

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 7 FEBRUARY 2017

Title of report	GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGETS 2017/18
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 Interim Director of Resources 01530 454833 andrew.hunkin@nwleicestershire.gov.uk Financial Planning Manager / Deputy S151 Officer 01530 454707 Pritesh.padaniya@nwleicestershire.gov.uk
Purpose of report	For Cabinet to agree the final 2017/18 General Fund and Special Expenses revenue budget proposals for recommendation to Council on 23 February 2017.
Reason for Decision	To enable the Council to set a balanced budget for 2017/18 as required by statute.
Council Priorities	The budget assists the Council in achieving all its priorities.
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Screening	As contained in the report. The budget is relevant to all Corporate Action Teams (CATs). The budget will be managed and monitored throughout the year to ensure savings are achieved and services delivered as planned. No impact identified.

Human Rights	None identified.
Transformational Government	Not applicable.
Comments of Head of Paid Service	Report is satisfactory
Comments of Deputy Section 151 Officer	As report author, the report is satisfactory.
Comments of Monitoring Officer	Report is satisfactory
Consultees	Federation of Small Businesses, Town and Parish Councils, Trade Unions, Policy Development Group (11 Jan 2017).
Background papers	<u>Cabinet Reports:</u> Medium Term Financial Strategy 2017 to 2020 General Fund and Special Expenses Revenue Budgets 2017/18 – 13 December 2016
Recommendations	<p>THAT CABINET:</p> <p>1. RECOMMENDS TO COUNCIL:</p> <p>(I) THAT IT NOTES THE LEVEL OF RESERVES AND ASSURANCE STATEMENT BY THE DEPUTY SECTION 151 OFFICER IN SECTION 7 OF THE REPORT.</p> <p>(II) THE BUDGETED SURPLUS INCOME OVER EXPENDITURE IN 2017/18 IS TRANSFERRED TO AN EARMARKED RESERVE FOR FURTHER CONSIDERATION AFTER THE COMPLETION OF THE 2016/17 ACCOUNTS.</p> <p>(III) THE FORECASTED SURPLUS INCOME OVER EXPENDITURE IN 2016/17 IS TRANSFERRED TO THE SPECIAL PROJECTS RESERVE.</p> <p>(IV) APPROVAL OF THE GENERAL FUND REVENUE BUDGET FOR 2017/18 SUMMARISED IN APPENDIX 1.</p> <p>(V) APPROVAL OF THE SPECIAL EXPENSES BUDGET FOR 2017/18 SET OUT IN APPENDIX 2.</p> <p>(VI) THAT IT FREEZES THE DISTRICT'S COUNCIL TAX IN 2017/18.</p>

1.0 INTRODUCTION

- 1.1 The draft General Fund budget proposals for 2017/18 were considered and approved for consultation by Cabinet, on 13 December 2016.

1.2 This report summarises progress and highlights any changes made since the last Cabinet report was prepared and presents the responses to the budget consultations so that appropriate recommendations can be made to the Council on 23 February 2017 for the Budget and Council Tax for 2017/18.

1.3 The Medium Term Financial Strategy (MTFS) approved by Cabinet in October 2016 projected a budget surplus of £956k for 2017/18. At that stage savings of £372k were predicted in 2019/20.

1.4 Since the Cabinet agreed its draft budget proposals on 13 December 2016 the base budget has been completed, the Government has announced provisional grant funding for 2017/18 and responses to our budget consultations have been received.

1.5 Local Income and Increased Efficiencies

As part of the culture of managing resources efficiently and effectively throughout the year the managers have continued to work hard to keep service budgets down and absorb the effects of inflation within existing budgets. As plans are in place to keep General Fund reserve at an adequate level, the projected budget surplus will be transferred to an earmarked special reserve.

1.6 Government Funding Changes

The Government announced the Provisional New Homes Bonus payments and the Provisional Local Government Finance Settlement for 2016/17 on 15 December 2016. Our provisional 2017/18 New Homes Bonus has been set at £2.840m. This is £340k higher than assumed in the MTFS. This increase is mainly due to legacy payments being made for 5 years rather than 4 in 2017/18. It also reflects the work the Council's officers have done to bring empty homes back into use and ensuring that new homes qualify for New Homes Bonus at the earliest opportunity. However the Government has also introduced a 'deadweight' factor that will have a negative impact on New Homes Bonus in subsequent years.

