# Scrutiny Committee

South Oxfordshire District Council
Listening Learning Leading

Report of Head of Finance

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# 2013/14 budget update report

## Purpose of report

1. The purpose of this report is to inform the scrutiny committee of the budget target for 2013/14 and the composition of the base budget, to set out the issues to be considered by councillors before council sets a revenue and capital budget for 2013/14, and to report on 2013/14 government funding.

## Background

2. On 14 February 2013 cabinet will consider a report on the revenue and capital budgets for 2013/14 and will recommend 2013/14 budgets to council. To allow councillors to make informed recommendations all relevant issues affecting funding, expenditure and income must be brought to their attention in a timely manner to allow them an opportunity to challenge and consult on the options available.

3. This report considers revenue and capital income and expenditure and funding options available, paying particular attention to those areas where councillors have significant discretion over the outcomes.

4. In preparing the revenue and capital budgets the council must have regard to the Medium Term Financial Strategy (MTFS) considered by cabinet on 6 December 2012 and agreed by council on 13 December 2012. This sets out a number of objectives to be achieved and a set of principles to be followed in the preparation of budgets.

## Revenue budget 2013/14

### Budget target 2013/14

5. The MTFS approved by council on 13 December 2012 sets a target within which the revenue budget will be set each year. It is:

   'to set a revenue budget requirement that increases by no more than inflation each year, except where new responsibilities are placed on the council'.

6. To meet this objective the budget must be set within the budget limit for 2013/14. This has been calculated as £12,774,253, representing the budget requirement for 2012/13 (£12,154,358) as adjusted for inflation, and new responsibilities.

### Base budget composition 2013/14

7. The starting point for building the base budget 2013/14 is the 2012/13 base service budgets for service teams, of £15,022,821 plus the budget contingency of £332,500. This has then been updated for the following:

   - opening budget adjustments, including the removal of one-off growth items relating to 2012/13
   - addition of
     - inflation, salary increments and other salary adjustments
     - essential growth, including new responsibilities
   - removal of costs relating to
     - base budget savings
     - Fit for the Future (FFTF) savings
     - managed vacancy factor
   - other budget adjustments
   - funding from reserves

   to produce a budget requirement for 2013/14 of £11,766,520. This is well within the budget limit referred to in paragraph 6 above.

8. This budget represents the base budget submitted by officers and it affords resources to allow the council to provide services at the current standards and reflects known and previously agreed policy decisions. It also includes essential growth items which include any growth in respect of new responsibilities placed on the council.

9. The 2013/14 figures are provisional and are liable to change as work continues on refining the budget. The paragraphs below identify how the budget requirement for 2013/14 has been reached.

**2013/14 base budget build changes**

10. **Appendix A** summarises the movements in the base service budgets of £15,022,821 for 2012/13 and the 2013/14 net cost of services amount of £14,926,547. These movements are detailed in paragraphs 10–19 below.

Opening budget adjustments (**appendix A1**)

11. A total of £469,523 is removed from the base budget for one-off items agreed in previous budgets, and the realisation of the full-year effect of savings proposals identified in previous years.

Inflation, salary increments, and other salary adjustments (**appendix A2**)

12. Together these total £232,622. The salary and contract inflation totals £323,883, representing an average increase of just over two per cent on the 2012/13 net expenditure budgets. For all council employees an increase in salary of two per cent is budgeted for 2013/14. Increments payable to council employees not at the top of their salary range total £57,413. Other salary adjustments represent a net saving of £148,674 reflecting additional savings arising from restructures initiated in prior years and other budget corrections. The introduction of a managed vacancy factor, discussed in paragraph 18 below, should also be noted.

Essential growth (**appendix B**)

13. These items total £332,880. They comprise additional expenditure which is considered unavoidable, and reflect changes that have occurred in the current year or which are known will happen in 2013/14. These items have been reviewed by strategic management board and cabinet members.

