

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 18 NOVEMBER 2014

Title of report	GENERAL FUND REVENUE BUDGET PROPOSALS 2015/16
Key Decision	a) Financial Yes b) Community Yes
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Chief Executive 01530 454500 christine.fisher@nwleicestershire.gov.uk Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk
Purpose of report	For Cabinet to approve its 2015/16 draft General Fund Revenue Budget proposals for consultation.
Reason for Decision	To enable the Council to set a balanced budget as required by law.
Council Priorities	The budget assists the Council to achieve all its priorities.
Implications:	
Financial/Staff	As contained in the report.
Link to relevant CAT	The budget is relevant to all Corporate Action Teams (CATs).
Risk Management	The budget will be monitored throughout the year to ensure savings are achieved and services delivered as planned.
Equalities Impact Screening	No requirement for equalities impact screening has been identified.
Human Rights	None identified.
Transformational Government	A number of the budget savings have been achieved through the "Planning for the Future" programme.
Comments of Head of Paid Service	The report is satisfactory.
Comments of Section 151	As report author the report is satisfactory.

Officer	
Comments of Monitoring Officer	The report is satisfactory.
Consultees	Policy Development Group Corporate Leadership Team
Background papers	None
Recommendations	<p>CABINET IS RECOMMENDED TO :</p> <ol style="list-style-type: none"> 1. APPROVE THE GENERAL FUND REVENUE BUDGET PROPOSALS AS SET OUT IN THIS REPORT 2. APPROVE THE ALLOCATIONS OF RESOURCES FROM RESERVES DETAILED IN SECTION 5. 3. AGREE IN PRINCIPLE TO CONTINUING THE PAYMENT OF LCTS GRANTS TO TOWN AND PARISH COUNCILS SUBJECT TO CONFIRMATION BY CABINET WHEN IT SETS THE COUNCIL TAX BASE IN JANUARY 2015.

1.0 INTRODUCTION

- 1.1 The Cabinet approved the Council's Medium Term Financial Strategy 2015/16 – 2018/19 at its meeting on 23 September 2014. This identified a need to find ongoing savings of £1.4m by 2018/19. A budget shortfall of £365,000 was projected for 2015/16.
- 1.2 This report provides details of the Cabinet's 2015/16 General Fund Revenue Budget proposals, and savings put in place, to meet the projected budget shortfall and explains the broad consultation process to be followed.
- 1.3 The projected budget shortfall for 2015/16 and future year projections previously reported reflect the current understanding but this may change when the Government issues its Provisional Local Government Finance Settlement and Provisional New Homes Bonus allocations next month. For financial planning purposes the Council is still expecting to need to save £1.4m by 2018/19. The Government's Autumn Statement will be announced on 3 December 2014 and the Local Government finance announcements normally follow before Christmas.
- 1.4 Under the revised Business Rates retention mechanism the level of Government funding is not ultimately confirmed until after the end of the financial year when the actual level of Business Rates is reported. This is a significant change from having grant settlements fixed before the start of the financial year and means that the Council's financial planning is impacted on by the volatility of local business rates income.
- 1.5 The approved budget will be rigorously monitored during the financial year through monthly and quarterly performance monitoring so that any potential overspendings can be identified at an early stage and remedial action taken to deal with them. The monitoring

also checks that the required savings are being achieved. Similarly any forecast underspendings can be taken into account when allocating resources.

2.0 GENERAL FUND 2014/15 – QUARTER 2

- 2.1 The second quarter Performance Report is included on this Cabinet agenda. This includes more detailed explanations of budget performance. Cabinet will receive a further update, based on Quarter 3, before it sets the 2015/16 Revenue Budget in February 2015.

An underspending of approximately £800,000 is forecast. The main reasons for this include increases in income in the following areas:

Planning Fees	£568,000
Recycling Income	£ 90,000
Additional Investment Income	£ 49,000

There are also significant budget savings in the following areas:

Employees	£ 150,000
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- 2.2 There is no guarantee that the levels of increased Planning income seen this year and last year will continue in the future. Cabinet's budget proposals for next year do however include a modest increase in the target for Planning income next year.
- 2.3 Ordinarily any in-year under spendings would be transferred to the General Fund balance at the year end. In recent years underspendings have been transferred to the Value for Money Reserve for Invest to Save projects or allocated directly to projects across the district. There may be scope for doing more of this with part of any underspending later in the budget process or when the 2014/15 Financial Outturn is reported to Cabinet. There are however a number of uncertainties over the Council's local income in particular which may necessitate an increase in the level of reserves held by the General Fund.

