Policy, Finance and Development Committee	4 February 2014	Information and Decision

Title: **Overall General Fund Revised Financial Position 2013/14 and Draft Budget 2014/15**

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1 Introduction

This report contains the overall revised General Fund revenue budget for 2013/14, the draft General Fund revenue budget for 2014/15, and the draft capital programme for 2014/15.

Much of the financial information provided is necessarily based on a number of assumptions which are wholly or partly influenced by external factors. Some of these factors such as the final level of external grant support and the level of Government set fees will not be known until later in the process and any amendments will be reported to Council at the February 2014 budget meeting.

In addition, the Comprehensive Spending Review, the Local Government Finance Settlement of 2014/15 and provisional settlement for 2015/16, the Autumn Statement 2013 and the continuing challenging economic climate means the Council needs to produce a robust strategy for the future to meet these challenges.

2 Recommendations

(1) That Members consider the overall revised General Fund revenue budget position for 2013/14 (Appendices 1 and 2).

(2) That Members recommend in principle to Council the overall draft General Fund revenue budget for 2014/15. This will be the subject of a further and full report to Council on 25 February 2014 (Appendices 1 and 3).

(3) That Members recommend in principle to Council the overall draft Capital Programme for 2014/15 and note the forward programme to 2016/17. This will be the subject of a further and full report to Council on 25 February 2014 (Appendix 4).

3 Information

The Council in February 2013 set the Council Tax and the budget for the General Fund for 2013/14. In March 2013, the Council's forward forecast to 2016/17 was set out in the Medium Term Financial Strategy (MTFS) which was presented to the Policy, Finance and Development Committee. The information presented concerning the Government's legislative programme and other external factors that could potentially impact on Oadby and Wigston's financial position was based on the best information available at that time.

Further to this, the Policy, Finance and Development Committee approved the budget strategy for the financial year 2014/15. It outlined that the Council historically adopted a budget process that derives its base budget each year from the previous year's original budget and that for the 2014/15 budget this process would be continued. Additionally, it highlighted that the key issues that would impact this budget are:

- Current financial position including working balances and level of reserves.
- The local government finance settlement
- The review and revision of the business rates pooling situation
- The review and revision of our Local Council Tax Support Scheme
- Any further advancements in Welfare Reform (Universal Credit)
- Limits on New Homes Bonus funding
- Availability of capital resources and prudential indicators
- Housing Revenue Account (HRA) and the impact of self financing and rent convergence.
- Transformation of services.

The provisional settlement was received from the Department of Communities and Local Government (DCLG) in December 2013. It is understood that the final settlement will not be published until February 2014.

Officers are still evaluating the impact of this new information but it appears that the Council has had the greatest reduction, at 4.5%, in Spending Power (a Government indicator of funding level consisting of a basket of grants received from Central Government) amongst all of the Leicestershire districts. Whilst this Council's reduction in Formula Funding appears to have had roughly the same percentage decrease as other authorities, others have had compensating increases in locally influenced grants such as New Homes Bonus that have mitigated their loss of other grant. To illustrate this fact, one of the other districts with a roughly equivalent budget to that of this Council has had an increase in New Homes Bonus of £225,000 compared to £61,000 that Oadby and Wigston has received.

Also included within this report is an overall financial update in the context of the current economic climate including the impact of the current four year Comprehensive Spending Review (CSR) to 2015/16 and beyond. It provides

a commentary on prospects for the next CSR and how this may impact on local government finance generally.

It is clear from the current national economic position and consequential impact on local government resourcing that the whole funding model for this Council needs to be reassessed. This will not only include delivering efficiencies and careful consideration of future council tax levels but also a realignment of resources to the Council's strategic objectives and the reassessment of service provisions. As central funding declines the Council will need to maximise opportunities from new funding arrangements that are primarily dependent on business and residential growth in the borough.

The Council's current MTFS sets out the overall financial objectives that underpin the Council's priorities. This includes a summary of the national financial context together with factors and key financial principals affecting the General Fund. The MTFS needs to be updated to reflect all the new funding initiatives issued by the Government. A report will be presented to this committee in March 2014 updating the MTFS for these initiatives.

4. Local Government Finance Settlement

The provisional Finance Settlement for 2014/15 and 2015/16 was announced in late December 2013.

The provisional settlement funding announced by DCLG in December 2013 is detailed below.