14. The essential growth includes two items that are the result of the changes to government funding taking place for 2013/14. The first reflects a net loss in subsidy income in respect of council tax benefit in finance, due to that scheme being replaced by the new council tax reduction scheme, of £69,450. The second is the change to homelessness prevention grant funding of £50,000 whereby instead of being the grant credited to Health and Housing, it is instead subsumed within general government grant funding. Changes to government grant funding are considered in detail later in the report.

Base budget savings (**appendix C**)

15. These items total £292,516. These base budget savings are reductions in costs identified by officers which may be the result of more efficient working or previously agreed policy decisions, cost reductions outside of the council's control, or correction to budgets. These savings do not affect frontline service delivery.

Fit for the Future savings

16. The council uses a lean systems thinking approach to remove inefficiencies in business processes and improve the quality of customer service. Internally this approach is known as Fit for the Future (FFTF) – savings made to date are already included in the service area base budgets.

17. The latest phase of this project is underway and involves processes in some of the council's service teams being looked at in detail with the aim of identifying efficiency savings. Savings of £50,000 were identified for 2012/13 budget setting and this increases to £100,000 in 2013/14 and £250,000 in future years. The

£50,000 increase in savings for 2013/14 is reflected in the based budget and future years' savings are included in the medium term financial plan. Total savings targets for this phase are summarized in table 1 below.

**Table 1: FFTF savings targets**

| Year | £ |
|---|---|
| 2012/13 | 50,000 |
| 2013/14 | 100,000 |
| 2014/15 | 250,000 |
| 2015/16 | 250,000 |

Managed vacancy factor

18. In order to recognise a level of establishment vacancies which occur every year, a managed vacancy factor is to be implemented. This will reduce the employee budgets across the council from the 100 per cent of the establishment list to 98 per cent. This saving of £182,237 replaces funding from the vacancy reserve seen in prior years. This change should help reduce perceived over-budgeting and the size of any year-end underspend.

19. As a result of all of these changes, the revised base budget for 2013/14 is £14,926,547.

**Treasury income**

20. In 2011/12 the council received £2.5 million in investment income. This income was used as follows:

- £500,000 to support capital grants (CIF);
- £1,200,000 to support the revenue budget for 2012/13;
- £650,000 reinvested in financial instruments; and
- £150,000 transfer to general fund balances

21. Treasury income earned in 2012/13 will be available to finance expenditure in 2013/14 and is currently forecast to be £2.514 million, and would be used as follows under current practice:

- £500,000 to support capital grants (CIF);
- £1,649,000 to support the revenue budget for 2013/14; and
- £365,000 reinvested in financial instruments.

22. Interest rates are expected to remain low for the foreseeable future, as shown in table 2 below:

**Table 2: projections of future interest**

| | 2013/14 £m | 2014/15 £m | 2015/16 £m | 2016/17 £m | 2017/18 £m |
|---|---|---|---|---|---|
| **Estimate of average balance in year** | **90.1** | **81.3** | **75.0** | **72.5** | **69.8** |
| Forecast average interest rate | 2.0% | 2.25% | 2.5% | `3.0% | 3.0% |
| **Forecast interest earnings** | **2.1** | **2.2** | **2.2** | **2.6** | **2.5** |

23. The current base budget assumes that £0.5 million of the forecast distributable investment interest of £2.1 million expected to be earned in 2013/14 is used to finance capital grants, £0.25 million is reinvested in financial instruments, with the balance used to fund revenue expenditure in 2014/15.

**Property income**

24. Net property income represents the council's net income from its investment property portfolio, and is estimated at £1,034,243.

25. After taking investment and property income into account the net expenditure budget for 2013/14 is estimated at £11,789,304. The net budget is further adjusted by the managed use of earmarked reserves, as identified in the following paragraphs.

**Use of reserves and other funding**

**Community Investment Fund (CIF)**

26. Each year the council has to make an explicit decision regarding the use of income earned by the CIF. The income is revenue money that could be used to pay for either revenue or capital expenditure. In preparing the draft budgets, as discussed in paragraph 23 above, it has been assumed that £0.5 million of the interest earned by the council is used to support capital grants, with the remainder being used to finance the revenue budget

**Other financing and transfers to / from reserves**

27. The government has announced provisional allocations for New Homes Bonus payments for 2013/14, the third year of the scheme, and the council is to receive £1.1 million. So far the council's policy has been not to use New Homes Bonus payments to support general revenue expenditure, but to earmark it instead for other purposes, and this report assumes this policy will continue. This amount is therefore budgeted to be transferred wholly to reserves. Councillors should however note the likely government expectation that councils should use New Homes Bonus as general government grant funding reduces over the medium term.