1.7 The latest budget position compared with the MTFS is summarised in the table below:

Assumption in MTFS	£956k
Reduction in Business Rates Income	(£125k)
Additional Staffing cost (July Cabinet)	(£85k)
Other Additional Staffing cost	(£118k)
Reduction in Investment Income	(£40k)
Improvement in the Collection Fund	£185k
Improvement in New Homes Bonus	£340k
Other Base Budget Changes	<u>(£210k)</u>
Projected Surplus Budget 2017/18	£903k

1.8 The Surplus will be transferred to an Earmarked reserve. Evidence based proposals will be made on how this one off under spend will be allocated.

2.0 2017/18 GENERAL FUND REVENUE BUDGET

2.1 Pay and Prices Inflation

Provision has been included within the budget for the agreed cost of living pay increase to staff covering the period to 31 March 2018. There is also provision for a further increase of 1% in employer's superannuation contribution. Inflation has been included where there is a contractual obligation for increases in costs.

2.2 Collection Fund

The Council is required to estimate the 31 March 2017 position on the Collection Fund (which is the account to which all the Council Tax receipts are credited, and from which all precepts are paid). A surplus of £284k is projected for this Council. The MTFS assumed a surplus of £50k.

2.3 Central Government Funding

2.3.1 Funding from the Government in respect of Revenue Support Grant, National Non Domestic Rates (NNDR) and New Homes Bonus has a significant influence on the Council's spending plans. The allocations for 2017/18 are compared with the MTFS in the table below:

	MTFS	Provisional Settlement	Change
	£000	£000	£000
Revenue Support Grant	570	572	2
New Homes Bonus	2,500	2,840	340
Total	3,070	3,412	342

2.3.2 The Settlement assumes £2.243m in locally retained Business Rates. This figure will vary depending on actual yields but it cannot fall by more than 7.5% because of safety net arrangements. Under the arrangements from April 2013 district councils are allocated 40% of increases and decreases in Business Rates paid. 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 £168k in 2016/17. As the Council is participating in local pooling arrangements with other councils in the county next year, the safety net will be funded locally so is less secure than the national safety net arrangements which apply when there is no local pooling. In light of our forecasted business rates in the current year and taking into consideration other factors such as organic growth, new business and appeals provisions a figure of £3.850M figure is included in 2017/18 budget.

2.4 New Homes Bonus

The Government consulted on the New Homes Bonus scheme last year, with the intention of reducing the amount paid out through the scheme. The target set in the settlement was to reduce the total payments by £600m, with the savings used to fund adult social care precepts.

In order for the reduction in payments, changes to the scheme have been made. The key changes are:

- The Government is reducing legacy payments from 6 years to 5 years in 2017-18 and then to 4 years in 2018-19.
- A “deadweight” factor or national baseline will be introduced, so that no NHB payments will be made to a local authority for the first 0.4% of growth in new homes.
- From 2018-19 the Government will withhold payments from authorities not supporting housing growth. This will potentially include no or reduced payments for houses that are built following a successful appeal and to local authorities who do not have an approved Local Plan. There will be a further consultation on these elements.

Clearly there are financial implications due to the changes in the New Homes Bonus payments. The impact can be summarised as follows across the term of the MTF5:

FINANCIAL YEAR	ORIGINAL NHB £'000	REVISED NHB £'000	CHANGE IN FUNDING £'000
2017/18	2,548	2,840	292
2018/19	2,680	2,390	-290
2019/20	2,600	2,153	-447
TOTAL			-445

2.5 Council Tax

Government Grant is not available to help Councils which freeze or reduce their Council Tax. Increases in a District’s Council Tax are limited to 2% unless a referendum supports a bigger increase. If the Council was to increase its Council Tax by 1.99% (level before a referendum is triggered) in 2017/18 it would generate an additional income of around £98k, which would also be consolidated into the Council’s tax base.

The Council began its policy of freezing the Council Tax eight years ago, before the introduction of Government freeze grants, and will continue with this policy into 2017/18.

The income expected to be generated from the Council Tax will increase from £4.808m in the current year to £4.926m in 2017/18 as a result of increase of 934 band “d” equivalents properties in the tax base.

2.6 Local Council Tax Support (LCTS) Grant

From April 2013 the Government abolished Council Tax Benefit and replaced it with a locally determined Council Tax Support Discount Scheme. Giving people discounts on their Council Tax reduces the Council Tax income which all the preceptors including Town and Parish Councils receive. 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.

