

Subject:	2013/14 Corporate Priorities, Budget, Council Tax and The Medium Term Financial Strategy	Status:	For Publication
Report to:	Overview & Scrutiny Management	Date:	4 th February 2013
Report of:	Head of Finance & Property Services	Portfolio Holder:	Portfolio Holder for Finance and Resources
Key Decision:	<input type="checkbox"/> Forward Plan	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	Yes /No	Attached: Yes /No
Biodiversity Impact Assessment	Required:	Yes /No	Attached: Yes /No
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1.	RECOMMENDATION(S)
1.1	That Members note the contents of the report and feedback any comments to Cabinet, prior to Full Council decisions, on the implications for the 2013/14 Corporate Priorities, Budget (Revenue & Capital), Council Tax rate and the Medium Term Financial Strategy.

2. PURPOSE OF REPORT

2.1 The purpose of the report is to update Members in relation to the implications of the Medium Term Financial Strategy last updated in November 2012 and in particular consider the setting and preparation of the Council's 2013/14 Council Priorities, Budget, and Council Tax.

Consultation on a number of financial savings and efficiency options commenced, following the June 2012 Cabinet report. The results of that consultation were reported back to Members in November. Further consultation on the priorities and budget followed the November meeting and closed 31st January 2013. The results of which will be separately reported at the meeting.

3. CORPORATE PRIORITIES

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

- **A Clean and Green Rossendale** – creating a better environment for all, this priority focuses on clean streets and well managed open spaces.
- **A Healthy and Successful Rossendale** – supporting vibrant communities and a strong economy, this priority focuses on health inequality, building resilient communities and supporting businesses.
- **Responsive and value for money local services** – responding to and meeting the different needs of customers and improving the cost effectiveness of services.

Council Priorities should reflect the Council's area of focus. Initial discussions have indicated that the following priorities would more accurately reflect the Council's area of activity and spend: regeneration, value for money services and a clean and green Rossendale. Therefore, current consultation is being undertaken 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.

Public consultation a closes on 31st January and will be reported to Members at this meeting.

The Council's priorities will inform the development of its Corporate Plan for 2013-16.

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 Section 25 report will accompany the final 2013/14 Budget decision making later in February 2013.
- 4.2 In setting the 2013/14 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 2013/14 rely on the use of Council reserves in order to produce a balanced budget. This means that the Council's proposed annual expenditure for 2013/14 is in excess of its annual income resources. Para' 5.5 below, indicates that there is an annual in-year deficit of c £1m rising to £1.5m over the medium term. Members, collectively, now have to acknowledge this growing deficit and make some difficult choices and decisions in order to balance annual income and expenditure over the medium term.

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 and subsequent changes to Local Government Financing.
- 5.2 In November 2012 an update report was presented to Cabinet regarding current assumptions in relation to 2013/14 and beyond, highlighting cost pressures and potential savings. The main development since November have been:
- Council resolution to accept the transitional grant in relation to the Localisation of Council Tax support.

- The announcement on 19th December of the provisional Local Government Settlement for 2013/14. The latest position regarding this matter is summarised below (para' 5.8).

5.3 **Cost Pressure:** not included in our core budget are as follows:

Area of Pressures	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
Refuse - Bin replacement / capital pressure	30	30	30	30
Vehicle Replacement provisions	30	30	30	30
Pensions - Auto Enrolment	60	60	60	60
DWP Admin Subsidy	-	100	100	100
Loss of Council Tax Benefit Subsidy	-	60	60	60
Police Community Support Officers (12/13 final year of 3 year agreement)	33	33	33	33
Collection Fund (downward banding revaluations)	30	30	30	30
Revenue Contribution to future Capital spend	-	100	100	100
Other Volume & Technical Changes	-	100	100	100
	183	543	543	543

Each of the above will require Member approval as part of the final budget recommendations. Contributions to Police Community Support Officers (PCSOs) is included as a replacement to the three year funding agreement ending in 2012/13.