28. The government has also announced a third tranche of Council Tax Freeze Grant for 2013/14. As discussed later in this report the first tranche, which was for four years, has been subsumed within government grant funding, whilst the second tranche was for one year only. The third tranche, which represents grant funding equivalent to a one per cent increase in council tax, equates to just over £67,000 and this amount will also be received in 2014/15.

29. In addition to the transfer to reserves of the New Homes Bonus payment, the other transfers to / from earmarked reserves reflect:

- Use of the enabling fund for previously agreed one-off growth bids already included in the base budget, and essential growth items that are one-off in nature;
- The transfer to reserves of the treasury income earned in year; and
- The transfer from reserves of treasury income earmarked to support the revenue account in the previous financial year.

There is also the budgeted use of £175,000 of reserves to arrive at a budget requirement that reflects the government grant settlement, and assumptions around council tax level, which are discussed later in the report. In 2012/13 there was a budgeted transfer to the revenue budget smoothing reserve of over £600,000.

30. Taking into account these contributions the provisional budget requirement for 2013/14 totals £11,766,250.

## Capital programme 2013/14 to 2017/18

31. The capital programme has been reviewed in detail by heads of service in conjunction with finance staff as part of the budget monitoring process, and has been changed to reflect current expectations of the spending profile. An updated programme, reflecting these changes, is attached as **appendix E**. The programme also includes a statement of how it will be funded. This excludes capital growth proposals which are discussed later in this report.

## Government funding for revenue expenditure

### Significant changes

32. There are significant changes to the financing of local authorities from April 2013 onwards, some of which are easier to estimate than others. On 19 December 2012 the government announced the grant settlement details for 2013/14, and also provisional details for 2014/15. Officers are continuing to work through the consequences of the settlement. The main changes to government funding are detailed in the following paragraphs.

### Localisation of council tax benefit

33. Up to and including 2012/13 now council tax benefits has been a national scheme administered by councils on behalf of the government. The benefits councils paid out were reimbursed through subsidy payments from central government. The Welfare Reform Act 2012 provided for this scheme to be abolished with effect from 31 March 2013 and replaced with local council tax reduction schemes (CTRS). So from 1 April 2012 each council has to determine its own scheme.

34. Councils do not have a totally free hand in the design of their schemes as the government has legislated that pensioners and other vulnerable groups (not defined) should be no worse off than they would have been under the old national council tax benefit scheme. In addition the government is reducing funding of

CTRS to 90 per cent of the actual anticipated expenditure in 2013/14. So councils can either design a scheme that reduced entitlements in order to cope with the reduced funding or retain existing entitlements and fund the resulting shortfall themselves.

35. This council, along with the other councils in Oxfordshire, decided that in year one, 2013/14, it would operate a scheme that mirrors the current scheme so in effect it has decided to meet this gap in funding from its own resources. Further details on this were reported to cabinet and council in December 2012: council approved the local scheme to be adopted on 13 December 2012.

36. Under current arrangements council tax benefit claimants are billed in full for the amount due for their property, then benefit payments make up the shortfall between what they owe and what it is deemed they are able to pay. Under the new scheme this changes so that the amount the claimant is due to pay for their property is reduced by means of a discount. This has two budgetary impacts:

- Firstly all budgets within finance for council tax expenditure and subsidy income have been deleted. This has resulted in an essential growth bid in finance as, due to the complex funding of council tax benefit bad debts there was a net income base budget for council tax benefit of £69,450; and

- Second, the council's tax base is reduced by the introduction of the discounts. As per the December cabinet report the reduction in the tax base equates to 3,888.8 which, based on the council's band "D" equivalent council tax, represents a reduction in income of £469,145. To compensate, government has provided additional government grant funding as part of the general government grant settlement. In 2013/14 this equates to £665,142, although as town and parish councils are similarly affected by this change £245,967 of that grant is identified by the government as payable to the town and parish councils. The remaining grant relating to this council is £419,175, just under £50,000 less than the lost income due to the council tax base reduction.

