

## **CABINET**

### **SUBJECT: THE COUNCIL'S BUDGET 2012/15**

The purpose of this report is to enable the Council to calculate and set the Council Tax for 2012/13.

The Localism Act 2011 has made significant changes to the Local Government Finance Act 1992 ("the Act"), and now requires the billing authority to calculate a Council Tax requirement for the year, not its budget requirement as previously.

The Council has to formally resolve that it calculates certain figures, which broadly are:

- its gross expenditure, including contingency and levies (but not precepts)
- its gross income from fees & charges and other sources, specific grants, external finance from the Government, and any surplus/deficit on the collection fund
- the difference between the two, being the amount which the Council needs for its own services to be paid from the collection fund, defined as the Council Tax requirement
- the basic amount of Council Tax for the net position of all these figures, including precepts, and
- the amount of Council Tax for each other category of dwelling.

The Council is also required to formally approve the management of the Council's treasury management functions, including the Treasury Management Strategy, and the proposed revenue budget for both the General Fund and schools' delegated budgets, and the capital programme.

**Members are asked to bring their copy of the Cabinet reports including the appendices and supplementary paper with them to the meeting, as the recommendations before Council make specific reference to these reports.**

Attached to this report are (or to follow when available):

- a revised Council Tax statement, originally provided in the Cabinet report marked as Appendix E, amended following the final notification of the levies
- Annex A to this report which provides supporting information to the resolutions
- Annex B which are the draft minutes of the Cabinet meeting (to follow when available).

The Treasury Management Strategy and related documents were reported to Cabinet separately but are being submitted to Council as part of this report for approval, as

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they are directly related to the budget. The Capital Programme was originally provided in the Cabinet report marked as Appendix I.

The HRA Business Plan 2012 – 2042, HRA Budget for 2012/13 and HRA Capital Programme 2012/13 – 2014/15 were also reported separately to Cabinet. The housing Capital Programme was originally provided in the Cabinet report on the HRA budget as Appendices 2, 3 and 4. The report is referred to as the “HRA Budget report”.

Members are advised that there are no changes to the Cabinet report as a result of the Trade Union consultation undertaken after the Cabinet meeting.

In the light of the above **Cabinet recommends the Council to adopt the following resolutions as set out below.**

The effect of adopting these resolutions would be to set the Council Tax for a Band D property at £1,501.90

**RECOMMENDATIONS**

1. That the following as submitted in the report to Cabinet be approved:
  - a) The General Fund revenue budget for 2012/13, as set out in the revised Appendix E attached to this report.
  - b) The delegated schools’ budget for 2012/13, as set out in Appendix E of the report to Cabinet.
  - c) The revenue and capital budget strategy statements and procurement strategy, as set out in Appendix A of the Cabinet report.
  - d) The Capital Programme for 2012/13, as set out in Appendix I of the report to Cabinet.
2. That, in accepting recommendation 1, Council is mindful of the advice of the Chief Finance Officer as set out in Appendix H of the report to Cabinet.
3. That it be noted that under delegated powers the Chief Finance Officer has calculated the amount of 90,139 (called T in the Act and Regulations) as its Council Tax base for the year 2012/13 in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) made under Section 31B of the Local Government Finance Act 1992 as amended.
4. That the amount of £107,732,330 be now calculated as the Council Tax requirement for the Council’s own purposes for 2012/13.
5. That the following amounts be now calculated by the Council for the year 2012/13 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:

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(a)	£447,298,449	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	(£339,566,119)	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£107,732,330	being the amount by which the aggregate at 5(a) above exceeds the aggregate at 5(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
(d)	£1,195.18	being the amount at 5(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the amounts shown in the table below as the amounts of Council Tax for 2012/13 for each of the categories of dwellings.

<b>Valuation Bands London Borough of Havering</b>	
	<b>£ p</b>
A	796.78
B	929.59
C	1,062.38
D	1,195.18
E	1,460.77
F	1,726.37
G	1,991.97
H	2,390.36

7. That it be noted for the year 2012/13 the major precepting authority (the GLA) has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below as proposed by the Mayor and as approved by the London Assembly at its meeting on 9<sup>th</sup> February 2012.