The Government's Council Tax Support Grant is now incorporated within the Revenue Support Grant which has already fallen significantly and will reduce to nil by 2019/20. Providing the grants to Town and Parish Councils is costing the District Council around £100,000 in 2016/17. The Cabinet is proposing to continue the scheme for 2017/18, but then to have a phased reduction as set out in the MTFs.

2.7 Revenues and Benefits Partnership

Under our partnership agreement the Council needs to agree its contribution to the Leicestershire Revenues and Benefits Partnership for the next financial year. The Joint Committee held on 26 January 2017 approved an increase of £27k or 2.3% which is attributable to contractual obligations, inflation and service costs. This has been built into the base budgets.

2.8 General Fund Reserve

The uncommitted balance on the General Fund is £2.4m. The Cabinet is already aware of the volatility which the localisation of Business Rates brings to the Council's finances and the proposed changes to 100% rates retention after 2020. Similarly other local income including loss of Income from the sale of recyclables and to a lesser extent planning and car park charges, continue to be difficult to predict. It is prudent to retain the General Fund Balance at this level due to the uncertainties stated above.

2.9 Earmarked Reserves and Provisions

The Council's earmarked General Fund revenue reserves and provisions stood at £9.1m at 1 April 2016. A review of the committed expenditure against these reserves has been undertaken and it is estimated that around £8.5m will remain at 31 March 2017. All of this is earmarked for a particular use in the future: it is therefore not currently available for the Council's general use.

3.0 **GENERAL FUND 2016/17 – PROJECTED OUTTURN**

3.1 The summary budget shown at Appendix 1 shows the 2016/17 budget, projected outturn and 2017/18 budget. A surplus of £1.3m has been projected for 2016/17 compared to the original budget of £1.08m. The main reason for the additional under spend is an increase in planning fees and business rates income.

3.2 Since 1 April 2013 local authorities have been sharing the benefit of additional business rates with Central Government. Any reductions in business rates including closures and

rating appeals are also shared. Although currently the Projected Outturn assumes an increase of £82k in Business Rates Income this could change when the Council's accounts are closed and audited in the summer.

- 3.3 In paragraph 2.8 it was explained that the General Fund Reserve should be retained at a level of £2.4m. The projected surplus will be over and above the minimum level of reserves required. This report recommends that this additional surplus of £0.2m is transferred to the Council's Special Projects Reserve at the year end, pending a review of the general financial position and priorities.

4.0 REVENUE BUDGET 2017/18 – PROPOSALS IN SUMMARY

4.1 Summary

The following table summarises the headline figures for 2017/18 as contained in Appendix 1.

Expenditure	2017/18
	£
Chief Executive's Department	5,902,240
Director of Services	5,562,450
Non Distributed Costs & Other	147,800
Corporate Items & Financing	1,144,925
Recharges Out of General Fund	(1,187,020)
Transfer to Balances/Reserves	902,749
2017/18 Budget Requirement	12,473,144
Funding Sources	
Formula Grant -RSG	572,000
National Non Domestic Rates	3,850,000
New Homes Bonus	2,840,452
Council Tax	4,925,812
Transfer from Collection Fund	284,880
Total Funding Available	12,473,144

5.0 CONSULTATION

- 5.1 There were no responses or comments received from the trade unions, Town & Parish Councils and the federation of Small Businesses. The Cabinet's Revenue Budget Proposals and draft Capital Programmes were presented to the Policy and Development Group meeting on 11 January 2017. The comments of Policy Development Group are included in the minutes attached at Appendix 3.

6.0 SPECIAL EXPENSES

- 6.1 Coalville Special Expenses

As with the Council's own revenue budget, the special expenses budget for Coalville has been prepared on the basis of a nil increase in Council Tax and is included in Appendix 2. It incorporates the information considered by the Coalville Special Expenses Working Party on 15 December 2016.

6.2 The Budget (Appendix 1 and 2) also includes the cost of permanent opening of Coalville Market toilets on Sunday; This follows the completion of a successful trial period as agreed by Cabinet in July 2016.

6.3 Other Special Expenses

The Council also levies special expense precepts in some of the parished areas of the District. In the main these relate to grounds maintenance works that the Parish Councils have chosen for the District to perform. A schedule showing the estimated level of expenditure and proposed precepts is included in Appendix 2.

7.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

7.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (Deputy Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves. Members must have regard to these comments when making a decision on the budget proposals for the forthcoming year.