5.4 **Savings:** achieved and further potential savings requiring Member approval for 2013/14 are as follows:

Savings Summary	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
A - Efficiency Savings	681	21	48	10
B - Potential savings subject to consultation and Member decision				
Leisure Review Savings	-	100	100	100
Customer service and Accommodation reviews	-	93	93	133
Review of Member numbers & election cycle	-	-	-	50
Review of Mayoral role	-	19	19	19
Corporate Subscriptions	-	-	7	7
Review of Whittaker Park Museum	-	50	50	50
Annual inflation of Fees and Charges	18	14	14	14
Sub-total	18	276	283	373
C - Potential Savings subject to staff consultation				
Staff (Terms & Conditions)	100	100	100	100
Sub-total	100	100	100	100

5.5 **Net Revenue:** The impact on 2013/14 net revenue (costs less resources) is as follows:

Medium Term Forecast: Budget Requirements vs Resources

	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000
Budget Estimates	9,828	9,637	9,663	9,746	9,860
Estimated Funding:					
Council Tax (assuming 2% annual increase)	5,502	4,671	4,793	4,889	4,987
Council Tax Support Grant	-	871	848	848	848
Formula Funding	4,051	3,688	3,083	2,867	2,666
RSG Adjustment (First indications)		-	-	-	-
ABG - Grant for 0% C Tax uplift 2011-15	138	138	138	-	-
ABG - Grant for 0% C Tax uplift 2012-13	138	-	-	-	-
Resources	9,829	9,368	8,862	8,604	8,501
Surplus / (further savings required)		(269)	(801)	(1,142)	(1,359)
Savings		112	370	377	467
Pressures		(183)	(543)	(543)	(543)
Use of Transitional Reserves		340	474	-	-
Surplus / (further savings required)		0	(500)	(1,308)	(1,435)
Impact on "further savings required" of					
1% Council Tax increase in 2013/14		(55)	(556)	(1,365)	(1,493)
0% Council Tax increase in 2013/14		(55)	(557)	(1,424)	(1,552)

NB

1. The above demonstrates an underlying and increasing revenue deficit which in 2013/14 is supported through the use of the Transitional Reserve but which in 2014/15 the increased deficit is too great to be support by this reserve.
2. Council Tax support grant is shown for illustrative purposes only over the medium term.

The key assumptions in the above forecast are:

- A general pay award of 1.0% in each year, plus associated employment costs.
- An annual Council Tax increases of 2% (being the level of council tax increase above which the Council would have to hold a referendum for 2013/14). If Members take the Governments latest 2 year grant in exchange for a 0% Council Tax increase, the future financial impact of this would be to further reduce resources of £117k in future years as noted above.
- A continued 9% year on year reduction in the Revenue Support Grant element of the Funding Formula for 2015/16 and 16/17.
- An estimated increase of £70k in each year during the 6 year term of the New Homes Bonus (NHB) funding. No estimate has been made should any addition funds be available from the Government's initial holding back (£500m) of NHB.
- VAT shelter arrangements with Greenvale Homes (which Council uses to support pension costs) ending in 2015/16.
- The Homelessness Grant of £85k pa guaranteed for the first 2 years has been

excluded in 2015/16 and 16/17.

- A prudent view of income gains particularly in relation to Planning and Taxis Licencing.

5.6 Changes in the base budget costs between 2012/13 and 2013/14 are as follows:

	£000s
2012/13 Base Budget	9,828
Pay awards	97
Contract inflation	71
Savings	(697)
Volume & Technical changes	338
2013/14 Base Budget	9,637

The main changes to savings and other changes are noted below:

Volume Changes	£000
LSP Contribution	40
Public realm investments	29
Benefits Grant Red'n	72
Cost Share	108
New Homes Bonus	(70)
Misc' (< £15K)	159
Total	338

Savings	£000
Audit Fees	(45)
Income	(70)
MRP / Interest	(67)
Staffing	(180)
NNDR	(36)
PCSO's	(35)
Contracts	(118)
Various	(147)
Total	(697)

The PCSO saving is a reflection of the original funding agreement ending 2012/13. See the replacement funding noted in 5.3 above.

5.7 The level of Council Tax for 2013/14

As previously reported the Government has announced the offer of an annual 2 year (13/14 & 14/15) grant equivalent to £55k pa in return for a Council Tax freeze for 2013/14. The grant equates to 1% of Current Council tax resources. Given that unlike Council Tax increases, the grant is time limited, (ie for 2 years only) the consequence of

accepting this offer would be to increase the deficit in 2016/17 to £1.523M (from the above £1.406M, para' 5.5).

The Rossendale Borough Council portion of Band D Council Tax is currently £253.40 and represents 16.1% of the total bill of £1,575.28 (excluding the Whitworth precept of £23.01).