37. Whilst the government has explicitly indicated within the government grant settlement details the element for CTRS support for 2013/14 it has not done so for 2014/15. It is not clear whether this will be provided for future years at current levels, and it is not clear whether the amount of funding intended for town and parish councils will be made clear in future years' settlements. Officers have therefore not assumed any future payments to town and parish councils after 2013/14.

38. Under the new scheme government funding is fixed but the amount we award in discounts will fluctuate depending on the number of council tax payers who meet our eligibility criteria. The risks and (and rewards) associated with changes in benefits caseloads have therefore transferred from the government to councils. There is a risk that the cost of the scheme will rise (i.e. a reduction in council tax due to a growth in claimant numbers). Similarly the costs would fall if claimant numbers reduce.

### Council tax exemptions and discounts

39. The Local government Finance Act 2012 also affords councils new powers in relation to the award of council tax exemptions and discounts. Council agreed to new exemption and discount levels at its meeting of 13 December 2012. This decision has resulted in an increase in the council tax base of 502.8, which based on the current level of council tax represents increased income of £60,658.

### Business rates retention scheme

40. Up to and including 2012/13 formula grant funding has been made up of Revenue Support Grant (RSG) and redistributed National Non Domestic Rates (NNDR), or business rates. Councils collected business rates on behalf of the government who redistributed the amount received on the basis of need. There was no incentive within this system for councils to seek to generate more business rate income, although the council has always achieved a high collection rate.

41. In the new settlement a reworked RSG remains, but the redistributed NNDR system has been replaced by the business rates retention scheme. The new scheme aims to provide a direct link between business rates growth and the amount of money the council has to spend on local people and local services. The council will retain a proportion of the business rates revenue as well as growth on the revenue that is generated in South Oxfordshire. The government is hoping that this will provide a financial incentive for councils to achieve economic growth in their areas. Some of the risk (and reward) associated with changes in business rates recovery has therefore transferred from the government to councils.

42. The fundamentals of the new scheme are:

    - The government has set a baseline for each council for business rate income, based on 40 per cent of the last two years' collection amounts (see table 3);

    - The government has also set a spending baseline for each council. Where the business rate baseline is higher than the spending baseline (as it is for this and many district councils) the difference is paid to the government and is known as the tariff (see table 4);

    - Once set for a financial year, the tariff is fixed irrespective of what business rates are actually collected. The tariff then rises annually by the inflation multiplier applied to business rates;

    - Of the actual business rates collected the government receives 50 per cent. In two tier areas, of the remaining 50 percent, 80 per cent is attributed to district councils and 20 per cent goes to county councils;

    - Districts then use their 40 per cent share to pay their tariff;

    - Where councils collect business rates in excess of their business rate baseline they are allowed to keep a percentage of the increase. In the case of this council it is 20 per cent of the total amount collected above the baseline, with 50 per cent going to the government, 5 per cent to the county council and the remaining 25 per cent again goes to the government and is called a levy; and

- Where councils collect less business rates than their business rate baseline they suffer their share of the loss (i.e. districts 40 per cent, counties 10 per cent). The loss a council can suffer is limited by a safety net which is calculated as 92.5 percent of their spending baseline (see table 5).