3.0 FUTURE UNCERTAINTIES

- 3.1 The Cabinet will already be aware of the volatility which the localisation of Business Rates brings to the Council's finances. Under the new arrangements district councils are allocated 40% of increases and decreases in Business Rates. There is also a system of levies and safety nets which reduces our share of increases to 20% but at the same time provides a safety net which limits our losses to 7.5% of our funding baseline which for this authority works out at approximately £165k in 2015/16. If the Council enters into pooling arrangements with other authorities it would depend on local safety net arrangements which are not backed by the national "pool". Other local income including Planning Fee Income and Recycling income also continue to be difficult to project.
- 3.2 Future levels of income projected from New Homes Bonus cannot be guaranteed. The Cabinet will recall that last year the Government consulted on top slicing a significant proportion of New Homes Bonus from 2015/16 to support infrastructure spending by the Local Enterprise Partnerships (LEPs). Whilst this proposal did not go ahead, it had the potential to reduce the Council's ongoing annual funding by around £500k at a stroke. Our MTFS currently assumes a levelling off in New Homes Bonus from the seventh year of the scheme in 2017/18. New Homes Bonus payments are made for six years so by Year 7 of the scheme the earlier years' payments will start to drop out. There is always a risk that changes could be made to the scheme, or it could be discontinued altogether. The MTFS

assumes that all our New Homes Bonus will be used to support the Revenue Budget and this means that in 2015/16 £1.9m expenditure on our mainstream services will be funded in this way. The Council will mitigate this risk through its continuing Planning for the Future project and by holding adequate General Fund reserves.

4.0 REVENUE BUDGET SAVINGS 2015/16

- 4.1 The following savings have been put in place to meet the projected shortfall of £365,000 for 2015/16:

Reduction in Revenues and Benefits Partnership Contributions	£100,000
ICT Efficiency Savings	£70,000
Income from Additional Planning Applications	£150,000
Full Year Effect of In Year Savings 2014/15	<u>£45,000</u>
	£365,000

- 4.2 An independent review of the Revenues and Benefits Partnership by the Institute of Revenues, Rating and Revaluation (IRRV) earlier this year identified savings approaching £400,000 a year which could be shared by the three partner Councils. A staffing restructure is nearing completion and although significant savings will be made the exact amount will not be clear until all the appointments to the new structure have been made. In addition to the annual savings there will be upfront costs to be met in 2014/15. Both will be shared according to each Council's caseloads. This is a change to the current basis of using historical costs. The Management Board and Joint Committee members consider this to be the fairest method of allocating the upfront costs and ongoing savings. These changes are expected to result in a reduction in our contribution to the Partnership of at least £100,000 from 2015/16. Our share of the upfront costs will be met from staff savings elsewhere in the General Fund or if necessary the Planning for the Future Reserve. The staff and Trade Unions are fully engaged in this process including consultation on the proposed structure.
- 4.3 The ICT budget will be reduced by £70,000 in 2015-16 following a procurement review in 2014-15 which will reduce software licence costs by £18,000 and make savings in server support costs of £18,000. There will also be staff savings of £34,000 (a vacant role will be deleted as part of the ICT Team Review).
- 4.4 Our Planning income is currently very buoyant and it is difficult to project next year's levels accurately. A modest increase in the target from £550,000 to £700,000 is now assumed.
- 4.5 As part of the 2014/15 budget process and number of service efficiencies were identified to be brought on stream during the year. These have been delivered successfully and are contributing to the budget underspending this year plus will help to meet the projected budget shortfall next year.
- 4.6 Delivery of these savings will continue to be through the Planning for the Future Programme (PFF) established as part of the 2014/15 budget process

5.0 REVENUE RESERVES

- 5.1 General Fund Reserve

The uncommitted balance on the General Fund was £1.137m when the Cabinet approved the Council's Medium Term Financial Strategy in September 2014. The early

implementation of efficiency savings allowed the Council to budget for a surplus of £403k in the current year which would take the balance to £1.540m at the end of the year. There are however also number of cost pressures and projects which could be funded from these resources.

