

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**CABINET – 12 DECEMBER 2017**

Title of report	<b>GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGET PROPOSALS FOR 2018/19</b>
Key Decision	<p>a) Financial Yes</p> <p>b) Community Yes</p>
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Purpose of report	For Cabinet to approve 2018/19 General Fund and Special Expenses revenue budget proposals for consultation.
Reason for Decision	Required to complete 2018/19 budget process.
Council Priorities	The budget assists the Council to achieve all its priorities.
<p>Implications:</p> <p>Financial/Staff</p> <p>Link to relevant CAT</p> <p>Risk Management</p> <p>Equalities Impact Screening</p> <p>Human Rights</p> <p>Transformational Government</p>	<p>As contained in the report.</p> <p>The budget is relevant to all Corporate Action Teams (CATs).</p> <p>The budget will be monitored throughout the year to ensure savings are achieved and services delivered as planned.</p> <p>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.</p> <p>None identified.</p> <p>Not applicable</p>
Comments of Head of Paid Service	Report is satisfactory

Comments of Deputy Section 151 Officer	As report author the report is satisfactory
Comments of Deputy Monitoring Officer	Report is satisfactory
Consultees	Corporate Leadership Team, 14 November 2017
Background papers	None.
Recommendations	<p><b>CABINET IS RECOMMENDED TO :</b></p> <ol style="list-style-type: none"> <li><b>1. AGREE THE 2018/19 BUDGET PROPOSALS FOR STATUTORY CONSULTATION.</b></li> <li><b>2. THAT THE ASSURANCE STATEMENT BY THE DEPUTY S151 OFFICER BE NOTED</b></li> </ol>

## 1.0 INTRODUCTION

- 1.1 This report seeks Cabinet approval to consult on the draft General Fund and Special Expenses budget proposals for 2018/19, with the outcome of this consultation exercise being fed back into the subsequent reports to Cabinet and Council to seek approval for the final budget in February 2018.
- 1.2 Draft proposals for consultation have been prepared in the context of the continuation of the Governments four year settlement in respect of funding, alongside budget holders own projections in respect of expenditure budgets and locally generated income forecasts.
- 1.3 The draft budget position for 2018/19 therefore reflects current understanding in respect of Revenue Support Grant (RSG), New Homes Bonus and the level of business rates retained as part of the 4 year settlement offered by Central Government for the period 2016/17 to 2019/20. The Government is expected to announce the Provisional Local Government Finance Settlement around 15 December 2017, and refined estimates will be presented to Cabinet and Council as part of the final approval budget process on 6 and 27 February 2018 respectively.
- 1.4 A new approach to developing expenditure and locally generated income budgets has been taken for the 2018/19 year which has included a greater level of engagement with budget holders and a focus on more sophisticated estimates taken in order to reduce variance between budgeted and outturn position. This new approach has also projected the revenue position for 2019/20 to 2023/24 for indicative purposes only. This information will be presented to members as part of the final budget in February and to inform sound decision making and demonstrate the financial impact of decisions. The 5 year projections are also used to inform the Medium Term Financial Plan as part of the Council's Medium Term Financial Strategy.
- 1.5 Members will be aware that the decision to outsource the Council's Hermitage and Hood Park leisure centre facilities and creation of a new £20m facility was approved by Council on 21 November 2017. Whilst this decision does not impact the Council in 2018/19 above the level of projected project costs agreed (£500k allocated from reserves), the indicative 5

year revenue forecast and 5 year Capital programme will demonstrate the impact of this decision within those years, including the impact of borrowing costs, as per the assumptions of the project.

