

Subject:	2015/16 Corporate Priorities, Budget, Council Tax and The Medium Term Financial Strategy		Status:	For Publication			
Report to:	Overview & Scrutiny Cabinet		Date:	9 th February 2015 11 th February 2015			
Report of:	Head of Finance & Property Services		Portfolio Holder:	Portfolio Holder for Finance and Resources			
Key Decision:	<input checked="" type="checkbox"/>	Forward Plan	<input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/>	Special Urgency	<input type="checkbox"/>
Equality Impact Assessment:		Required:	Yes	Attached:	Yes		
Biodiversity Impact Assessment		Required:	Yes /No	Attached:	Yes /No		
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1.	RECOMMENDATION(S)
	<i>The following represents a report to Cabinet on the 2015/16 Budget and the Medium Term Financial Strategy. Overview and Scrutiny are asked to note the report and make any further recommendations to Cabinet.</i>
1.1	That Cabinet considers the Council's Corporate Priorities and any further recommendation to Full Council: <ul style="list-style-type: none"> • Regenerating Rossendale: This priority focuses on regeneration in its broadest sense, so it means supporting communities that get on well together, attracting investment, promoting Rossendale, as well as working as an enabler to promote the physical regeneration of Rossendale. • Responsive Value for Money Services: This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people. • Clean Green Rossendale: This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition.
1.2	That the Cabinet recommends to Council the additional costs for 2014/15 as noted in para' 5.3
1.3	That Cabinet recommends to Council the use during 2014/15 of £180,000 from the Transitional Reserve to support the 2015/16 annual budget.
1.4	As a consequence of the above, the Cabinet recommends to Council a net revenue budget for 2015/16 of £8,901,000
1.5	That the Cabinet recommend to Council to freeze Council Tax and that the Band D equivalent for 2015/16 remains at £253.40.

1.6	That Cabinet recommends to Council the changes to Fees and Charges as noted in Appendix 2
1.7	That the Head of Finance and Property Services be instructed to prepare the technical resolutions necessary to give effect to these proposals.

2. PURPOSE OF REPORT

2.1 The Purpose of the report is to enable Cabinet to recommend to Full Council the Revenue Budget and level of Council Tax for 2015/16, together with implications for the Council's Medium Term Financial Strategy (MTFS).

3. CORPORATE PRIORITIES

3.1 The matters discussed in this report impact directly on the following corporate priorities:

- **Regenerating Rossendale:** This priority focuses on regeneration in its broadest sense, so it means supporting communities that get on well together, attracting investment, promoting Rossendale, as well as working as an enabler to promote the physical regeneration of Rossendale.
- **Responsive Value for Money Services:** This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.
- **Clean Green Rossendale:** This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition.

The primary focus of the Council's budget setting is to support its Corporate priorities.

4. RISK ASSESSMENT IMPLICATIONS

4.1 As part of the final recommendations to Council Section 25 of the Local Government Act 2003 places a requirement on the Chief Financial Officer of each local authority (in Rossendale this is the Head of Financial Services) to advise councillors during the budget process on "the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves". This provision is designed to ensure that Member have information which will support responsible financial management over the longer term. The draft Section 25 report is included at Appendix 1

4.2 In setting the 2015/16 Budget Members should continue to plan and give due regard to the continuing financial challenges over the medium term.

4.3 Members should note that the budget proposals for 2015/16 put reliance on the use of Council reserves in order to produce a balanced budget. This reliance is set to increase over the medium term as the forecast deficit increases.

5. BACKGROUND AND OPTIONS

5.1 For a number of years the Council has continued to reduce its net revenue expenditure in line with, initially its own efficiency agenda and more so of late: the impact of the Government's 2010 Comprehensive Spending Review, the 2013 Spending Review, the Chancellor's Autumn Statements and subsequent changes to Local Government Financing.

