

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

POLICY DEVELOPMENT GROUP – 9 JANUARY 2013

Title of report	DRAFT BUDGET PROPOSALS 2013/14
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Chief Executive 01530 454500 christine.fisher@nwleicestershire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk</p>
Purpose of report	To receive the Committee's comments on the Cabinet's draft budget proposals 2013/14.
Council Priorities	Value for Money
<p>Implications:</p> <p>Financial/Staff</p> <p>Link to relevant CAT</p> <p>Risk Management</p> <p>Equalities Impact Assessment</p> <p>Human Rights</p> <p>Transformational Government</p>	<p>Financial issues are contained within the attached Cabinet report.</p> <p>All affected.</p> <p>If the overall level of savings is not achieved within the three year timescale the Council's ability to deliver its priorities could be put at risk. The Council must provide a balanced budget by law.</p> <p>No requirement identified.</p> <p>None identified.</p> <p>None identified.</p>
Comments of Head of Paid Service	The report is satisfactory.
Comments of Section 151 Officer	As author of the report, the report is satisfactory.

Comments of Monitoring Officer	The report is satisfactory.
Consultees	As detailed in the attached Cabinet report.
Background papers	Report to Cabinet 12 December 2012 (attached).
Recommendations	THAT THE COMMITTEE PROVIDES ANY COMMENTS IT MAY HAVE TO BE CONSIDERED BY THE CABINET WHEN IT RECOMMENDS ITS BUDGET PROPOSALS TO COUNCIL.

1.0 BACKGROUND

- 1.1 The Cabinet approved its Revenue Budget proposals for consultation at its meeting on 12 December 2012. The Policy Development Committee is invited to consider the proposals and provide any comments for the Cabinet to take into account when it reconsiders its proposals on 5 February 2013 and makes its recommendations to Council.
- 1.2 Further details are included in the attached Cabinet report.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 12 DECEMBER 2012

Title of report	DRAFT BUDGET PROPOSALS 2013/14
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	To approve 2013/14 budget proposals for consultation.
Reason for Decision	Required to commence consultation on 2013/14 budget proposals.
Council Priorities	All Council Priorities
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Assessment Human Rights Transformational Government	As contained in the report. Impacts over all CATs. If the overall level of savings is not achieved within the three year timescale the Council's ability to deliver its priorities could be put at risk. The Council must provide a balanced budget by law. No requirement has been identified for the budget changes currently being proposed. No impact at this stage. No impact identified.
Comments of Head of Paid Service	The report is satisfactory.

Comments of Section 151 Officer	As author of the report, the report is satisfactory.
Comments of Monitoring Officer	The report is satisfactory.
Consultees	Trades Unions, Corporate Leadership Team.
Background papers	<p>Medium Term Financial Strategy (MTFS) 2013/14 – 2015/16 - Cabinet 25 September 2012</p> <p>Effective Asset Management – Review of Leases and Licences - Cabinet 31 October 2012</p> <p>Localisation of Council Tax Support - Cabinet 21 November 2012</p> <p>http://minutes.nwleics.gov.uk:81/aksnwleicester/users/public/admin/kab71.pl</p>
Recommendations	<p>THAT CABINET APPROVES :</p> <ol style="list-style-type: none"> 1. THE BUDGET SAVINGS PROPOSALS SCHEDULE SET OUT AT APPENDIX 2 FOR CONSULTATION. 2. THE INCREASE IN THE DRAFT BUDGET FOR THE LEICESTERSHIRE REVENUES AND BENEFITS PARTNERSHIP CONTRIBUTION DETAILED IN PARAGRAPH 2.7

1.0 BACKGROUND

- 1.1 On 25 September 2012 Cabinet approved the Medium Term Financial Strategy (MTFS) for the three financial years 2013/14 to 2015/16. The MTFS showed that there was a funding shortfall in the General Fund of £1.8m by the end of March 2016. In view of the uncertainties surrounding Government funding for local authorities at the present time it was agreed that there should be an ongoing savings target of £2m which needs to be achieved by 31 March 2016.
- 1.2 This report updates on progress made in bridging the projected budget shortfall and makes recommendations on budget savings proposals for consultation.
- 1.3 Members should be aware that it is expected the Government will be releasing the settlement for 2013/14 around 19 December. This will only be a one year settlement (the last settlement announcement was for two years). This raises two issues, (1) the settlement for 2013/14 may be more severe than estimated and (2) the longer term budget planning will be hampered by lack of clarity. As a result of these two issues, this report

focuses only on 2013/14 with an understanding that further budget proposals may be needed to be considered once the settlement is known.

