



Council

19 February 2015

Matter for Decision

Title: Budget Proposals 2015/16

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1. Introduction

This report covers two areas of budget determination for 2015/16. It presents the proposals for the budget as recommended by the Policy, Finance and Development Committee at its meeting on 3 February 2015 and also the Service Delivery Committee at its meeting on 20 January 2015. It also contains the Chief Financial Officer's report on the robustness of the budget proposals and the adequacy of reserves. The report needs to be read in conjunction with the report on Council Tax setting 2015/16, which is based on the attached budget proposals.

2. Recommendations

- a) That the General Fund net revenue budget estimates for 2015/16 totalling £6,468,574 be approved (Appendix 1).
- b) That the capital programme for 2015/16 amounting to £11,241,370 be approved (Appendix 2).
- c) That the Chief Financial Officer be authorised to arrange the financing of the capital programme as necessary.
- d) That the Housing Revenue Account draft revenue estimates for 2015/16 be approved (Appendix 3).
- e) That Members approve an average dwelling rent increase of £1.74 per week (Appendix 3, Section 4.2) which represents a 2.26% increase and other charges as set out in Appendix 3, Section 2.
- f) That Members approve the list of reserves and balances as described in Appendix 4.
- g) That Members approve the policy on maintaining the Council's minimum General Fund balances figure, as declared by the Chief Financial Officer, of at least £646,860 based on 10% of net revenue expenditure. In addition, that Members approve the policy of maintaining Housing Revenue Account balances of at least £300,000.

3. The Council's Policy Context

In May 2011, the Council set out its vision and commitments for its four year administrative period.

- Protect and continue to deliver the good quality, consistent, value for money front line services provided to residents, particularly weekly refuse and recycling collections.

- Enhance the green environment of the Borough so that residents are able to take full advantage of it.
- Revitalise the town centres through development and by retaining free shoppers car parking.
- Work with the Police to create a safer Borough where people feel more comfortable and at ease.
- Improve community engagement including listening to and delegating more to the three town forums.
- Work with others to try and improve the health and wellbeing of the residents of the borough.
- Work smarter to deliver the efficiency savings required to meet the continuing budget cuts

The Council continues to deliver on all of these commitments. This is only made possible, however, because of the Council's last commitment above which is its determination and success in working smarter to deliver the efficiency savings required to meet the increasing national budget challenges.

The Strategic Aims that the Council has and is adopting in order to focus this are:

1. A comprehensive review of all of its assets continues into 2015/16 resulting in more active asset management. Members will then be able to clearly determine which of the Council's assets could and should be making a financial return, breaking even and being subsidised for the benefit of residents.
2. A fundamental service review and redesign that will place residents, particularly those who will be affected by the national welfare reforms, at the heart of a process that will support and empower them to be able to fully understand and successfully navigate all of these reforms.
3. The continuation of its successful "invest to save" programme, where one off expenditure is prioritised and opportunities are created and seized in order to generate or save revenue funding in the longer term.
4. To ensure that the Council never adopts any schemes, projects or services that are not first demonstrated to be at least cost neutral and therefore should never be an additional burden to local council tax payers.
5. A determination to take full advantage of the Government now allowing councils to build new houses. The Council continues to aim to build on average at least 5 a year from 2015/16.

These priorities and strategic aims will:

- Focus and drive forward the Council's strategic planning.
- Form the basis of the Council's Medium Term Financial Strategy.
- Provide the direction for allocating resources and restructuring.

4. Information

Further to the meetings of the Policy, Finance and Development Committee and the Service Delivery Committee on the 3 February 2015 and 20 January 2015

respectively, this report includes proposals for the budget and Council Tax for 2015/16. These proposals support the Council's strategic improvement plan aims, ensuring that resources follow priorities and continue to support quality, value for money services for the residents of the borough.

Most of the Council's budget has already been considered in detail by the two committees. The overriding factor reported to the committees was the continuing impact of the economic climate and particularly the reduced government grant on the Council's financial position, including the potential risk to the Council's Medium Term Financial Strategy (MTFS).

This unprecedented financial climate continues to make budget exceptionally difficult. It is testament to our sound financial management that the Council is in a position to recommend that there is no increase in the Borough's share of the Council Tax for 2015/16. In arriving at this position it has been important to strike a balance between delivering efficiencies whilst continuing to provide quality services to our community, particularly in these difficult times. Achieving efficiencies and delivering value for money has been a key part of the Council's financial strategy for a number of years. However the significant impact of grant reductions means the Council must continue to strive for efficiencies, taking a measured and responsible approach to the challenge. The reports to the two committees outline the challenge of delivering the efficiency savings required. The Council wishes to remain an ambitious council and it is essential, especially at a time of significant change, that it continues to be agile in responding to new challenges in the face of reducing resources. Consequently the budget proposals retain appropriate levels of reserves to assist in managing future uncertainties and in this regard it is important for Council to consider the Section 151 Officer's report on the robustness of the budget calculation and adequacy of reserves set out in Annex 1.2 of Appendix 1.

