

# Charter Trust for the City of Durham

21 January 2013

## Revenue Budget 2013/14



City of Durham

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## Report of Jeff Garfoot, Treasurer

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### INTRODUCTION

- 1 The purpose of this report is to provide information to enable Charter Trustees to approve the:
  - appropriate budget requirement for 2013/14;
  - basic level of council tax required for 2013/14.

### BACKGROUND

- 2 Five budget options were presented to Trustees at the last meeting held on 5 December 2012:
  - Option A provided for a standstill budget;
  - Option B was a budget option to retain council tax at the same level as 2012/13;
  - Option C provided for a budget as per Option B but without drawing from reserves;
  - Option D was a budget option reducing variable costs by 25%;
  - Option E provided for a budget as per Option D with a transfer of £10,000 from reserves.
- 3 At that meeting, Charter Trustees decided to set up a budget working group with responsibility for considering alternative budgets for 2013/14 and recommending their preferred option to be presented to Charter Trustees for approval.
- 4 The working group has challenged costs incurred, including council recharges, considered the level of 2013/14 and future years' council tax increases and considered the utilisation of reserves to smooth the impact of council tax increases.
- 5 After considering several options, the working group are recommending that the proposed 2013/14 budget, detailed below and included in Appendices B and C, is agreed.

## PROPOSED BUDGET 2013/14

- 6 Appendix B details the proposed budget for 2013/14, comparing it to the budget which was approved for 2012/13. This proposed budget for 2013/14 uses all of the reserves, except £10,220, in order to retain the Band D council tax at the same level as 2012/13; that is £3.80.
- 7 Appendix B illustrates the variations between the approved 2012/13 budget and the proposed 2013/14 budget. The reasons for the main variances are set out below.
- 8 Due to the introduction of local council tax support schemes from April 2013, the council tax base has reduced for 2013/14 by 3,259.6 (from 27,113.6 to 23,854), therefore the council tax receivable has decreased, from 2012/13 to 2013/14, by £12,386 (at a council tax band D equivalent of £3.80).
- 9 However, it has been determined that the Charter Trust is eligible to receive a share of the Council Tax Support Grant which amounts to £10,398 for 2013/14, which partially offsets the loss in council tax income.
- 10 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. The majority of this was used to inflate variable budget heads such as transport and hospitality and therefore the proposed 2013/14 budget reduces those budget heads back to the 2011/12 budget position, plus inflation.
- 11 Unlike the 2012/13 budget, the 2013/14 budget does not allow for £1,000 of contingencies. The level of reserves should adequately provide for unforeseen expenditure during 2013/14.
- 12 The proposed 2013/14 budget includes support service costs and premises costs at 10% lower than the 2012/13 budget. Since 2009/10, the support service costs have been reduced by a total of 53% (from £37,155 to £17,442).
- 13 In order to balance the 2013/14 budget at a level which retains council tax at the 2012/13 rate, reserves of £11,276 have been applied. This leaves a general reserve balance of £10,220.
- 14 The following table shows the movement in the reserve balance from 1 April 2012 to that estimated at the end of 2013/14, should the proposed budget for 2013/14 be approved and the forecast use of reserves in 2012/13 remains at £14,527:

<b>Reserves</b>	<b>£</b>
Opening balance at 1 April 2012	36,023
Forecast use of reserves during 2012/13	-14,527
Estimated closing balance at 31 March 2013	21,496
Proposed use of reserves 2013/14	-11,276
<b>Estimated closing balance at 31 March 2014</b>	<b>10,220</b>

- 15 Appendix C illustrates the anticipated increases in council tax which would be necessary in future years if the proposed 2013/14 budget were approved and no additional cost reductions are implemented. The future years' budgets have been adjusted for anticipated inflationary increases only. Early predictions demonstrate that council tax in 2014/15 may need to rise by 13.92%, to £4.33; a similar levy to the £4.27 raised in 2011/12.
- 16 However, the Charter Trust's financial position could change by then. For example, there may be a higher than estimated underspend in 2012/13 or there may be an underspending during 2013/14, which will increase the level of reserves. If that were the case, Charter Trustees could opt to utilise these reserves to minimise the increase in council tax required.

## **RECOMMENDATIONS**

- 17 It is **RECOMMENDED** that the City of Durham Charter Trustees:
- approve the budget requirement of £90,645 for 2013/14; and
  - approve the basic level of council tax of £3.80.

