

Charter Trust for the City of Durham

5 December 2012

Revenue Budget 2013/14



City of Durham

Report of Jeff Garfoot, Treasurer

INTRODUCTION

- 1 The purpose of this report is to provide information to Charter Trustees to initiate discussions on the budget requirement for 2013/14 and consequential level of council tax.

BACKGROUND

- 2 A revenue budget of £124,445 was agreed for 2012/13, which was an increase of 7.8% from the 2011/12 budget of £115,397. However, after allowing for a transfer from reserves of £21,413, a reduction in council tax requirement of 10.7% (i.e. from £115,397 in 2011/12 to £103,032 in 2012/13) was approved.
- 3 The Band D Council Tax levied on the residents of the former City of Durham was £3.80 in 2012/13 compared to £4.29 in 2011/12.
- 4 The increased budget in 2012/13 was expected to be utilised for one off events relating to the Olympics and the Queen's Diamond Jubilee.

FORECAST OUTTURN 2012/13

- 5 The latest forecast of expenditure to 31st March 2013 is £117,559; a small underspend of £6,886 (5.5%) against the original budget. Any underspend at the year end will reduce the funds which are needed to transfer from the general reserve in order to meet expenditure.
- 6 Appendix B provides details of the original budgets set for 2011/12 and 2012/13, the forecast outturn to 31st March 2013 and five budget options for 2013/14.

BUDGET 2013/14

- 7 In order to set a robust and accurate budget for 2013/14, Charter Trustees need to take into account the forecast outturn position for the current year, together with the future level of service provision and anticipated price increases. When setting next year's budget, Charter Trustees should also be mindful of the Government's decision to reduce public sector expenditure over the coming years.
- 8 In setting the budget for 2012/13, a decision to utilise 59% of the general reserve was made to provide additional funding for one off events relating to the Olympics and Jubilee celebrations.
- 9 In the 2012/13 budget, the Charter Trust set aside £1,000 in contingencies to meet unforeseen items of expenditure; it is anticipated that this sum will not be required. It may be considered prudent to leave a small contingency sum in the 2013/14 budget to provide a degree of in year flexibility and avoid the need to increase the current level of council tax. However, Trustees ought to note that the level of reserves, forecast to be £21,496 on 31 March 2013, should adequately provide for unforeseen expenditure throughout 2013/14.
- 10 The council tax base used to calculate the precept for the Charter Trust will significantly reduce from 2013/14. The 2013/14 budget calculations have been based upon a council tax base of 23,782.60 for the former City of Durham; last year's tax base was 27,113.60. This is a reduction of 3,331 (or 12.29%). The council tax base is subject to approval by the DCC Cabinet on 19 December 2012.
- 11 The reason for the reduction in council tax base is the introduction of local council tax support schemes which are replacing national council tax benefit in England from 2013/14. Under these local schemes council tax reductions will be part of the council tax system rather than a welfare benefit. Therefore, the council tax base will be reduced where a dwelling is in receipt of council tax support in a similar manner to other council tax discounts. This reduction in the tax base needs to be reflected in the calculation of the band D council tax for precepting authorities.
- 12 This 12.29% reduction in tax base is going to be particularly challenging for the Charter Trust. The current understanding is that the Charter Trust will not qualify for the Council Tax Support Grant leaving Trustees to determine how to balance the budget.
- 13 The deadline for approving the precept for 2013/14 is no later than 25 January 2012. There is a meeting of the Charter Trustees arranged for 21 January 2013 and it is recommended that this meeting be used to agree the budget and council tax requirement.

- 14 Trustees are requested to consider the options set out below when determining the budget. The options have been prepared for illustrative purposes only and are by no means exhaustive. Indicative budgets for all options are set out in Appendix B.

OPTION A – STANDSTILL BUDGET

- 15 Option A provides for a standstill budget. Each budget head has been based upon the method of calculation deemed most appropriate, which is either:

- 2012/13 forecast of outturn, plus 2013/14 pay and price inflation; or
- 2011/12 budget, increased by inflation for 2012/13 and 2013/14;

The 2011/12 budget was used as a base, rather than that of 2012/13, since the 2012/13 budget was over inflated for the one off costs associated with the Olympics and Jubilee.

- 16 The basic assumptions upon which the standstill budget has been determined are as follows:

	<u>Increase</u>	<u>Reduction</u>
Council Tax Base		12.29%
Allowances	nil	
Pay Award	1%	
General Inflation	2%	
Contingencies		100% (reduced to nil)

- 17 The budget requirement would increase by £13,186 and the Band D council tax would rise to £4.89 (i.e. an increase of £1.09 or 28.7%).

OPTION B – COUNCIL TAX LEVY UNCHANGED

- 18 If the Charter Trustees opt to maintain the council tax precept of £3.80 for a Band D property, in order to allow for an expenditure budget of £110,064, due to the reduction in council tax base, £19,630 would need to be transferred from reserves. This would only leave a balance of £1,866 in reserves, which would equate to approximately 2% of the total budget.

- 19 The principal assumptions upon which this budget option has been calculated are as follows:

	<u>Increase</u>	<u>Reduction</u>
Council Tax Base		12.29%
Allowances	nil	
Pay Award	1%	
General Inflation	2%	
Variable costs *		15%
Contingencies		100% (reduced to nil)

* Variable costs include transport, hospitality, functions and general office expenses.