**Table 3: breakdown of business rates baseline 2013/14**

| | **Share of business rates baseline £** |
|---|---:|
| Central government | 20,744,674 |
| South Oxfordshire DC | 16,595,739 |
| Oxfordshire CC | 4,148,935 |
| **Total** | **41,489,348** |

**Table 4: baseline funding level 2013/14**

| | **£** |
|---|---:|
| Share of business rates baseline | 16,595,739 |
| Tariff payment | (14,320,047) |
| **Spending baseline funding level** | **2,275,692** |

**Table 5: estimates of business rates collection 2013/14**

| | **£** |
|---|---:|
| Baseline funding level | 2,275,692 |
| Safety net (92.5 per cent of baseline funding level) | 2,105,300 |
| | |
| Total estimated business rates income | 41,283,267 |
| SODC share of estimated income (40 percent of total) | 16,513,307 |
| Less: tariff payment | (14,320,047) |
| **Total SODC share of estimated income after tariff** | **2,193,260** |
| Shortfall to baseline funding level | 82,432 |

43. **Of the £41,283,267 of business rates we expect to collect for 2013/14 we have estimated that we will be able to keep £2,193,620.** Latest estimates of business rates collection for 2013/14 suggest that income collected will be below the business rate baseline set by the government, but will not be lower than the safety net. The impact of this is a pressure of £82,432 in 2013/14. This is exemplified in table 5 above.

**Local government settlement**

44. On 19 December 2012 the government announced the 2013/14 provisional settlement with headline figures for 2014/15. The total funding is now referred to as the “start-up funding assessment”. As these figures are provisional they may be subject to change. Table 6 below details the funding outlined for the council.

**Table 6: local government settlement 2013/14 to 2014/15**

| | 2013/14 Provisional £ | 2014/15 Provisional £ |
|---|---|---|
| Baseline funding level | 2,275,692 | 2,345,490 |
| Revenue support grant | 3,420,690 | 2,623,094 |
| **Start-up funding assessment** | **5,696,382** | **4,968,584** |

45. As discussed earlier in the report other grant funding streams have been rolled into the settlement. These streams include:

- Council tax freeze grant (2011/12 tranche)
- CTRS (of which an element is payable to town and parish councils)
- Homelessness prevention funding.

As table 7 below shows, with the exception of CTRS these elements are separately identified in the settlement details for both years.

**Table 7: breakdown of start-up funding allocation**

| | Start-up funding allocations | | | | | |
|---|---|---|---|---|---|---|
| | 2013/14 | | | 2014/15 | | |
| | RSG £ | Baseline funding £ | Total £ | RSG £ | Baseline funding £ | Total £ |
| CT freeze | 102,830 | 68,410 | **171,240** | 100,732 | 70,508 | **171,240** |
| CTRS | 399,419 | 265,722 | **665,141** | - | - | **-** |
| Homelessness | 30,025 | 19,975 | **50,000** | 29,411 | 20,589 | **50,000** |
| Other | 2,888,416 | 1,921,585 | **4,810,001** | 2,492,951 | 2,254,393 | **4,747,344** |
| **Total** | **3,420,690** | **2,275,692** | **5,696,382** | **2,623,094** | **2,345,490** | **4,968,584** |

46. It will be noted that, whilst the baseline funding amount has increased by 3.1 per cent to reflect inflation – an increase enshrined in the business rates retention scheme - the RSG element has fallen by 23 per cent. The overall reduction in funding in 2014/15 is 12.7 per cent. It should also be noted that these figures exclude New Homes Bonus funding which for 2013/14, as discussed earlier in the report, has been earmarked as per agreed policy.

47. The extent of the changes made to local government funding mean it is difficult to make a like-for-like comparison between funding levels in 2012/13 and 2013/14. All things being equal, officers calculate that, excluding New Homes Bonus, the council has seen a reduction in comparable funding of £569,788, as detailed in table 8 below.

**Table 8: reduction in funding 2012/13 to 2013/14**

| | £ |
|---|---|
| **2012/13 government grant funding** | |
| ▪ RSG / NNDR | 5,238,594 |
| ▪ CT freeze grant | 171,240 |
| ▪ Homelessness prevention grant | 50,000 |
| **Total 2012/13 government grant funding** | **5,459,834** |
| | |
| **2013/14 government grant funding** | **5,696,382** |
| ▪ Less town / parish element of CTRS | (245,967) |
| **Total 2013/14 government grant funding** | **5,450,415** |
| **Reduction in government grant funding** | **(9,419)** |
| | |
| **Other budget changes** | |
| ▪ Changes in tax base following CTRS introduction (excluding growth in tax base during 2013/14) | (408,487) |
| ▪ Estimated shortfall on business rates collection | (82,432) |
| ▪ Removal of net council tax subsidy budget | (69,450) |
| **Total impact on budget** | **(569,788)** |

## Issues for consideration, the MTFP and council reserves

48. The paragraphs below set out further issues that need to be considered before the final budget for 2013/14 is set by council in February 2013. As such they represent areas of discretion in the budget setting process that are open to councillors.