Funding	Actual 2013/14	Provisional 2014/15	Reduction 13/14 to 14/15	Provisional 2015/16	Reduction 14/15 to 15/16
	£000's	£000's	%	£000's	%
Revenue Support Grant	1,717	1,457		965	
NNDR Baseline Funding	1,142	1,316		1,353	
Total Formula Grant	**2,859**	**2,773**	**3**	**2,318**	**16**
Council Tax Freeze Grant	127	166		203	
Council Tax Support Funding	372	-		-	
Homelessness Grant	50	50		49	
Settlement Funding Assessment	**3,408**	**2,989**	**12**	**2,570**	**14**

From 2014/15 there will be no separate analysis available for figures relating to the Council Tax Freeze Grant, Council Tax Support Grant and Homelessness Prevention Grant. All of these grants are now included within the revenue support grant and business rates baseline funding figures.

The Comprehensive Spending Review announcement reduced the overall Local Government finance settlement for 2014/15 by an additional 1% and by 10% for 2015/16. However, as a result of various top slices of the

National total for specific Government priorities, e.g. adult social care, the reduction in this Council's settlement figure is 12%. The combined effect of these proposals is a reduction in settlement funding of £838,000 over the next two years.

These settlement proposals confirm that Local Government continues to bear the brunt of Public Spending reductions in the spending review period. The Autumn Statement expects that these reductions will continue until 2018.

5. Revenue Spending Power

The figures detailed in the above table are different from the headline announcements made by the Government. Since 2011/12 the Government has introduced the concept of revenue spending power in an attempt to soften the reality of the significant reductions in Government grant to Local Authorities. According to the Government in 2013/14 no Council will see their revenue spending power reduced by more than 8.8%.

Revenue spending power as defined by the Government is the aggregate of formula funding, New Homes Bonus, other specific Government grants and Council Tax requirements. The table below details the Government's assessment of revenue spending power for this Council.

	Actual	Provisional	Reduction
Spending Power	**2013/14**	**2014/15**	**13/14 to 14/15**
	£000's	**£000's**	**%**
Settlement Funding Assessment (from above)	3,408	2,989	
Other Small Grants	17	17	
New Homes Bonus	177	238	
NHB Return	11	5	
Housing Benefit Admin Grant	245	216	
Council Tax Burden Grant	33	60	
Total Government Funding	3,891	3,525	
Council Tax Requirement	3,268	3,313	
Settlement Funding Assessment	**7,159**	**6,838**	**4.5**

On this basis the reduction in spending power is significantly less than the reductions in Government formula funding grant detailed in the previous table above.

6. New Homes Bonus

Within the comprehensive spending revenue announcement were proposals that from 2015/16 £400m from the national total of New Homes Bonus would be pooled to contribute to the local growth funds to be administered by Local Enterprise Partnerships. This would have had a significant impact on the amount of NHB received by authorities with potential reduction of up to 35%. Following responses to the consultation proposals the Government

announced in the Autumn statement on 5 December 2013 that there would be no pooling of NHB for Councils outside London. The £2 billion Local Growth Fund will now be made up from other Government de-centralised budgets.

The Government will however be carrying out a review of the New Homes Bonus to evaluate the effectiveness of the incentive in increasing housing supply. Consequently there may be changes to location methods in future years potentially from 2015/16 onwards.

To maximise the amount this Council receives from NHB a review of all the long term empty properties in the District was carried out over the summer months. This has resulted in over 140 properties being re-classified as occupied rather than long term empty resulting in an estimated additional £61,351 of NHB allocation for 2014/15.

Provisional New Homes bonus allocations for 2014/15 were announced in late December as part of the Local Government Finance Settlement

7. Business Rates

From the beginning of this financial year (2013/14) the formula grant system has been based on the business rate retention scheme which includes the revised Revenue Support Grant. Under this scheme Local Authorities still need to operate within the existing national and domestic rate system in terms of their relationships with local business. They still do not have control over how the level of tax is determined for rate payers, i.e. the rateable value of properties or the rate of tax. However, the scheme does allow those Authorities that see increases in their business rates, tax rates and associated revenues to be rewarded. Authorities that have a decline will see a relative reduction in their resources. These calculations are extremely complex.

Under the Business Rates Retention Scheme Councils are able to retain 50% of the real term growth in business rates. Conversely, Councils face the risk of having to absorb 50% of potential decreases. The system includes a levy on disproportionate increases in the safety nets which provide support to limit the impact of significant decreases.

Under the Local Government Finance Act 2012 Councils can form pools for the purpose of business rate retention. This is beneficial if in the period a real term rise in business rates for the sub-region to pool business rates as this means that the levy paid by the District Councils is reduced or eradicated for some of these resources can be retained in the pooling area.