5.2 During 2014 one report has been presented to Cabinet regarding current assumptions in relation to 2015/16 and beyond, highlighting cost pressures and potential savings. The main development since last report have been:

- The announcement on 18th December 2014 of the provisional Local Government Settlement for 2015/16. The latest position regarding this matter is summarised below (para' 5.8).
- A greater understanding of retained NNDR
- The forecast 2014/15 in year Council Tax surplus and its impact on the 2015/16 tax base.
- Capita contract negotiations for beyond September 2016.

5.3 Cost Pressures and Investment

Cost pressures and investments not included in our previous core budget are as follows:

Pressures	Value	Description
Rosendale Leisure Trust	£50,000	One year only bridge funding pending implementation of Vertical Playground
Regenerate Pennine Lancashire	£23,000 pa	Annual funding requirement
VAT Shelter	£100,000	Anticipated reduction in the final year of the VAT shelter arrangement with Green Vale Homes.
Cemetery Waste Water	£26,000	One year only investment with a 3 year payback to be reinvested into Capital resources

5.4 Savings

During 2014 a number of service efficiencies have and continue to be implemented. All departments within the Council have been reviewed and restructured. In total £611k of savings have been identified and removed from the budget. Paragraph 5.6 explains further.

5.5 **Net Revenue:** The impact on 2015/16 net revenue (costs less resources) together with future forecasts are as follows:

	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000
Budget Estimates	8,905	8,702	9,224	9,392	9,565	9,731
Estimated Funding:						
Council Tax / Collection Fund	4,617	4,891	4,989	5,089	5,191	5,295
Council Tax Base Growth		-	16	32	48	65
RSG	2,049	1,361	1,066	833	652	510
NNDR	1,850	1,886	1,924	1,962	2,001	2,041
Homelessness Grant	-	83	-	-	-	-
Grant for 0% C Tax uplift 2011-15	137	136	-	-	-	-
Grant for 0% C Tax uplift 2013-14	55	55	-	-	-	-
Grant for 0% C Tax uplift 2014-15	55	55	-	-	-	-
Grant for 0% C Tax uplift 2015-16	-	55	55	-	-	-
Collection Fund Surplus - Council Tax	112	120	-	-	-	-
NNDR Retained	-	78	400	400	400	400
Resources	8,876	8,721	8,449	8,317	8,292	8,310
Surplus / (further savings required)	(29)	19	(775)	(1,076)	(1,273)	(1,421)
Potential cost pressures	0	(199)	(153)	(183)	(846)	(876)
Potential savings	-	-	614	1,084	1,424	1,454
Surplus / (further savings required)	(29)	(180)	(314)	(175)	(695)	(843)
Use of Reserves	29	180	314	175	695	843
Surplus / (further savings required)	(0)	(0)	0	0	(0)	(0)

NB

1. For 2016/17 onwards the reserves relate to Transitional Reserves. The above demonstrates an underlying and increasing revenue deficit which in the immediate periods is supported through the use of the Transitional Reserve but which in 2016/17, the increased deficit, is too great to be supported in full by this reserve.

The potential future changes with regarded to cost pressures and possible savings are as follows:

Potential cost pressures	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
DWP Admin Subsidy	0	30	60	90	120
Volume & Technical - Other	0	100	100	100	100
LCC Cost Share & Recycling Income	0	0	0	633	633
Rosendale Leisure Trust	50	0	0	0	0
Regenerate Pennine Lancashire	23	23	23	23	23
VAT Shelter	100	0	0	0	0
Cemetery Waste Water	26	0	0	0	0
	199	153	183	846	876

Possible savings	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000
Taxi Licensing	0	262	262	262	262
New Homes Bonus	0	352	382	412	442
Local Business Rates (Renewable Energy)	0	0	267	457	457
Rental income (Renewable Energy)	0	0	113	233	233
Debt restructuring	0	0	60	60	60
	0	614	1,084	1,424	1,454

The key assumptions in the underlying future budget estimates are as follows:

