

Budget 2013-14 and Beyond

Cabinet

Date: 6th February 2013

Authors: Cabinet Member for Finance, and Board Director, Resources

Wards: All

Locality Affected: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report proposes a Budget for 2013/14 and sets out the financial context for 2014-15 and beyond.
- 1.2 Under the Council's Constitution, the Cabinet is required to recommend a budget and level of Special Expenses to Council as part of its formal Council Tax Setting responsibilities.

2. Recommendations

Cabinet is requested to note:-

- 2.1 That the Council does not expect to need to replenish General Reserves as part of the 2013-14 Budget Setting process;
- 2.2 The feedback received to the Borough-wide consultation process on the Draft Budget, set out in Appendix 5;
- 2.3 The level of uncertainty relating to the level of funding available to support the 2013-14 Budget due to the lateness of the Local Government Finance Settlement and that, subject to materiality, the Board Director Resources recommends that any change in the forecast settlement position will be accommodated by amending the level of New Homes Bonus funding included in the 2013-14 budget proposals;
- 2.4 That a Consultation Meeting with business representatives from Swindon, on behalf of non-domestic rate payers took place on 4th February 2013 and the minutes will be provided to Council on 21st February 2013;
- 2.5 That in line with the requirements of the Local Government Act 2003, the Board Director, Resources, in his Section 151 capacity, confirms the robustness of the estimates underlying the recommended Budget and having reviewed the financial risks being faced by the Council concludes that the proposed level of General Reserves (£6m) is adequate in the context of the earmarked reserves held, specific contingencies and the proposed general contingency of £1.2m;

Cabinet is requested to agree:

- 2.6 The proposed changes in fees and charges set out in Appendix 1, that fall outside of the assumed Council-wide 3% blanket increase;

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- 2.7 That there be no change in the level of Special Expenses charged per household for 2013-14 with the total level of Special Expenses for 2013-14 being £1,001,388;
- 2.8 The Specific Reserves held in support of the 2013-14 Revenue Budget set out in Appendix 7;
- 2.9 That no funding will be passed from the Borough Council to parish councils to mitigate the impact of changes to the tax base linked to the Council Tax Support scheme; and
- 2.10 To recommend to Council, subject to any changes resulting from the Government's announcement of the final Local Government Finance Settlement for 2013-14 that:-
 - 2.10.1 The 2013-14 Budget be set at £148.041m;
 - 2.10.2 There be no increase in Council Tax for 2013-14, and
 - 2.10.3 It be determined that the proposed increase in the basic amount of Council Tax for 2013-14 is not excessive in accordance with Schedule 5 of the Localism Act 2011.

3. The Medium Term Picture

- 3.1 The 2013-14 Budget is the first under the new Local Government Funding reforms for 2013-14 and 2014-15. These include the introduction of a number of changes that alter the level and local profile of Local Government funding as follows:-
 - 3.1.1 Localisation of Business Rates, which brings a local opportunity to benefit from growth in Business Rates income but with it also brings increased income risk;
 - 3.1.2 Localisation of Council Tax Support, which transfers funding from national to local government with a stated intention by Government of incentivising Councils to help people back into work but again transfers risk locally;
 - 3.1.3 Amalgamation of a number of specific grants into the formula grant that have the effect of increasing the net Budget of the Council despite there being an overall reduction in government support; and
 - 3.1.4 Generally reducing the overall level of income available to Councils.
- 3.2 Within this context, it will be necessary for the Council to continue to drive savings from its services and set aside any resources delivered in advance of future year grant reductions to help achieve the annual budget challenges from 2014-15 onwards. Current indications are that the 2014-15 funding settlement will be tougher for local authorities generally than 2013-14, although the position for Swindon will depend to a large extent on whether more funding is diverted from local authorities to academies, given the

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relatively high proportion of schools in Swindon that have been granted academy status.

