

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 13 DECEMBER 2016

Title of report	GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGETS 2017/18
Key Decision	a) Financial Yes b) Community Yes
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>Interim Director of Resources 01530 454833 andrew.hunkin@nwleicestershire.gov.uk</p> <p>Financial Planning Manager / Deputy S151 Officer 01530 454707 pritesh.padaniya@nwleicestershire.gov.uk</p>
Purpose of report	For Cabinet to approve 2017/18 General Fund and Special Expenses revenue budget proposals for consultation.
Reason for Decision	Required to complete 2017/18 budget process.
Council Priorities	The budget assists the Council to achieve all its priorities.
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Screening Human Rights Transformational Government	<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 Deputy Chief Executive	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	None
Background papers	MTFS - Report to Cabinet 11 October 2016
Recommendations	<p>CABINET IS RECOMMENDED TO :</p> <ol style="list-style-type: none"> 1. AGREE THE 2017/18 BUDGET PROPOSALS FOR STATUTORY CONSULTATION. 2. CONTINUE TO SUPPORT THE LOCALISATION OF COUNCIL TAX SUPPORT GRANT AT THE CURRENT LEVEL OF 85%.

1.0 INTRODUCTION

- 1.1 The Cabinet approved the Council's Medium Term Financial Strategy (MTFS) 2017/18 – 2020/21 at its meeting on 11 October 2016.
- 1.2 This report provides details of the 2017/18 Base Budget and other changes since the MTFS was approved.
- 1.3 The projections of the budget position for 2017/18 in this report reflect our current understanding of the grant we will receive as part of the 4 year settlement offered by Central Government. The Government is expected to announce the Provisional Local Government Finance Settlement around 15 December 2016.
- 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 variances can be identified at an early stage and remedial action taken to deal with them. The monitoring also checks that any required savings are being achieved. Similarly any forecast under spending can be taken into account when allocating resources.

2.0 GENERAL FUND 2016/17 – PROJECTED OUTTURN

- 2.1 The second quarter Performance Report considered by Cabinet in November presented outturn projections for the current year. An under spend of just over £1.3m is forecast compared to the original budget of 1.08m. The main reason for this is additional Planning Fee and Business Rates income.
- 2.2 The Planning Fee income forecast has been increased by £100k. This increase in the budget is mainly due to levels of planning applications received.
- 2.3 The Business Rates income is being projected at £82k above budget, but it is likely this figure will change as we move closer to the yearend due to various permutations such as growth, appeals and bad debt provisions etc.
- 2.4 The Cabinet at its July 2016 meeting allocated £878k to one off projects and establishment costs. The General Fund Balance is at an adequate level and our strategy for utilising any projected savings in 2016/17 will be considered further by the Cabinet.

3.0 FUTURE UNCERTAINTIES

- 3.1 The Cabinet will already be aware of the volatility which the localisation of Business Rates may bring to the Council's finances. Under the current 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 the baseline. From 2020 local authorities as a sector will retain 100% of business rates and as a result it will take on the full risks and rewards of the business base in the area – and additional responsibilities from central government.
- 3.2 New Homes Bonus (NHB) received is based on the average council tax band on each additional property built or on each long term empty property that is brought back into use. The funding is shared between district and county councils on an 80/20 ratio respectively. The Government has consulted on the changes to the NHB scheme which are planned to take effect from 1ST April 2017. The consultation had two elements:
 - Changing the number of years for which the payments are made.
 - Reforms to the NHB incentive.

The assumption in the MTFS is that NHB payments will be reduced to four years from six years. This means that the income from NHB is forecasted to be some £228k less for 2017/18 than the current year.

4.0 2017/18 REVENUE BUDGET PROPOSALS

- 4.1 The MTFS showed a projected surplus in the General Fund budget of £956k in 2017/18.
- 4.2 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 the Council will receive £2.548m next year. This is £48k higher than assumed in the MTFS.

- 4.3 The income the Council receives from the sale of its recycling materials is forecast to be approximately some £106k higher than in 2016/17. This increase in income is mainly due to current market prices. Unfortunately all of this increase in income has been absorbed by one off cost increases in the waste service. The County Council published a report in September 2016 which confirmed their decision to direct districts to take their recycling to a facility procured by the County Council and withdraw recycling payments from 1 April 2018. This has implications on how our authority provides the future recycling collection. Until such time that we decide which collection method to implement, a temporary recycling round consisting of extra staff is required.
- 4.4 The Local Plan has been submitted to the Secretary of State, and hearings are due to be held during January 2017. In addition, the Council has been progressing a separate local plan document with the specific purpose of providing sufficient sites for gypsies, travellers and travelling show-people. The evidence base for this is currently being revised, and subject to there being a need to progress with a document to allocate sites, there will be costs associated with this. This increase in cost has been offset by the increase in the planning income budget
- 4.5 Business Rates Income has been budgeted taking into account the expected out – turn this year plus any known growth in the district. The assumption in the budget is £3.85m; this is around £125k less than what was reported in the MTFS. This difference is mainly due to delays in the completion of a couple of new employment development sites.
- 4.6 The Council Tax Collection Fund is monitored throughout the year and an additional £248k income will be available from the fund towards next year’s budget. This is an extra £148k than what was reported in the MTFS in October.
- 4.7 During the year it was agreed that certain services required extra resources to provide a robust, resilient and effective service to cope with demand, operational and other legislative changes. An extra £118k was allocated to Information management, Human Resources and Payroll.
- 4.8 The base budget for next year is also now substantially complete and gives us an updated picture compared to the MTFS projection. Indications are that there will be a surplus of £589k compared to the £956k projected in the MTFS
- 4.9 In summary the impact on the budget shortfall has been as follows:

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	£148k
Improvement in New Homes Bonus	£48k
Other Base Budget Changes	<u>(£195k)</u>
Projected Surplus Budget 2017/18	<u>£589k</u>

- 4.10 This provides the Council with the opportunity to provide around £589k additional resources in the Revenue Budget for next year, subject of course to the Government's Local Government Financial Settlement.
- 4.11 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 review the budget for this income before our final budget is presented for approval in February 2017.

5.0 GENERAL FUND RESERVE

- 5.1 The uncommitted balance on the General Fund was £2.4m when the Cabinet approved the Council's MTFs in October 2016. A forecast underspending in the current year would increase this balance.

6.0 COUNCIL TAX

- 6.1 In line with the MTFs, the Council is not planning to increase the District's share of the Council Tax in 2017/18. This will be the eighth year without an increase.

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 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. This will be confirmed when it approves the Council Tax Base at its meeting on 17 January 2017.
- 7.4 The Council consulted on the Local Council Tax Benefit Scheme as part of a county-wide exercise to consider the impact on recipients, and the extra income it would receive if the council tax support was reduced from its current option of maximum eligibility of 85%. It is recommended it continues with its current option of maximum eligibility for Council Tax Support of 85%. The assumption within the MTFs was that the 85% level would be reduced to 75%, which would have meant the Council collecting some extra £31k in council tax.

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 for 2017/18. 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 11 January 2017.
- 8.3 The Cabinet will receive details of the consultations at its meeting on 7 February 2017 where it will make its final budget recommendations for approval by Council on 23 February 2017.