- A general pay award of 1.0% in each year, plus associated employment costs and increments. In addition the compulsory one week's unpaid will cease on 31st March 2015 with an annual cost impact of £87k. No assumption has been made for the benefit of voluntary unpaid leave requests.
- 0% Council Tax rise for 2015/16
- Annual Council Tax increases of 2% beyond 2015/16 (being the current level of council tax increase, above which the Council would have to hold a referendum)
- A continued year on year reduction in the Revenue Support Grant element of the Funding Formula for 2016/17 to 2018/189 in line with Local Government Association forecasts. This equates to a reduction of 20% each year and by the 2019/20 forecast further reduces current resources by £851k per annum.
- A credit of c £78 for 2015/16 and £400k pa, thereafter, from the Council's share of Business rates due to, amongst other things, growth in business rateable values and a reduction in the level of provisions for revaluations and bad debts. The forecast surplus is after a 50% levy to central Government of c £400k. This could be avoided if we were able to find a "top-up" authority willing to form a partnership which maximises Business Rates retention.
- An estimated increase, within the core budget resources, of £70k in each year during the 6 year term of the New Homes Bonus (NHB) funding within the re underlying budget. As noted above the 2016/17 surplus is estimated at £322k and more or less continues over the MTFs period. Any further surplus above the base budget figure to be taken to the Transitional Reserve as in previous years. Members should note that given the reductions in RSG some councils are increasingly transferring this resource into their core funding.
- VAT shelter arrangements with Green Vale Homes end in 2015/16. The final is anticipated to be in line with the 2014/15 outturn but which is £140k pa below our core budget.
- The Homelessness Grant of £83k for 2015/16 is now an addition to the original 2 year guarantee ending in 14/15. However, has been excluded for future years – no adjustment has been made to the cost base.
- A prudent view of income gains particularly in relation to 2015/16 core budget

Planning and Taxis Licencing income as it is difficult to predict the future sustainability of this income. Any surplus as in previous years will be transferred to the Transitional Reserve.

- The impact of any scheme or changes in relation to Universal Credit has not been forecast. The current grant split is c. 20% Council Tax support and c. 80% Housing Benefits and has a current total value of £388k. That said we still await confirmation of the full Universal Credit timescales and its operational impact. During 2015/16 Rossendale will see a small scale implementation involving those claimants not in receipt of any form of housing or mortgage support.
- A neutral financial impact following the end of the current Capita contract October 2016. That said, should the Council choose to extend the contract for a further 3 years as per the Capita offer there would be a c. £1m additional saving to Council over the forecast period.
- Income from renewable energy will commence in 2016/17. The reliance on this new income stream cannot be under estimated. With a combined value of c. £700k this income is fundamental to bridging the forecast resources deficit.
- The conclusions of 2016 actuarial pension review will be similar to the 2013 review and therefore assumes no further annual increase beyond the current 4.1% pa.
- The current waste recycling and disposal cost share arrangements will cease as from March 2018. The combined loss to the Council being £660k pa.

Key Message:

It is clear that given the 2015/16 deficit and the widening gap over the longer term that Council needs to develop further plans, during 2015/16, to reduce its net cost base by at least £800k pa in order to avoid initial reliance on reserves and to deal with an increasing future resource deficit. Therefore, the Key messages for the medium term are as follows:

- 1. Council must begin to increase Council Tax after 2015/16 as per the MTFS (value £400k)***
- 2. Council must secure the wind farms income as per the MTFS (£690k)***
- 3. Council must secure financial savings post the September 2016 Capita contract end date (£400k)***
- 4. Council must seek a partner to avoid an annual NNDR levy (£400k)***

5.6 Changes in the base budget costs between 2014/15 and 2015/16 are as follows:

	£000s
2014/15 Base Budget	8,905
Employment costs	202
Contract inflation	82
Savings	(611)
Volume & Technical changes	124
2015/16 Base Budget	8,702

(i) The main changes in employment costs are the pay award (£69k), non-compulsory unpaid leave (£88k) and pension costs (£42k).

(ii) The main savings changes are noted below:

	£000s
Staff and related costs	315
Fuel costs	81
ICT & e-Government	44
Property related	84
Other	87

(iii) The key changes in increased Volume & Technical costs is a reduction in the Housing Benefits grant (£55k) and moving the Homelessness Grant (£85k) to funding resources as per 5.5 above.

