

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Management Team
to
Council
on
28 February 2013

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Council Budget 2013/14
Executive Councillor: Councillor Nigel Holdcroft
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 The purpose of this report is for Council to approve the setting of a revenue budget and Council Tax for 2013/14, a Capital Programme for 2012/13 to 2016/17 and to present for approval a range of revenue savings options for future years.
- 1.2 In addition, it deals with the Housing Revenue Account and related rent levels, Fees and Charges and Treasury Management including Prudential Indicators.
- 1.3 Comprehensive reports to the Cabinet on 22 January and 12 February 2013 set out the issues affecting the Council's budgetary position for 2013/14 including the latest Local Government Finance Settlement.
- 1.4 In accordance with the Council's Constitution, the Cabinet on 12 February 2013 agreed to recommend a revenue budget (including HRA and Fees and Charges), Council tax, three year financial projections and indicative savings and pressures for 2013/14 and proposals for future years revenue savings, Capital Programme and Prudential indicators to Council for approval.
- 1.5 The formal Council Tax setting resolution is also presented in this report.
- 1.6 Council is now required to consider and agree these matters.

2. Recommendations

That the Council considers the information contained in this report and the related reports to Cabinet on 12 February 2013 to agree:

2.1 A 2013/14 revenue budget and

- **an increase of 1.75% in the Southend-on-Sea element of the Council Tax;**

- to note the freeze in the Council Tax level for the precepting authority the Essex Fire Authority;
- to note the increase in the Council Tax level of 3.49% for the precepting authority the Essex Police Authority;
- to note the increase in the precept level of 68.05% for Leigh-on-Sea Town Council;

2.2 The final levy position for 2013/14 and the required adjustment from the contingency budget;

2.3 A Capital Programme for 2012/13 to 2016/17 as recommended by the Cabinet on 12 February 2013 (Appendices 3 (i) and (ii));

2.4 The recommendations from Cabinet 12 February 2013 for the HRA and associated rent levels, Fees and Charges, and Treasury Management including Prudential Indicators;

2.5 The Statutory Budget Determinations and amount of Council Tax for Southend-on-Sea Borough Council (Appendix 4);

2.6 The Council's four year financial plan and associated Medium Term Financial Strategy (Appendix 6);

2.7 The direction of travel for 2014/15 and beyond (Section 8);

2.8 The future year budget savings (Appendix 5)

3. Background

3.1 The various budgets and associated matters of the Council have been considered at the Cabinet meetings of 22 January 2013 and 12 February 2013 and the various Scrutiny Committees from 28 January 2013 to 31 January 2013, as outlined below:

- *The General Fund Revenue Budget 2013/14;*
- *Fees and Charges 2013/14;*
- *Housing Revenue Account Budget 2013/14 and Rent Levels;*
- *Capital Programme 2012/13 to 2016/17;*
- *Treasury Management and Prudential Indicators 2013/14 (Treasury Management scrutinised at Audit Committee 9 January 2013 and not Scrutiny Committees).*

3.2 The Cabinet recommended to Council;

Firstly, the proposals on the Revenue Budget and Council Tax Level as set out at Appendices 1, 2 & 5 and secondly, a Capital Programme as set out at Appendix 3. Other recommendations surrounded the HRA Budget and rent levels, Fees and Charges and Treasury Management including Prudential Indicators. Details of all these items and relevant recommendations are all contained in the suite of Cabinet reports presented on 12 February 2013.

3.3 The Council must set its revenue budget and Council Tax by 11 March of the preceding year. If, for whatever reason, the Council cannot agree a budget and Council Tax on 28 February 2013, Members should be aware that it is unlikely that the Council Tax bills could be sent out on time for the 1 April instalment (taking into account the necessary notice period and the time required to print the bills and the accompanying leaflet). Such a delay will increase costs significantly by circa £100k-£200k and will need to be built into the budget. It is also highly likely that this will also translate into a higher level of un-collectable debt and debt collections costs and will significantly impact on Council Tax performance indicators.

3.4 In setting its budget, the Council is required to approve a full Council Tax resolution including the Police, Fire and parish precepts, including any recommendations for special expenses. The Statutory budget determination to set the amount of Council Tax for Southend-on-Sea Borough Council for all valuation bands from A to H is shown in Appendix 4.