The detailed breakdown is as follows:

Precepting Body	% Share	Band D
		2012/13 £
Rossendale BC	16.08%	253.40
Lancashire County Council	70.36%	1108.30
Lancashire Fire & Rescue	4.04%	63.65
Lancashire Police Authority	9.52%	149.93
Total	100.00%	1575.28
Whitworth Parish Council		23.01
Total Whitworth Parish		1598.29

5.8 2013/14 and 14/15 provisional Settlement

The provisional Start-Up Funding Assessment was announced on 19th December as follows:

2013/14	RSG £000	NNDR £000	Total £000
Formula Funding	2,862	1,904	4,766
C Tax freeze (2010/11)	83	55	138
C Tax Support	514	342	856
Homelessness	51	34	85
Start-Up Funding	2,214	1,473	3,688

RGS – Revenue Support Grant

NNDR – National Non-Domestic Rates (Business Rates)

Changes to Local Government Financing for 2013/14 mean that receipt of the NNDR element relies on Rossendale having collectable Business Rates for 2013/14 of £12.65m distributed as follows:

	£000
Collectable Business Rates	12,649
DCLG	6,324
LCC / Fire	1,265
RBC (Business Rates Baseline)	5,060
Less <i>Tariff</i>	(3,155)
Formula Funding	1,904

On a like for like basis the provisional allocations for 2014/15 are as follows:

2014/15	RSG	NNDR	Total
	£000	£000	£000
Formula Funding	2,200	1,962	4,162
C Tax freeze (2010/11)	81	57	138
C Tax Support	514	342	856
Homelessness	50	35	85
Start-Up Funding	1,555	1,528	3,083

The key messages arising from the settlement are:

- a. The 2013/14 settlement announcement was in line with our expectations as per the June and November Cabinet reports. We are therefore not likely to fall into “safety net” entitlement for Business rates.
- b. The 2014/15 funding is however now forecast to be £179k less than anticipated in the November report to Cabinet. Further reductions have now been forecast beyond 2014/15.
- c. On a like for like basis our core annual 2013/14 Revenue Support Grant and Formula Funding (excluding New Homes Bonus - NHB) funding will see a 9.0% reduction year on year, with a further 16.4% reduction in 2014/15.
- d. This means that over the last three years we will have seen a 33.4% cash reduction on a like for like basis (excluding NHB) increasing to 44.3% in 2014/15. Inflation over this same period means that in real terms over the 4 year period the cut is equivalent to a 51% decrease.
- e. Any increase in the collection of business rates over the above Rossendale’s £12.6m billing will benefit the Council by 20p for each additional £1 collected. A reduction will cost 40p in the £1 (subject to the “safety net” (see par’ 5.9).
- f. Business rate collection (as with Council Tax) now has a direct impact on the Council’s financial resources.

One positive result regarding changes to Local Government financing is in relation to the impact on Discretionary Rate relief which the Council has been consulting on. The cost of support is currently included in the above collectable base figure. This has released a previously Council funded budget of £36k back into the Council’s core resources. Any

further change to discretionary rates therefore has the same impact as item d. (above). E.g. if we were to cease completely, all other things remained equal, the Council would see a net gain of £13k (£65,000 x 20%). Any increase in relief would cost 40p in the £1.

5.9 Business Rates “safety net”

As part of the changes to local government financing no authority will suffer more than a 7.5% reduction to its formula funding from Business rates. The Councils formula funding is based on the assumption of £12.65M being collected by this Council. This means that should our collection of business rates fall by more than £357k (2.82%) additional funding will be received from central Government. This also means that this Council will face an initial cost for 2013/14 of £143k (£357 x 40%) before the “safety net” kicks in.

5.10 Fees & Charges

The annual budget requires that any changes to the Council’s fees and charges be approved by Members. The September 2012 retail price index indicated general inflation of 2.6%.

Para’ 5.4 includes the value of an uplift in fees and charges in line with inflation. Subject to volume changes from market sensitivity a 2.6% price increase in fees and charges would add c. £12k to our 13/14 resource assumptions. The full list of current fees and charges was presented to Members as part of the November 2012 Cabinet report. The substantive proposals area as follows:

Service Area	Proposal
Trade Waste	2.6% increase
Bulky Collections	2.6% increase
Pest Control	2.6% increase
Parks: Sports Pitches & Bowling Greens	2.6% increase
Parks: Private Works	2.6% increase
Cemeteries	2.6% increase
Land Charges	No increase (competition)
Taxi Licensing	Current consultation
Licensing of Gambling	Nationally determined
Licensed Premises	Nationally determined
Building Control	2.6% increase
Development Control	Nationally determined
Environmental Health	2.6% increase

5.11 Capital Resources

Capital resources to support a desired capital programme will again be scarce in 2013/14 and limited to the Council’s ability to raise capital receipts. For the 2012/13 capital budget, Members agreed to approve in the first instance a limited capital programme but delegate authority to the Portfolio Holder for Resources & Finance to increase the capital programme should additional resources in excess of the budget be generated. It is likely that this course of action will be repeated in setting the 2013/14 Capital Budget.