- 3.3 As changes are being made to the way councils are financed, it is becoming increasingly noticeable that the level of on-going base grant funded is getting smaller and this core level of funding is being supplemented with new grants with uncertain durations. From 2013-14, the Government has top-sliced the national sum available to finance the new Business Rates Retention Scheme to fund increases in the New Homes Bonus (NHB). For Swindon, the 2013-14 level of NHB is around £4m which is now a significant proportion of its annual Budget. On this basis, and recognising that the Government had stated that this funding stream will continue to be available until at least 2016, it is proposed that a proportion of the New Homes Bonus is used to finance the base budget from 2013-14 despite it not forming part of the on-going core element of grant funding.

4. The 2013-14 Provisional Finance Settlement

- 4.1 On 19th December 2012, the Government published information to advise councils of the impact of the 2013-14 Provisional Local Government Finance Settlement. There were a number of key differences between the Council's funding assumptions and the provisional settlement in the following areas:-
- General Grant levels were lower than predicted;
 - Specific grants linked to Adult Social Care and Health were higher than expected by £999k (although how this is spent will be subject to a negotiation with Health); and
 - The Early Intervention Grant (EIG), which was £1.7m lower than predicted, and Council Tax Support Grant, which was £792k higher than predicted, have been rolled up into the formula grant which removes their ring-fencing and has the effect of artificially increasing the net Budget of the Council.
- 4.2 A reduction in the tax base of the Borough linked to changes to the Council Tax Support scheme, reported as part of the Draft Budget report to Cabinet on 12th December 2012, coupled with an overall increase in the net Budget of the Council means that Council Tax income in future will represent a smaller proportion of the Council's total income.
- 4.3 In determining the overall financial impact of the settlement the Council needs to take a view on whether the level of Business Rate receipts in 2013-14 is likely to vary from the Baseline level calculated by the Government. Given the lack of detailed information available from the Valuation Agency around historic success levels of appeals in particular, combined with the general economic uncertainty, this is proving to be an extremely difficult exercise. To put this in context, the total rateable value under appeal for Swindon is £79m, which equates to approximately £39m payable and reductions can be backdated over 3 years.

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- 4.4 In this climate of uncertainty, Finance Directors are having to balance the need for prudence against the possibility of being over cautious, which would result in a potentially significant surplus on collection during the year. Although local authorities would benefit from any such surpluses in future years, the impact on 2013-14 would be a need to identify a higher level of cuts than would potentially be required.
- 4.5 The Board Director, Resources and his team have closely examined past trends and attempted to estimate the impact of any known changes to business properties during the year that are already under construction or have been signalled through the Planning process. As a result of this work, the Board Director, Resources feels that an increase in income from Business Rates above the Baseline of £0.45m is the best estimate at this point in time, which would supplement the level of grant being received. The actual level of income received will be closely tracked during the year to see whether it is in line with expectations.
- 4.6 Taking all of these factors into account, the assumed level of grant income in overall terms was £1.3m lower than the level assumed in the Draft Budget considered by Cabinet on 12th December 2012. However, at the time of writing this report the final Local Government Finance Settlement has not been announced. In addition, the Government has signalled that not all the information required to fully understand the level of funding available will be made available prior to local authorities needing to set their budgets. In particular, the latest forecast for when the allocation of funding between Councils and Academies will be confirmed is March 2013.
- 4.7 Over the last couple of weeks, informal soundings from the Government and information received from the Local Government Association suggests that more funding may be released back to Local Government at some point for 2013/14, either in the final settlement or during the year, related to the following:-
- The £150m National top-slice of Early Intervention Grant
 - The National top-slice to fund the New Homes Bonus
 - The National quantum of assumed business rates
- 4.8 This recognises that the top-slices made at a national level are greater than the total of the allocations made to Councils. With this in mind, it is likely that additional specific grant income will be released during the year, as happened in 2012-13.
- 4.9 Recognising the scale of reductions required over the medium-term, the Board Director, Resources recommends that any additional funding received in-year be used to replace one-off funding sources such as New Homes Bonus and Council Tax Freeze Grant within the 2013-14 Budget, unless it is accompanied by unavoidable additional spending requirements. This will

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have the impact of reducing the scale of savings required to be delivered in 2014-15 and beyond.