4. Corporate Issues

4.1 The Chief Financial Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the 2003 Local Government Act.

4.2 The position on reserves is addressed within the S151 statement to Cabinet on 12 February 2013 (Appendix 1 of the General Fund Revenue Budget 2013/14 report.) In addition, further detail is contained in the Medium Term Financial Strategy Appendix 18 within the same report.

4.3 For 2013/14, the level of contingency (including redundancy and inflation) within the proposed budget is £7.008 million (£7.036 million – Cabinet 12 February 2013 less £28,000 adjustment for final approved levy position).

4.4 The position on Council Tax capping was amended by the introduction of the Localism Act in December 2011. The provisions in the Localism Act 2011 abolished Whitehall capping in England and instead provides local residents with a power to approve or veto excessive council tax rises. The new provisions require the Secretary of State to propose principles defining an excessive increase in council tax for any financial year. The main principle to be determined relates to the increase in Band D council tax (subject to certain adjustments) from one year to the next. A Council Tax referendum will only be required to be held in relation to an authority's council tax increase in 2013/14 if the amount set by the authority exceeds the council tax excessiveness principles applying to that year. For 2013/14 the position is as follows;

- The Secretary of State has proposed the council tax principles he is minded to set for 2013/14. These are that authorities will be required to seek the approval of their local electorate in a referendum if, compared with 2012/13, they set a council tax increase that exceeds 2.0% for other principal authorities (i.e. which relates to Southend-on-Sea).

4.5 In accepting a Council Tax increase of 1.75% the Council is in line with the requirements from the Secretary of State and therefore no referendum is triggered.

4.6 Therefore, in my view as the Council's Chief Financial Officer, I confirm that the budget for 2013/14, as reported in the suite of Cabinet reports and issues addressed in this report, to be sufficiently robust but challenging for approval by the Council. I am also able to advise the Council that the level of General Fund Reserves is adequate and to recommend a Reserves Strategy which is achievable by 2013/14 in line with the factors set out in my S151 Officer Statement.

5. Council Tax and Collection Fund 2013/14

5.1 The Council Tax Base for 2013/14 was approved by Cabinet on 22 January 2013 at 53,358.9 (equivalent Band D properties).

5.2 The estimated balance on the Collection Fund at the end of 2012/13 shows a projected surplus of £700,000 attributable to the Council and which has been used in calculating the Council Tax, as statutorily required.

5.3 The proposed budget assumes a 1.75% increase in the Southend-on-Sea element of the Council Tax. If this is accepted, the Council will therefore be formally rejecting the Coalition Governments latest Council Tax Freeze Grant offer. If accepted this would cost the Council circa £1.1million per annum in its on-going budget and a permanent on-going reduction in its Council Tax base generating capacity. Consequently additional savings would need to be found across various Council services which would impact on all Council residents. The key difference with this year's grant offer is that it is now for two years but only offers 1% of Council Tax in return for a Council Tax freeze.

5.4 A 1.75% increase at the Band D level for the Southend-on-Sea element of the Council tax is 38p per week.

5.5 The total Council Tax payable by tax payers consists of Southend-on-Sea Borough Council, and the precepts for Essex Fire Authority, Essex Police Authority and, where applicable, Leigh-on-Sea Town Council.

5.6 The Cabinet may wish to bear in mind that a 1% change in Southend-on-Sea Borough Council's element of the Council Tax is £11.18 for a Band D property. This equates to an amount of circa £0.6 million in the revenue budget for each 1% change.

Precepts

- 5.7 Leigh-on-Sea Town Council has declared its precept for 2013/14 at £324,841 (2012/13 = £205,990). Based on their council tax base of 8,340.8, the Town Council element of the total Council Tax bill will increase from £23.19 to £38.97 at Band D, equivalent to 68.05% over 2012/13. This only applies to the area covered by the Town Council.
- 5.8 For Essex Police Authority the required precept represents a Council Tax of £141.48 per Band D property, which represents an increase on the respective 2012/13 level of 3.49%.
- 5.9 For Essex Fire Authority the required precept represents a Council Tax of £66.42 per Band D property, once again a freeze on the respective 2012/13 level.

