



## REPORT

## Agenda Item 13b

**SUBJECT: COUNCIL TAX RESOLUTION 2014/15**

**DIRECTORATE: Chief Executive's Unit**

**MEETING: Council**

**DATE: 27th February 2014**

**DIVISION/WARDS AFFECTED: All**

### 1. Purpose

- 1.1 The Council is bound by Statute to specific timescales for Council Tax setting and is also required to make certain defined resolutions. The recommendations that form the major part of this report are designed to comply with those Statutory Provisions and to give formal effect to previous decisions and recommendations relating to Revenue and Capital budgets.
- 1.2 The recommended resolutions also draw together the Council Tax implications of precepts notified by the Police Authority and Town and Community Councils, thereby enabling the County Council to establish its Headline Council Tax levels at the various property bands within each Town or Community area.

### 2. Recommendations

- 2.1 It is recommended that the following be approved:
  - (a) The revenue estimates for the year 2014/15 as recommended by the Cabinet at its meeting of 12<sup>th</sup> February 2014. (Appendix 4)
  - (b) The capital programme for 2014/15 to 2017/18 as recommended by Cabinet at its meeting of 12<sup>th</sup> February 2014. (Appendix 5)
  - (c) The disposal of assets at best value ( Appendix 7)
- 2.2 It is recommended it be noted that, at its meeting on 12<sup>th</sup> February 2014, the Cabinet calculated the amounts set out below for the year 2014/15 in accordance with sections 32 and 33 of the [Local Government Finance Act 1992](#) ("the Act").

For information, sections 32 and 33 of the 1992 Act have been extensively amended by Schedule 12 to the [Local Government \(Wales\) Act 1994](#). Both are further amended by the [Local Authorities \(Alteration of Requisite Calculations\) \(Wales\) Regulations 2002](#) (the “2002 regulations”) and The Local Authorities (Alteration of Requisite Calculations) (Wales) Regulations 2013. Section 33 is further amended by the [Local Government Reorganisation \(Calculation of Basic Amount of Council Tax\) \(Wales\) Order 1996](#). All necessary legislative and statutory amendments have been taken into account in calculating the following amounts: -

- (a) 44,199.96 being the amount calculated by the Council, in accordance with Section 33 of the Act and The Regulations (as amended by Regulations 1999 no. 2935), as its Council Tax base for the year;
- (b) Part of the Council’s Area, being the amounts calculated by the Council, in accordance with Section 34 of the Act, as the amounts of its Council Tax base for the year for dwellings in those parts of the area to which one or more special items relate:

	<b>Council Tax Base for 2014/15</b>	<b>Community</b>	<b>Council Tax Base for 2014/15</b>
Abergavenny	4,770.94	Llanhennock	278.57
Caerwent	1,048.71	Llanover	804.04
Caldicot	3,938.97	Llantillio Croesenny	452.90
Chepstow	5,346.93	Llantillio Pertholey	1,573.55
Crucorney	725.01	Llantrissant Fawr	261.50
Devauden	634.60	Magor with Undy	2,822.73
Goetre Fawr	1,175.92	Mathern	602.46
Grosmont	490.19	Mitchell Troy	734.32
Gwehelog Fawr	282.24	Monmouth	4,881.16
Llanarth	477.83	Portskewett	981.12
Llanbadoc	448.98	Raglan	1,061.80
Llanelly Hill	1,845.86	Rogiet	708.57
Llanfoist Fawr	1,772.90	Shirenewton	719.57
Llangattock Vibon Abel	646.58	St.Arvals	448.79
Llangwm	271.08	Tintern	484.72
Llangybi	518.88	Trellech	1,617.57
		Usk	1,370.97
		<b>Total</b>	<b>44,199.96</b>

It is recommended that Council resolves:

2.3 That the following amounts be now calculated by the Council for the year 2014/15 in accordance with Sections 32 to 36 of the Act and sections 47 and 49 of the [Local Government Finance Act 1988](#) (as amended):

- (a) £145,287,643 being the aggregate of the amounts the Council estimates for the items set out in Section 32(2) (a) to (d) of the Act less the aggregate of the amounts the Council estimates for the items set out in Section 32 (3) (a) and (c) of the Act calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year
- (b) £97,508,621 being the aggregate of the sums which the Council estimates will be payable for the year into its Council fund in respect of redistributed non-domestic rates and revenue support grant in accordance with Section 33 (3)
- (c) £6,000 being the cost to the authority of discretionary non-domestic rate relief anticipated to be granted (under sections 47 and 49 of the [Local Government Finance Act 1988](#) , as amended)
- (d) £ 1,081.11 being the amount at 2.3(a) and 2.3(c) above less the amount at 2.3(b) above, all divided by the amount at 2.2(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year
- (e) £1,669,443 being the aggregate amount of all special items referred to in Section 34 of the Act (Town and Community Precepts)
- (f) £1,043.34 being the amount at 2.3(d) above less the result given by dividing the amount at 2.3(e) above by the amount at 2.2(a) above calculated by the Council in accordance with Section 34(2) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of the area to which no special item relates.
- (g) Part of the Council's Area, being the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amounts at 2.2(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of the area to which one or more special items relate:

Community Council	Precept Band D Equivalent £'s	Community Council	Precept Band D Equivalent £'s
Abergavenny	48.67	Llanover	13.06