We anticipate the following position for 2013/14 and the following 2 years:

Capital Resources	Prudent estimates			
	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Grants / Third Party Support				
Disabled Facilities Grant - annual allowance	353	353	-	706
Application of Capital Grants already received	170	138	60	368
External Support	523	491	60	1,074
RBC Receipts				
General surplus asset disposals	100	100	250	450
Funded by Revenue Contributions built into MRP	143	-	1,875	2,018
Direct Revenue Contributions to Capital Outlay	130	10	10	150
Application of S106 monies	38	-	-	38
MTFS Additional Capital Contribution (subject to member approval)	100	100	100	300
RBC Useable Capital Receipts b/fwd - general fund	295	-	-	295
RBC Useable Capital Receipts b/fwd - housing CPOs	130	-	-	130
RBC Useable Capital Receipts b/fwd - housing	261	-	-	261
Total Capital Resources	1,720	701	2,295	4,716

Capital Programme	Desired Programme	Affordable Programme			
	2013/14 £000	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Operations & Communities					
Vehicle replacement Programme	263	263	-	2,025	2,288
Playgrounds (5 years from 06/07)	25	10	10	10	30
S106 Playground Project	38	38	-	-	38
Cemeteries (5 yrs from 06/07)	20	20	20	20	60
Wheeled Bin (5 yrs from 06/07)	40	10	10	10	30
Sports playing Fields (5 yrs from 07/08)	20	20	20	20	60
	406	361	60	2,085	2,506
Regeneration					
Car Park upgrading (5yrs from 06/07)	30	10	10	10	30
	30	10	10	10	30
Corporate					
Building Maintenance (as per condition survey)	538	107	100	100	307
Emergency Works	40	40	40	40	120
	578	147	140	140	427
General Fund Total	1,014	518	210	2,235	2,963
Housing					
Disabled Facilities Grants (DFGs)	523	523	491	289	1,303
Compulsory Purchase Order Schemes	130	130	-	-	130
	653	653	491	289	1,433
Expenditure Grand Total	1,667	1,171	701	2,524	4,396
(Deficit) / Surplus: Resources less Expenditure		549	-	(229)	
RBC Usable Capital Receipts b/fwd - general		288	288	288	288
RBC Usable Capital Receipts b/fwd - housing CPOs		-	-	-	-
RBC Usable Capital Receipts b/fwd - housing other		261	261	32	32
Total Usable Capital Receipts balance		549	549	320	320

With regard to building maintenance noted above, within Corporate matters, officers have estimated a minimum spend of £107k on the works shown below, compared to the 2011 stock condition survey of £538k for 2013/14.

	£000
Haslingen Sports Centre , car park to left re-surface / re-line whole car park	15
Stubbylee Hall external ,repairs / painting	8
Rosendale Museum	10
Rawtenstall Cemetery Chapel	10
Rawtenstall Cemetery Chapel, overhaul roof	8
Whitworth Cemetery Chapel	15
Whitworth Cemetery Chapel, over haul roof	8
Maden Rec changing rooms	4
New Hall Cricket Pavilion	7
Whittaker Park	1
St James St	3
St James –roof	8
Entrance to Henrietta Street Depot	8
Fee's 5%	5
	107

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. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

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.

9. CONSULTATION CARRIED OUT

Cabinet and Management Team
Citizens panel
Members (annual budget briefing)
Public consultation via Council Website

10. CONCLUSION

- 10.1 The Council must remain focused on identifying and delivering c. £1.4m of net revenue savings 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 have clear links to the Council's Corporate Priorities.

Background Papers

Document	Place of Inspection
Previous update to the MTFS (Budget Reports Feb', June & Nov' 2012)	Rossendale Borough Council website
Consultation feedback analysis (Cabinet report November 2012)	Rossendale Borough Council website