### Revenue and capital growth

49. In setting the annual budget the council must consider if it wishes to enhance, improve or extend existing service provision. Heads of service have submitted a number of suggestions for additional spend that support the council's key aims as set out in the council's corporate plan, and management team has agreed that a number of these merit further consideration as part of the budget setting process.

50. These proposals are not included in the base budget as they are still under consideration and are subject to political decision as to whether they will be included in the formal budget proposals. The council could include one or more of the growth items in the revenue budget for 2013/14 or the capital programme without increasing the council's budgeted expenditure by funding growth proposals that are one-off from the enabling fund.

51. The growth bids are attached to the report as follows:

- **appendix D** – revenue growth bids - £582,070
- **appendix F** – capital growth bids – including net revenue ongoing costs of £14,570

52. It will be for the council to decide in February whether these or any other proposals are included in the final budgets. If any member of the committee wishes to have further details of any of the bids please can they contact the relevant head of service.

**Uncommitted resources – earmarked revenue reserves**

53. As part of the 2011/12 budget, a “revenue budget smoothing reserve” was created to help ensure that in an environment of falling government funding, the council could keep council tax increases to a minimum. During the year the balances on the pension fund reserve, vacancy reserve and other small value reserves have been added to this fund so as to reduce the number of and simplify the reserves maintained. The value of the reserve will be £3.5 million at 31 March 2013. This earmarked reserve will be used before the enabling fund to balance the revenue budget in future years where the council’s budgeted expenditure exceeds its income.

54. The estimated enabling fund balance – which is included within the council’s general fund balances – as at 1 April 2013 is £15.3 million. However, for the purposes of budget setting, the relevant figure is the estimated uncommitted enabling fund balance after taking into account existing funding commitments (e.g. capital schemes) and projected earnings on investments. As at the 31 March 2018 it is estimated the uncommitted balance will be £3.8 million. The council’s general fund balance in total is estimated to be £15.2 million, with earmarked revenue reserves equating to £12.3 million. (Appendix G rows 55/56).

55. This estimated balance does not include the growth bids proposed in this report, and assumes that the enabling fund is used to balance the revenue budget in future years only after the revenue smoothing reserve is exhausted.

56. Earmarked reserves include New Homes Bonus receipts. To date the only use of this reserve has been to fund New Homes Bonus grants. This policy may need to be reviewed in future if the government expects councils to use New Homes Bonus receipts to make up the funding gap caused by the reduction in government grant funding.

**Council tax**

57. Given the announcement by the cabinet member for finance regarding council tax reductions, officers have assumed a 2.5 per cent reduction in the council’s council tax charge for 2013/14, 2014/15 and 2015/16. Officers have assumed no further Council Tax Freeze Grant after the latest tranche which is payable in 2013/14 and 2015/15.

**MTFP**

58. In addition to considering the budget for the 2013/14 financial year, consideration must also be given to the financial position of the council over the medium term. In particular, the impact of the likely continued reduction in government grant funding over the medium term will present a significant challenge for the council.

59. **Appendix G** of this report presents a Medium Term Financial Plan (MTFP) for the council, which quantifies the financial pressure on the council over that period. It assumes that government grant funding will fall in total by 35 per cent by 2017/18. It also incorporates assumptions on interest income, and other known pressures on the council, such as inflation and salary increments. Based on current assumptions, the revenue budget smoothing reserve and the enabling fund will need to be called upon to set a balanced budget in future years. The projected use of these reserves is shown in table 9 below:

**Table 9: use of reserves to set balanced budget**

| | Use of reserves £000 |
|---|---:|
| 2013/14 | 175 |
| 2014/15 | 1,439 |
| 2015/16 | 2,294 |
| 2016/17 | 3,096 |
| 2017/18 | 3,514 |
| **Total** | **10,518** |

60. As identified above, if base budget for 2013/14 was adopted as the budget for the year with no further changes then in future years then, based on current assumptions, the council would need to use £10.518 million of reserves by 31 March 2018.