- 1.6 Under the existing 50% Business Rates retention system, the level of business rates to be retained by the Council is not ultimately confirmed until after the end of the financial year when the actual level of Business Rates is reported. This means that the Council is not able to accurately predict local business rates income until after the budget has been approved by Cabinet and Council in February. However, work to determine this figure will inform the budget presented and approved.
- 1.7 The Council, along with all counterparties in respect of Business Rates in Leicester and Leicestershire, entered a bid to undertake in a 1 year pilot of 100% business rate retention. If successful, financial modelling undertaken by the Leicestershire Treasurer's Association (LTA) indicates that around £18.9m could be retained and shared across Leicestershire to be invested in Infrastructure and housing growth, town centre enhancements and financial sustainability. At the time of writing this report it is unknown as to whether the bid has been successful, however it is anticipated that the outcome of the process will be announced by the Department for Communities and Local Government in early December. If we are successful, the financial implications will be laid out in the provisional and final local government funding settlement announcements in December and February respectively. However it is important to note that under the proposed bid, the Council will be no worse off than it would have been was it not part of the pilot, and therefore the draft budgetary estimate as detailed within this report in respect of business rates income would not move adversely if the bid were successful.
- 1.8 During 2017/18 a greater emphasis has been placed on robust financial management in forecasting the Council's financial position. The aim of this revised approach is to reduce variance between budgeted and outturn position and provide budget holders with the opportunity to plan varying revenue budgets over the medium term to release surplus expenditure budgets and ensure that financial resources are allocated in line with the Council's agreed priorities.
- 1.9 The approved 2018/19 budget will undergo regular monitoring and scrutiny during the financial year through quarterly performance monitoring, so that when they arise any variances can be identified at an early stage and remedial action taken to deal with them where necessary.

## **2.0 GENERAL FUND 2017/18 – PROJECTED OUTTURN**

- 2.1 The uncommitted balance on the General Fund is currently £2.4m.
- 2.2 The second quarter Performance Report considered by Cabinet in November presented outturn projections for the current year. A surplus of £1.196m is forecast compared to the original budget of £934k. This surplus will go into general reserves. The main reason for this is additional Business Rates income, offset by a number of adverse movements across service areas.
- 2.3 The General Fund forecast surplus outturn (as represented by the contribution to General Fund Balance) is £1.196m compared to a budget of £934k. Forecast income in respect of Business Rates has increased by £534k, due to changes in forecasts in respect of realised

business growth within the District. This has been offset by a number of adverse movements, which include: an increase in the net deficit of the Leisure centres (£98k); an increase in public protection planning enforcement advice (£18k); an increase in waste services staffing costs (£55k); overspends on salary costs with planning policy (£22k) and public protection (£16k); and a forecast reduction in CCTV income (£12k).

- 2.4 The forecast uncommitted balance on the General Fund at 31 March 2018 is therefore, a forecast surplus of £3.596m.

### **3.0 2018/19 NET REVENUE EXPENDITURE PROPOSALS**

- 3.1 The Councils net revenue expenditure position is affected by three main elements which include: the revenue expenditure in relation to the provision of services net of income generated through fees and charges and other income (including additional grants authorities apply for, which are not part of central government funding); and financing costs, broadly made up of investment income, interest charged in respect of loans and the minimum revenue provision charge made in respect of unsupported borrowing to fund capital expenditure.
- 3.2 For 2018/19, there has been an increase in net revenue expenditure of £1.45m, made up of a number of budgetary pressures (increased expenditure or reduced income) and savings (increased income or reduced expenditure). A summary of the proposals can be found in Appendix A.
- 3.3 A number of changes to the budget have been made in respect of Planning. An additional £120k (taking the total budget to £220k) has been set aside in the 2018/19 budget for the purposes of the first review of the Local Plan, following Secretary of State approval of the Local Plan in November 2017. In addition, the budget in respect of planning fee income has been reviewed and reduced by £100k to £1m for 2018/19 whilst the budget for legal advice and technical support in relation to planning appeals has increased from £150k to £200k to reflect the required budget.
- 3.4 In respect of our waste services, Members will recall that in September 2017, Leicestershire County Council awarded the contract for the treatment and disposal of dry recyclable material collected by the district Council following a competitive exercise in which the Council competed against private sector bidders. As a result of the change from 2017/18 recycling income forecasts have reduced from £782k to £436k for the 2018/19 year. The forecast is based on a prudent mid-range position of assessed forecasts of recycling tonnage and materials prices at 90% of those currently achieved. In addition, £20k has been set aside in the 2018/19 budget as a one year provision to cover the cost of undertaking route optimisation for the Council's waste service, to support the service to efficiently collect recyclable material across the growing District. Finally, income forecasts in respect of trade waste have increased favourably by £56k, reflecting the success of the commercial arm of the waste service.
- 3.5 The net deficit position of the leisure centres has increased by £132k, from £388k to £520k for the 2018/19 year. Of the main pressures, income forecasts have reduced by £30k for the 2018/19 year.
- 3.6 The budget in relation to Property Services has increased from £80k to £154k to reflect the additional costs of the service being managed in-house. A review of the interim

arrangements for the in-house service are currently underway and any cost savings identified will be picked up during Quarter 1 of 2018/19.