<b>Valuation Bands Greater London Authority</b>	
	<b>£ p</b>
A	204.48
B	238.56
C	272.64
D	306.72
E	374.88
F	443.04
G	511.20
H	613.44

8. That, having calculated the aggregate in each case of the amounts at 6 and 7 above, the Council, in accordance with Sections 30 and 36 of the Local

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Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2012/13 for each of the categories of dwellings shown below:

<b>Valuation Bands</b>	<b>£ p</b>
A	1,001.26
B	1,168.15
C	1,335.02
D	1,501.90
E	1,835.65
F	2,169.41
G	2,503.17
H	3,003.80

**The effect of adopting this resolution would be to set the Council Tax for a Band D property at £1,501.90**

8. That Council having considered the principles approved under Section 52ZD of the Local Government Finance Act 1992 by the Secretary of State concludes that the Council's basic amount of Council Tax for 2012/13 is not excessive.
9. That any Council Tax payer who is liable to pay an amount of Council Tax to the Authority in respect to the year ending on 31<sup>st</sup> March 2013, who is served with a demand notice under Regulation 20(2) of the Council Tax (Administration and Enforcement) Regulations 1992 as amended and who makes payment to the Authority of the full balance of the estimated amount shown on that demand by 1<sup>st</sup> April 2012, may deduct a sum equivalent to 1.5% of and from the estimated amount and such reduced amount shall be accepted in full settlement of that estimated amount.
10. That Council agrees that the Capital Programme be expanded for schemes during the year which are funded via additional external funding under the authority of the Cabinet Member Value and the relevant service area Cabinet Members.
11. That Council approves the Treasury Management Strategy Statement, the Minimum Revenue Provision Strategy and the Annual Investment Strategy 2012/13.
12. That Council approves the detailed expenditure items in the 2012 – 2013 HRA Capital Programme, based on total resources of £34.338m, as presented in Appendix 2 of the HRA Budget report.
13. That Council agrees the proposed HRA Capital Programmes for 2013/4 and 2014/15, as set out in Appendix 3 of the HRA Budget report, **subject to** release of Decent Homes grant by central government in those two years.
14. That Council agrees the detailed expenditure items in the funded HRA Capital Programme for 2013/14 to a limit of £15.78m based on the resources in the HRA

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Business Plan excluding the Decent Homes grant yet to be confirmed, as set out in Appendix 4 of the HRA Budget report.

**REPORT DETAIL**

As set out in the reports to Cabinet of the 8<sup>th</sup> February 2012 and the attached Annexes.



## **BUDGET AND CORPORATE PLAN AND COUNCIL TAX 2012/13**

### **SUPPLEMENTARY INFORMATION**

#### **A. THE GREATER LONDON AUTHORITY AND LEVIES**

The Greater London Authority precept proposed by the Mayor was advised as being £306.72 per Band D property (1% decrease). The London Assembly was due to consider this budget and precept on 9<sup>th</sup> February 2012. The budget was approved and the band D figure has therefore now been confirmed, and is reflected accordingly throughout this report. Information on the other levies is as set out in the report to Cabinet or as subsequently advised to Council as part of this report, and is reflected accordingly in the revised Appendix E.

#### **B. THE COUNCIL TAX (DEMAND NOTICES) (ENGLAND) REGULATIONS 2011**

The Regulations set out the information which the billing authority must supply with the Council Tax Demand Notice, and the National Non-domestic Rate Notice as well as matters required to be contained in those Notices.

The 2011 Regulations require new information to be provided within the Demand Notice to that under previous Regulations. This information is as follows:

##### **Amounts of gross expenditure**

The gross expenditure of—

- (a) the billing authority,
  - (b) each relevant precepting authority, and
  - (c) each relevant levying body,
- for the relevant year (ie the year for which the budget is being set) and the preceding year.

##### **Amounts of council tax requirement**

The council tax requirement of—

- (a) the billing authority, and
  - (b) each relevant precepting authority,
- for the relevant year and the preceding year.

##### **Statements concerning gross expenditure and council tax requirement**

The billing authority's reasons for any difference between the amounts stated in respect of the gross expenditure and council tax requirement for the billing authority and each precepting authority for the same year.

The billing authority's opinion of the effect that its gross expenditure has on the level of council tax set for the relevant year.

Each relevant precepting authority's opinion of the effect that its gross expenditure has on the level of its precept issued for the relevant year.

