February after budgets are finalised and that for next year, the Government has offered to extend the Council Tax Freeze Grant to a fourth year, for Council's that do not increase the 2014/15 Tax when setting next year's Council Tax. Members are asked to note that the grant will match a 1% increase in Council Tax. The Executive has previously stated that it intends to set a zero council tax increase for 2014/15.
- 5.3 The Council's Medium Term Financial Projections include net inflation for most services for 2014/15 at 0%. An inflation allowance of 3.1% has been included for National Non-Domestic Rates and a general contingency of £75,000 allowing for other prices.

## **6. ALTERNATIVE OPTION CONSIDERED**

- 6.1 The purpose of this report is to produce budgets as determined under the requirements of the Financial Strategy. Any alternative strategies will be the subject of separate reports.

## **7. BACKGROUND**

- 7.1 At its meeting on 18 April 2012 the Executive agreed that the management of the Council's Fit For the Future change programme would be through the delivery of the Service Area Plans.
- 7.2 Options for balancing the budget will be brought forward in February.
- 7.3 This report presents the proposed Base Budget for 2014/15. These figures reflect the costs of maintaining the current level of service, and any unavoidable changes in expenditure (for example, where the Council is contractually or statutorily committed to incur additional expenditure). The report also considers the current year's budget, and includes details of proposed changes to the 2013/14 Budget.
- 7.4 Any recent changes that need to be resolved that have not been included in the budgets at this stage will be fed into the February report.
- 7.5 In February all the following information should be available:
- 2014/15 Base Budget
  - 2014/15 Revenue Support Grant Settlement.
  - Updated Business Rates Retention projections
  - 2014/15 Council Tax Support Grant
  - 2014/15 New Homes Bonus
- 7.6 The Council will be in a position to agree the 2014/15 Budget and the District Council element of the Council Tax. In addition, the total Council Tax for the District will be set, including the elements set by the County Council, the Police and Crime Commissioner and the parish and town councils.
- 7.7 The report is broken down into the following sections and appendices:

Section 8 - Financial Projections

Section 9	- Savings
Section 10	- Base Budgets
Section 11	- 2014/15 Base Budgets
Section 12	- Latest Budgets 2013/14
Section 13	- Capital Financing and Reserves
Section 14	- General Grants
Section 15	- Conclusion
Appendix A	- Medium Term Financial Strategy
Appendix B	- Analysis of Budget Movements from 2013/14 to 2014/15
Appendix C1	- Revenue Budgets Summary
Appendix C2	- Detailed Revenue Budgets – available on the Executive Meeting page on the Council’s website ( <a href="http://www.warwickdc.gov.uk">www.warwickdc.gov.uk</a> )
Appendix D	- Capital and Reserve Financing Variations
Appendix E	- Glossary of Terms

## 8. FINANCIAL PROJECTIONS

- 8.1 The Medium Term Financial Strategy and future on-going savings required by 2017/18 have been updated to reflect the Latest 2013/14 and Base 2014/15 Budgets presented in this report. This now shows that £1.186 million of on-going savings will need to be achieved within this period. However, members attention is drawn to the fact that whilst there is a surplus in 2013/14 (some £850,000 after the allocation of New Homes Bonus) significant savings on excess of some £1.1 million will need to be identified and achieved in the following year. This is shown in the table below.

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £
Cumulative Underlying Deficit - Savings Required (+) / Surplus (-) future years	-851	292	609	1,358	1,186
In year Additional Savings/Surplus	-851	1,143	317	749	-172

Appendix 'A' provides further details of the strategy.

- 8.2 The Quarter Two Budget Review Report (November 2013) projected a shortfall of some £1.049 million over the next five years. Since then changes have been identified and built into the latest Strategy now being presented to Members.

- The Head of Development Services has been appointed on a full time Basis from 2014/15, £35,000.
- Changes to the Housing Benefits Subsidy Funding Methodology £157,000 (adverse) net
- NNDR changes (recurrent £10,000 favourable)
- Additional Rental Income (£6,000 favourable)
- New Scrap Metal Dealers Income, as explained in the October Fees and Charges Report £5,000.
- Alongside this there have been various small changes to budgets, both adverse and favourable. Hence the net impact to the General is negligible.