7.2 Taking into account identified risks, the Deputy Section 151 Officer considers that the estimates which form the General Fund budget are robust; the proposals are deliverable and will produce a balanced budget for 2017/18 as required by Section 25 of the Local Government Act 2003.

7.3 Details of the Council's reserves are set out from paragraph 2.8 and again the Deputy Section 151 Officer is satisfied that these remain adequate.

7.4 The Special Expenses estimates are similarly considered to be robust.

7.5 The budget process for the 2017/18 year concludes with the approval of all the revenue budgets and the capital programmes by the full Council on 23 February 2017, following which the Council will also determine the level of Council Tax in 2017/18.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL SUMMARY BUDGET 2017/18

Appendix 1

2016/17 Budget £	2016/17 F'cast Out - turn	Service	2017/18 Budget £
261,900	263,200	Chief Executive	262,360
449,390	508,000	Economic Development	598,320
7,530	7,530	Joint Strategic Planning	7,750
107,100	106,980	Director of Resources	112,200
345,750	386,220	Human Resources	395,020
2,421,900	2,367,940	Legal & Support Services	2,467,140
1,989,200	2,027,840	Finance	2,059,450
5,582,770	5,667,710	Total Chief Executive's Department	5,902,240
337,900	344,019	Director of Services	346,540
4,134,390	4,138,480	Community Services	4,432,530
467,880	438,960	Strategic Housing	482,940
477,280	137,610	Regeneration & Planning	300,440
5,417,450	5,059,068	Total Director of Services	5,562,450
44,930	42,140	Corporate & Democratic Core	60,310
9,850	10,090	Non Distributed - Revenue Expenditure on Surplus Assets	10,090
77,260	85,210	Non Distributed - Retirement Benefits	77,400
11,132,260	10,864,218	NET COST OF SERVICES	11,612,490
(1,418,150)	(1,268,500)	Net Recharges from General Fund	(1,187,020)
9,714,110	9,595,718	NET COST OF SERVICES AFTER RECHARGES	10,425,470
CORPORATE ITEMS AND FINANCING			
<u>Corporate Income and Expenditure</u>			
1,054,200	1,054,200	Net Financing Costs	1,053,104
(116,000)	(142,667)	Investment Income	(76,000)
100,000	100,000	Corporate Contingency	0
167,821	167,821	Localisation of Council Tax Support Grant - Parish & Special Expenses	167,821
10,920,131	10,775,072	NET REVENUE EXPENDITURE	11,570,395
1,081,912	1,309,161	Contribution to Balances/Reserves	902,749
12,002,043	12,084,233	MET FROM GOVT GRANT & COUNCIL TAX (Budget Requirement)	12,473,144
Financed By			
1,120,000	1,120,000	Formula Grant	572,000
2,773,081	2,773,081	New Homes Bonus	2,840,452
345,441	345,441	Transfer from Collection Fund	284,880
4,807,987	4,807,987	Council Tax	4,925,812
2,955,534	3,037,724	National Non-Domestic Rates Baseline	3,850,000
12,002,043	12,084,233	TOTAL FUNDING AVAILABLE	12,473,144
<u>SPECIAL EXPENSES</u>			
487,450	508,869	Community Services	493,120
487,450	508,869	NET COST OF SERVICES AFTER RECHARGES	493,120
Financed By			
(4,487)	16,752	Use of Reserves	(5,722)
424,192	424,192	Council Tax	435,339
4,242	4,242	Other Grant	0
63,503	63,503	Localisation of Council Tax Support Grant	63,503
487,450	508,689		493,120

