

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 8 DECEMBER 2015

Title of report	GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGETS 2016/17
Key Decision	a) Financial Yes b) Community Yes
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Purpose of report	For Cabinet to approve 2016/17 General Fund and Special Expenses revenue budget proposals for consultation.
Reason for Decision	Required to complete 2016/17 budget process.
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	The requirement for equalities impact screening and assessments is being assessed during the consultations and details if required will be provided as part of the management responses.
Human Rights	None identified.

Transformational Government	Not applicable
Comments of Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	As report author the report is satisfactory
Comments of Deputy Monitoring Officer	Report is satisfactory
Consultees	None
Background papers	None
Recommendations	<p>CABINET IS RECOMMENDED TO :</p> <ol style="list-style-type: none"> 1. AGREE THE 2016/17 BUDGET PROPOSALS FOR STATUTORY CONSULTATION. 2. AGREE IN PRINCIPLE TO CONTINUING THE PAYMENT OF LOCAL COUNCIL TAX SUPPORT (LCTS) GRANTS TO TOWN AND PARISH COUNCILS SUBJECT TO CONFIRMATION BY CABINET WHEN IT SETS THE COUNCIL TAX BASE IN JANUARY 2016.

1.0 INTRODUCTION

- 1.1 The Cabinet approved the Council's Medium Term Financial Strategy 2016/17 – 2019/20 at its meeting on 22 September 2015. A budget shortfall of £260,000 was projected for 2016/17.
- 1.2 This report provides details of the 2016/17 Base Budget and other changes since the MTFS was approved.
- 1.3 The projections of the budget position for 2016/17 in this report reflect our current understanding but is likely to change when the Government issues its Provisional Local Government Finance Settlement expected around 17 December 2015.
- 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 is rigorously monitored during the financial year through 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 2015/16 – PROJECTED OUTTURN

- 2.1 The second quarter Performance Report presented to Cabinet in November presented outturn projections for the current year which have now been updated with the benefit of Period 7 (November) budget monitoring information. An underspending of £442k is forecast. The main reason for this is additional Planning Fee income in excess of £0.5m.
- 2.2 There is no guarantee that the levels of increased Planning income seen this year and the last two years will continue at these levels in the future. Cabinet's budget proposals for next year do however include an increase in the target for Planning income of £250k next year.
- 2.3 A prudent view of the year end position for Business Rates has been taken. Our projections assume that this will be in line with our budget but it is likely as the financial year progresses we will be able to project additional Business Rates income.
- 2.4 Ordinarily any in-year under spendings would be transferred to the General Fund balance at the year end. The General Fund Balance is at an adequate level and our strategy for utilising any projected savings in 2015/16 will include a number of options. These will be outlined as part of the budget report to Cabinet in February 2016 and confirmed as part of the Outturn Report in the Summer.

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.
- 3.2 Future levels of income projected from New Homes Bonus cannot be guaranteed. The Cabinet will recall that during the last Parliament 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 annual funding by around £500k at a stroke. Our MTFS currently assumes a levelling off in the growth of New Homes Bonus from the seventh year of the scheme in 2017/18. New Homes Bonus payments are made for six years so in Year 7 of the scheme Year 1 payments will stop. It is likely that Year 7 payments will be higher than Year 1 so some increase can still be expected. There is however 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 continue to be used to support the Revenue Budget and this means that in 2016/17 £2.78m, over a quarter of our net budget for mainstream services will be funded in this way.