Caerwent	38.14	Llantillio Croesenny	11.92
Caldicot	60.61	Llantillio Pertholey	25.61
Chepstow	60.83	Llantrissant Fawr	15.30
Crucorney	10.86	Magor with Undy	47.14
Devauden	12.61	Mathern	26.69
Goetre Fawr	23.39	Mitchell Troy	10.55
Grosmont	12.24	Monmouth	38.40
Gwehelog Fawr	13.46	Portskewett	20.89
Llanarth	13.60	Raglan	28.38
Llanbadoc	22.01	Rogiet	42.77
Llanelly Hill	32.74	Shirenewton	20.81
Llanfoist Fawr	32.15	St.Arvals	20.66
Llangattock Vibon Abel	13.92	Tintern	31.71
Llangwm	9.96	Trellech	13.60
Llangybi	16.09	Usk	54.71
Llanhennock	14.93		

- (h) The County Council Area, being the amounts given by multiplying the amount at 2.3(f) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

Council Tax Band	A	B	C	D	E	F	G	H	I
Proportion	6	7	8	9	11	13	15	18	21
Council Tax Charge	695.56	811.49	927.41	1043.34	1275.19	1507.05	1738.90	2086.68	2434.46

- (i) Part of the Council's Area, being the amounts given by multiplying the amounts at 2.3(g) and 2.3(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands: -

### County Council plus Town/Community Council

Council Tax Band	A	B	C	D	E	F	G	H	I
Abergavenny	728.01	849.34	970.67	1092.01	1334.68	1577.35	1820.02	2184.02	2548.02
Caerwent	720.99	841.15	961.31	1081.48	1321.81	1562.14	1802.47	2162.96	2523.45

Caldicot	735.97	858.63	981.29	1103.95	1349.27	1594.60	1839.92	2207.90	2575.88
Chepstow	736.11	858.80	981.48	1104.17	1349.54	1594.92	1840.28	2208.34	2576.40
Crucorney	702.80	819.94	937.06	1054.20	1288.46	1522.74	1757.00	2108.40	2459.80
Devauden	703.97	821.30	938.62	1055.95	1290.60	1525.26	1759.92	2111.90	2463.88
Goetre	711.15	829.68	948.20	1066.73	1303.78	1540.84	1777.88	2133.46	2489.04
Grosmont	703.72	821.01	938.29	1055.58	1290.15	1524.73	1759.30	2111.16	2463.02
Gwehelog	704.53	821.96	939.37	1056.80	1291.64	1526.49	1761.33	2113.60	2465.87
Llanarth	704.63	822.07	939.50	1056.94	1291.81	1526.69	1761.57	2113.88	2466.19
Llanbadock	710.23	828.61	946.97	1065.35	1302.09	1538.84	1775.58	2130.70	2485.82
Llanelly Hill	717.39	836.95	956.51	1076.08	1315.21	1554.34	1793.47	2152.16	2510.85
Llanfoist	716.99	836.50	955.99	1075.49	1314.48	1553.49	1792.48	2150.98	2509.48
Llangattock V A	704.84	822.32	939.78	1057.26	1292.20	1527.16	1762.10	2114.52	2466.94
Llangwm	702.20	819.24	936.26	1053.30	1287.36	1521.44	1755.50	2106.60	2457.70
Llangybi	706.29	824.00	941.71	1059.43	1294.86	1530.29	1765.72	2118.86	2472.00
Llanhennock	705.51	823.10	940.68	1058.27	1293.44	1528.62	1763.78	2116.54	2469.30
Llanover	704.27	821.65	939.02	1056.40	1291.15	1525.91	1760.67	2112.80	2464.93
Llantillio Croess	703.51	820.76	938.01	1055.26	1289.76	1524.27	1758.77	2110.52	2462.27
Llantillio Pertholey	712.63	831.41	950.17	1068.95	1306.49	1544.04	1781.58	2137.90	2494.22
Llantrissant	705.76	823.39	941.01	1058.64	1293.89	1529.15	1764.40	2117.28	2470.16
Magor with Undy	726.99	848.15	969.31	1090.48	1332.81	1575.14	1817.47	2180.96	2544.45
Mathern	713.35	832.25	951.13	1070.03	1307.81	1545.60	1783.38	2140.06	2496.74
Mitchell Troy	702.59	819.70	936.79	1053.89	1288.08	1522.29	1756.48	2107.78	2459.08
Monmouth	721.16	841.36	961.54	1081.74	1322.12	1562.52	1802.90	2163.48	2524.06
Portskewett	709.49	827.74	945.98	1064.23	1300.72	1537.22	1773.72	2128.46	2483.20
Raglan	714.48	833.56	952.64	1071.72	1309.88	1548.04	1786.20	2143.44	2500.68
Rogiet	724.07	844.76	965.43	1086.11	1327.46	1568.83	1810.18	2172.22	2534.26
Shirenewton	709.43	827.68	945.91	1064.15	1300.62	1537.11	1773.58	2128.30	2483.02
St. Arvans	709.33	827.56	945.77	1064.00	1300.44	1536.89	1773.33	2128.00	2482.67
Tintern	716.70	836.15	955.60	1075.05	1313.95	1552.85	1791.75	2150.10	2508.45
Trelech	704.63	822.07	939.50	1056.94	1291.81	1526.69	1761.57	2113.88	2466.19
Usk	732.03	854.04	976.04	1098.05	1342.06	1586.08	1830.08	2196.10	2562.12

2.4 That it be noted for the year 2014/15 that Gwent Police Authority has notified the following amounts in precepts issued to the Council, in accordance with Section 40 of the Act, for each of the dwellings shown above: -

<b>Council Tax Band</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>
Proportion	6	7	8	9	11	13	15	18	21
Council Tax Charge	135.67	158.28	180.89	203.50	248.72	293.94	339.17	407.00	474.83

- 2.5 That, having calculated the aggregate in each case of the amounts at 2.3(i) and 2.4 above, the Council, in accordance with Section 30(2) of the Act, hereby sets the following amounts as the amounts of Council Tax for the year 2014/15 for each of the categories of dwellings shown below: -