- 3.7 The ICT supplies and services budget has increased by £234k to reflect the increased cost of equipment maintenance (£90k) and the data centre (£156k) and licence renewals (£34k) offset by savings in respect of printer leases and charges (£16k) and telephones (£30k).
- 3.8 The budget in respect of benefits payments has increased by £21k to reflect an increase in rent rebates and modified schemes partly offset by a reduction in rent allowances and bed & breakfast.
- 3.9 The net financing costs relating to General Fund activities has reduced by £41k from £1.053m to £1.012m. This charge reflects the interest cost payable on loans and the estimated minimum revenue provision required to be set aside on General Fund capital programme expenditure. The budget in respect of investment income has also moved favourably, increasing from £76k to £108k to reflect the level of return currently generated from investments.
- 3.10 The budget for the Council's contribution to top up the capital funding received from central Government in respect of Disabled Facilities Grants has reduced from £143k to £50k as a result of confirmation that the level of grant award for 2017/18 and beyond meets anticipated levels of DFG expenditure.
- 3.11 A saving of £25k has been included in the budget following Cabinet's decision in January 2017 to continue the Local Council Tax Support Scheme for 2017/18, but then to have a phased reduction of 25% per year thereafter. This budget reflects the level of support for Town and Parish Councils. 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. 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 budget for 2018/19 has therefore reduced by £25k to £143k
- 3.12 As a result of scrutinising historic expenditure budgets, a saving of £132k across a number of service areas has been identified. These budgets have previously been held to cover the costs of future liabilities arising as a result of legal challenge and appeal against planning decisions. The change in approach will see an allocation from existing unallocated earmarked reserves held as a provision for these potential future liabilities, so that the base budget reflects estimates in respect of anticipated liabilities only.
- 3.13 Increases in respect of staffing include a 1% pay award provision, incremental increases and the increase in respect of employer pension contributions total £675k, a further breakdown can be found in Appendix A.
- 3.14 A one off provision of £20k has been made for the implementation of a number of improvements identified through the review of the Annual Governance Statement, including the provision of training for members of the Audit and Governance Committee in fulfilling their roles in respect of financial management.

- 3.15 The net position in respect of budget increases and savings below a de-minimus level of £20k is a net increase of £43k. These changes are as a result of expenditure pressures and savings, and forecasts in respect of income.

#### **4.0 2018/19 FUNDING**

- 4.1 The main sources of funding available to finance revenue expenditure are locally retained business rates, Council tax and government grants.
- 4.2 The provision local government finance settlement is due to be announced in mid-December. In the absence of confirmation of the New Homes Bonus, Revenue Support Grant, tariff and levy charges against business rates to be retained by the Council, estimates are based on known information as detailed below.
- 4.3 For 2018/19 there is an estimated increase in total funding of £990k, subject to the local government finance settlement and further work required in respect of council tax and business rates estimates. A summary of the estimates for 2018/19, compared to the 2017/18 budget can be found in the Budget Summary for 2018/19, Appendix B.
- 4.4 Under the existing 50% Business Rates retention system, the level of business rates to be retained by the Council is not ultimately confirmed until after the end of the financial year when the actual level of Business Rates is reported. This means that the Council is not able to accurately predict the actual level of business rates likely to be collected during the following year until after the final budget has been approved at Council in February. In addition, it is difficult to forecast business growth, although the Council does have a good awareness of this and as a consequence is to be able to introduce some assumptions into budget predictions. The budgeted level of retained business rate income for 2018/19 is £4.6m has been estimated using the anticipated outturn for 2017/18 as at Quarter 2. This estimate does not currently include forecast growth likely to occur between this period and the end of the 2017/18 financial year, nor does it currently take account of the predicted growth in 2018/19. The Council will submit its projections of Business Rates for 2017/18 to the Government by the end of January 2018. The work in preparation for this may give us confidence to review the budget for this income before our final budget is presented for approval in February 2018.
- 4.5 The Council Tax Collection Fund is monitored throughout the year and the forecast income will be available from the fund towards next year's budget. The budget for 2018/19 has reduced by £7k from £285k to £278k.
- 4.6 The Council is not planning to increase the District's share of the Council Tax in 2018/19. This will be the ninth year without an increase. The budgeted level of Council tax income has increased by approximately £550k, from £4.96m for the 2017/18 year to £5.5m for the 2018/19 year. As is the case with business rates, work to identify and forecast growth across the district is underway and therefore the budget at this time reflects only the known council tax base as at October 2017 and current non-collection rate of 2%.
- 4.7 The level of New Homes Bonus for next year is determined by returns which have now been made to the Government. Notwithstanding the potential changes that might be made to the scheme in respect of planning decisions, the Council will receive £2.88m next year.