Prior to the commencement of each financial year the Council prepares a number of capital and revenue spending plans which set out how it intends to invest in services to achieve its priorities and objectives. The Council also prepares a number of financial strategies which show how it aims to gain maximum value from the resources available to it whilst at the same time not exposing it to unnecessary risk. An update on these strategies will be presented to the Policy, Finance and Development Committee at its meeting on 24 March 2015.

All of these plans will impact on one another. For example, capital investment proposals will have revenue implications either through borrowing costs and /or on-going running expenses. The Council prepares a Treasury Management Strategy to determine the best time to borrow and from whom. The Council prepares Prudential Indicators to highlight the extent to which it is becoming dependent on borrowing and /or when new borrowing will need to be taken out to replace maturing loans. The Council prepares an Investment Strategy to ensure that it gains maximum investment interest on surplus cash, also at the same time protecting this cash from loss or misappropriations. Finally, the Council needs to be fully aware of the longer term impact of its spending proposals by preparing a Medium Term Financial Strategy (MTFS). This

particular strategy will be presented to the Planning, Finance and Development Committee on 24 March 2015.

Robustness of Budget Estimates

The budget estimates have been subjected to detailed scrutiny and challenged by officers and Members (Details are included in Annex 1.2 of Appendix 1). Budgets were prepared according to the approved budget strategy for the financial year 2015/16 report submitted to the Policy, Finance and Development Committee on 28 October 2014. Proposals from spending committees have been brought together to form the proposed General Fund budget estimates for 2015/16 as set out in Appendix 1. Whilst the budgets for 2015/16 have balanced, further anticipated reductions in Formula Grant are expected in future years which will be detailed in this years' Autumn Statement. The strategy for dealing with future years will be detailed in an updated MTFS at the Policy, Finance and Development Committee on 24 March 2015.

In accordance with Section 25 of the Local Government Act 2003 I am therefore satisfied with the robustness of the budget process for 2015/16.

Adequacy of Reserves

Mindful of the range of uncertainties that may have financial consequences for the Council in the coming years and of the advice of the Section 151 Officer in Annex 1.2 of Appendix 1 a new Income Profiling Reserve was set up in 2013/14 which has a forecast balance of £110,000 as at 31 March 2015 to cover potential volatilities in respect of income received on items such as planning fees. Furthermore, the Policy, Finance and Development Committee on 22 July 2014 approved the creation of a Budget Equilibrium Reserve to safeguard against unforeseen changes in received central Government funding and in particular any deficit that may results from the local retention of business rates. The balance on this reserve is forecast at 31 March 2015 as £405,000 after allowing for the declared deficit resulting from business rates in 2014/15 and a further transfer from the General Fund Reserve of £300,000 in 2014/15 which was approved by Policy, Finance and Development Committee on 3 February 2015. It is important to have such reserves particularly in the current climate and given the significant level of risk identified. The level of these reserves will be regularly monitored to ensure they are adequate to meet the risk identified.

In addition, to meet specific items of potential expenditure a number of earmarked reserves are set aside. The Chief Financial Officer has reviewed the necessity of these reserves. An overall summary of General Fund and Housing Revenue reserves is set out in Appendix 4.

With an estimated General Fund balance at 31 March 2015 of £947,863, in accordance with Section 25 of the Local Government Act 2003 I confirm that the proposed General Fund balance for the financial year 2014/15 is adequate.

Background Papers

- a) Draft budgets submitted to the Policy, Finance and Development Committee on 3 February 2015
- b) Draft budgets submitted to the Service Delivery Committee on 20 January 2015
- c) Review of Fees and Charges submitted to Service Delivery Committee on 21 October 2014 and Policy, Finance and Development Committee on 28 October 2014
- d) Budget Strategy 2015/16 – 2016/17, Policy, Finance and Development Committee on 28 October 2014.
- e) Local Government Finance Settlement 2015/16
- f) New Homes Bonus Scheme Grant Determination 2015/16.
- g) Notification of precepting authorities precepts and Council Tax levels for 2015/16
- h) Comprehensive Spending Review 2010
- i) Leicestershire Pension Fund Actuarial Valuation 2013 Results - Local Authority Employers
- j) Localism Act 2011 and associated regulations
- k) Local Government Finance Act 1992 and associated regulations
- l) Local Government Finance Act 2012 and associated regulations

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Implications	
Financial	These are included within the main body of the report.
Risk Management Implications	The implications are included within Appendix 5 of this report.
Inclusion, Diversity and Community Cohesion Implications	Managers consider these implications as part of preparing service plans and associated detailed budgets, including any future efficiency savings to be delivered and update / produce service impact assessments where necessary.
Legislation and Policy	The law governing the setting of the billing authority's Council Tax requirements and the calculation of its basic amount of Council Tax is found in Sections 31a and 31b respectively of the Local Government Finance Act 1992 as amended by the Localism Act 2011. In addition to the relevant primary legislation, local authorities are also bound by regulations and other secondary legislation including codes of practice.
Other Relevant Considerations	None