5.7 The level of Council Tax for 2015/16

The budget proposal is to retain Council Tax at its current level of £253.40, being the 6th consecutive year of a Council Tax freeze.

Other precepting authorities will announce their Council Tax changes as follows:

- Lancashire County Council – 9th February 2015
- Lancashire Fire & Rescue – 16th February 2015
- Lancashire Police & Crime Commissioner – February 2015
- Whitworth Town Council – 29th January 2015

The current Band D Council Tax for 2014/15 is:

Council Tax	£	%
LCC	1107.74	70.1%
RBC	253.40	16.0%
Police	155.96	9.9%
Fire	63.65	4.0%
	1580.75	
WTC	23.01	
	1603.76	

Council Tax Base

The Council tax base has increase by 5.9% to 19,303, due to amongst other things: previous over estimate in bad debts for Council Tax Support, empty properties and a reduction in banding appeals. This is partly reflected in the 2014/15 Council Tax surplus of £120k noted in 5.5 above. The average increase across Lancashire is 1.9%.

5.8 2015/16 Provisional Settlement and beyond

The provisional Settlement Funding Assessment for 2015/16 was announced on 18th December 2014. The key messages arising from the settlement are:

- a. The overall settlement announcement was in line with our expectations (albeit c. £6k less than last year's announcement).
- b. On a like for like basis our core annual 2015/16 settlement will see a 16.6% reduction on 2014/15.
- c. The growth in and collection of business rates (as with Council Tax) now has a direct impact on the Council's financial resources.
- d. No indication was given of resources for beyond 2015/16.

Members will recall that in the 2013/14 settlement, £856k was identified within that years settlement only to reflect changes to Council Tax Benefit and the replacement of Local Council Tax support , split as follows:

- £514k within RSG
- £342k within NNDR

Future years settlement figures do not identify the above but is absorbed with the core funding. Given that the RSG forecast above in 2019/20 is only £510k, we can make the conclusion that by that date the underlying RSG has in fact disappeared.

5.9 Fees & Charges

The annual budget requires that any changes to the Council's fees and charges be approved by Members. The September 2014 retail price index indicated general inflation of 2.3%.

A full list of fees (including previous year comparisons) are included at Appendix 2

5.10 Member Allowances

As previously agreed by Members (Full Council 16th July 2014) there is no proposal to change current Member Allowances for 2015/16.

6. COMMENTS FROM STATUTORY OFFICERS:

6.1 SECTION 151 OFFICER

6.2 Financial matters are dealt with above.

7. MONITORING OFFICER

7.1 No comments required for this report.

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

8.1 The Equality Act 2010 requires the Council to have due regard in the exercising of its functions to three considerations. The need to:

- Eliminate discrimination. Harassment and victimisation and any other conduct that is prohibited by or under the Act.
- Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it.
- Foster good relations between people who share a relevant protected characteristic and those who do not share it.

The amount of regard that is “due” is set out in the Act and will depend on the circumstances of the case. Under the general equality duty there is a requirement to engage with people with protected characteristics and to have an adequate evidence base for Council decision-making.

The duty to inform, consult or involve requires that the council must involve communities and those directly affected at the most appropriate and proportionate level in ‘routine functions, in addition to one-off decisions.’ Further, under the duty of Best Value the Council is required to consult representatives of a wide range of local people; this should include local voluntary and community organisations and small businesses in such consultation.

8.2 Consultation carried out with:

- Cabinet and Management Team
- Public Consultation (web and public places)
- Members (annual budget briefing)
- Overview & Scrutiny Management (9th February)

9. CONCLUSION

9.1 The Council must remain focused on identifying and delivering further efficiencies and income in order to ensure annual balanced budgets over the medium term.

It must also ensure that all its budget resource allocations are to the core functions of the district Council and that the use of its resources has clear links to the Council’s Corporate Priorities.

Background Papers

Document	Place of Inspection
Previous update to the MTFs (Budget Reports Feb’, July 2014)	Rossendale Borough Council website
Grants Report (July 2014)	Rossendale Borough Council website