OPTION C – OPTION B, WITHOUT UTILISING RESERVES

- 20 Option C illustrates what the council tax levy would be if the same budget reductions as in Option B were made, but no reserves were applied to balance the budget. This would have the effect of increasing the council tax requirement by £6,972, to £110,004, and thus the Band D Council Tax would rise by £0.83 (or 21.7%) to £4.63.
- 21 The basic assumptions upon which this budget option has been calculated are as follows:

	<u>Increase</u>	<u>Reduction</u>
Council Tax Base		12.29%
Allowances	nil	
Pay Award	1%	
General Inflation	2%	
Variable costs		15%
Contingencies		100% (reduced to nil)

OPTION D – VARIABLE COSTS REDUCED BY 25%

- 22 Option D illustrates the level of budget and council tax levy required if variable costs were reduced by 25%, rather than 15% as in Options B and C, and reserves are maintained at the level as at 31 March 2013.
- 23 This would have the effect of increasing the council tax requirement by £2,829, to £105,861, and the Band D Council Tax would rise by £0.65 (or 17.1%) to £4.45.
- 24 The basic assumptions upon which this budget option has been calculated are as follows:

	<u>Increase</u>	<u>Reduction</u>
Council Tax Base		12.29%
Allowances	nil	
Pay Award	1%	
General Inflation	2%	
Variable costs		25%
Contingencies		100% (reduced to nil)

OPTION E – OPTION D WITH A TRANSFER FROM RESERVES

- 25 Option E is the same as Option D but reserves of £10,000 have been applied to reduce the council tax requirement. This option allows for a council tax requirement of £95,861 which is £7,171 lower than that of 2011/12. Due to the decrease in council tax base however, the council tax levy would increase by £0.23 (or 6.07%).
- 26 The table in Appendix C illustrates the amount of council tax to be levied for each valuation band of dwelling for the budget options provided above.

RECOMMENDATIONS

- 27 It is **RECOMMENDED** that the City of Durham Charter Trustees:
- establish a working group to consider options on the level of budget and council tax required for 2013/14 and report their recommendations to Charter Trustees at the next meeting;
 - utilise the next meeting, arranged for 21 January 2013, to agree the precept;
 - note the deadline for agreeing the precept for 2013/14.

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Risks and Implications

Finance

The report provides information to enable Charter Trustees to consider the level of council tax and revenue budget requirement for 2013/14

Staffing

None

Equality and Diversity

None

Accommodation

None

Crime and Disorder

None

Human Rights

None

Consultation

None

Procurement

None

Disability Discrimination Act

None

Legal Implications

None

Appendix B

Charter Trust for the City of Durham - Budget Options for 2013/14

	Budget 2011/12	Budget 2012/13	Forecast Outturn 2012/13	2013/14 Budget Options					
				A	B	C	D	E	
				11/12 standstill	Council Tax unchanged	Option B without applying reserves	Reduce variable costs by 25%	Option D plus £10k reserves	
£	£	£	£	£	£	£	£	£	
Employees									
Mayor's Allowance	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Deputy Mayor's Allowance	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
NI contributions	655	580	574	574	574	574	574	574	574
Sergeants at Mace/ Body Guard	2,960	2,900	2,809	2,809	2,809	2,809	2,809	2,809	2,809
Premises									
Town Hall	12,850	13,107	13,107	13,369	13,369	13,369	13,369	13,369	13,369
Transport									
Civic Car	14,540	17,120	17,120	14,831	12,606	12,606	11,123	11,123	11,123
Bus Hire	1,500	1,650	1,200	1,440	1,224	1,224	1,080	1,080	1,080
Supplies & Services									
Mayor's hospitality	12,362	17,487	15,909	12,609	10,718	10,718	9,457	9,457	9,457
Functions	11,300	11,414	8,024	11,526	9,797	9,797	8,645	8,645	8,645
General office expenses	1,000	1,520	1,520	1,020	867	867	765	765	765
Insurance	2,260	2,305	1,994	2,034	2,034	2,034	2,034	2,034	2,034
External Audit	600	612	612	624	624	624	624	624	624
Support Services									
Administration	30,370	30,370	30,370	30,674	30,674	30,674	30,674	30,674	30,674
Finance & procurement	7,000	7,140	7,140	7,283	7,283	7,283	7,283	7,283	7,283
Legal/ Clerk	10,500	10,710	10,710	10,924	10,924	10,924	10,924	10,924	10,924
HR	500	510	510	520	520	520	520	520	520
ICT	1,000	1,020	1,020	1,040	1,040	1,040	1,040	1,040	1,040
Contingency	1,000	1,000	0	0	0	0	0	0	0
Total Expenditure	115,397	124,445	117,619	116,278	110,064	110,064	105,921	105,921	105,921
Income - bank interest	0	0	-60	-60	-60	-60	-60	-60	-60
Transfer from Reserves	0	-21,413	-14,527	0	-19,630	0		-10,000	
Council Tax Requirement	115,397	103,032	103,032	116,218	90,374	110,004	105,861	95,861	95,861
Band D Council Tax	4.29	3.80	3.80	4.89	3.80	4.63	4.45	4.03	4.03
% Council Tax Increase				28.68%	0.00%	21.84%	17.11%	6.05%	6.05%

Appendix C

Amount of Council Tax for each Valuation Band of Dwelling

Valuation Band	Proportion of Basic Amount	Council Tax Options 2013/14				
		A	B	C	D	E
		£	£	£	£	£
A	6/9	3.26	2.53	3.08	2.97	2.69
B	7/9	3.80	2.96	3.60	3.46	3.14
C	8/9	4.34	3.38	4.11	3.96	3.58
D	basic amount	4.89	3.80	4.63	4.45	4.03
E	11/9	5.97	4.64	5.65	5.44	4.93
F	13/9	7.06	5.49	6.68	6.43	5.82
G	15/9	8.14	6.33	7.71	7.42	6.72
H	18/9	9.77	7.60	9.25	8.90	8.06