Under the new legislation the Leicestershire Authorities agreed to set up a business rate pool which became operative from 1 April 2013. However, in setting up the pool it was agreed that income and the pool mechanism would be reviewed during the year to ensure there were the benefits envisaged.

The legislation allows the business rates pool to be terminated and also if this decision is made the pool can be re-enacted at a later date.

The Business Rate Pool performance has been monitored during the year and the inherent risk in pooling business rates have increased in the last 12 months due to:

- Lack of certainty around rating appeals
- Continued uncertainty around the detailed operation of various aspects of the new regime
- A more negative outlook on perspective business rate outturns amongst Authorities
- The increase in political profile of the burden of business rates on businesses and the increased likelihood that changes adverse to Local Authorities would be introduced.

Given the potential downside, the nature of the pooling calculation means that Authorities may be better off operating individually as they can qualify for "safety net" payments from the Government.

It is difficult to produce reliable estimates on perspective pool outturns for 2013/14 and 2014/15. However, indicative forecasts are deficits for both years. Because of these uncertainties and the high level of risk it was agreed between the Leicestershire Authorities that the pool be terminated for 2014/15. The decision for this Council was determined under delegated powers agreed in setting up the pool by the Chief Executive and Chief Financial Officer in consultation with the Leader and Chair of the Policy, Finance and Development Committee.

Going forward, it is hoped that more clarity on the detailed operation of the business rates regime and the appeals position will emerge enabling a firmer view of the prospects of pooling in 2015/16. Assuming greater clarity is received regarding business rates pooling, the Leicestershire Authorities can re-consider the possibility of a new pool being established for 2015/16 during the summer of 2014.

Under the business rates pooling partnership agreement there is no liability for this Council if the pool does not make a surplus in 2013/14.

8. Local Council Tax Support

At the Council meeting in January 2013 the Council Tax Support Scheme for 2013/14 was approved. The way council tax support is funded fundamentally changed in 2013/14 with the Government reducing the National funding available by 10%. As the new support scheme is effectively a Council Tax discount, the Council's tax base has reduced thereby reducing the amount of Council Tax collected. To offset this the Government allocated funding to all Authorities as part of the overall start-up funding assessment for 2013/14.

In addition, the Government provided a transitional grant funding for 2013/14 only to those Authorities who reduce the support to working age claimants by a maximum of 8.5%. This Council received the transitional funding for 2013/14 but for 2014/15 this funding was withdrawn. The Council at its' meeting on 22 January 2014 considered changes to the current Council Tax support scheme which resulted in support reducing by 15% for working age claimants. This will ensure that this Council and all other precepting Authorities recover the shortfall in funding resulting from the withdrawal of the transitional grant funding.

As with the Business Rates Retention Scheme how Council Tax support is operated and funded imposes significant additional risk on this Council. Any additional growth and support and/or reduction in collection rates over and above what has been seen within our approved scheme and within fixed Government funding will have a direct cost on this Council and all other precepting Authorities. The Council will aim to mitigate these risks. Current projections indicate that the current scheme is operating within the assumptions built into the estimate for 2013/14.

9. Council Tax Base Calculation

The overall impact in the first year of the Council Tax Support Scheme (2013/14) is that the tax base reduced which has been partly offset by an increase resulting from the changes to exemptions. Proposed changes to the scheme in 2014/15 will increase the tax base. The ensuing tax base figure for 2014/15 includes an allowance for housing growth compared with the previous two years is as follows.

2012/13 17,968.2
Council tax benefit fully funded by Government

2013/14 16,122.7
Incorporating new support scheme in 2013/14 and changes to exemption.
Council Tax support funding now included in the settlement funding assessment.

2014/15 16,461.8
Incorporating changes to support scheme in 2014/15.

10. Draft Budget 2014/15

The Council's medium term financial strategy (MTFS) ensures that the commitments made in the Council's priorities are funded not only in the year for which the formal approval of the budget is required (2014/15), but for forecast years also, within a reasonable level of tolerance.

This committee approved the latest MTFS at its' meeting in March 2013 and a summary table is shown below.