## **5.0 2018/19 DRAFT BUDGET POSITION**

- 5.1 Given the proposals in respect of net revenue expenditure and funding forecasts as detailed above, the predicted surplus and contribution to General Fund reserves 2018/19 is £568k. Subject to 2017/18 outturn the 2018/19 position will take the General Fund level of general reserves from £3.596m at 31 March 2018 to £4.164m at 31 March 2019. The draft Budget Summary for 2018/19 can be found in Appendix B.

## **6.0 SPECIAL EXPENSES**

- 6.1 The forecast outturn for 2017/18 in respect of Special Expenses budget is £486k at quarter 2 compared to a budget of £493k. Subject to this outturn, the balance brought forward will increase from £64k to £78k at 31 March 2018.
- 6.2 For 2018/19, the expenditure budget has increased by £20k as a result of service management increases (£12k), grounds maintenance increases (£5k) and events (£3k).
- 6.3 Until such time that the Council Tax Base is approved by Cabinet in January, the estimated position of Special Expenses balances cannot be detailed. This information will be presented as part of the final budget report approved by members in February 2018.

## **7.0 MEDIUM TERM FINANCIAL STRATEGY**

- 7.1 The Council's Medium Term Financial Strategy 2017 – 2020 (MTFS) was last refreshed in October 2016. For 2018/19 and beyond, a new approach is being taken with 10 year Medium Term Financial Plan presented to members in February each year alongside the budget for approval, and reviewed by members each July to compare outturn to forecasts. The new approach will aid members in planning for the medium term in respect of its General Fund, HRA and Capital Programme budgets, with any future savings targets estimated along with recommendations of remedial actions or commercial initiatives.
- 7.2 The MTFS will therefore be updated following announcement of the provisional local government settlement for 2018/19 and will be presented to Cabinet and Council in February alongside budgets for approval. In addition, the MTFS will provide likely scenarios to assess the impact of the outcome of the Fair Funding review (anticipated to take effect from 2020/21) and the 100% business rate retention scheme, alongside proposals increase the self-sufficiency of the Council by reducing the reliance on government grants in future years.

## **8.0 CONSULTATION**

- 8.1 The Council will undertake a consultation on the Council's maintained service levels, Council Tax freeze and the plans to reduce the level of grants to Town and Parish Councils for 2018/19. 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 and 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 10 January 2018.
- 8.3 The Cabinet will receive details of the consultations at its meeting on 6 February 2018 where it will make its final budget recommendations for approval by Council on 27 February 2018.

## **9.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES**

- 9.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (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.
- 9.2 The Deputy Section 151 Officer considers that the estimates which form the draft General Fund budget are robust and prudent, and the proposals are deliverable.
- 9.3 The Deputy Section 151 Officer also considers that the overall level of General Fund reserves is adequate.