Levies

- 5.10 The Council is required to pay relevant levying bodies, who have all now confirmed their required levy for 2013/14 and the position for 2013/14 compared to 2012/13 is identified in the table below:

Levying Body	2012/13	2013/14	2013/14 Final
	Probable	Estimate	Approved Levy
	Outturn		
	£'000	£'000	£'000
Kent and Essex Inshore Fisheries and Conservation Authority	22	21	21
Flood Defence	158	158	159
Coroners Court	284	279	306
Total	464	458	486

The 2013/14 budget proposed at Cabinet on 12 February 2013 included a total sum for levies of £458,000. The final approved levies for 2013/14 total £486,000. Therefore, the additional sum of £28,000 will be adjusted in the final budget from the contingency budget.

Special Items (Sections 34 & 35 of the Local Government Finance Act 1992)

- 5.11 Parish and Town Councils are able to precept on the Authority for services provided in the Parish or Town Council area. The Local Government Finance Act 1992 requires these precepts to be deemed a special item. In the Council's area the only parished area is Leigh-on-Sea.

- 5.12 Otherwise the cost of this Council's services is spread uniformly over the Authority's area. However, in some parishes, the Town Council may provide services which in other parts of the Authority are provided by the Council. Under Section 35 (2) (d) of the 1992 Act, the cost of these services is regarded as special expenses unless the Council has resolved otherwise. Special expenses are deemed to be included as part of the special items for Council Tax setting purposes.
- 5.13 The costs of special expenses are deducted from the council's total expenditure when setting the basic Council Tax and are charged as an additional amount to the areas receiving the benefit of the specific services.
- 5.14 At its meeting on 12 February 2013, the Cabinet considered the special expenses to apply in 2013/14 and recommended that there were no special expenses in addition to the Leigh-on-Sea Town Council's precept.
- 5.15 The proposed Band D Council Tax excluding and including Leigh-on-Sea Town Council is set out at Appendix 1.

6. Capital Programme

- 6.1 The Cabinet also considered proposals for the Capital Programme for 2012/13 to 2016/17 and referred the proposals set out at Appendix 3 (i) and (ii) to this report.
- 6.2 The Cabinet also agreed to refer the approval of the Capital Strategy, minor revisions to the Asset Management Plan and Prudential Indicators.
- 6.3 The full impact of the borrowing costs required to fund the proposed programme have been included in the Council's current financial planning for 2012/13 to 2016/17. The 2013/14 revenue budget incorporates the required borrowing costs as part of the budget requirement for 2013/14. In summary, it is my view, as Chief Financial Officer, that the 2012/13 to 2016/17 Capital Programme is Prudent, Affordable and Sustainable.
- 6.4 To demonstrate compliance with these objectives a set of prudential indicators, as required by statute, is recommended for approval.

7. Medium Term Financial Strategy (MTFS)

- 7.1 The Medium Term Financial Strategy that was approved in March 2012 was for a four year period up to the financial year 2015/16. It has now been updated as a result of the recent Local Government Finance Settlement, changes to the projections in the current financial planning figures and a review of our service delivery plans and recently refreshed corporate priorities.
- 7.2 It is good practice to update the rolling MTFS as part of setting the Council budget and Council Tax to ensure our financial planning is fully aligned and integrated.

- 7.3 The updated and full MTFs for the period 2013/14 to 2016/17 is included within the General Fund Revenue Budget 2013/14 report to Cabinet 12 February 2013 at Appendix 18.
- 7.4 The MTFs shows a projected further budget gap for the Council of £29.6 million for the following three financial years. This is set out in detail in Appendix 6 and in summary as follows;

2013/14	£12.5 million
2014/15	£8.7 million
2015/16	£8.4 million
£29.6 million	

8. 2014/15 and Beyond

- 8.1 In addressing the national economic situation the Coalition Government has emphasised the need to look at an initial four year programme of public sector spending restraint and reconfiguration. This was reinforced in the Chancellor's annual autumn speech in November 2011 and December 2012 with further restriction placed on the Government's public spending plans up to 2018. The tightening and reduction of Government funding contributions to local government funding and the Government's changes from April 2013 for the funding of Local Government, means that the current financial challenges for 2013/14 and beyond need to be seen as part of a much longer period of financial retrenchment and councils will need to consider a longer spending reduction programme than normal.
- 8.2 This report predominantly addresses, as we are required to do, a detailed budget for 2013/14 but it is also appropriate to identify the areas the Council should continue to explore in order to meet the budget constraints of future years and also tailor the services it provides and review its role within national policy and local circumstances.
- 8.3 Like all local authorities in England, Southend-on-Sea Borough Council is facing unprecedented financial challenges. The Council has, over a number of years, addressed significant funding gaps whilst also achieving improved efficiency and service delivery. In the current, and forecast, period of national financial stringency the scale of financial contraction is such as to challenge the scale, nature and purpose of the role of the Council.
- 8.4 Traditionally, and particularly over recent years, the nature of Council activity has seen an increase in the level of directly delivered services for the local populace and for local businesses and visitors. Many services have been delivered on a universal basis and free or at limited cost. As funding continues to reduce greater pressure is being placed upon the services provided by the Council and also the way in which these are delivered.