Four Year Financial Model	2012/13	2013/14	2014/15	2015/16
	Revised	Original		
	Budget	Budget	Forecast	Forecast
	£ 000's	£ 000's	£ 000's	£ 000's
Service Expenditure	9,291	8,758	8,834	8,962
Service Income	(1,893)	(1,962)	(1,995)	(2,028)
Net Service Expenditure	7,398	6,796	6,839	6,934
To/(From) Reserves	(326)	(54)	(67)	10
Corporate Items:				
Pensions Increase	0	0	47	47
Capital Financing	298	324	346	347
Investment Income	(85)	(61)	(61)	(61)
Recharge to HRA	(175)	(185)	(191)	(197)
Net GF Expenditure	**7,110**	**6,820**	**6,913**	**7,080**
Formula Funding	(3,156)	(2,860)	(2,802)	(2,561)
CT Freeze Grant	(182)	(127)	(127)	0
New Homes Bonus	(79)	(177)	(228)	(279)
CT Support Funding	0	(372)	(372)	(372)
Collection Fund Surplus	(19)	(18)	0	0
Use of General Fund Balances	(34)	0	0	0
Council Tax Income	(3,640)	(3,266)	(3,266)	(3,266)
Funding Deficit	**0**	**0**	**118**	**602**

Government grant figures for 2016/17 and 2017/18 will be subject to the outcome of the next spending review. For the purposes of the medium term forecast, the figures will be assumed to continue to reduce year on year in line with the Autumn Statement announcement. The Government grant figures for these years for the business rates base line funding element will be assumed to increase annually by RPI (2.5%), whereas the revenue support grant element will be assumed to reduce by 15% in 2016/17 and a further 17% in 2017/18. This combines to produce an assumed overall reduction of 5% in both years.

However, it is clear from the Autumn Statement and the Provisional Finance Settlement that the squeeze in public expenditure will continue for these two years and beyond. Consequently the reductions in the forecast above could be subject to significant changes. An update in medium term financial forecast will be produced following the confirmed settlement announcement for 2014/15 and 2015/16 which is expected in late January and will be submitted to this committee at its' March 2014 meeting.

The level of net expenditure for 2014/15 is currently estimated to be £6.6m before any additional savings are included. This includes the assumptions detailed below.

Clearly the forecast shows a substantial gap and the need for significant savings to be identified to achieve a balanced budget including a robust strategy on the use of balances. Net savings of £219,000 have been identified for 2014/15 but over £600,000 of savings will be required for 2015/16. These savings will be identified when the medium term financial strategy is compiled. However, due to the uncertainty of the financial position from 2016/17 onwards the focus during the next two years is achieving the required service for this period.

The current strategy is not to use the General Fund reserve to fund the projected deficits for future years. This will ensure the balance is kept above the target minimum level of £780,000. However, due to the uncertainties relating to future resource and expenditure forecast the level of reserves and the minimum level of General Fund balances will be reviewed as we progress through the budget setting process.

A summary of the proposed General Fund revenue budget for 2014/15 is detailed in Appendix 1.

Forecasting for the years 2016/17 to 2017/18 is particularly volatile and should be treated with extreme caution. No provisional announcements regarding the Government grant for these years has been made and therefore the figures could be better or worse than forecast. The outcome of the next spending review will determine Government funding for these years.

At this stage the Senior Management Team and this Committee have begun their priority setting process, both of which will generate savings in the next financial year to deliver a balanced budget. Service transformation where applicable will also be implemented. However the achievement of further efficiencies in future years whilst maintaining an excellent service will present considerable challenges for the Council.

The draft Corporate Plan for 2014-17 continues the Council's successful and proven programme for all services. The funding for the majority of the priorities is included by rolling forward costs in this year's budget without the requirement for any specific growth to be identified.

11. Assumptions Built into the Budget Forecast

In the forecast there are a number of assumptions which are necessary to produce the overall budget strategy. However there is an element of risk associated with this process although we aim to mitigate these risks as detailed in related paragraphs of the report. The main assumptions are as follows:-

- Council Tax increases of 0% for 2014/15 and 2015/16 and thereafter 2%
- Increase in Council Tax base in 2014/15 of 2% (primarily based on changes to the Local Council Tax Support Scheme)
- 1% pay award per annum for 2014/15 and thereafter
- The allowance of pay increments
- 2% per annum increase in employers pension contributions from 2014/15 (as determined by the latest triennial valuation of the Leicestershire Pension Fund in 2013 which will be confirmed by the final budget setting meeting)
- No allowance for general inflation for the period of the budget
- Specific allowances for inflation for business rates, external contracts, energy and water drainage board levies
- Investment interest rates to stay at current levels until the market rates are forecast to begin rising slowly
- Continuing impact of 2013/14 in-year income pressures
- Assumptions regarding forecast income levels from fees and charges have been included. These are a combination of fee increases and renewal activity levels.
- No allowance for additional linking due to growth above inflation for retained business rates
- Allowance has been made for higher non-collection rates for Council Tax due to the impact of the Local Council Tax Support Scheme
- The New Homes Bonus for 2014/15 has been included as previously detailed.

