

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**CABINET – 9 FEBRUARY 2016**

Title of report	<b>GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGETS 2016/17</b>
Key Decision	a) Financial Yes b) Community Yes
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Purpose of report	For Cabinet to agree the final 2016/17 General Fund and Special Expenses revenue budget proposals for recommendation to Council on 23 February 2016.
Reason for Decision	To enable the Council to set a balanced budget for 2016/17 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  Human Rights	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.  None identified.

Transformational Government	Not applicable.
Comments of Head of Paid Service	The report is satisfactory
Comments of Deputy Section 151 Officer	As report author the report is satisfactory.
Comments of Deputy Monitoring Officer	The report is satisfactory
Consultees	Federation of Small Businesses, Town and Parish Councils, Trade Unions, Policy Development Group (6 Jan 2016).
Background papers	<a href="#">Cabinet Reports:</a> <a href="#">Medium Term Financial Strategy 2016/17 to 2019/20 – 22 September 2015</a> <a href="#">General Fund and Special Expenses Revenue Budgets 2016/17 – 8 December 2015</a>
Recommendations	<p><b>THAT CABINET:</b></p> <p><b>1. RECOMMENDS TO COUNCIL:</b></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 2016/17 IS TRANSFERRED TO THE GENERAL FUND RESERVE FOR FURTHER CONSIDERATION AFTER COMPLETION OF 2015/16 ACCOUNTS.</p> <p>(III) THE FORECASTED SURPLUS INCOME OVER EXPENDITURE IN 2015/16 IS TRANSFERRED TO THE SPECIAL PROJECTS RESERVE</p> <p>(IV) THE CONSULTATION RESPONSES DETAILED IN APPENDIX 1 ARE NOTED</p> <p>(V) APPROVAL OF THE GENERAL FUND REVENUE BUDGET FOR 2016/17 SUMMARISED IN APPENDIX 2.</p> <p>(VI) APPROVAL OF THE SPECIAL EXPENSES BUDGET FOR 2016/17 SET OUT IN APPENDIX 3.</p> <p>(VII) THAT IT FREEZES THE DISTRICT'S COUNCIL TAX IN 2016/17.</p>

## 1.0 INTRODUCTION

1.1 The draft General Fund budget proposals for 2016/17 were considered and approved for consultation by Cabinet, on 8 December 2015.

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 2016 for the Budget and Council Tax for 2016/17.

1.3 The Medium Term Financial Strategy (MTFS) approved by Cabinet in September 2015 projected a budget shortfall of £260k for 2016/17. At that stage additional ongoing savings of £1.9m were predicted between 2017/18 and 2019/20.

1.4 Since the Cabinet agreed its draft budget proposals on 8 December 2015 the base budget has been completed, the Government has announced provisional grant funding for 2016/17 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. These are effectively savings made in advance which will contribute to meeting future years' savings targets. As plans are in place to keep reserves at adequate levels, the projected budget surplus is available to fund the one-off initiatives in 2016/17.

### 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 17 December 2015. Our provisional 2016/17 New Homes Bonus has been set at £2.773m. This is £350k higher than assumed in the MTFS and 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. As part of the Provisional Settlement Announcement the Government began a consultation about reducing the cost of making New Homes Bonus payments by over a half from 2017/18.

1.7 The latest budget position compared with the Medium Term Financial Strategy is summarised in the table below:

	<b>2016/17</b>
	<b>£000</b>
Shortfall Projected in MTFS -September 2015	260
<u>Changes in Funding:</u>	
Additional New Homes Bonus in 2016/17	(350)
Additional Business Rates	(973)
Collection Fund Surplus	(295)
Impact of Provisional Finance Settlement 2016/17	198
Council Tax	(25)
<u>Changes in the Base Budget</u>	
Various changes to the Budget	103
Shortfall/(Surplus)	(1,082)

## **2.0 2016/17 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 2017. 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 31st March 2016 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 £345k 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 2016/17 are compared with the MTFS in the table below:

	<b>MTFS</b>	<b>Provisional Settlement</b>	<b>Change</b>
	£000	£000	£000
Revenue Support Grant	1,318	1,120	-198
Baseline Funding/Business Rates	1,983	2,200	217
New Homes Bonus	2,423	2,773	350
<b>Total</b>	<b>5,724</b>	<b>6,093</b>	<b>369</b>

At the time of writing this report, these allocations are still provisional, but are not expected to change significantly when the Final Settlement is announced later this month.

- 2.3.2 The Settlement assumes £2.200m in locally retained Business Rates. This figure will vary depending on actual yields but is unlikely to 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 £165k 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 £2.955M figure is included in 2016/17 budget.

#### 2.4 New Homes Bonus

The Government has announced provisionally that the Council will receive £2.773m in New Homes Bonus in 2016/17. This is £350k more than was assumed in the Medium Term Financial Strategy approved by Cabinet on 22 September 2015. This reflects the targeted work by the Council to return long term voids back into use and ensuring that new properties are listed as early possible. New Homes Bonus payments are currently made for six years but this could fall to four, three or even two years from 2017/18 following the Government's current consultation. Other changes being consulted on include reductions where Local Plans are delayed, reductions where homes are only built following appeal and possibly only for additional homes over a pre-determined baseline. This Council's response to the consultation will be considered by Cabinet at its meeting on 8 March 2016.

The MTFS assumes that each year all our New Homes Bonus will be used to support the Revenue Budget and this means that in 2016/17 almost £2.8m expenditure on our mainstream services will be funded in this way.

#### 2.5 Council Tax

In 2016/17 Government Grant is not available to help Councils which freeze or reduce their Council Tax. Increases in the District's Council Tax would be limited to 2% otherwise a referendum would be triggered. If the Council was to increase its Council Tax by 2% in 2016/17 it would generate an additional £96k.