5. The Forecast Out-turn 2012-13

- 5.1 The starting position for the 2013-14 Budget is the current year's Budget for 2012-13. A report elsewhere on the agenda sets out the forecast position to 31st March 2013 which shows that the Council has a number of risks and challenges to manages but expects to be able to deliver the 2012-13 Budget without drawing on General Reserves. On that basis, no provision has been included in the Proposed Budget for 2013-14 to replenish Reserves as a result of projected drawings in-year. However, it should be noted that many of the pressures being experienced in the current year are expected to be recurring, while a number of the mitigations to remain within budget are one-off.

6. Structural Changes Budget Realignment

- 6.1 Following adjustments to management structures and a realignment of accountabilities at Board Director and Head of Service level, the 2013-14 Budget will be mapped to the new operating structure with effect from 1st April 2013. The first Budget Management report to Cabinet in the summer 2013, will set out the changes in reporting structures to map the Budget from the 2012 structure to the new operating model.

7. Council Tax 2013-14

- 7.1 One of the new Grants announced as part of the 2010 Comprehensive Spending Review (CSR) was the Council Tax freeze grant, which replaces the level of income generated from an assumed Council Tax increase with one-off grant funding. Swindon has frozen its Council Tax levels since 2010-11 and Cabinet Members have indicated that they propose to do so again in 2013-14. The Draft Budget assumed that the 2013-14 grant would be based on the tax base for 2013-14 using the new methodology described in the December Budget paper, generating £720k in 2013-14. The actual level of grant funding is based on the original tax base calculation methodology and amounts to £851k payable in both 2013-14 and 2014-15 if the Council freezes its Council Tax levels in 2013-14. As this funding is payable for two years only, it has not been used to balance the Base Budget and is instead available to fund one-off initiatives.
- 7.2 The "freeze" relates to the Council's Basic Amount of Council Tax, which includes its own Special Expenses but not Parish Precepts. Therefore, some households may experience a minor change in the amount paid due to fluctuations in the level of parish precepts.
- 7.3 In accordance with Schedule 5 of the Localism Act 2011, the Council has a duty to determine whether any increase in its basic level of Council Tax is considered to be excessive in which case it would be required to hold a referendum. For 2013/14, the Government has set the threshold at 2% for

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Swindon and, as the Council is proposing no change to the level of Council Tax in 2013/14, no referendum is necessary.

8. Special Expenses 2013-14

- 8.1 The proposed level of spend for 2013/14 is a small change in the overall level of Special Expenses to reflect the change in the tax base compared to 2012-13 (£1.001m from £1.162m in 2012-13) within the area with the charge per household unchanged from 2012-13 levels. The detail is set out in a separate report on this agenda.

9. Tax Base and Collection Fund Surplus / Deficit

- 9.1 In line with assumptions in the December Cabinet report, the Tax Base for 2013-14 and the Council's share of the estimated Collection Fund Surplus for 2012-13 are 65,420.8 and £2m respectively. These two figures feature in the formal Council Tax setting calculations to be considered by Council on 21st February 2013.

10. Council Tax Support Scheme Changes and impact on Parish Councils

- 10.1 As set out in the Draft Budget Report to Cabinet on 12th December 2012, changes to the Council Tax Support Scheme being introduced from April 2013 have the impact of reducing the tax base of Councils, and the resulting level of Council Tax income, and the Government has replaced this with additional grant income added to the Formula Grant. During the consultation period for the changes, it was expected that the tax base of parish councils would not be affected but in the final agreed scheme, the impact relates to all Councils.
- 10.2 The Grant will be payable to Swindon Borough Council which has the option of passing a proportion of this on to parish councils to mitigate the reduction in Council Tax income.
- 10.3 Analysis undertaken shows that the non-parished area of the Borough Council is impacted by the change more severely than parishes and that the impact for every parish is less than the Borough-wide average of 11%. The impact on the non-parished part of the Borough is a reduction in tax base of 13.8% compared to a parish average of 6.2%, after allowing for a growth in the number of households in some areas. If the Council was minded to compensate parishes for the reduction, £167k of the Council's £9.9m grant would need to be passed on to parish councils.
- 10.4 Parish councils have to set their annual Budgets and notify the Council of their 2013-14 precept by 31st January 2013 to feed into the Council's Budget and Council Tax setting timetable. As this date was before the Cabinet meeting, the Leader of the Council sought views from Cabinet Members in order that officers could advise the parish councils of the likelihood of the grant income being shared with them. On 11th January 2013, a letter was sent to parishes confirming that the view was that Council should not offer any financial