12. Risk Assessments

There is an element of risk inherent in any process that looks into the future to make forecasts, particularly in the current economic climate. The Council has a strong track record of good financial management as recognised in the recent Annual Audit letter. This risk is further minimised by adopting the following methodology when preparing the draft estimates:-

- Maintaining the amount reserved for potentially unbudgeted expenditure.
- Adopting clear guidelines and control systems (revenue monitoring procedures, financial regulations etc.) to alert Heads of Service and Members if variances become significant
- Using professional expert advice and economic forecasts where these are available, e.g. treasury management interest rates
- Maintaining a rolling review of the forecast expenditure of estimates beyond the current year
- 2014/15 will continue to see risk imposed upon the Council with the Business Rates Retention System and the Local Council Tax Support Scheme. Both of these have significant risks associated with them, particularly around growth forecasts on collection rates. The Council will seek to minimise these risks by adopting the methodology detailed above together with robust financial monitoring systems.

13. Council Tax Referendum

As part of the 2014/15 Local Government Finance Settlement announced in December, the Government is proposing that local authorities will be required to seek the approval of their local electorates in a referendum if they set Council Tax increases above an assumed percentage. However, the Government has still not confirmed what the percentage increase is and have intimated that they will not make an announcement until mid-February 2014. Previously the threshold for increases had been 2%. The exception for this is that for Shire Districts, Police and Fire Authorities in the lower quartile of council tax for their category of Authority, it would be the higher of £5 or 2%. Parish and town councils will not be included for 2014/15. This Council's referendum remit under the current rules will be a 2% Council Tax increase.

For 2014/15 changes have been made to the way the referendum calculation is made. Levies are now included in the overall Council Tax increase calculation and consequently the referendum limits. This means that increases in levies have to be contained within the referendum council tax increase limited of 2%. Consequently, should they exceed 2% as a whole, this would result in further savings being required within the rest of the Council's budget in order to ensure the Council Tax increase is within the referendum limit.

For comparative purposes the Council Tax Freeze Grant is equivalent to a 1% Council Tax increase which for this Council is £37,000 This equates to what the Council would receive if it increases Council Tax by 1.49% which produces extra Council Tax of £27,750 (after allowing for the resulting loss of the Council Tax Freeze Grant.

14. Capital Expenditure and Income

Capital Expenditure and Income plans have been prepared through the Council's Service and Financial Planning cycle. The Council's capital resources are dependant on Government funding, external contributions or through the ongoing disposal of assets. A fully updated capital programme for 2014/15 to 2016/17 is presented at Appendix 4 for approval. All known and expected levels of capital receipts have been taken into account in the resource statement, however, the level of these items can show some potential variability.

Although the forecast shows sufficient resources to fund the current programme to the end of 2016/17, this is dependant on the realisation of useable receipts from asset disposals which will have associated risk. These receipts may not be realised until 2017/18 and beyond and future updates may require them to be re-profiled.

Consequently, no new schemes will be contractually committed unless funding is available. Should resources from external funding and/or

capital receipts not generate the level of receipts forecast or there is a delay in disposal of assets, then the capital programme will need to be re-visited to ensure funding is sufficient to meet proposed expenditure. Monitoring and reviews of the programme resources available are carried out regularly during the year and the Policy, Finance & Development Committee will be informed of developments.

Members are also reminded of the impact on the revenue account of using uncommitted capital resources. While they remain uncommitted the resources are invested and generate revenue income to the general funds. Consequently for every £1m spent the revenue account loses around £7,000 per annum at current interest rates. This figure increases by an additional £10,000 per annum for every 1% increase in interest rates.

15. New Leisure Facilities

In 2013/14 the Council undertook a major procurement project in relation to the letting of leisure management services. The contract with the successful bidder is due to commence on 1 April 2014 for a period of 20 years. As well as the management of the facilities, the contract also involves considerable redevelopment and refurbishment. The contract will save, on average, over £180,000 per annum in costs over the life of the contract These savings have been included in the General Fund revenue budget for 2014/15 whilst the redevelopment costs of around £10m have been included in the capital programme.