**County Council plus Town/Community Council plus Police Authority**

<b>Council Tax Band</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>
Abergavenny	863.68	1007.62	1151.56	1295.51	1583.40	1871.29	2159.19	2591.02	3022.85
Caerwent	856.66	999.43	1142.20	1284.98	1570.53	1856.08	2141.64	2569.96	2998.28

Caldicot	871.64	1016.91	1162.18	1307.45	1597.99	1888.54	2179.09	2614.90	3050.71
Chepstow	871.78	1017.08	1162.37	1307.67	1598.26	1888.86	2179.45	2615.34	3051.23
Crucorney	838.47	978.22	1117.95	1257.70	1537.18	1816.68	2096.17	2515.40	2934.63
Devauden	839.64	979.58	1119.51	1259.45	1539.32	1819.20	2099.09	2518.90	2938.71
Goetre	846.82	987.96	1129.09	1270.23	1552.50	1834.78	2117.05	2540.46	2963.87
Grosmont	839.39	979.29	1119.18	1259.08	1538.87	1818.67	2098.47	2518.16	2937.85
Gwehelog	840.20	980.24	1120.26	1260.30	1540.36	1820.43	2100.50	2520.60	2940.70
Llanarth	840.30	980.35	1120.39	1260.44	1540.53	1820.63	2100.74	2520.88	2941.02
Llanbadock	845.90	986.89	1127.86	1268.85	1550.81	1832.78	2114.75	2537.70	2960.65
Llanelly Hill	853.06	995.23	1137.40	1279.58	1563.93	1848.28	2132.64	2559.16	2985.68
Llanfoist	852.66	994.78	1136.88	1278.99	1563.20	1847.43	2131.65	2557.98	2984.31
Llangattock V A	840.51	980.60	1120.67	1260.76	1540.92	1821.10	2101.27	2521.52	2941.77
Llangwm	837.87	977.52	1117.15	1256.80	1536.08	1815.38	2094.67	2513.60	2932.53
Llangybi	841.96	982.28	1122.60	1262.93	1543.58	1824.23	2104.89	2525.86	2946.83
Llanhennock	841.18	981.38	1121.57	1261.77	1542.16	1822.56	2102.95	2523.54	2944.13
Llanover	839.94	979.93	1119.91	1259.90	1539.87	1819.85	2099.84	2519.80	2939.76
Llantillio Croess	839.18	979.04	1118.90	1258.76	1538.48	1818.21	2097.94	2517.52	2937.10
Llantillio Pertholey	848.30	989.69	1131.06	1272.45	1555.21	1837.98	2120.75	2544.90	2969.05
Llantrissant	841.43	981.67	1121.90	1262.14	1542.61	1823.09	2103.57	2524.28	2944.99
Magor with Undy	862.66	1006.43	1150.20	1293.98	1581.53	1869.08	2156.64	2587.96	3019.28
Mathern	849.02	990.53	1132.02	1273.53	1556.53	1839.54	2122.55	2547.06	2971.57
Mitchell Troy	838.26	977.98	1117.68	1257.39	1536.80	1816.23	2095.65	2514.78	2933.91
Monmouth	856.83	999.64	1142.43	1285.24	1570.84	1856.46	2142.07	2570.48	2998.89
Portskewett	845.16	986.02	1126.87	1267.73	1549.44	1831.16	2112.89	2535.46	2958.03
Raglan	850.15	991.84	1133.53	1275.22	1558.60	1841.98	2125.37	2550.44	2975.51
Rogiet	859.74	1003.04	1146.32	1289.61	1576.18	1862.77	2149.35	2579.22	3009.09
Shirenewton	845.10	985.96	1126.80	1267.65	1549.34	1831.05	2112.75	2535.30	2957.85
St. Arvans	845.00	985.84	1126.66	1267.50	1549.16	1830.83	2112.50	2535.00	2957.50
Tintern	852.37	994.43	1136.49	1278.55	1562.67	1846.79	2130.92	2557.10	2983.28
Trelech	840.30	980.35	1120.39	1260.44	1540.53	1820.63	2100.74	2520.88	2941.02
Usk	867.70	1012.32	1156.93	1301.55	1590.78	1880.02	2169.25	2603.10	3036.95

2.6 That Mrs J. Robson, Mr M. Howcroft, Miss R. Donovan, Mrs. S. Deacy, Mrs. W. Woods, Mrs. S. Knight and Mrs. J. Morgan be authorised under Section 223 of the Local Government Act 1972 to prosecute and appear on behalf of Monmouthshire County Council in proceedings before a Magistrates Court for the purpose of applying for Liability Orders in respect of Council Tax and Non-Domestic Rates.

### **3. KEY ISSUES**

- 3.1 Statute requires that Council makes appropriate recommendations to prescribed timescales for establishing estimates for the coming financial year and for setting the Council Tax payable. The Council must also account for precepts made upon it by the Police Authority and by Town and Community Councils. Recommendations 2.1 to 2.5 discharge these obligations, based on Cabinet recommendations to Council.
- 3.2 The Council is also required to authorise officers to undertake advance recovery action through the Courts where necessary. The authorising recommendation appears at 2.6 above.
- 3.3 The 2003 Local Government Act imposes a number of statutory duties on a Council's Responsible Financial Officer (RFO). The primary duties for the RFO are to provide a view on the robustness of the budget process and the adequacy of reserves and balances. The RFO's view was presented to Cabinet on 12<sup>th</sup> February 2014 in order that they might make fully informed budget recommendations to Council. The view of the RFO is presented in Appendix 1 to this report.