The Council began its policy of freezing the Council Tax seven years ago, before the introduction of Government freeze grants, and will continue with this policy into 2016/17.

The income expected to be generated from the Council Tax will increase from £4.704m in the current year to £4.808m in 2016/17 as a result of increases in the tax base.

## 2.6 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 28 January 2016 approved an increase of £32k or 2.7% which is attributable to contractual obligations, inflation and service costs. This has been built into the base budgets.

## 2.7 Medium Term Financial Strategy (MTFS)

The MTFS approved in September 2015 projected that £2.157m further ongoing savings would be required by 2019/20. The outcome of the Government's consultation on reducing new Homes Bonus payments and Business Rates Income is likely to have the greatest influence on a revised MTFS.

## 2.8 General Fund Reserve

- 2.8.1 The uncommitted balance on the General Fund is £2.7m. In addition to the uncertainties around future New Homes Bonus income there are a number of other future risks which signal the need for balances to be at higher than historical levels. The Cabinet is already aware of the volatility which the localisation of Business Rates brings to the Council's finances. Similarly other local income including Income from the sale of recyclables and to a lesser extent Car Park charges, continue to be difficult to predict. It is prudent to retain the General Fund Balance at this level due to uncertainties stated above.

## 2.9 Earmarked Reserves and Provisions

The Council's earmarked General Fund revenue reserves and provisions stood at £12.2m at 1<sup>st</sup> April 2015. A review of the committed expenditure against these reserves has been undertaken and it is estimated that around £10.5m will remain at 31st March 2016. All of this is earmarked for a particular use in the future; it is therefore not available for the Council's general use.

## 2.10 Revenue Budget Contingency

This has been set at £100k for 2016/17. These resources would normally only be called upon if there were unexpected increases in costs or loss of income during the year and they could not be met from underspendings elsewhere. This contingency has not been called upon in the last three years. Although it is best practice to include a contingency in the budget, Service Managers are always encouraged to fund financial pressures from their own budgets in the first instance. The level of the contingency will continue to be reviewed as part of the updating of the Medium Term Financial Strategy to ensure it remains appropriate.

## **3.0 GENERAL FUND 2015/16 – PROJECTED OUTTURN**

- 3.1 The summary budget shown at Appendix 2 shows the 2015/16 budget, projected outturn and 2016/17 budget. A surplus of £1.596m has been projected for 2015/16.

3.2 The main reasons for the projected surplus in 2015/16 are as follows:

Retained Business Rates	£ 1,033m	
Planning and Development Fees	£ 600k	
Legal Income	£ 51k	£ 1.684m

Salaries/Vacancy Management	£ (22k)	
Other more minor variances (net)	£ (66k)	£ (88k)

**Total** **£ 1.596m**

3.3 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 £1.033M in Business Rates Income this could change when the Council's accounts are closed and audited in the summer.

3.4 In paragraph 2.8.1 it was explained that the General Fund Reserve should be retained at a level of £2.7m. The projected surplus of £1.596m will be over and above the minimum level of reserves required. This report recommends that this surplus of £1.596m is transferred to the Council's Special Projects Reserve at the year end. This will be duly consulted and reported at Cabinet after the closure and external audit of the accounts.

#### 4.0 REVENUE BUDGET 2016/17 – PROPOSALS IN SUMMARY

##### 4.1 Summary

The following table summarises the headline figures for 2016/17 as contained in Appendix 2.

<b>Expenditure</b>	<b>2016/17</b>
	£
Chief Executive's Department	5,331,820
Director of Services	5,668,400
Non Distributed Costs & Other	132,040
Corporate Items & Financing	1,206,021
Recharges Out of General Fund	(1,418,150)
Transfer to Balances/Reserves	1,081,912
<b>2016/17 Budget Requirement</b>	<b>12,002,043</b>
<b>Funding Sources</b>	
Formula Grant -RSG	1,120,000
National Non Domestic Rates	2,955,534
New Homes Bonus	2,773,081
Council Tax	4,807,987
Transfer from Collection Fund	345,441
<b>Total Funding Available</b>	<b>12,002,043</b>

## 5.0 CONSULTATION

- 5.1 The responses from the trade unions, Town & Parish Councils and the federation of Small Businesses are attached at Appendix 1. The Cabinet's Revenue Budget Proposals and draft Capital Programmes were presented to the Policy and Development Group meeting on 6 January 2016. The comments of Policy Development Group are included in the minutes attached at Appendix 4.

## 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 3. It incorporates the information considered by the Coalville Special Expenses Working Party on 15 December 2015.

### 6.2 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 3.

## 7.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

- 7.1 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.



- 7.2 Taking into account identified risks the Section 151 Officer, the Head of Finance, considers that the estimates which form the General Fund budget are robust; the proposals are deliverable and will produce a balanced budget for 2016/17 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 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 2016/17 year concludes with the approval of all the revenue budgets and the capital programmes by the full Council on 23 February 2016, following which the Council will also determine the level of Council Tax in 2016/17.



**General Fund Budget Consultation**

**Trade Unions**

No responses received.

**Federation of Small Businesses**

**Charley Parish Council**

No view on the District's budget proposals.

**Whitwick Parish Council**

Thank you for consulting the Parish Council on your draft budget. The Parish Council has responded by saying that it welcomes the fact that the draft budget involves no reduction in NWLDC's front line services and hopes that these will continue to be protected in future

**Measham Parish Council**

Thank you for extending the deadline for members to look at the budget consultation. They have considered the information and have no comments or objections to make.