16. Salaries

Further to the report 'Organisation Change & Office Accommodation' to this committee in October 2013 it has been established by an initial benchmarking exercise that there needs to be a review of salaries particularly at senior manager level.

This is particularly pertinent as there are presently vacancies that need to be advertised that will attract and retain the right calibre of staff to the Council. Further detailed work is to be carried out. Any increases will be contained within the Council's overall salaries budget. The normal processes of consultation will be followed. Salaries will be effective from April 2014.

17. Welfare Reform

The welfare Reform Act provided for the introduction of a Universal Credit to replace a range of existing means tested benefits and tax credits for people of working age (including housing benefit) which started from 2013. These include for the administration of this Universal Credit direct payment of housing support to the tenant instead of the current arrangement of directly paying the landlord. The Universal Credit

was introduced on a pilot basis from October 2013. From October 2013 a benefit cap operated which meant that no household received more than £500 per week in total benefits.

It is a concern that payment of housing benefit directly to tenants (rather than to their landlords) has increased rent arrears and resulted in additional transaction cost. Moreover the capping of the Universal Credit at £500 per household per week has meant that some tenants fall into arrears as a consequence. It was estimated that the combination of these factors could increase arrears as a proportion of the total rent roll from 3% to 7% nationally. Six pilots for the Universal Credit were completed and reports suggest that arrears levels in these pilots are running at between 10% and 20%.

18. Review of Specific and General Reserves

An important part of any budget strategy is the review and consideration of reserves. The Council's current forecast on committed General Fund reserves up to 31 March 2014 is £788,000. The strategy applies a robust but prudent use of these balances to cushion the impact of the economic climate but maintaining the minimum level of reserves for the Council over the medium term. However, due to the uncertainties relating to future resource and expenditure forecast the level of reserves and the minimum level of the General Fund balance will be reviewed as we progress through the budget process.

The Council also has a number of earmarked reserves put aside for specific purposes. These are detailed in Appendix 5 The level of each of these reserves for purposes and prospective use will be reviewed as part of the budget report to Council in February 2014.

19. Fees and Charges

The proposed fees and charges for 2014/15 were considered at the October cycle of committee meetings and approved by this committee at its meeting on 29 October 2013

20. Financial Implications

Current Year 2013/14

For the current financial year of 2013/14 the overall revised financial position is as shown in appendix 1. As a result of increased income streams and efficiencies found in year, net expenditure would have shown a net saving of £209k against the original budget for 2013/14. However, as can be seen from the above projected saving, income can be volatile. Therefore, to guard against future adverse movements it is recommended that a new reserve (Income Profiling Reserve) be set up in the sum of £150k. All reserves including earmarked reserves have

been challenged and decisions will be taken as to the priority of these reserves. The revisions made to the original estimates are shown in appendix 2.

Budget for 2014/15

A draft summary of the budget for 2014/15 is also shown in appendix 1. It shows net expenditure for the year of £6,601,104. Appendix 3 shows the headline additional pressures that have been incorporated in the budget and the major savings that have been included in the budget to balance it for the financial year 2014/15.

Member's instructions have been clear in that the financial gap should be bridged by officers identifying a combination of operational and efficiency savings that do not cut front line services to residents.

The draft budget as presented has achieved this. If members wish to make any further savings then this will require members to make policy decisions that may affect the delivery of front line services.

21. Legislation/ policy

The law governing the setting of the billing authority's council tax requirement and the calculation and the 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. The duty to set Prudential Indicators is found in sections 1, 2 to 6 and 13 of the Local Government Act 2003. Local authority borrowing and investment are subject to the provisions of statute (e.g. the Local Government Act 2003 and supplementary statutory instruments) together with codes of practice and other statutory guidance. In addition to the relevant primary legislation local authorities are also bound by regulations and other secondary legislation including codes of practice.

22. Risk Management Implications

The implications are included within appendix 6 of this report**.**

23. Glossary of Abbreviations

MTFS	Medium Term Financial Strategy
HRA	Housing Revenue Account
DCLG	Department of Communities and Local Government
CSR	Comprehensive Spending Review
NHB	New Homes Bonus
HPDG	Housing and Planning Delivery Grant
ERDF	European Regional Development Fund

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Implications	
Financial (JD)	Incorporated within the body of the report
Risk (JD)	Included as Appendix 7
Equalities (KG)	The budget setting process requires an EIA
Legal (KG)	Need to ensure compliance with appropriate legislation and equality to avoid any potentials for disparity.