### **4. REASONS**

- 4.1 To establish the budget estimates for and set the Council Tax for the 2014/15 financial year.
- 4.2 To discharge the Responsible Financial Officer's responsibilities under the Local Government Act 2003.

### **5. RESOURCE IMPLICATIONS:**

As identified in the report.

### **6. SUSTAINABILITY AND EQUALITY IMPLICATIONS:**

The equality and sustainability considerations on the budget proposals have been identified throughout the budget process and were taken into account by Cabinet in making their recommendations to Council today. The relevant information is contained in the Budget report to Cabinet on 12<sup>th</sup> February 2014.



**7. CONSULTEES:**

This report arises from Cabinet Recommendations and contains the statutory decisions in relation to setting Council tax for 2014/15. The budget has undergone considerable consultation to arrive at the recommendations today.

**8. BACKGROUND PAPERS:**

Budget reports to Cabinet, particularly 12<sup>th</sup> February 2014

**9. AUTHORS:**

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## **Appendix 1 - Responsible Financial Officers Opinion**

1.1 The 2003 Local Government Act imposes a number of statutory duties on a Councils Responsible Financial Officer (RFO). Guidance on these duties is contained within LAAP Bulletin 55 and the CIPFA Statement on the Role of the Finance Director, compliance with which has been supported by the Councils Audit Committee. The primary duties are for me, as RFO, to provide a view on the robustness of the budget process, budgetary risk and the adequacy of reserves and balances.

### **1.2 Robustness of the budget process**

1.3 In terms of robustness of the budget process, I have placed reliance on the work carried out by members of the Strategic Leadership Team in their Directorates involving budget managers and devolved accountants. The process has been properly rigorous with notable elements of good practice. These include;

- The use of the Councils Medium Term Financial Plan as an integral part of budget planning
- Inclusion of all Councillors in two all-member budget seminars
- Cabinet ownership of budget principles and assumptions through the development of the Medium Term Financial Plan
- Anticipating likely and known events through the application of appropriate indices for base costs.
- Applying rigour via Directorate Management Teams, Chief Officers, Strategic Leadership Team and Cabinet Member scrutiny.
- Comparing year on year budgets by using 2012/13 outturn and 2013/14 budget monitoring data.
- Providing Select Committees with opportunity to look at and scrutinize current budgets, gaining an understanding of the budgets within the remit of their Select committee.
- Providing all Select committee members with the opportunity to scrutinize the budget as a whole through a special Joint Select Committee.
- Providing Select Committee with the assumptions underlying the Medium Term Financial Plan and the budget savings ideas at a much earlier stage in the process than in previous years.
- Engaging with the public at 5 events throughout the County in October, sharing the budget ideas and gathering further ideas from the public.

- Consulting on budget proposals with the Schools Forum and Trade Unions and Business Ratepayers.
- Providing opportunities for public consultation, via the web site, You Tube presentations and Twitter, but also through a further round of public engagement events throughout the County
- Communicating emerging Settlement considerations to Cabinet members.
- Being clear on risks and assumptions within budget proposals and identifying the links with the corporate priorities of the Council.
- Ensuring all members are involved in the budget setting process by establishing that budget and Council Tax settings is a function of full Council.

1.4 There are a number of explicit risks in the budget proposals now presented given the reduction in the settlement for next year and in the medium term. Risks have been identified as the budget proposals have been put together and are captured as part of the MTFP model. Outlined below are the key risks and how they are being managed:

- Some identification of evidenced based pressures in relation to the financial impact of increasing demand in children's social services, demographic changes such as increasing elderly population, changes in pupil numbers, increase in special educational need provision has been included in the current budget process. However, these risks have in part been mitigated by the protection given to these areas in the sense that budget savings have been more heavily weighted to other areas of the budget. However, given the current year position against the budget in some of these areas, this potential pressure will require careful monitoring over the course of the financial year so that problems can be highlighted early and any appropriate corrective action taken.
- Directorates are being required to manage some pressures within their service areas as only significant pressures have been highlighted and included in the budget build. Whilst individually these pressures are relatively small in total there is a considerable pressure to be managed alongside the achievement of the budget saving proposals contained as part of this budget. The new Council Tax Reduction Scheme and fixed level of funding associated with it, places all the risk of additional demand with its associated cost on the Authority.
- A number of the savings/efficiency proposals involve the generation of income, changes to current structures, systems and processes or have implications for service design involving other partners or organisations. These savings involve higher levels of risk than those which broadly maintain current arrangements. At the practical level these risks begin with the income targets not being achieved, possibility of slippage and disruption in the transition from old to new arrangements resulting in

further pressures to be managed in the year in which savings are budgeted to be made. Clearly robust and timely monitoring of the delivery of the savings in the budget will be critically important in order to manage the potential for these risks to materialize.

- Late notification of grant funding streams being removed or reduced. This is particularly an issue where the expenditure backing this grant is in the form of permanent staff. These will need to be managed on a case by case basis, with the default position being that if the grant ceases the activity also ceases unless a business case can be built that justifies the maintenance of the activity, the expenditure and identifies a means of funding this expenditure following the loss of grant income. There is also a particular risk in the area of the Outcome Agreement Grant where payment is dependent on performance, the budget assumes full payment however there is a risk that the required performance levels may not be achieved and therefore less than 100% payment provided.
- Underlying assumptions on pay and non-pay inflation built into the budget are not borne out next year. All budgets will not receive budget to cover the full extent of inflation factors next year if they turn out as expected. This puts further pressure on service budgets to find efficiencies savings to manage this shortfall. There is an expectation that this would need to be managed within overall directorate budgets.
- Further equal pay claims are lodged with the Authority, resulting in significant payout. A reserve was been established to fund the claims and payments already made. The Cabinet decision report on this however, did recognize that the option chosen will not completely extinguish the risk of further claims in this area.
- Prudential borrowing impact annually on the revenue account resulting from the Authority accepting any awards of 21<sup>st</sup> Century funding following further development of the detailed programme being submitted to the WG. The capital programme proposal seeks to mitigate this risk by establishing authority to generate capital receipts to offset the need to borrow, however this carries with it its own risk in the current economic climate.
- Treasury estimates established in the budget are based on cashflows, timing of capital spend, forecast interest rate levels and predicted trigger points for converting variable loans to fixed rate loans. There is inherent uncertainty and risk attached to each variable. The Authority has established a Treasury Equalisation reserve to mitigate the potential impact caused by significant variations to the year on year budget. Contributions from the reserve are used to even out the variation in the MTFP model.
- General pressures on school budgets indicated by the number of schools with deficit budget management plans. As previously