2.0 MEDIUM TERM FINANCIAL STRATEGY (MTFS)

2.1 Since the MTFS was approved, the Government has announced that it will pay a time-limited Council Tax Freeze Grant for 2013/14 (equivalent to a rise in Council Tax of 1%) to authorities which do not increase their Council Tax in 2013/14. However, it will not be built into the baseline Government funding and will only be paid in 2013/14 and 2014/15.

2.2 If the Council continues to freeze its Council Tax in 2013/14 it will receive the following additional payments of Council Tax Freeze Grant:

- 2013/14 £ 58,000
- 2014/15 £ 58,000
- 2015/16 £ NIL

2.3 This has a beneficial impact on the MTFS because, quite prudently, no additional Council Tax Freeze Grant was assumed for 2013/14.

2.4 If instead the Council was to increase Council Tax by up to 2%, which is allowed without the need for a referendum, it could expect to generate an additional £116,000 in 2013/14 and this would continue forever unless the Council Tax was actually reduced.

2.5 Projections of the New Homes Bonus grant for 2013/14 onwards have been revised upwards to more accurately reflect the growth in new properties and the number of empty homes brought back into use. For 2013/14 an additional £200,000 has been assumed which will contribute to the savings needed. The amount of New Homes Bonus grant supporting the 2013/14 revenue budget will be £870,000 increasing to £1.4m by 2015/16. This is, however, of concern as these grants are paid for a maximum of six years and there is current speculation they may be reduced prior to that timeline.

2.6 Since the MTFS was approved Cabinet has made a number of decisions which also impact on the Council's financial plans (see the table at paragraph 2.8).

2.7 The Council's Base Budget for 2013/14 has also been drafted and the following unavoidable service and financial pressures identified. These amounts will be within the base budget for following years.

Unavoidable Service Pressures	2013/14
	£000
Leicestershire Revenues and Benefits Partnership (1)	31
Establishment of Social Fund (2)	15
Archiving of Planning Records (3)	12
Strategic Housing Review (4)	44
Total	102

- (1) Under our partnership agreement the Council needs to agree the draft budget for the Leicestershire Revenues and Benefits Partnership for the next financial year. There will be an increase of £31,000 representing an increase of 2.8% in the Council's contribution to the Partnership and this is attributable to unavoidable contractual inflation and service costs.
- (2) There are proposals that from 1 April 2013 district councils in Leicestershire will take on the administration of the replacement for the DWP's Social Fund. The details of how this function would transfer from the DWP to the County Council and then to districts are still to be determined but it would be prudent to make at least some allowance for increased administration costs.
- (3) The Council is requested to contribute to Leicestershire County Council for maintaining the local record centres on behalf of all authorities. The records are in three main parts made up as follows; Biological, Geological and Historical. Specialist planning advice requires data that is reliable and up to date; otherwise the integrity of the advice may be compromised. Failure to maintain the records centre will place at risk the Council's ability to fulfil its statutory obligations to have access to reliable and robust evidence for plan making and decision taking. Therefore contributing to the countrywide records centre is considered the most cost effective way of discharging statutory obligations.
- (4) As a result of the ongoing economic situation over the past 2-3 years, the Strategic Housing service has seen a growing number of customers seeking housing advice and social housing, along with increased homelessness. With the need to take on two additional agency staff to assist with housing options work over the summer months, it became clear that the existing staffing structure is not fit for purpose given the current economic climate and the welfare reforms that are being implemented now and in the future are only likely to further increase the demand for this statutory service. In view of this the service is currently being reviewed and an increase of £44,000 in the resources needed is anticipated. The management of the demand for this service will be part of the Council's service review programme.