- 8.3 With the exception of provisions for NNDR, income and salaries, the 2014/15 Budget and Financial Strategy has a zero level of inflation. This assumption has also been factored into future years to also incorporate any increases to major contracts.
- 8.4 The Council faces many risks and uncertainties in future years. At this point it is not possible to quantify these and no figures have been built into the Strategy, for example the move to Universal Credit.
- 8.5 **Council Tax Freeze**  
For the years 2011/12 and 2012/13 the Government has given councils that freeze their council tax a grant equivalent to the yield that a 2.5% increase would generate. This grant was extended to 2013/14 but at a reduced rate, equivalent to 1% of the council tax. For 2014/15, a 0% increase to this Council's Council Tax has been assumed at this point. The Council will then receive Government Grant income of some £354,000. The Government has already announced its intention to again award a grant to the value of the lost Council Tax Income increase by 1% and again this has been included in the projections and Base Budget. However, for those councils that do intend to increase their Council Tax the percentage increase that will trigger a local referendum is likely to be set at 2%.

## **9. SAVINGS**

- 9.1 Much work has already been undertaken to address the forecast budget deficit in future years.
- 9.2 There has been much procurement activity on-going across the Council ensuring good procurement practices are well embedded.

## **10. BASE BUDGETS**

- 10.1 The proposed Base Budgets for 2014/15 and the Latest Budgets for 2013/14 are shown below. These figures include all financing charges (which are dealt with in Section 13 later). Section 11 of this report considers the 2014/15 Base Budget, with Section 12 looking at the Latest 2013/14 budget figures.

	<b>Base Budget 2013/14 £000</b>	<b>Latest Budget 2013/14 £000</b>	<b>Base Budget 2014/15 £000</b>
<b>Net Expenditure for District Purposes</b>	15,875	15,602	14,186

## **11. 2014/15 BASE BUDGET**

- 11.1 In preparing the 2014/15 Base Budget the over-riding principle is to budget for the continuation of services at the existing level. The following adjustments need to be made to the 2013/14 Original Budget.

Removal of any one-off and temporary items  
Addition of inflation  
Addition of previously agreed Growth items

Addition of unavoidable Growth items  
Inclusion of any identified savings

11.2 The table below summarises how the 2014/15 base budget has been calculated. Appendix 'B' gives more details to support this.

	£	£	£
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2013/14 ORIGINAL</b>			<b>15,875,124</b>
Plus Inflation			85,000
Plus Committed Growth:			
- Staffing	312,500		
- Increases in expenditure	456,300		
- Reduced income	679,000	1,447,800	
Less Savings:			
- Reduced expenditure	(1,157,600)		
- Increases in income	(257,300)	(1,414,900)	
<b>CHANGES IN SERVICE INCOME and EXPENDITURE</b>			<b>(21,100)</b>
Changes in Interest			25,000
Changes in Contributions to Capital			(462,300)
Changes in non-service specific contributions to reserves			(1,349,000)
Change in transfers to / from General Fund			32,976
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2014/15 ORIGINAL</b>			<b>14,185,700</b>

#### 11.2.1 Inflation

No inflation has been applied to most budgets. The only exception is in respect of National Non-Domestic Rates (NNDR), which has been inflated at 3.1% and equates to £35,000. In addition, a general allowance of £125,000 has also been provided for – an increase of £50,000 over the base budget provision of £50,000.

#### 11.2.2 Staffing

Staffing costs will increase in 2014/15. The main changes:

- The acceptance of the 2013/14 national 1% pay award (£148,000 adverse);
- Provision for a 1% pay award in 2014/15 (£148,000 adverse);
- Increase in employer's LGPS contribution (£50,700 adverse);
- Deferral of pension auto-enrolment (£65,800 favourable).

#### 11.2.3 Growth / Income Reductions

Only previously committed growth and unavoidable changes have been included in the Base Budget. This totals £1,135,300 of which £456,300 relates to increased expenditure and £679,000 relates to reduced income. Appendix 'B' lists the main items, the largest being:

- Reinstatement of temporary repairs and maintenance reduction in 2013/14 (£237,000);
- Reduced on-street administration costs recovered (£211,700);
- Crematorium income reduction due to delay in improvement works to 2014/15 (£135,000 one-off);
- Loss of Cremation income when Rugby facilities open (£150,000 recurring);
- Net changes in Housing Benefits (£157,700);
- Council Tax new burdens (funded from general grants) (£79,600).

#### 11.2.4 Savings

Various savings have been allowed for within the Budget. These total £1,414,900 which comprises £1,157,600 reductions in expenditure and £257,300 increases in income. Appendix 'B' lists the main items, the largest being:

- Removal of one-off / time limited items (-£381,000);
- Discretionary budget reductions review (-£311,800);
- Net increases in Fees and Charges (-£131,300);
- Waste bins to be financed from capital (-£120,000) as agreed as part of the 2013/14 Budget setting.