5.1.1 Additional Costs of the Local Plan - £131,000

The Council, based on external advice, has agreed that rather than re-submitting the withdrawn Core Strategy it would be more appropriate to prepare a Local Plan, which is a more detailed document. Whilst taking slightly longer to produce it would result in complete plan coverage earlier and thereby represent a saving in time and money. The majority of the requirements in producing a Local Plan are updates to the evidence base used to inform the previous Core Strategy. However there is also a need for some additional evidence. Whilst some of the evidential requirements are capable of being undertaken in-house a significant number require specialist technical expertise which will require the appointment of external consultants. The total potential cost of the Local Plan evidence base is estimated at £265,000 in 2015/16. Taking into account existing budgetary provision, there is a total potential shortfall of £131,000 in 2014/15.

5.1.2 Coalville Market - Additional Exterior Improvement Works £27,000

In addition to the recently completed external improvements there are three further mini projects that have been identified in consultation with the Portfolio Holder and market traders. Firstly, a market frontage improvement scheme to the Western Power Distribution electricity substation area including a new hard standing area for external traders, removal of fencing, a grassed area with seating and landscaping. Secondly, a Hotel Street/café exterior improvement scheme including boundary wall repairs, patio paving, landscaping and improved signage. Thirdly, a new exterior bin store to secure trade waste bins outside the market building instead of inside and in view of customers and taking up trading space.

5.1.3 A forecast underspending in the current year would increase the General Fund balance significantly. The uncertainties around the Council's local income set out earlier in this report in particular may justify a case for holding a higher level of reserves by the end of the financial year. The Cabinet will be provided with further advice on the adequacy of this reserve when it finalises its budget proposals in February 2015.

5.2 Value For Money Reserve

The VFM Reserve has an uncommitted balance of £952,000. It is proposed to establish a Business Bidding fund which will utilise £500,000 of this. The main features of the fund will include:

- Supporting new businesses which create jobs locally
- Helping Small and Medium Enterprises
- Facilitating community initiatives to form collectives and co-operatives
- Encouraging organisations which adopt Green Footprint principles

The balance of the Value For Money Reserve will be available for allocation later in the budget process or when the 2014/15 accounts are closed.

6.0 COUNCIL TAX

- 6.1 In line with the approved MTFS the Cabinet is not planning to increase the District's share of the Council Tax in 2015/16.
- 6.2 Based on information provided by the Government in January 2014 the Council will be eligible for a Council Tax Support Grant equivalent to a 1% increase in its Council Tax if there is no increase and is gross of Council Tax Support. This has also been assumed in the MTFS.
- 6.3 Under current rules the Council could increase its Council Tax by up to 2% without the need for a referendum. In this case there would be no Freeze Grant and the Council would have to meet the cost of paying Council Tax Support on the extra 2% to eligible people. It is estimated that this maximum increase would only provide an additional £38,000 of resources a year.

7.0 LOCAL COUNCIL TAX SUPPORT (LCTS) GRANT

- 7.1 From April 2013 the Government abolished Council Tax Benefit and replaced it with locally determined Council Tax Support Discounts. Giving people discounts on their Council Tax reduces the Council Tax income which all the preceptors including Town and Parish Councils receive.
- 7.2 The District and the major preceptors (County, Police and Fire & Rescue) receive Government grant which compensates, at least in part, for this loss of income. The Government does not provide this grant support to Town and Parish councils. Since the start of the new scheme this Council has given an element of its Council Tax Support Grant to Towns and Parishes to allow them to maintain their existing level of income.
- 7.3 The Government's Council Tax Support Grant is now incorporated within mainstream grants which are expected to continue to fall significantly throughout the period of our Medium Term Financial Strategy. Providing the grants to Town and Parish Councils is costing the District Council £87,000 in 2014/15. The Cabinet is proposing in principle to continue the scheme and will confirm the LCTS grants when it approves the Council Tax Base at its meeting on 13 January 2015.
- 7.4 The Cabinet has no plans to change the maximum eligibility for Council Tax Support from its current level of 85%.

8.0 CONSULTATION

- 8.1 A broad consultation process will take place from 1 December 2014 to 15 January 2015 asking for any comments on the Cabinet's proposals. Consultation will take place with Staff, Unions, Town and Parish Councils and the business community through the North West Leicestershire Chamber of Commerce.
- 8.2 The Policy Development Group (PDG) was asked for its comments on the MTFS at its meeting on 1 October 2014. PDG has not requested for any specific requests to be considered by the Cabinet. Extracts of the minutes of the meeting showing these comments are attached at Appendix 1. The PDG will be asked for its comments on the overall budget proposals in this report during the consultation period at its next meeting on 7 January 2015.

