

ADDENDUM TO GENERAL FUND REVENUE BUDGET REPORT - ITEM 8

(1) Treatment of VAT receipt

The council has been pursuing a claim against HM Revenues & Customs (HMRC) relating to VAT paid on trade waste collections. The council has been informed that its claim has been successful and it will be receiving a refund of approximately £1.1m (after fees).

The Head of Finance's advice is that this amount is transferred to the General Fund Reserve and is not used to support revenue or capital expenditure for at least two years, this being the period in which HMRC can challenge the amount repayable either through the courts or through review.

The Medium Term Financial Strategy (MTFS) has been amended to reflect this advice, with the receipt being held in balances until 2014/15 and then being applied to reduce savings requirements in 2015/16 and 2016/17. The updated MTFS is shown below:

General Fund	Current year	2012/13	2013/14	2014/15	2015/16	2016/17
Employees	20,471,403	21,256,390	21,500,597	22,435,538	23,411,504	24,430,313
Premises	8,456,614	8,947,681	9,467,385	9,921,998	10,298,587	10,689,604
Transport	300,483	316,962	334,351	349,342	361,500	374,089
Supplies & Services	19,237,041	20,276,293	21,372,141	22,313,146	23,072,077	23,857,331
Third Party Payments	451,300	453,557	455,824	458,103	460,394	462,696
Capital Charges	5,550,210	5,575,219	5,640,374	5,742,241	5,840,321	5,845,639
Transfer Payments	73,448,570	73,448,570	73,448,570	73,448,570	73,448,570	73,448,570
Receipts	-20,665,360	-21,416,789	-22,195,742	-23,003,233	-23,840,316	-24,708,083
Centrally Managed	1,447,897	1,528,706	1,614,052	1,687,960	1,748,308	1,810,842
Government Grants (Benefit subsidy)	-73,058,920	-73,058,920	-73,058,920	-73,058,920	-73,058,920	-73,058,920
(Benefit admin grant)	-1,518,503	-1,518,503	-1,518,503	-1,518,503	-1,518,503	-1,518,503
(PFI credit)	-1,428,700	-1,428,700	-1,428,700	-1,428,700	-1,428,700	0
(NNDR admin grant)	-273,790	-273,790	-273,790	-273,790	-273,790	-273,790
(misc)	-81,000	-81,100	-81,201	-81,303	-81,406	-81,510
(Council tax freeze bonus)	-230,195	-462,487	-230,195	-230,195	0	0
(Homelessness)	-337,000	-337,000	-337,000	-337,000	-337,000	-337,000
(New Homes Bonus)	0	-1,189,011	-1,425,718	-1,663,608	-1,902,687	-2,142,962
Recharge Expenditure	24,463,383	24,543,451	24,624,121	24,705,400	24,787,292	24,869,801
Recharge Income	-31,928,084	-31,966,610	-32,005,390	-32,044,427	-32,083,722	-32,123,278
Unavoidable re-occurring costs	0	500,000	500,000	500,000	500,000	500,000
Unavoidable one-off costs	0	500,000	500,000	500,000	500,000	500,000
Transition Grant	-881,660	0	0	0	0	0
Savings requirement	-852,927	-3,945,698	-3,520,113	-1,807,174	-1,132,711	-2,757,313
Use of Reserves	-1,000,000	-300,000	750,000	750,000	200,000	200,000
Budgetary requirement	21,570,762	20,515,293	20,333,520	20,546,706	20,844,884	21,228,903
Formula Grant						
NNDR (exc CTFG)	-9,360,217	-11,015,199	-11,098,289	-11,265,300	-11,517,071	-11,854,450
RSG	-2,893,270	-217,989	0	0	0	0
Council tax	-9,207,820	-9,282,105	-9,235,230	-9,281,407	-9,327,814	-9,374,453
Collection Fund Surplus	-109,455	0	0	0	0	0
Budgetary resources	-21,570,762	-20,515,293	-20,333,519	-20,546,706	-20,844,885	-21,228,902
Reserves	6,000,000	5,700,000	6,450,000	7,200,000	7,400,000	7,600,000
<i>Reserves (as a % of Budget Requirement)</i>	<i>28%</i>	<i>28%</i>	<i>32%</i>	<i>35%</i>	<i>36%</i>	<i>36%</i>

Recommendation

That recommendation (1) of the substantive report is therefore amended to read that cabinet recommends to council for the 2012/13 financial year:

- (1) that the prudent level of reserves for the council be set at £5.52 million (£4.42m as per Annex 2 plus £1.1m HMRC receipt) in accordance with the recommendation of the Head of Finance.

(2) Possible Council Tax Increase (para 12 of substantive report)

The government has issued additional guidance on the criterion for a Council Tax Referendum, clarifying that the 3.5% trigger applies to the “basic rate of council tax” which excludes precepts and levies, rather than to the aggregate council tax including them.

This is relevant to the council since the Mousehold Heath Conservators agreed at their meeting of 13 January 2012 that their precept should reduce from £191,05 in 2011/12 to £181,095 for 2012/13.

In order for the city council's share of the council tax, the “basic rate of council tax” to remain below the 3.5% trigger, the aggregate council tax cannot increase by more than 3.3%, as shown below:

Council Tax Calculation 2012/13		3.5% increase
Norwich City Council	£9,407,578	
Mousehold Precept	£181,095	
Council Tax Requirement	£9,588,673	
Band D Equivalent properties	41,095	
Council Tax (Band D)	£233.33	= 3.3028%
NCC Basic Amount of Council Tax	£228.92	= 3.4983%

The product of a 3.3% increase in council tax (equivalent to a 3.5% increase in the council's basic rate of council tax) would be £306,435, of which £232,292 would offset the loss of the Council Tax Freeze Grant leaving £74,143 available to support additional expenditure.

Recommendation

That recommendations (5) and (6) of the substantive report are therefore amended to read that cabinet recommends to council for the 2012/13 financial year:

- (5) that the council's Council Tax Requirement to be set at £9,588,673;
- (6) that Council Tax should be set at £233.33 for Band D, which is an increase of 3.3%;

(3) Progress in reducing the council's carbon footprint

The council achieved an 8% reduction in its carbon emissions (CO2 reduction for local authority operations) during 2010/11 contributing to a total reduction of 16.9% in the last three years. The calculation of the council's carbon footprint for 2011/12 will be completed in June 2012.