APPENDIX 2

SPECIAL EXPENSES	2016/17		2017/18
	ORIGINAL ESTIMATE	PROJECTED OUTTURN	ESTIMATE
	£	£	£
COALVILLE			
Parks, Recreation Grounds & Open Spaces	264,910	280,030	263,400
Broomley's Cemetery	12,700	16,680	19,210
C/V War Memorials/Grass Verge Cutting	16,090	16,090	16,220
One Off Grants	2,000	2,000	2,000
CV Public Conveniences & Vehicle Activated Signs	0	9,000	500
Coalville Events	54,380	60,107	55,110
	350,080	383,907	356,440
WHITWICK			
Cemetery	11,480	12,570	11,650
Grass Verge Cutting	620	621	630
	12,100	13,191	12,280
HUGGLESCOTE			
Parks, Recreation Grounds & Open Spaces	0	357	0
Cemetery	13,900	20,868	17,140
	13,900	21,225	17,140
PLAY AREAS/CLOSED CHURCHYARDS			
GROUND MAINTENANCE:			
OSGATHORPE	360	355	360
COLEORTON	3,300	3,304	3,330
RAVENSTONE	360	355	360
MEASHAM	1,880	1,882	1,900
LOCKINGTON-CUM-HEMINGTON	1,850	1,851	1,870
OAKTHORPE & DONISTHORPE	3,840	3,838	3,880
STRETTON	1,350	1,349	1,360
APPLEBY MAGNA	1,620	1,621	1,640
OTHER SPECIAL EXPENSES	14,560	14,555	14,700
SPECIAL EXPENSES (NET COST OF SERVICE)	390,640	432,878	400,560
Service Management recharges	96,810	96,810	92,560
ANNUAL RECURRING EXPENDITURE	487,450	529,688	493,120
FUNDED BY:			
Use of Reserves	-4,487	37,751	-5,722
Precept	424,192	424,192	435,339
Localisation of Council Tax Support Grant	67,745	67,745	63,503
	487,450	529,688	493,120

EXTRACT of the MINUTES of a meeting of the POLICY DEVELOPMENT GROUP held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 11 JANUARY 2017

Present: Councillor M Specht (Chairman)

Councillors N Clarke, J Cotterill, J Geary, D Harrison, G Hault, V Richichi, A C Saffell and N Smith

In Attendance: Councillors R Johnson and S Sheahan

Officers: Mr S Bambrick, Mr C Brown, Mr P Collett, Mr A Hunkin, Mr G Jones, Outama, Mr P Padaniya, Mr J Richardson and Mrs R Wallace

Guests: Mr M Beckett (SLC Rail), Inspector H Bhakta (Leicestershire Constabulary), Mr B Hlland (SLC Rail) and Ms K Smith (SLC Rail)

22. DRAFT GENERAL FUND REVENUE BUDGET PROPOSALS AND CAPITAL PROGRAMMES 2017/18

The Financial Planning Manager presented appendix one of the report and updated Members that since the proposals were considered by Cabinet in December the Local Government Financial Settlement had been announced. The two key elements in relation to the announcement was that the four year settlement that was offered last year had been confirmed and the changes to the New Homes Bonus Payments meant that the Council would benefit in the short term.

In response to questions from Councillor N Clarke, the Financial Planning Manager stated the following:

- The one off cost increases in the waste service was due to the County Council's withdrawal of recycling payments from 1 April 2018; a temporary round consisting of extra staff was required.
- The additional funds for information management had made a noticeable difference as more information was now available online for people to view instead of submitting Freedom of Information Requests which was a lengthy and costly process. Some processes had also been streamlined so that information was only input once which would save money in the long term.
- The surplus was less than originally forecasted in the Medium Term Financial Strategy due to key factors such as delays in some areas of business rate income, employment costs and some income not as much as predicted. He added that the change in New Homes Bonus meant that the figure would now be slightly higher.

Councillor N Clarke commented that he was pleased that the Council Tax Support Benefit would remain at the same level as it helped many people within his Ward. Councillor N J Rushton commented that it was a tough decision but he felt it was a good one for the level to remain the same.

In response to a question relating to the additional costs as a result of staffing numbers from Councillor D Harrison, the Interim Director of Resources explained the importance of maintaining adequate staffing levels and in general there would not be a lot of growth in budgets or levels of staff. He added that any major changes would need to be investigated seriously before being implemented.

The Financial Planning Manager presented appendix two of the report.

In response to questions from Councillor N Clarke, the Financial Planning Manager stated that although reducing the number of refuse vehicles may have been mentioned in the past due to lower levels of recycling, this was not included in the proposals. Councillor N J Rushton added that recycling still needed to be collected even if the levels were lower. Also there had been an increase in households in the District and therefore the vehicles were required.

The Director of Housing presented the HRA Capital Programme section of the report to Members.

Councillor M Specht was pleased with the building of new council homes.

Councillor N J Rushton commented that he was very proud that new council homes were being built for the first time in 30 years.

It was moved by Councillor J Geary, seconded by Councillor D Harrison and

RESOLVED THAT:

The comments made by the committee be considered by Cabinet at its meeting on 7 February before making its recommendations to Council.