

Key Decision Required:	Yes	In the Forward Plan:	Yes
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**CABINET
21 DECEMBER 2012**

REPORT OF FINANCE AND ASSET MANAGEMENT PORTFOLIO HOLDER

A.1 REVISED FINANCIAL STRATEGY 2013/14 AND BEYOND AND THE INITIAL BUDGET PROPOSALS FOR A REVISED BUDGET 2012/13 AND ORIGINAL BUDGET FOR 2013/14 – LOCAL GOVERNMENT FINANCE SETTLEMENT

(Report prepared by Karen Neath)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To update Cabinet on the position regarding the revised financial strategy and initial budget proposals for 2013/14 following further announcements including the Local Government Finance Settlement.

EXECUTIVE SUMMARY

At the meeting on 12th December Cabinet considered separate reports on the Revised Financial Strategy for 2013/14 and beyond and Initial Budget Proposals for a Revised Budget 2012/13 and Original Budget 2013/14.

At the time that these reports were considered the Local Government Finance Settlement had not been announced and the overall financial strategy and budget position was therefore based on indicative figures previously provided by Government.

The Local Government Finance Settlement was announced on 19 December 2012. Following the proposals to move from the formula based model to a Business Rates Retention Scheme, the settlement contains a number of separate elements as follows:

- Start-Up Funding Assessment;
- Business Rates Baseline Funding Level;
- Revenue Support Grant;
- Gants rolled in;

The relevant headline figures for Tendring are as follows:-

	2013/14 £m	2014/15 £m
Revenue Support Grant	6.643	5.074
Business Rates Baseline Funding Level (based on assumed collection rate)	4.419	4.555
Start-Up Funding Assessment	11.063	9.629
Of this sum grants rolled in are:		
Council Tax Freeze Grant	0.192	0.192
Council Tax Support Funding (including funding for parishes)	1.644	0
Homelessness Prevention Funding	0.085	0.085

As in 2012/13 the Government has also issued a spending power figure for each authority. Any authority that sees a reduction of more than 8.8% in revenue spending power in

2013/14 will receive an efficiency support grant in 2013/14 and 2014/15. There are 7 such authorities. Tendring is not one of these. The reduction in spending power in 2013/14 for Tendring is **-1.3%** and **-5.3%** in 2014/15.

The impact of the settlement figures on the budget forecast considered on 12th December is as follows:-

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Cumulative Funding Gap at 12/12/12	(454)	1,048	2,215	3,095
Cumulative Funding Gap after Settlement announcement	(827)	1,258	2,426	3,306

This means that the revised position for 2013/14 is a surplus of £827,000. At this stage this sum has been allocated to the Fit for Purpose budget. Although the Council has received **£373,000** more than anticipated in 2013/14, the figure in 2014/15 is **£210,000** less than anticipated. The ongoing impact of the **£210,000** reduction in 2014/15 feeds into the overall savings target increasing this from **£3.095m** to **£3.306m**.

As part of the Settlement, indicative figures for further council tax freeze grant Have been issued and the figure for Tendring is **£76,000**. Final allocations will be made when council tax amounts have been agreed for 2013/14.

Officers are continuing to analyse the vast amount of background detail published in support of the Settlement in order to fully digest and understand the impact for Tendring.

Since the report was printed for the meeting on 12th December two further announcements have been made.

- On 6th December, Communities and Local Government made available a further one-off sum of £40m to top-up Disabled Facilities Grants in 2012/13. The total additional funding for Tendring is **£232,220**. The grant will be included against Disabled Facilities Grants in the capital programme for the purposes of presenting the final budget proposals to Cabinet on 23rd January 2013. However, the amount is not ring-fenced.
- On 11th December, Communities and Local Government announced the provisional New Homes Bonus for 2013/14. The allocation for Tendring is **£1,051,048**. This includes year 1, 2 and 3 amounts of **£282,983**, **£387,830** and **£380,235** respectively. Final allocations will be published in January / February 2013 and it is hoped this announcement will be in time to include the confirmed sum in the final budget proposals to be considered by Cabinet on 23rd January 2013.