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## **Risks and Implications**

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### **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

### Comparison between the Proposed 2013/14 Budget and 2012/13 Budget

	<b>Budget 2012/13 £</b>	<b>Proposed Budget 2013/14 £</b>	<b>Variation  £</b>
<b>Employees</b>			
Mayor's Allowance	3,500	3,500	0
Deputy Mayor's Allowance	1,500	1,500	0
NI contributions	580	574	-6
Sergeants at Mace/ Body Guard	2,900	2,809	-91
<b>Premises</b>			
Town Hall	13,107	11,796	-1,311
<b>Transport</b>			
Civic Car	17,120	14,831	-2,289
Bus Hire	1,650	1,440	-210
<b>Supplies &amp; Services</b>			
Mayor's hospitality/ functions	28,901	24,135	-4,766
General office expenses	1,520	1,020	-500
Insurance	2,305	2,034	-271
External Audit	612	624	12
<b>Support Services</b>			
Administration	30,370	30,674	304
Finance & procurement	7,650	6,885	-765
Legal/ Clerk	10,710	9,639	-1,071
HR	510	459	-51
ICT	510	459	-51
<b>Contingency</b>	1,000	0	-1,000
<b>Gross Expenditure</b>	<b>124,445</b>	<b>112,379</b>	<b>-12,066</b>
<b>Income:</b>			
Bank Interest	0	-60	-60
Council Tax Support Grant	0	-10,398	-10,398
Transfer from Reserves	-21,413	-11,276	10,137
<b>Gross Income</b>	<b>-21,413</b>	<b>-21,734</b>	<b>-321</b>
<b>Council Tax Requirement</b>	<b>103,032</b>	<b>90,645</b>	<b>-12,387</b>
<b>Council Tax Base</b>	<b>27,113.60</b>	<b>23,854.00</b>	<b>-3,259.60</b>
<b>Council Tax</b>	<b>3.80</b>	<b>3.80</b>	<b>0.00</b>

**Illustration of the Potential Impact the Proposed Budget may have on  
Future Years' Council Tax Requirement**

	<b>2013/14 Budget</b>	<b>2014/15 Budget</b>	<b>2015/16 Budget</b>	<b>2016/17 Budget</b>	<b>inflation added for 2014/15 onwards</b>
	£	£	£	£	%
Employees					
Mayor's Allowance	3,500	3,535	3,570	3,606	1
Deputy Mayor's Allowance	1,500	1,515	1,530	1,545	1
NI contributions	574	580	586	591	1
Sergeants at Mace/ Body Guard	2,809	2,837	2,865	2,894	1
Premises					
Town Hall	11,796	11,914	12,033	12,153	1
Transport					
Civic Car	14,831	15,127	15,430	15,739	2
Bus Hire	1,440	1,469	1,498	1,528	2
Supplies & Services					
Mayor's hospitality/ functions	24,135	24,618	25,110	25,613	2
General office expenses	1,020	1,040	1,061	1,082	2
Insurance	2,034	2,075	2,116	2,158	2
External Audit	624	637	649	662	2
Support Services					
Administration	30,674	30,980	31,290	31,603	1
Finance & procurement	6,885	6,954	7,023	7,094	1
Legal/ Clerk	9,639	9,735	9,833	9,931	1
HR	459	464	468	473	1
ICT	459	464	468	473	1
<b>Gross Expenditure</b>	<b>112,379</b>	<b>113,943</b>	<b>115,533</b>	<b>117,147</b>	
Income - bank interest	-60	-60	-60	-60	0
Council Tax Support Grant	-10,398	-10,398	-10,398	-10,398	0
Transfer from Reserves	-11,276	-220			
<b>Council Tax Requirement</b>	<b>90,645</b>	<b>103,265</b>	<b>105,075</b>	<b>106,689</b>	
Band D Council Tax	<b>3.80</b>	<b>4.33</b>	<b>4.40</b>	<b>4.47</b>	
£ Co Tax Increase from previous year	<b>0.00</b>	<b>0.53</b>	<b>0.08</b>	<b>0.07</b>	
% Co Tax Increase from previous year	<b>0.00</b>	<b>13.92</b>	<b>1.75</b>	<b>1.54</b>	