- 8.3 The Cabinet will receive details of the consultation responses at its meeting on 10 February 2015 where it will make its final budget recommendations for approval by Council on 24 February 2015.

APPENDIX 1

MINUTES of a meeting of the POLICY DEVELOPMENT GROUP held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 1 OCTOBER 2014

Present: Councillor J G Coxon (Chairman)

Councillors R Adams (Substitute for Councillor N Clarke), J Cotterill, D Everitt, D Howe (Substitute for Councillor J Geary), V Richichi, S Sheahan, N Smith and M Specht

In Attendance: Councillors T Neilson

Officers: Mr R Bowmer, Mr D Gill, Mrs M Meredith, Mr J Richardson and Ms K Talbot

10. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors N Clarke, J Geary and A C Saffell.

11. DECLARATION OF INTERESTS

Councillors J G Coxon and S Sheahan declared a non-pecuniary interest in item 7 – Medium Term Financial Strategy (MTFS) 2015/16 to 2018/19, as Members of Leicestershire County Council, due to the reference in the report in respect of recycling credits.

12. MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2015/16 TO 2018/19

The Head of Finance presented the report to Members. He stated that the report provided an opportunity to comment to Cabinet on the strategy following a request at the last meeting. He advised that there would be a further report to Cabinet on next year's budget proposals in November, and these proposals would be considered by Policy Development Group at its next meeting. He highlighted the estimated shortfall set out in the Cabinet report at Appendix 1, and the ongoing savings proposed to address this. He advised that the shortfall was not as high as it might have been, due to the year on year efficiencies which had been made. He added that nevertheless it would be a challenge. He advised that in preparing the MTFS, it was necessary to be mindful of the budget proposals of the Council's partners. He referred to the possibility of the withdrawal of recycling credits as proposed by Leicestershire County Council. He advised that if these proposals were to go ahead, this could lead to a shortfall, and therefore a contingency amount had been set aside in the MTFS. He outlined the assumptions that had been made in preparing the MTFS.

Councillor S Sheahan stated that he was disappointed that no Member of Cabinet was present to answer questions, and felt that it was a matter for the Committee to decide whether it wanted a Member of Cabinet present for this purpose. He asked if there was any reason why this had not been arranged. He asked the Head of Finance if he was confident that there would be no need for further cuts.

The Head of Finance advised that the Council operated a Planning for the Future programme, and was therefore constantly undertaking service reviews. He commented that targets could increase or decrease. He added that efficiencies had been made in the current year which would continue in subsequent years. He advised that this was

reflected in the budget monitoring report and there would be further modest savings coming forward as part of the report to Cabinet in November.

Councillor V Richichi commented that the Council would be receiving an increase in new homes bonus, yet was still required to make £1.4 million in savings.

The Head of Finance responded that this was possibly a case of central Government giving with one hand and taking away with the other. He explained that the Council had seen very significant reductions in revenue support grants and funding had been reduced by £3 to £4 million over the last few years. He added that the increase in the new homes bonus did not cover the shortfall in funding from central Government, and the Council had been required to make the additional savings.

In response to a question from Councillor V Richichi, the Head of Finance stated that the Council had a good track record of making efficiencies without impacting upon frontline services, however this would be a challenge in the coming years and there could be no guarantees that frontline services would remain unaffected.

Councillor S Sheahan commented that if this amount of money had been identified at the start of the year, the budget could have been planned better and the funding allocated accordingly. He added that better planning and being more honest about resources had to be the way forward. He also commented that the increase in new homes bonus meant an increase in the council tax base and therefore an increased demand on services. He asked the Head of Finance to comment on this. He also asked what impact a 1% increase in council tax would have upon the budget.

The Head of Finance advised that a 1% increase would raise an additional £50,000, which at present was matched by the Government with the council tax freeze grant. He added that increases were capped by central Government and the Council would also be required to pay council tax support.

In response to comments made by Councillor S Sheahan regarding increasing council tax, the Head of Finance explained that the Council retained approximately 15% of income from council tax, whereas it retained 80% of the new homes bonus, and as such, the new homes bonus was much more significant to the Council in terms of the budget than it was to unitary authorities. He acknowledged that an increase in the council tax base would result in an increase in demand for services.

It was moved by Councillor M Specht, seconded by Councillor J G Coxon and

RESOLVED THAT:

The comments made by the Policy Development Group be noted.