**Expenditure Saving / Increase in Income**

<b>Title</b>	<b>Value</b>
Trade Waste Income	£56,000
Reduction in Net Financing Costs	£41,000
Increase in investment income	£32,000
Reduction in DFG contribution	£93,000
Reduction in Local Council Tax Support	£25,000
Removal of provisions with base budget	£132,000
<b>Total</b>	<b>£379,000</b>

**Increased Expenditure/ Reduction in Income**

<b>Title</b>	<b>Value</b>
Local Plan review costs	£120,000
Forecast reduction in Planning Income	£100,000
Planning appeals legal support	£50,000
Reduction in recycling income	£346,000
Waste services route optimisation	£20,000
Increase in Leisure centres net deficit	£132,000
Property services	£74,000
ICT supplies and services	£234,000
Benefits payments	£21,000
Staffing costs, including: <i>Incremental increases £123,000</i> <i>Pay Award £122,000</i> <i>Living Wage £5,000</i> <i>Pension increases £102,000</i> <i>Establishment changes implemented in 2017/18 but not previously budgeted for £254,000</i> <i>Other £69,000</i>	£675,000
Budget provision to support improvements identified through the Annual Governance Statement	£20,000
Other de-minimus changes (below £20k)	£43,000
<b>Total</b>	<b>£1,835,000</b>

APPENDIX B

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL SUMMARY BUDGET 2018/19

2017/18 Budget £	2017/18 Forecast Outturn @P6 £	Service	2018/19 Budget £
277,360	250,750	Chief Executive	275,820
395,020	434,700	Human Resources	397,420
653,320	675,560	Economic Development	717,370
7,750	8,120	Joint Strategic Planning	8,080
112,200	66,530	Director of Resources	112,310
2,467,140	2,324,880	Legal & Support Services	2,486,920
2,004,450	2,407,830	Finance	2,661,260
<b>5,917,240</b>	<b>6,168,370</b>	<b>Total Chief Executive's Department</b>	<b>6,659,180</b>
346,540	334,540	Director of Services	340,730
4,432,530	4,439,010	Community Services	5,007,190
482,940	499,950	Strategic Housing	478,980
300,440	337,510	Regeneration & Planning	486,880
<b>5,562,450</b>	<b>5,611,010</b>	<b>Total Director of Services</b>	<b>6,313,780</b>
10,090	39,730	Non Distributed - Revenue Expenditure on Surplus Assets	9,580
77,400	120,430	Non Distributed - Retirement Benefits	77,810
45,310	38,410	Corporate & Democratic Core	44,600
<b>11,612,490</b>	<b>11,977,950</b>	<b>NET COST OF SERVICES</b>	<b>13,104,950</b>
(1,187,020)	(1,231,840)	Net Recharges from General Fund	(1,246,010)
<b>10,425,470</b>	<b>10,746,110</b>	<b>NET COST OF SERVICES AFTER RECHARGES</b>	<b>11,858,940</b>
<b>CORPORATE ITEMS AND FINANCING</b>			
<b>Corporate Income and Expenditure</b>			
1,053,104	1,053,104	Net Financing Costs	1,011,970
(76,000)	(123,800)	Investment Income	(108,000)
167,821	167,821	Localisation of Council Tax Support Grant - Parish & Special Expenses	143,323
0	0	Various Chief Executive items	20,000
<b>11,570,395</b>	<b>11,843,235</b>	<b>NET REVENUE EXPENDITURE</b>	<b>12,926,233</b>
934,465	1,196,193	Contribution to Balances/Reserves	567,898
<b>12,504,860</b>	<b>13,039,428</b>	<b>MET FROM GOVT GRANT &amp; COUNCIL TAX (Budget Requirement)</b>	<b>13,494,131</b>
<b>Financed By</b>			
572,000	572,670	Formula Grant	235,000
2,840,452	2,840,452	New Homes Bonus	2,884,328
284,880	284,880	Transfer from Collection Fund	277,787
4,957,528	4,957,528	Council Tax	5,501,768
3,850,000	4,383,900	National Non-Domestic Rates Baseline	4,595,248
<b>12,504,860</b>	<b>13,039,430</b>	<b>TOTAL FUNDING AVAILABLE</b>	<b>13,494,131</b>
<b>SPECIAL EXPENSES</b>			
493,120	486,117	Community Services	513,370
<b>493,120</b>	<b>486,117</b>	<b>NET COST OF SERVICES AFTER RECHARGES</b>	<b>513,370</b>
<b>Financed By</b>			
(5,722)	(5,820)	Use of Reserves	21,433
435,339	424,192	Council Tax	424,192
65,503	67,745	Localisation of Council Tax Support Grant	67,745
<b>495,120</b>	<b>486,117</b>		<b>513,370</b>