identified, schools have been protected from the level of savings required from the rest of the Authority. The LEA will be working closely with schools to help costs savings to be established. However, it is understood that some schools will still need to establish budget management plans, any resulting redundancies will need to be met from the budget established for this purpose.

- The risks on the capital side are largely around the difficulties in achieving the level of capital receipts required to fund future capital investment. If receipts are not achieved, other funding streams need to be sought which may include prudential borrowing with its consequent impact on the revenue budget. In addition there are significant pressures highlighted of a capital nature that will not be met as the priority is to invest in 21<sup>st</sup> century schools.

1.5 Whilst the above risks in the 2014/15 budget have been identified, the main budgetary risks going forward in for the MTFP will also need to be managed and outlined are as follow:

- Any impact arising from the Williams review, and the shape of Local government in Wales in the future and any new legislation impacting on the services provided by Local Authorities.
- Very low settlements projected for the medium term
- The revenue implications of 21st Century Schools, where the source of capital is uncertain given the medium term national forecast for significant funding reductions.
- The financial, service and strategic implications of service transformation, including shared services, greater partnership working with both public and private sector
- The national and local emphasis on increased waste diversion
- The deteriorating condition of local roads, associated infrastructure and property
- The ageing population
- Continued uncertainty in financial markets
- Low economic activity leading to increased demand for some services and reduced income in others.
- The potential liability of new equal pay c/aims arising from the implementation of single status

## 1.6 Adequacy of reserves

- 1.7 The MTFP has established the principles for general and earmarked reserve utilization. The level of the **general reserve** at £6.2 million is of concern being just above the minimum prudent level. The final revenue budget proposals include a requirement to use the general reserve to balance the budget in 2014/15. The report makes clear that this can be recommended by taking a medium term approach, noting that by setting a planning assumption around council tax increases, shortfalls and headroom can be accommodated by contingent use of reserve funding. As the MTFP is updated as new information becomes available the position regarding the use of reserves will need to be reviewed and where possible use of the general reserve reduced.
- 1.8 Included with the general reserve are the school based reserves. There has been a slight recovery over recent years with the result that Monmouthshire's schools based reserves are no longer the lowest in Wales.
- 1.9 The 2014/15 budget recommendations anticipate some use of **earmarked reserves** to support the budget saving proposals and to even out one off expenditure items over the MTFP. Earmarked reserves have been established over time for the purpose of future utilisation, and whilst not currently earmarked for use provide a level of contingency for some of the risks associated with the budget recommendations highlighted in this report.
- 1.10 Earmarked reserve usage over the MTFP is projected to decrease the balance on earmarked reserves from £15.5 million at the start of 2013/14 to £6.9 million at the end of 2017/18. Taking into account that some of these reserves are specific, for example relating to joint arrangements or to fund capital projects, this brings the usable balance down to £4 million.
- 1.11 Whilst every effort will be made to avoid redundancy costs a budget has been included in the MTFP relating to these costs is for school based redundancies, this is included as a pressure of £300,000. The Policy has also recently been revised, so the cost of redundancies should be reducing. Protection of Employment policy will be used to ensure redundancy is minimised, however, it is expected there may be some that are inevitable and reserve cover may be required for this, possibly in the region of £500,000 per year. Over the MTFP this could require £2 million reserve funding cover, if services are unable to fund the payments from their budgets.
- 1.12 The volatility of the Children's social services budget is going to be supplemented for 2014/15 with further funding, however if it is proposed to earmark the Priority Investment Reserve for next year to cover further pressures if they are not able to be contained.
- 1.13 The resulting impact on earmarked reserves would be to take the usable balance down further by the end of the MTFP period.

- 1.14 My judgement, taking into account the budget forecast at month 9, the corporate budget position, the quantum of earmarked reserves as well as the General Reserve is to certify reserves as adequate presently. However, given that the financial outlook is not set to improve significantly in the medium term, it is vital that the reserve position continues to be closely monitored. This will require continued sound budget management in future years of account and close Cabinet scrutiny of any further proposals to utilise reserves in the coming months. Further savings need to be identified so that the use of the general reserve can be minimized.
- 1.15 The provisional schedule of reserves estimated at the end of the financial year is included as an appendix to the budget report.