11.2.5 Having taken the above into account, there is a forecast surplus of £21,100 in net service expenditure.

11.2.6 In addition to the above there are also various other, general, financing adjustments required to arrive at the demand for Council Tax. Taking all these items into account produces an initial surplus of £852,500. Any award of New Homes Bonus for 2014/15 has been excluded at this stage.

11.2.7 However, as outlined in section 8, the final Revenue Support Grant and other unforeseen events mean the final position will not be known until early 2014. Whilst this surplus may be sufficient to enable the Council to balance its budget, there is still an underlying £1.2 million ongoing savings required by 2018/19. Hence it is all the more imperative that these and further savings are achieved for both 2014/15 and future years.

#### 11.3 Appendix 'C'

11.3.1 Appendix 'C' is broken down into two parts – Appendix 'C1' and Appendix 'C2'. Both appendices provide details of service expenditure and income in portfolio order. Appendix 'C1' is a summarised version of Appendix 'C2'.

11.3.2 The analysis in Appendix 'C2' is divided into two sections – expenditure and income under the direct control of the budget manager (e.g. salaries, fees and charges income, etc.) and those items for which they have little or no control over (support service allocations and capital financing charges).

11.3.3 Explanations are provided where significant variations have been identified.

## 12. **LATEST BUDGET 2013/14**

12.1 Under the new Budget Review process, amendments to budgets are presented to members, for approval, on a regular basis rather than waiting until this



report. Consequently, many changes have already been approved. This report continues that process and provides details of the latest budgets for the current year. Appendix 'C' provides a detailed analysis of net expenditure by service in Portfolio groupings.

12.2 The Latest Budgets total £15,602,400 which is a decrease of £272,700 compared with the originally approved budget for 2013/14 of £15,875,100. The major items for this are:

- Deferral of pension auto-enrolment (£65,800 favourable);
- The acceptance of the 2013/14 national 1% pay award (£148,000 adverse);
- Backdated NNDR refunds (£112,000 favourable);
- Reduced income due to temporary Crematorium closure delayed to 2014/15 (£135,000 favourable);
- Increased Planning income (£154,300 favourable);
- Other fees and charges income (£147,700 favourable);
- Discretionary Rate Relief removed from base (£36,000 favourable);
- Merger of Environmental Health and Community Protection (£90,700 favourable);
- Salary savings (£119,400 favourable);
- Benefits [net of subsidy] (£148,000 adverse).

12.3 The main reasons responsible for the decrease are included within Appendix 'C', which can be summarised as follows:

	£	£	£
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2013/14 ORIGINAL</b>			<b>15,875,124</b>
Plus Committed Growth:			
- Increases in expenditure	267,100		
- Reduced income	95,900	363,000	
Less Savings:			
- Staffing	(13,200)		
- Reduced expenditure	(426,700)		
- Increases in income	(573,100)	(1,013,000)	
<b>CHANGES IN SERVICE INCOME and EXPENDITURE</b>			<b>(704,700)</b>
Changes in Interest			(34,900)
Changes in Contributions to Capital			156,400
Changes in non-service specific contributions to reserves			310,500
Change in transfers to / from General Fund			(24)
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2013/14 LATEST</b>			<b>15,602,400</b>

12.4 The first part of the table above shows that the total net expenditure on services has decreased by £704,700. This is the result of a mixture of changes, the most notable ones being detailed in paragraph 12.2 above.

12.5 The comments made in paragraph 11.3 concerning the content of Appendix 'C' are equally applicable to the information provided in respect of the Latest Budgets for 2013/14.

12.6 Budget Reviews have already identified, and reported on, budget reductions totalling £601,400. The Budgets have been adjusted as agreed by previous Executive meetings. The Budgets included in this report have identified a further increase of £103,300 to the previously reported figure referred to above. The main changes from the November report to the Executive are:

- Reduced Building Control income will be met from a contribution from the Building Control Reserve (£45,000 favourable);
- Savings in fuel budgets (£34,600 favourable);
- Additional backdated NNDR refunds (£44,700 favourable);
- DCLG Grant re Neighbourhood Plans (£25,000 favourable);
- Reduced costs of insurances (£17,400 favourable);
- Further salary savings (£26,100 favourable);
- Net change in Benefits (£118,000 adverse).