2.8 The table below now provides an update on the latest budget position. The savings needed are cumulative, so any ongoing savings found in the earlier years will contribute to future years' savings:

Updated Savings Requirements: MTFS 2013-2016	2013/14	2014/15	2015/16
	£000	£000	£000
Cabinet 25 September 2012 MTFS 2013-2016 Shortfall -	570	1,175	1,794
Cabinet 31 October 2012: Review of Leases & Licences	(17)	(19)	(21)
Cabinet 21 November 2012: Localisation of Council Tax Support	(86)	(66)	(66)
Council Tax Freeze Grant	(58)	(58)	-
Additional New Homes Bonus	(200)	(200)	(200)
Unavoidable Service Pressures (See paragraph 2.7 (4))	102	102	102

Revised Savings Required (cumulatively)	311	934	1609
Less Previous Years' Savings		(311)	(934)
Annual Savings Required	311	623	675

2.9 The Provisional Local Government Finance Settlement is expected to be announced during the week commencing 17 December 2012. There are some indications that the level of funding could be significantly lower than anticipated in the current MTFS. The Government has fixed spending totals for Local Government and we already know that it will be distributing additional New Homes Bonus payments and additional Business Rates where take up of the Pooling arrangements has been higher than the Government anticipated. The savings required may therefore increase and it is recommended that Cabinet consults on savings proposals which exceed the amount indicated above for 2013/14.

2.10 A fully revised MTFS will be presented to Cabinet in February 2013 when it will be asked to recommend its budget to Council.

3.0 SAVINGS PROPOSALS

3.1 The MTFS report indicated that the budget shortfall would be bridged using a number of strategies including additional income generation, local responses to national initiatives, continuing efficiencies and better use of our asset portfolio.

3.2 Since the current year's budget was set, efficiencies totalling £149,500 have been identified by Corporate Leadership Team, which will be implemented in full from April 2013 (set out in Appendix 1). This builds on work in previous years to reduce costs and increase income in order to reduce any impact on front line services.

3.3 Appendix 2 provides a schedule of budget savings proposals which it is recommended Cabinet consults on before reconsidering them at its meeting on 6 February 2013 for onward recommendation to Council on 26 February 2013. The savings proposed exceed the figure that the MTFS currently forecasts due to the circumstances outlined in Para 2.9.

4.0 REVENUE RESERVES

4.1 By 31 March 2013 it is projected the Council will have General Fund revenue reserves of £5m. At least £2m is already earmarked for specific purposes including Asset Maintenance. The Council has agreed with the external Auditor that it will also need to retain a minimum level of £1m in reserves. If the remaining £2m was used to fund the projected budget shortfalls the reserves would be exhausted by 2015/16 and the ongoing funding gap would still exist.

4.2 Instead the £2m available reserves have been set aside in a VFM Reserve and will be indicatively used as follows:

- Business and Jobs, to be lead by the new Head of Regeneration and Planning

- Facilitating changes to staffing structures which may require one-off funding
- Expenditure on investment needs/priorities (invest to save)
- Contingency provision

5.0 CONSULTATION

5.1 The proposed timetable is set out in the table below:

Date	Action
12 December 2012	Cabinet considers the proposed programme of savings.
13 December 2012	Cabinet report circulated for consultation to interested parties.
9 January 2013	Policy Development Group considers the budget proposals
14 January 2013	Deadline for responses.
6 February 2013	Consultation responses considered by Cabinet.
26 February 2013	2013/14 Budget considered and agreed by Council.

5.2 The budget proposals will be sent out to the Trades Unions/Staff, Local Strategic Partnership/Business Community, Town and Parish Councils, elected members as well as published on the Council's web-site.

5.3 There was initial consultation with the Trades Unions on the MTFs and development of savings options at the Executive Consultation Meeting held on 19 October 2012. Trades Unions were asked for savings proposals, including any from their experiences at other authorities and to date none have been received. The budget will be an agenda item for the next meeting of the Executive Consultation Group in January 2013.