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assistance to the Parishes on the basis that the Council had not yet balanced its own Budget and that parishes have more flexibility over the level of annual increases in their Council Tax levels than the Borough Council. Members are asked to endorse this and confirm that no funding will be passed on to parish councils to mitigate the impact of this change.

11. The Proposed Budget 2013-14

- 11.1 The Council consulted on its draft Budget proposals following their approval by Cabinet on 12th December 2012 and is undertaking further consultation with the Business community. The meeting with business representatives from Swindon, on behalf of non-domestic rate payers will take place on 4th February 2012. The general consultation feedback is set out at Appendix 5 and the minutes of the meeting with Business Representatives will be circulated as Appendix 6 either at the meeting or directly to Council on 21st February 2013.
- 11.2 No changes to the Draft Budget are proposed as a result of the general consultation feedback.
- 11.3 The assumed level of funding gap in the Draft Budget was £3.1m, the level of provisionally announced funding is £1.3m lower than that assumed in December but this has been partly mitigated by an assumed increase in Business rate income of £450k creating a net gap of £3.95m. In addition, new cost pressures have been identified totalling £1.05m creating a total funding gap post settlement of £5m. Further savings have therefore been identified to balance the Budget. The majority do not impact on current front-line services. Where proposals do affect service levels, the amount of savings assumed from those proposals has been dampened to reflect only a part-year benefit, recognising the need to undertake further consultation.
- 11.4 It is proposed that the level of Contingency held is relatively high compared with that in previous years, recognising that a number of proposals have not yet commenced implementation. With this approach and assumptions for a part-year benefit in 2013-14 for the new proposals, enough flexibility remains within the Budget to ensure it is robust and deliverable in global terms with the capacity to absorb some minor modifications in response to any consultation feedback. All proposals that have been added or amended since the Draft Budget was presented to Cabinet on 12th December 2012 are shown in bold in Appendix 4. Should any changes be required to any of the proposals in response to consultation feedback prior to implementation, these will be reported to Cabinet as part of the 2013-14 scheduled Budget Management reports.
- 11.5 As a result of the funding changes announced as part of the 2013-14 Local Government Finance Settlement, funding has been switched from specific income to the Council's gross Budget to forming part of the Council's overall Formula Funding. These changes have resulted in the Net Budget of the Council increasing by nearly £11m despite reductions in the level of

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Government Funding. The adjustments required to reflect these changes are set out in Table 1 below.

Table 1 – Funding Adjustments to show movements in Net Budget

	£'000
2012-13 Net Budget	137,391
Add back 2012-13 Budgeted levels of specific grants switching to Formula Grant	16,765
2012-13 Budgeted 2-Year Old Funding transferred to the Dedicated Schools Grant (DSG)	-428
Impact of Net Draft Budget proposals excluding funding changes (Cabinet 12-12-12)	-670
Impact of Net New Budget Proposals & Specific Grants required to close the gap (Cabinet 6-2-13)	-5,017
Net Budget 2013-14	148,041
Financed By:	
~ Formula Grant	70,611
~ Council Tax Income	74,980
~ Collection Fund Surplus – Council Tax	2,000
~ Business Rates income over and above Base-Line in Formula Grant	450
	148,041

12. Contingencies and Risk

- 12.1 The table below sets out the level of contingencies and general reserves held in support of the 2013-14 Budget and the specific reserves held are set out in Appendix 7. Each of the savings proposals put forward as part of the Budget setting cycle has been individually risk assessed and the levels of contingency built into the proposed Budget for 2013-14, and alongside the level of general and earmarked reserves, reflect the overall potential risk associated with delivering the Budget proposals. In light of this approach, the Board Director, Resources, as part of his Section 151 responsibilities, is content that the 2013/14 Budget as proposed, including the specific and general contingencies described in the table below, is deliverable.