### 13. CAPITAL FINANCING AND RESERVES

13.1 In order to arrive at the position for the Council's overall net expenditure it is necessary to take account of the effects of the Council's capital financing arrangements and any transfers to and from reserves. These are summarised below:

Line Ref	BASE BUDGET 2013/14 £'000	LATEST BUDGET 2013/14 £'000	BASE BUDGET 2014/15 £'000
<b>1 Net Cost Of General Fund Service Expenditure</b>	<b>18,673</b>	<b>21,208</b>	<b>18,508</b>
<b>Capital Financing and Reserves</b>			
2 Depreciation & Intangible Assets in Service Estimates	(3,698)	(5,544)	(3,447)
3 Loan Repayments, Revenue Contris & Interest Paid	33	32	33
4 Revenue Contributions to Capital	776	932	313
5 Contributions to / (from) Reserves	696	(136)	(433)
6 External Investment Interest	(206)	(241)	(180)
7 IAS19 Pension Adjustments	(366)	(616)	(608)
8 Contributions to / (from) General Fund	(33)	(33)	-
<b>9 TOTAL CAPITAL FINANCING and RESERVES</b>	<b>(2,798)</b>	<b>(5,606)</b>	<b>(4,322)</b>
<b>10 TOTAL ESTIMATED NET EXPENDITURE</b>	<b>15,875</b>	<b>15,602</b>	<b>14,186</b>
<b>Change from Base Estimate</b>		<b>(273)</b>	<b>(1,689)</b>

13.2 Detailed explanations of the changes to items 2 to 8 are within Appendix 'D'.

13.3 Most of the changes to the Capital Financing and Reserves figures reflect changes in specific items within the cost of General Fund service expenditure, whereby many increases in service expenditure are met by a contribution from a specific reserve which would be included here.

13.4 Depreciation and Intangible Assets in Service Budgets (line ref 2 above).

Similarly, the notional Capital Financing Charges reflect the change in capital charges within the cost of individual services. These changes occur as a result of variations such as slippage between years and new schemes within the Council's capital programmes.

13.5 Loan Repayments, Revenue Contributions and Interest Paid (line ref 3 above).

This is made up of the interest element of the photocopiers finance leases which the Council entered into during 2012/13 and 2013/14 as well as interest on the bank overdraft. Other than the photocopiers finance lease interest and potential bank overdraft interest, there is no external interest payable by the General Fund in 2013/14 or 2014/15.

13.6 Revenue Contributions to Capital (line ref 4 above).

The significant increase is mainly due to the following contributions from the Corporate Property Repair and Maintenance budget towards the following capital schemes:

- £45,000 for the re-wiring of Pageant House;
- £40,000 in respect of major repairs to the Abbey Fields Gatehouse;
- £25,900 towards the Victoria Park Bowls Pavilion improvements;

In addition, revenue contributions amounting to £26,200 have been made from the Street lighting and Community Forum Fund budgets in respect of the Rural Footway Lighting project and £15,000 has been contributed from the Flood Alleviation budget to the Cubbington Flood Alleviation scheme.

13.7 Contributions to / (from) Reserves (line ref 5 above).

The 2014/15 original budget shows a decrease in contributions to reserves when compared to the 2013/14 original budget of £1,129,000. This is accounted for by the falling out of £1,314,000 in respect of one off contributions to reserves in 2013/14 only and £115,000 in respect of contributions to/from reserves generally re service expenditure. This has been offset by £300,000 Service Transformation reserve funding for the Fit For Future pay award which is no longer required.

The 2013/14 latest budget shows an increase in contributions from reserves of £832,000. This reflects the crediting back to the General Fund of a) £529,000 funding for revenue slippage in order to meet expenditure carried forward from 2012/13 and b) £902,000 in reserve funding of service expenditure when compared with the original. This has been offset by a reduction of £300,000 in respect of the Fit for Future pay award which was to have been funded from the Service Transformation Reserve and an extra allocation of £299,000 to the Business Rate Volatility Reserve.

13.8 External Investment Interest (line ref 6 above).

When compared to the 2013/14 original, net external investment receipts are expected to increase by £35,000 in 2013/14 and decrease by £25,000 in 2014/15. The positive variation in 2013/14 is mainly due to additional interest earned on increased balances as a result of variations in the 2012/13 and 2013/14 revenue and capital programmes ( +£92,000 ) which has been offset by a lower than expected interest rate due to the continuing low interest rate

environment reflecting the current economic conditions ( -£43,000 ). The Housing Revenue Account balances form part of the increased balances available for investment and in recognition of this an additional £20,000 has been credited to the Housing Revenue Account. The Council disposed of Kingsway Community Centre to Waterloo Housing Association in 2012/13 under a deferred capital receipt arrangement and the General Fund has been credited with £6,000 in 2013/14 to reflect the foregone interest that it would have earned if the capital receipt had been received outright rather than deferred for a number of years.