**Budget consultation**

61. Councillors should note the results of the budget consultation exercise carried out in the Autumn. This provides the views of a representative cross section of the community. For further details of the consultation please contact the council's consultation officer.

## Future prospects

62. There are other issues for which costs and potentially revenues are not known. These are detailed in paragraphs 63-69 below.

63. On 16 February 2011, the welfare reform bill was introduced to parliament. The Universal Credit (UC), a major feature of this bill, will be administered by the Department for Work and Pensions (DWP). It aims to simplify the current benefits system providing a basic allowance which will replace amongst other benefits housing benefit currently administered by local authorities. The potential implications and opportunities for local authorities are significant.

64. Some early feedback from the pilots which commenced in June 2012 relating to change of circumstances indicate that up to 40 per cent of UC claimants are contacting their local authority rather than DWP / HRMC. The DWP is looking at how to minimise this impact, accepting that they still have not defined the role of local authorities in any future ongoing face to face contact. The government has reiterated that from April 2014 all new benefit claims will be made through UC.

65. The benefit fraud team will be working to the rules of the national Single Fraud Investigation Service (SFIS) from April 2013. SFIS will be a partnership between HMRC, DWP and local authorities and will be responsible for investigating all welfare benefit fraud. The benefit fraud team will continue to be employed by the council but SFIS design work, which is ongoing, will determine arrangements from 2014.

66. The government has completed consultation on proposals to decentralise responsibility for setting planning fees to local planning authorities. The proposals will allow authorities to set planning applications fees on the basis of full cost recovery, if they wish. This will help reduce the local taxpayer subsidising the planning service. If the authority decided to recover costs in this way, there will be a significant increase in application fees.

67. Officers are currently waiting for confirmation of the Regulations that will set out how the authority can set its own fees and a timetable for implementation. An interim 15 per cent increase in fees nationally has been reflected in the budget. When the regulations are released officers will work through the implications and report to cabinet. Cabinet will then need to decide whether and when it wishes to implement this change.

68. Lawyers representing some waste reprocessors have submitted an application for a Judicial Review against Defra and the Welsh Government's Waste (England and Wales) Regulations. The Judicial Review is significant for local authorities because it will determine whether councils can continue to collect recyclables commingled, as the current Waste (England and Wales) Regulations allow. The alternative is separate collection of plastic, glass and metals.

69. There are potential medium term cost implications if the review is successful, although officers anticipate that such an outcome is unlikley. The council's current reprocessor is not involved in the action.

## Financial Implications

70. These are included within the body of the report.

## Legal Implications

71. There are no legal implications arising directly from this report.

## Conclusion

72. This report brings together all known, relevant income and expenditure and funding information. This should aid members in understanding the major issues to be faced in setting the 2013/14 budget and allow them to consider and challenge that information before council sets its 2013/14 revenue and capital budget in February 2013.

## Background Papers

Appendices

- Appendix A – revenue budget summary
- Appendix A1 – opening budget adjustments
- Appendix A2 - Inflation, salary increments and other salary adjustments
- Appendix B – essential growth
- Appendix C – base budget savings
- Appendix D – revenue growth bids
- Appendix E – capital programme to 31 March 2018
- Appendix F – capital growth bids
- Appendix G – medium term financial plan

Other background papers

- Medium term financial strategy 2013/14-2017/18 – cabinet 6 December 2012
- Council tax reduction scheme – cabinet 6 December 2012
- Council tax discounts and exemptions – cabinet 6 December 2012

- New Homes Bonus Interim Policy – cabinet  12 April 2012
- Budget consultation report for 2013/14
- Business rates retention and the local government finance settlement: a plain English guide – DCLG – 19 December 2012
- Council tax base 2013/14 – cabinet 7 December 2012

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