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Table 2 – Contingencies held against the 2013-14 Budget

	£'000
Contingency against slippage in Savings Proposals	200
Contingency against higher-than budgeted care package costs	500
General contingency	500
	1,200

13. One-Off Resources Commitments

- 13.1 Alongside the detailed proposals for 2013/14, a small number of one-off allocations of funding are proposed in order to commence work on strategies that will release further savings in 2014-15. Members are asked to approve the following allocations of funding.

Table 3 – One-Off Commitments 2013-14

	£000
Change Programme resources (to be confirmed in March 2013)	TBC
Investment in Digital Strategy to realise savings in future years	125

14. Fees and Charges

- 14.1 In the Draft Budget considered by Cabinet on 12th December 2012, a 3% increase in fees and charges was assumed. Where using market intelligence a 3% increase is not proposed, the proposed charges for these services are set out in Appendix 1.

15. Equalities and Diversity

- 15.1 Achieving equality and diversity underpins the Council's aim of providing high-quality services, which reflect and support the needs of the wider community. Swindon Borough Council is committed to eliminating discrimination and promoting best practice in all areas of its work and the 2013-14 Budget has been prepared with this in mind. As part of the process to draw up budget proposals, each Board Director has considered equalities and other risk issues, including community safety, both in respect of investment and reductions in spend. For those proposals with an impact on stakeholders, a full Diversity Impact Assessment (DIA) has been completed. Copies of the DIAs undertaken to support the Budget proposals can be obtained from the Council's Change Manager, Equality and Diversity on telephone number (01793) 463221.

16. General Reserves

- 16.1 The Comprehensive Performance Assessment 'rule of thumb' introduced for 2003/04 suggested that a level equivalent to not less than 5% of net revenue

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expenditure excluding School budgets should be considered, unless there is a formal risk assessment, which would justify a lower level. This implies a level of around £7m for Swindon. However, despite the significant level of savings identified since 2006/07, the Council has not overspent and is on track to deliver the Budget in the current year despite the challenging financial climate. Protection against budget risks is also provided through earmarked reserves and contingencies and benchmarking suggests that Swindon is holding higher levels of reserves than other Councils of a similar size and complexity. In this context, it is recommended that the level of General Reserves the Council holds is maintained at £6m. Members are advised that changes to the funding system in future years are expected to introduce more risks for local authorities and that this may well imply that General Reserves will need to be higher in the years ahead.

17. Alternative Options

- 17.1 The full range of options is set out in the body of the report.

18. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 18.1 Where there are financial implications these have been reflected in the body of the report and in the appendices.

Legal and Human Rights Implications

- 18.2 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 18.3 There are no such direct implications.

Links to One Swindon, Strategic Objectives, Plans and Policies

- 18.4 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

Diversity Impact Assessment

- 18.5 A Diversity Impact Assessment (DIA) has been produced for each of the savings proposals that could impact on minority groups. These have been published on the Council's Internet alongside the Cabinet papers. Copies can be obtained from the Council's Equalities Manager, Nick Stephenson on 01793 463221.

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19. Consultees

- 19.1 The Board Director, Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

20. Background Papers and Appendices

- 20.1 Appendix 1: Proposed Changes to Fees and Charges outside the 3% Blanket Council-wide increase
- 20.2 Appendix 2: Summary of Proposed Budget By Group 2013/14
- 20.3 Appendix 3: Summary Budget Proposals By Directorate 2013-14
- 20.4 Appendix 4: Detailed Budget Proposals 2013/14 By Group
- 20.5 Appendix 5: Consultation Response
- 20.6 Appendix 6: Minutes of the Ratepayers meeting on 4th February 2013 – To follow or be presented to Full Council on 21st February 2013
- 20.7 Appendix 7: Reserves Policy and Specific Reserves held to support the 2013-14 Budget

21. Key Decision/Decision in Forward Plan

- 21.1 This is a not a key decision as the Council will determine the Council's Budget and is included in the Cabinet Work Programme / Forward Plan for February 2013.