J Robson  
Responsible Financial Officer



## APPENDIX 2 - USE OF RESERVE FOR REVENUE BUDGET PURPOSES 2014-15

Item	2014-15		Reserve
	£000 To	£000 From	
<b>COUNCIL FUND</b>			
To fund 2014/15 budget		296	
<b>Net contribution from Council Fund</b>	<b>0</b>	<b>296</b>	
<b>EARMARKED RESERVES</b>			
<b>General Earmarked reserve use</b>			
<b>Contributions from:</b>			
Invest to Save schemes		35	Invest to Redesign Reserve
Council Tax Additional Recovery		40	Invest to Redesign Reserve
Centre of Innovation		210	Invest to Redesign Reserve
Service Transformation Adult Social Care		212	Invest to Redesign Reserve
Prepare Assets For Sale		125	Capital Receipt Generation Reserve
Contribution to MTFP treasury pressures		338	Treasury Equalisation Reserve
Contributions to Pension Strain Costs		370	Redundancy and Pensions Reserve
Head of School Improvement		34	Priority Investment Reserve
SCH/CYP Development Fund		200	Priority Investment Reserve
Raising standards in literacy and numeracy in secondary schools		150	Priority Investment Reserve
Innovation - People Strategy		44	Priority Investment Reserve
Grass Routes Buses Reserve		26	Grass Routes Buses Reserve
<b>Contribution from Earmarked Reserves</b>	<b>0</b>	<b>1,784</b>	
	<b>0</b>	<b>2,080</b>	
<b>Contributions to:</b>			
Repayments to reserve for amounts provided in earlier years	-40		Invest to Redesign Reserve
Election costs	-25		Elections reserve
Grass routes buses reserve	-5		Grass Routes buses reserve
	<b>-70</b>	<b>0</b>	
<b>MTFP evidence pressures</b>			
LDP pressure		75	Priority investment reserve
<b>Total funding for evidence based pressures</b>	<b>0</b>	<b>75</b>	
<b>Earmarked reserve support for revenue budget</b>	<b>-70</b>	<b>2,155</b>	
<b>Capital reserve funding</b>		<b>0</b>	
<b>TOTAL EARMARKED RESERVE CONTRIBUTIONS</b>	<b>-70</b>	<b>2,155</b>	
		<b>2,085</b>	<b>Total Net Contribution from Reserves</b>

**APPENDIX 3 - RESERVE BALANCES 2014/15**

Reserve	B/F	2013/14					2014/15		
		Cont to	Cont from (Budgeted)	Cont from (Caveated)	Forecast Variances & Approved Reports	C/F	Contributions To	Contributions From	C/F
<b>Council Fund</b>									
Council Fund (Authority)	-6,203,000					-6,203,000	296,000		-5,907,000
School Balances	-1,240,044					-1,240,044			-1,240,044
<b>Sub Total</b>	<b>-7,443,044</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7,443,044</b>	<b>0</b>	<b>296,000</b>	<b>-7,147,044</b>
<b>Earmarked Reserves</b>									
<i>Invest to Redesign Reserve</i>	-3,119,054	-20,228	1,370,596	62,341		-1,706,345	-40,228	496,907	-1,249,666
<i>IT Transformation Reserve</i>	-1,382,573		747,670			-634,903			-634,903
<i>Insurances &amp; Risk Management Reserve</i>	-1,522,862		120,000			-1,402,862			-1,402,862
<i>Capital Receipt Generation Reserve</i>	-331,803		210,502			-121,301	124,531		3,230
<i>Treasury Equalisation Reserve</i>	-1,124,693		200,765			-923,928	338,175		-585,753
<i>Redundancy and Pensions Reserve</i>	-622,319		331,000	207,666		-83,653	369,579		285,926
<i>Capital Investment Reserve</i>	-1,592,414	-75,000	41,069			-1,626,345			-1,626,345
<i>Priority Investment Reserve</i>	-3,449,640		1,222,119	598,000		-1,629,521	427,990		-1,201,531
<i>Single Status &amp; Equal Pay Reserve</i>	-1,551,834					-1,551,834			-1,551,834
<i>Museums Acquisitions Reserve</i>	-59,798					-59,798			-59,798
<i>Elections Reserve</i>	-33,183	-25,000				-58,183	-25,000		-83,183
<i>Grass Routes Buses Reserve</i>	-259,441	-5,000	25,913			-238,528	-5,000	25,913	-217,615
<i>Restricted Use Reserves</i>	-502,443					-502,443			-502,443
Evidence Based Pressure	0					0	75,000		75,000
<b>Total Earmarked Reserves</b>	<b>-15,552,057</b>	<b>-125,228</b>	<b>4,269,634</b>	<b>868,007</b>	<b>0</b>	<b>-10,539,644</b>	<b>-70,228</b>	<b>1,858,095</b>	<b>-8,751,777</b>
<b>Total Useable Revenue Reserves</b>	<b>-22,995,101</b>	<b>-125,228</b>	<b>4,269,634</b>	<b>868,007</b>	<b>0</b>	<b>-17,982,688</b>	<b>-70,228</b>	<b>2,154,095</b>	<b>-15,898,821</b>

**Appendix 4 - Revenue Budget Summary 2014/15**

	December 18th Cabinet proposals					Final Settlement Changes		Full Cost MTFP Base Budget Adjustments	February 2014 Cabinets Final budget recommendations			
	Indicative Base Budget 2014/15	Proposed savings	Identified Pressures	Council Tax Income	Proposed Budget 2014/15	Adjustment to AEF	Settlement pressures / adjustments		Changes to Pressures	Further Efficiency Savings	Changes to Savings	Final budget recommended
<b>Net Expenditure Budgets</b>												
Children and Young People	52,596	-1,006	353	0	51,943	0	0	0	-25	0	0	51,918
Social Care and Health	37,478	-1,551	651	0	36,578	0	0	34	0	0	0	36,612
Regeneration and Culture	27,267	-2,910	585	0	24,941	0	0	53	0	-35	0	24,959
Chief Executive's unit	11,349	-1,104	60	0	10,304	0	0	-0	0	-45	0	10,259
Corporate Costs & Levies	18,165	0	0	0	18,165	0	0	18	0	-243	0	17,940
<b>Sub Total</b>	<b>146,854</b>	<b>-6,571</b>	<b>1,648</b>	<b>0</b>	<b>141,931</b>	<b>0</b>	<b>0</b>	<b>104</b>	<b>-25</b>	<b>-323</b>	<b>0</b>	<b>141,688</b>
Appropriations	9,033	0	354	0	9,387	0	0	-91	0	0	0	9,296
Contributions to Earmarked reserves	70	0	0	0	70	0	0	0	0	0	0	70
Contributions from Earmarked reserves	-1,486	-372	0	0	-1,858	0	0	0	0	0	0	-1,858
<b>Total Net Proposed Budget</b>	<b>154,471</b>	<b>-6,943</b>	<b>2,002</b>	<b>0</b>	<b>149,530</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>-25</b>	<b>-323</b>	<b>0</b>	<b>149,196</b>