In accordance with these Regulations, these calculations are as follows:

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	2011/12	2012/13
	£	£
<b>Amounts of Gross Expenditure</b>		
	Aggregate of the items which are attributable to the services administered by the Authority during the year	
	507,914,503	447,298,449
excluding	allowances for contingencies	2,000,000
	and contributions to financial reserves	1,077,620
	<b>Gross Expenditure</b>	<b>444,220,829</b>
	<b>504,832,833</b>	<b>444,220,829</b>
<b>Amounts of Council Tax Requirement</b>		
	LBH element of the Council Tax Band D for a Property	
	1,195.18	1,195.18
multiplied by	the Council Tax Base	90,139
	<b>Council Tax Requirement</b>	<b>107,732,330</b>
	<b>107,207,646</b>	<b>107,732,330</b>
<b>Statements concerning Gross Expenditure and Council Tax Requirement</b>		
	Gross Expenditure	444,220,829
less	Council Tax Requirement	107,732,330
	<b>397,625,187</b>	<b>336,488,499</b>
<b>Reason for Difference</b>		
	Gross income	284,515,017
	redistributed National Non-Domestic Rate	53,015,411
	Revenue Support Grant	1,027,691
	Collection Fund Deficit/Surplus	1,008,000
	400,706,857	339,566,119
	Less contingencies and contribution to reserves	-3,077,620
	<b>397,625,187</b>	<b>336,488,499</b>

An additional calculation, setting out an explanatory breakdown of the statutory calculations, was required under the Local Government Finance Act 1992, but has been superseded by the changes brought about by the Localism Act 2011. Details of the calculation are as set out above.

### **C. CALCULATION OF CHANGE IN HAVERING'S EXPENDITURE**

The following calculation was previously required under Council Tax (Demand Notice) Regulations, known as the budget requirement, and is included here to set out how the Council's expenditure, prior to taking into account Government funding, has changed.



**Change in Council's Expenditure**

	<b>£m</b>
2011/2012 Budget	163.3
2012/2013 Budget	162.8
<b>Net Decrease</b>	<b>-0.5</b>
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Pressures/Growth/Budget Amendments	3.6
Inflation	1.5
Provisions & Other Issues (including Grant Changes)	4.0
Increase in Levies	0.1
<b>Sub Total</b>	<b>9.2</b>
Efficiencies/Savings	-9.7
<b>Net Total</b>	<b>-0.5</b>

**D. REFERENDUMS RELATING TO COUNCIL TAX RISES**

As set out in the report to Cabinet, the Government has made it clear that they intend to ensure that council tax payers are protected against Councils that reject the offer of the Council Tax freeze grant and impose what they consider to be an "excessive" council tax. They have introduced powers to enable residents to veto council tax rises.

The question has to be considered in the light of principles published by the Secretary of State under section 52ZD of the Local Government Finance Act 1992. For the 2012/13 financial year the Secretary of State has set the principle as being whether the 2012/13 Council Tax is greater than the 2011/12 Council Tax by specified percentages.

Any proposed rise in Council Tax at or above these levels would trigger a local referendum. The outcome is based on a simple majority of those voting, either in favour or against.

These levels are:

- 3.5% for most principal authorities, including this Council;
- 3.75% for the City of London;
- 4.0% for the Greater London Authority, police authorities, and single purpose fire and rescue authorities.

The basis of assessment of changes in the basic amount of Council Tax is the following calculation for both the current and next financial years:

$$\frac{\text{Council Tax requirement}}{\text{Council Tax base}}$$

which defines the basic amount of Council Tax as set out in recommendation 5(d) of this report.

As the Council is proposing no change to the existing Council Tax level, this is within the levels set by the Government and accordingly the amount of Council Tax cannot be considered as excessive.

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In addition, supplementary advice was issued by the DCLG on 10<sup>th</sup> February and received by officers on 13<sup>th</sup> February regarding a further comparison to determine whether a referendum is required. This relates to the calculation of the council tax requirement excluding the impact of levies. This is designed to ensure that, not only are authorities not adversely affected by levies set outside their control, but also that they are not taking advantage of reductions in levies when setting their budgets. This is calculated as follows:

$$\frac{\text{Council Tax requirement} - \text{Amounts attributable to levies}}{\text{Council Tax base}}$$

which is the relevant basic amount of Council Tax.

For Havering, these figures are as follows:

	2011/12	2012/13
Council Tax requirement	£107,207,646	£107,732,330
Amount attributable to levies	£11,645,761	£11,700,003
Difference	£95,561,885	£96,032,327
Council Tax base	89,700	90,139
Relevant basic amount of Council Tax	£1,065.35	£1,065.38
Increase from 2011/12 to 2012/13		0.0%

As the relevant basic amount of Council Tax the Council is proposing shows no change to the existing comparative amount, this is within the levels set by the Government and accordingly the amount of Council Tax cannot be considered as excessive.

**DRAFT MINUTES OF THE CABINET MEETING 8 FEBRUARY 2012**

**To follow when available**