One further update for Members regards the council tax sharing agreement with Essex County Council. For a number of years an agreement has been in place with Essex County Council whereby they return to Tendring and other districts additional income that is raised by charging above the minimum 50% discount for second homes. For several years Essex County Council returned 60% of the additional income to billing authorities but last year that agreement was changed to a 50% share. The Local Government Finance Act 2012 introduced the opportunity to change certain council tax discounts. The discounts to apply in Tendring were agreed at Council on 27th November. All of the billing authorities have been in discussion with Essex County Council as to whether they would consider sharing additional income that would be generated from reducing some or all of the relevant discounts. A proposal has now been put forward from Essex County Council for a

new sharing agreement based on billing authorities receiving 25% of additional income received from reducing relevant discounts, not just second homes, and with Fire and Police also contributing 25%. In Tending's case further discussion on this new proposal is taking place as the new proposal would currently provide a share that was £34,000 less than if the 50% sharing arrangement for second homes only was to continue into 2013/14.

RECOMMENDATION(S)

That Cabinet notes the updated position with regard to the budget following further amendments including the Local Government Finance Settlement.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Careful planning to ensure financial stability underpins the Council's capacity to achieve the objectives set out in the Corporate Plan and Community Strategy. Individual elements of the Financial Strategy are risk assessed against the aspirations of the Council, as well as statutory service requirements. The approach for 2013/14 builds on previous successful financial planning and is key to the Council's aim to deliver sustainable and joined up services to everyone in the District. This is particularly important in the current climate when resources are scarce and the Council will need to focus even more on identifying and funding its key priorities.

This report will have direct implications on the Council's ability to deliver on the commitments, objectives and priorities set out in both the Corporate Plan and the Community Strategy up to 2016. It will particularly impact on the speed with which the Council can deliver its priorities, rather than the priorities themselves.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are set out in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets, IT etc.

Risk

There are clearly risks associated with the Strategy. The actions to achieve a fully funded budget, including limiting budgets to 2010/11 spending levels and restricting cost pressures, give rise to the potential for items that have not been funded to emerge or for increases in income etc. not to materialise in reality. This is particularly so given the current economic climate, the reductions in the availability of public sector funding, the Government's programme of change for Councils' services and the impact on the Council's core funding streams from changes to business rate distribution and council tax.

In view of the above it is important that the Council has a sufficient level of uncommitted reserves set aside to support the approach identified in this Strategy. An uncommitted reserve of approximately **£4m** (including the **£1.6m** minimum working balance) has been approved previously to insure against the eventuality of pressures on the budget through additional unexpected expenditure or removal of funding. The level of reserves has been revisited in light of the risks identified as part of the Financial Strategy and the figure of **£4m** (including the **£1.6m** working balance) is still deemed to be sufficient.

LEGAL

The current arrangements for setting and agreeing a budget and for the setting and collection of council tax are defined in the Local Government Finance Act 1992. The existing legislation defining the arrangements for charging, collecting and pooling of Business Rates is contained within the Local Government Finance Act 1988. These have both been amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.

The Local Government Finance Act 2012 received royal assent on 1 November 2012. This provides the legislative framework for the introduction of the Rates Retention Scheme and the Localisation of Council Tax Support.

The Calculation of Council Tax Base Regulations 2012 set out arrangements for calculation of the council tax base following implementation of the Local Council Tax Support Scheme. The new arrangements will mean that there will be a lower tax base for the district council, major preceptors and town and parish councils. Government is providing funding to cover the resulting loss in council tax revenue. We are consulting with major preceptors and town and parish councils on the implications of this.

The Localism Act 2012 introduced legislation around the right of veto for residents on excessive Council Tax increases and on the arrangement for Housing Revenue Account (HRA) accounting.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

These implications have no impact on the Financial Strategy itself. However, they are taken account of in the delivery of individual services and projects.

BACKGROUND PAPERS FOR THE DECISION

Working papers held in Accountancy

APPENDICES

There are none.