- 8.5 Since the beginning of the current national financial crisis the Council has striven to sustain its full range of services but it is increasingly likely that this approach will be unviable.
- 8.6 It is proposed that the Council will increasingly focus the delivery of its services in a targeted way, concentrating on delivering services to those residents who need the Council's help. The Council will also adopt this as an approach in tailoring the delivery of its many statutory services. To underpin this approach the Council will also reposition its role as one to help the community, its residents and businesses, to take personal control of as many factors affecting their lives as is possible.
- 8.7 The Council will adopt an increasing approach of working, and delivering services, in partnership with other agencies, the voluntary and commercial sectors, and the community itself. As part of this approach the Council will encourage the sustenance of community services in collaboration with the local communities, encouraging community capacity to operate in appropriate circumstances.
- 8.8 The Council will also seek to address critical issues such as equality, disadvantage, lack of attainment and poverty by working with communities themselves, seeking enhanced training and opportunity and by fostering and promoting the local economy and thereby enhancing opportunities for aspiration, attainment, household income and personal achievement.
- 8.9 Given the financial challenge we have and are to continue to face for a number of years, a continued programme of corporate work streams will continue with this efficiency drive and to help support the identification of savings for future years. This will allow us to have a programme driving transformational change in the organisation and will allow a clear focus on delivery of the required significant savings that will be required over this period.
- 8.10 This programme of corporate work streams has helped to deliver savings proposals of nearly £8million over 2012/13 and 2013/14.
- 8.11 Over the coming year, and in anticipation of delivering tailored services for the community whilst addressing the known budget reductions required from our total budget of a further circa 20% to 25% for the three years 2014/15 to 2016/17, it is important to consider future year potential savings proposals. Therefore, officers have produced a range of savings proposals for Members consideration and agreement as part of the 2013/14 budget process to enable these to be adequately progressed for implementation over the next few financial years to assist in bridging the required budget reductions. The proposals are set out at Appendix 5.
- 8.12 It is clear that the budget savings presented for 2013/14 cannot be repeated in successive years without the Council considering how it delivers services across the borough to avoid duplication of overheads, achieve economic delivery and still provide facilities and services valued by the community.

- 8.13 Whilst looking for further savings in 2014/15 it may be necessary to consider our continued membership of the Local Government Association (LGA) and therefore this report notes the continued formal position for officers to provide a rolling annual notice to the LGA of our intention to end our membership, given the 1 year notice period required.

9. Corporate Implications and Conclusion

- 9.1 The corporate implications of the proposed Council Budget have been set out in the relevant reports to the Cabinet meetings of 22 January 2013 and 12 February 2013.

- 9.2 In reaching decisions on budget proposals and Council Tax, Members will need to bear in mind all the detailed advice provided by officers both in reports to the Cabinet and information supplied directly. Regard must be had for the impact of decisions both in the coming year and subsequent years.

10. Background Papers

- 10.1 All background papers are listed in the reports detailed at paragraph 3.1 in this report.

- 10.2 In addition, Background Papers include:

- (i) Minutes of the Cabinet meeting 22 January 2013;
- (ii) Minutes of the Cabinet meeting 12 February 2013;
- (iii) Minutes of the various Scrutiny Committees and Business Ratepayers Consultative Forum from 28 January to 31 January 2013.

11. Appendices

Appendix 1	Revenue Budget and Council Tax 2013/14
Appendix 2 (i)	General Fund Savings 2013/14
Appendix 2 (ii)	General Fund Pressures 2013/14
Appendix 3 (i)	Capital Programme 2012/13 to 2016/17
Appendix 3 (ii)	Capital Programme New Schemes 2013/14 to 2016/17
Appendix 4	Council Tax Resolution 2013/14
Appendix 5	Future years' savings proposals
Appendix 6	Medium Term Financial Plan 2013/14 to 2016/17