With regard to 2014/15, the slippages in the revenue and capital programmes referred to above are expected to unwind to a degree thus lessening the balances available for investment. Consequently the additional income over the 2013/14 original from increased investment balances is expected to reduce to £57,000. The continuing low interest environment is expected to reduce investment income compared to the 2013/14 original by £68,000. Although overall investment balances are expected to fall, the Housing Revenue Account balances are expected to remain fairly constant and therefore form a proportionately larger part of the Council's investment balances than in the 2013/14 original and as a consequence the additional £20,000 credit to the Housing Revenue Account will be maintained in 2014/15. Under the Kingsway Community Centre deferred capital receipt arrangement, a further £6,000 will be credited to the General Fund in 2014/15.

#### 13.9 IAS 19 Adjustments (line ref 7 above).

IAS 19 requires an authority to recognise the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out. The figures included in the budgets are based on the latest budgets from the Pension Fund actuary.

#### 13.10 Contributions to / (from) General Fund (line ref 9 above).

The 2013/14 budgets allowed for a one-off contribution from the General Fund balance to the Contingency budget.

### **14. GENERAL GRANTS**

14.1 In order to complete the picture the general grants position also needs to be considered.

14.2 Provisional Revenue Support Grant and business rates retention figures show a reduction of £207,000 in 2014/15.

14.3 The Government has announced that it will continue the Council Tax Freeze Grant arrangements for 2014/15 which will result in an additional £78,000.

14.4 There is a new grant, Council Tax New Burdens Grant, of £62,700 in 2013/14 and £79,600 in 2014/15. This is to be used for amending Council Tax Reduction schemes and the expenditure has been built into the service expenditure accordingly.

- 14.5 At this stage, New Homes Bonus has been excluded from all budget projections from 2014/15 onwards.
- 14.6 It is expected that there will be a surplus on the Collection Fund in 2014/15 of which this Council's entitlement will be £100,000.
- 14.7 The net result of all these movements is shown below:

	<b>BASE BUDGET 2013/14 £'000</b>	<b>LATEST BUDGET 2013/14 £'000</b>	<b>BASE BUDGET 2014/15 £'000</b>
<b>TOTAL ESTIMATED NET EXPENDITURE</b>	15,875	15,602	14,186
Less: Revenue Support Grant / NNDR Redistribution	(7,424)	(7,749)	(7,217)
Less: General Grants:			
- Council Tax Freeze Grant	(276)	(275)	(354)
- Council Tax Support Grant	-	(63)	(79)
- New Homes Bonus: allocated	(1,009)	(1,009)	-
- Right To Challenge Grant - Service Provision	-	(9)	(9)
- Right to Bid Grant - Community Assets	(5)	(8)	(8)
- Local Services Support Grant - Homelessness	(67)	(66)	-
Collection Fund (Surplus) / Deficit	33	33	(100)
Council Tax	(7,127)	(7,127)	(7,271)
	<hr/>	<hr/>	<hr/>
<b>(Surplus) / Deficit</b>	<b>-</b>	<b>(671)</b>	<b>(852)</b>
	<hr/>	<hr/>	<hr/>

- 14.8 This shows that there is a forecast surplus of £671,000 in 2013/14 and £852,000 in 2014/15. These figures are before appropriations to reserves.

## **15. CONCLUSION**

- 15.1 As part of the Service Planning Process and thorough Budget Reviews, Senior Management has identified significant savings as detailed in section 8 for 2014/15.
- 15.2 Taking the above factors into account has helped result in the proposed 2013/14 Latest Budget presenting a surplus over the Original Budget of £671,300. This is in line with the financial projection proposed as part of the financial strategy. As part of the February Budget report, recommendations will be made that consider the use of this surplus to replenish the various reserves that the Council holds.
- 15.3 This report, in considering the 2013/14 Latest Budget constitutes the third Budget Review (2013/14) report for the year presented to Members.
- 15.4 The proposed 2014/15 Base Budget presents an overall surplus of approximately £852,500, in the Council's expenditure in continuing to provide its services and meet its commitments. The overall position, and how any projected surplus will be utilised will be considered within the February Budget report.