**Funding Budgets**

Aggregate External Financing (AEF)	-98,287	0	0	0	-98,287	-37	0	0	0	0	0	-98,324
Council Tax (MCC)	-38,202	0	183	-1,537	-39,556	0	0	13	0	0	-369	-39,912
Council Tax (Gwent Police)	-9,114	0	0	0	-9,114	0	0	120	0	0	0	-8,995
Council Tax (Community Councils)	-1,523	0	0	0	-1,523	0	0	-146	0	0	0	-1,669
Council Fund Reserve funding	0	0	0	0	0	0	0	0	0	0	-296	-296
<b>Total Funding</b>	<b>-147,126</b>	<b>0</b>	<b>183</b>	<b>-1,537</b>	<b>-148,480</b>	<b>-37</b>	<b>0</b>	<b>-13</b>	<b>0</b>	<b>0</b>	<b>-665</b>	<b>-149,196</b>
<b>Headroom/-shortfall</b>	<b>7,345</b>	<b>-6,943</b>	<b>2,185</b>	<b>-1,537</b>	<b>1,050</b>	<b>-37</b>	<b>0</b>	<b>0</b>	<b>-25</b>	<b>-323</b>	<b>-665</b>	<b>0</b>

	Council Tax 2013/14			2014/15 tax base	Council Tax 2014/15	%age increase
<b>Council tax recommendations</b>	1003.69			44,200	1,043.34	3.95%

## Appendix 5 CAPITAL BUDGET SUMMARY 2014 to 2018

	Revised Budget 2013/14	Indicative Budget 2014/15	Indicative Budget 2015/16	Indicative Budget 2016/17
Asset Management Schemes	5,063,858	2,148,090	1,929,278	1,929,278
School Development Schemes	6,363,966	2,854,050	1,376,450	162,500
Infrastructure & Transport Schemes	5,582,807	3,991,463	2,240,740	2,240,740
Regeneration Schemes	10,439,702	0	0	0
Sustainability Schemes	236,436	0	0	0
County Farms Schemes	567,405	304,726	300,773	300,773
Inclusion Schemes	1,302,449	850,000	850,000	850,000
ICT Schemes	984,249	0	0	0
Vehicles Leasing	1,700,000	1,500,000	1,500,000	1,500,000
Other Schemes	411,979	190,000	20,000	20,000
<b>TOTAL EXPENDITURE</b>	<b>32,652,852</b>	<b>11,838,329</b>	<b>8,217,241</b>	<b>7,003,291</b>
Supported Borrowing	(2,325,000)	(2,420,000)	(2,420,000)	(2,420,000)
Unsupported (Prudential) Borrowing	(16,981,176)	(3,492,029)	(1,000,000)	(1,000,000)
Grants & Contributions	(5,830,235)	(2,719,500)	(2,120,250)	(1,529,250)
Reserve & Revenue Contributions	(1,198,744)	0	(518,541)	(518,541)
Capital Receipts	(4,617,697)	(1,746,800)	(698,450)	(75,500)
Vehicle Lease Financing	(1,700,000)	(1,500,000)	(1,500,000)	(1,500,000)
<b>TOTAL FUNDING</b>	<b>(32,652,852)</b>	<b>(11,878,329)</b>	<b>(8,257,241)</b>	<b>(7,043,291)</b>
<b>(SURPLUS) / DEFICIT</b>	<b>0</b>	<b>(40,000)</b>	<b>(40,000)</b>	<b>(40,000)</b>