4.0 2016/17 REVENUE BUDGET PROPOSALS

- 4.1 The Medium Term Financial Strategy (MTFS) showed a funding shortfall in the General Fund budget of £2.2m by 2019/20 with projected shortfall of £260,000 for 2016/17.
- 4.2 The level of New Homes Bonus for next year is determined by returns which have now been made to the Government. Assuming that there are no changes to the scheme the Council will receive £2.78m next year. This is £358k higher than assumed in the MTFS and assists in closing the £260k projected shortfall for next year.
- 4.3 The income the Council receives for the sale of its recycling materials is forecast to be approximately 25% lower in 2016/17. The reduction of £221,000 (from £896,000 to £675,000) is mainly due to the global reduction in demand for commodities along with a number of fixed term sales contracts coming to an end in August 2016. The global reduction in demand has seen some sale prices reduce significantly such as plastics and steel and this in turn is forecast to lead to lower prices being offered through our material sales tendering process. All commodity prices are tracked through the material sales index www.letsrecycle.com and variations reported through monthly financial monitoring.
- 4.4 The Local Plan will reach a critical, and particularly expensive, stage during 2016 / 17. This is the Examination in Public, which is a statutory requirement, and which has a substantial cost that is set externally. This is the Inspector's fee, which is set by the Planning Inspectorate. We are legally required to pay for the Inspector that the Secretary of State decides to appoint. The fee is non-negotiable. Currently, this is set at an amount per day, and it is therefore estimated that £100,000 should be made available to cover this specific cost. The actual amount will depend on the length and complexity of the Examination. In addition to the Inspector's fee, we are required to pay for a Programme Officer. We estimate a cost of up to £25,000 for that, again the amount will depend on the length and complexity of the Examination. Given these uncertainties, it is advisable to set aside a contingency amount of £20,000. Finally, we know that we will have to update some technical reports to support the Examination, namely Sustainability Appraisal, Habitats Regulation Assessment, and Viability Appraisal. A total cost of £15,000 is assumed for these. The total amount of these costs is £160,000, however £30,000 is already included in the base budget, so the total additional one-off spend needed is £130,000.
- 4.5 The Council Tax Collection Fund is monitored throughout the year and we are confident that an additional £318,000 income will be available from the fund towards next year's budget.
- 4.6 The base budget for next year is also now substantially complete and gives a better picture of resources needed for next year than the MTFS. Indications are that there would be an overall improvement of around £115k in addition to the changes above.
- 4.7 In summary the impact on the budget shortfall has been as follows:

Assumption in MTFS	(£260k)
Additional New Homes Bonus	£358k
Additional Planning Income	£250k
Reduction in Recycling Income	(£221k)
Additional Costs of Local Plan	(£130k)
Improvement in Collection Fund	£318k

Other Base Budget Changes	<u>£115k</u>
Projected Surplus	£430k

- 4.8 Based on this updated information it provides the Council with the opportunity to provide around £430k additional resources in the Revenue Budget for next year, subject of course to the Government's Local Government financial settlement

- 4.9 The Council will submit its projections of Business Rates for 2016/17 to the Government by the end of January 2016. The work in preparation for this may give us confidence to increase the budget for this income before our final budget is presented for approval.

5.0 GENERAL FUND RESERVE

- 5.1 The uncommitted balance on the General Fund was £2.4m when the Cabinet approved the Council's Medium Term Financial Strategy in September 2015. A forecast underspending in the current year would also increase the balance temporarily until the resources are allocated to projects.

6.0 COUNCIL TAX

- 6.1 In line with the Cabinet's MTFs, approved in September, the Council is not planning to increase the District's share of the Council Tax in 2016/17. This will be the seventh year without an increase.

- 6.2 Based on information provided by the Government in January 2015 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 payments. The Government will have provided grants to cover at least a proportion of the lost income for six of the Council's seven years' Council Tax freezes.

- 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 provide an additional £38k of resources a year. Increasing the Council Tax, even modestly, permanently increases the local tax base and generates additional guaranteed income in the future.

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 have already fallen significantly and 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 around £100,000 in 2015/16. 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 12 January 2016.

- 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 The Council's continued sound financial management puts it in a position where it does not have to consult on budget reductions. This offers the opportunity for a positive consultation on the Council's financial management, maintaining service levels, Council Tax freeze and the proposal to maintain the level of grants to Town and Parish Councils. Consultation is required with the business community, through the North West Leicestershire Chamber of Commerce, in compliance with the Non-Domestic Ratepayers (Consultation) Regulations 1992. There will also be consultation with Staff, Unions and Town & Parish Councils.
- 8.2 The Policy Development Group will be asked for its comments on the specific budget proposals during the consultation period at its next meeting on 6 January 2016.
- 8.3 The Cabinet will receive details of the consultations at its meeting on 9 February 2016 where it will make its final budget recommendations for approval by Council on 23 February 2016.