Appendix 6a - Schools capital programme  (includes Raglan)	Financial Year 2013/14	Financial Year 2014/15	Financial Year 2015/16	Financial Year 2016/17
	Approved Budget £	Indicative Budget £	Indicative Budget £	Indicative Budget £
<b>Expenditure:</b>				
Caldicot Green Lane - New School	368,071			
Caldicot Castle View (St Mary's) - Remodelling	42,202			
Welsh Medium secondary joint project				
Rogiet Primary (new school)	45,000			
Llanfoist Primary School	3,979			
Wyesham Primary School	3,847			
Pembroke Primary (Major Extension)	19,528			
Access For All	145,706	50,000	50,000	50,000
Llanover Primary - remedial works				
Thornwell Primary	3,544,428	92,000		
Thornwell - Flying Start	75,000			
Future Schools (Initial funding)	1,767,205			
Raglan Primary	349,000	2,712,050	1,326,450	112,500
<b>Total Expenditure</b>	<b>6,363,966</b>	<b>2,854,050</b>	<b>1,376,450</b>	<b>162,500</b>
<b>Financing:</b>				
Transitional SBIG Green Lane (80%)				
WAG Flying Start Grant (Thornwell)	(75,000)			
Future schools funding - Raglan Primary	(300,000)	(1,246,500)	(647,250)	(56,250)
<b>External Grant Funding</b>	<b>(375,000)</b>	<b>(1,246,500)</b>	<b>(647,250)</b>	<b>(56,250)</b>
Insurance Settlement	(1,969,774)			
<b>Developer Contributions</b>	<b>(1,969,774)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Education Receipts	(201,273)			
MCC Capital Receipts	(675,216)	(1,557,550)	(679,200)	(56,250)
<b>Capital Receipts</b>	<b>(876,489)</b>	<b>(1,557,550)</b>	<b>(679,200)</b>	<b>(56,250)</b>
Supported Borrowing	(299,000)	(50,000)	(50,000)	(50,000)
Unsupported Borrowing	(2,843,703)			
<b>Total Financing</b>	<b>(6,363,966)</b>	<b>(2,854,050)</b>	<b>(1,376,450)</b>	<b>(162,500)</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Appendix 6b: 21st Century Schools Indicative Programme	Financial Year 2014/15	Financial Year 2015/16	Financial Year 2016/17
	Indicative Budget £	Indicative Budget £	Indicative Budget £
<b>Expenditure:</b>			
Monmouth Comprehensive School - 1600 Place	2,000,000	19,911,000	11,167,500
Caldicot Comprehensive School - 1500 Place	2,000,000	19,911,000	9,116,500
Welsh Medium Secondary Schools	0	2,500,000	2,500,000
<b>Total Expenditure</b>	<b>4,000,000</b>	<b>42,322,000</b>	<b>22,784,000</b>
<b>Financing:</b>			
Future schools grant - Monmouth	(1,000,000)	(10,311,000)	(5,364,000)
Future schools grant - Caldicot	(1,000,000)	(10,811,000)	(3,864,000)
Future schools grant - Welsh Medium	0	0	(2,500,000)
<b>External Grant Funding</b>	<b>(2,000,000)</b>	<b>(21,122,000)</b>	<b>(11,728,000)</b>
Capital Receipts	(2,000,000)	(10,108,000)	(12,335,000)
<b>Capital Receipts</b>	<b>(2,000,000)</b>	<b>(10,108,000)</b>	<b>(12,335,000)</b>
Unsupported Borrowing	0	(11,092,000)	1,279,000
<b>Borrowing</b>	<b>0</b>	<b>(11,092,000)</b>	<b>1,279,000</b>
<b>Total Financing</b>	<b>(4,000,000)</b>	<b>(42,322,000)</b>	<b>(22,784,000)</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

Appendix 7a

**FORECAST USEABLE CAPITAL RECEIPTS**

Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Useable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's borrowing requirement.

The forecast movement on the reserve based on forecast capital receipts and the budgeted application of capital receipts to support the financing of the Authority's capital programme is summarised below:

<b><u>GENERAL RECEIPTS</u></b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1st April	7,291	6,552	6,762	14,062	26,923
Less: capital receipts used for financing	(1,877)	(2,481)	(3,417)	(698)	(76)
	5,414	4,071	3,345	13,363	26,847
Capital receipts forecast	1,134	2,688	21,165	13,556	4,000
Deferred capital receipts	4	4	4	4	4
Less: capital receipts set aside: Abergavenny Regeneration Scheme	0	0	(10,452)	0	0
<b>Balance as at 31st March</b>	<b>6,552</b>	<b>6,762</b>	<b>14,062</b>	<b>26,923</b>	<b>30,851</b>

<b><u>LOW COST HOME OWNERSHIP RECEIPTS</u></b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1st April	60	60	0	0	0
Less: capital receipts used for financing	0	(60)	0	0	0
	60	0	0	0	0
Capital receipts received	-	-	-	-	-
Capital receipts forecast	-	-	-	-	-
<b>Balance as at 31st March</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 7b risk factors

## Appendix 7b

## CAPITAL RECEIPTS SUMMARY AND RISK FACTORS

The analysis below provides a summary of the receipts and the respective risk factors:

Risk Factor	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	Total £	
<b>Education Receipts</b>							
Low	0	0	0	0	0	0	0%
Medium	0	450,000	100,000	0	0	550,000	5%
High	160,000	1,485,000	9,206,000	0	0	10,851,000	95%
	160,000	1,935,000	9,306,000	0	0	11,401,000	
<b>County Farm Receipts</b>							
Low	852,500	0	0	0	0	852,500	40%
Medium	565,000	0	0	0	0	565,000	26%
High	305,000	330,000	100,000	0	0	735,000	34%
	1,722,500	330,000	100,000	0	0	2,152,500	
<b>General Receipts</b>							
Low	95,000	0	0	0	0	95,000	1%
Medium	200,000	16,000,000	0	0	0	16,200,000	95%
High	20,000	650,000	0	0	0	670,000	4%
	315,000	16,650,000	0	0	0	16,965,000	
<b>Strategic Accommodation Review</b>							
Low	0	0	0	0	0	0	0%
Medium	0	0	0	0	0	0	0%
High	490,000	1,500,000	150,000	0	0	2,140,000	100%
	490,000	1,500,000	150,000	0	0	2,140,000	
<b>Dependent on Outcome of LDP</b>							
Low	0	0	0	0	0	0	0%
Medium	0	0	0	0	0	0	0%
High	0	750,000	4,000,000	4,000,000	2,000,000	10,750,000	100%
	0	750,000	4,000,000	4,000,000	2,000,000	10,750,000	
<b>TOTALS</b>							
Low	947,500	0	0	0	0	947,500	2%
Medium	765,000	16,450,000	100,000	0	0	17,315,000	40%
High	975,000	4,715,000	13,456,000	4,000,000	2,000,000	25,146,000	58%
<b>Total</b>	<b>2,687,500</b>	<b>21,165,000</b>	<b>13,556,000</b>	<b>4,000,000</b>	<b>2,000,000</b>	<b>43,408,500</b>	