

Subject:	2013/14 Corporate Priorities, Budget, Council Tax and The Medium Term Financial Strategy		Status:	For Publication	
Report to:	Cabinet		Date:	13 th February 2013	
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)
1.1	That Cabinet recommends to Council the following Corporate Priorities: <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 2013/14 as noted in para' 5.3
1.3	That the Cabinet recommends to Council the additional savings for 2013/14 as noted in para' 5.4
1.4	That Cabinet recommends to Council the use of £386,000 from the Transitional Reserve for 2013/14.
1.5	As a consequence of the above, the Cabinet recommends to Council a net revenue budget for 2013/14 of £9,331,000
1.6	That the Cabinet recommend to Council a 0% increase in Council Tax and that the Band D equivalent for 2013/14 remains at £253.40.
1.7	That the Head of Finance and Property Services be instructed to prepare the technical resolutions necessary to give effect to these proposals.
1.8	That Cabinet recommends no changes to the current discretionary rate relief arrangements given to registered charities and Community Amateur Sports Clubs

1.9	That Cabinet recommends to Council the changes to Fees and Charges as noted in Appendix 2
1.10	That Cabinet recommends to Council the recommendations of the Independent Remuneration Panel and the revised Members' Allowances Scheme for 2013/14 (Appendix 3)

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 2013/14, 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 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.

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 draft Section 25 report is included at Appendix 1

- 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.
- 4.4 In accordance with the Local Government and Housing Act 1989, the Local Government Act 2000, and associated regulations (namely The Local Authorities (Members Allowances) (England) Regulations 2003), local authorities across the country have a duty to consider the findings of an Independent Remuneration Panel before determining any scheme for the payment of allowances to Councillors of the authority. The Members' Allowances Scheme must be reviewed by an Independent Remuneration Panel at least once every four years, and members are required to consider the recommendations (Appendix 3) and agree a scheme as part of the budget setting process on a yearly basis, this may have budget implications for the Council.

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 2012 Autumn Statement, 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

NB - Contribution 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	697	21	58	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	12	8	8	8
Sub-total	12	270	277	367
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	9,646	9,672	9,756	9,872
Estimated Funding:					
Council Tax	5,502	4,580	4,699	4,793	4,889
Council Tax Support Grant	-	871	848	848	848
Formula Funding	4,051	3,688	3,083	2,867	2,666
Grant for 0% C Tax uplift 2011-15	137	137	137	-	-
Grant for 0% C Tax uplift 2012-13	138	-	-	-	-
Grant for 0% C Tax uplift 2013-14	-	55	55	-	-
Resources	9,828	9,331	8,822	8,508	8,403
Surplus / (further savings required)		(315)	(851)	(1,248)	(1,468)
Savings		112	370	377	467
Pressures		(183)	(543)	(543)	(543)
Use of Transitional Reserves		386	428	-	-
Surplus / (further savings required)		0	(596)	(1,414)	(1,544)

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:

- The Council Tax base for 13/14 is now 18,180 as a result of changes to Local Government financing and in particular changes resulting from Council Tax Support. Using the previous basis this would have been 21,779 (compared to 2012/13 of 21,715)
- A general pay award of 1.0% in each year, plus associated employment costs.
- Future annual Council Tax increases of 2% beyond 2013/14 (being the current level of council tax increase, above which the Council would have to hold a referendum for 2013/14).
- 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	70
Savings	(697)
Volume & Technical changes	348
2013/14 Base Budget	9,646

The main 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)	169
Total	348

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 2012/13 Council tax resources.

The Rossendale Borough Council portion of Band D Council Tax is £253.40 and represents 16.1% of the total 2012/13 bill of £1,575.28 (excluding the Whitworth precept of £23.01).

The detailed 2012/13 breakdown is as follows:

Precepting Body	%	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 PCC	9.52%	149.93
Total	100.00%	1575.28
Whitworth Parish Council		23.01
Total Whitworth Parish		1598.29

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

- Lancashire County Council – 21st February 2013
- Lancashire Fire & Rescue – 11th February 2013
- Lancashire Police & Crime Commissioner – 1st February 2013 (2% increase)
- Whitworth Parish Council – 24th January 2013 (no increase)

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. This and the gains or losses, to the Council, from each £1 movement are shown below:

		Increase	Reduction
		£000	£
Collectable Business Rates		12,649	100
Paid to DCLG	50%	6,324	50
Paid to LCC / Fire	10%	1,265	10
RBC (Business Rates Baseline)		5,060	40
Less <i>Tariff</i>		(3,155)	n/a
Formula Funding		1,904	40
Levy on growth	50%		20
Positive/(negative) Impact on RBC			20
			(40)

DCLG – Department for Communities and Local Government (Tariff & Levy also paid to DCLG)
LCC – Lancashire County Council

On a like for like basis the provisional Formula Funding 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

NB- The Council Tax support funding is shown for illustrative purposes only. As from 13/14 it is no longer separately identified in the Formula Funding allocations.

The key messages arising from the settlement are:

- 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.
- 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.
- 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.
- 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 e (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, (Councils Formula Funding is £1,904k, 7.5% = £143k). 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 are as follows:

Service Area	Proposal
Trade Waste	2.6% increase
Bulky Collections	2.6% increase
Pest Control	No increase (competition)
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

A full list of fees is included at Appendix 2

5.11 Member Allowances

In accordance with legislation, the council's Members' Allowances Scheme was due to be reviewed no later than April 2013. The Independent Remuneration Panel undertook the review and produced the report attached at Appendix 3 detailing their findings and recommendations. These recommendations have been incorporated into the Members' Allowances Scheme for 2013/2014 for members to consider as part of the budget setting process.

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

9.1 Cabinet and Management Team

9.2 Citizens panel

9.3 Members (annual budget briefing).

9.4 Overview & Scrutiny Management (4th February). Recommendations:

- That the Overview and Scrutiny Management Committee recommend the continuation of funding for the PCSOs.
- That the Overview and Scrutiny Management Committee recommend the continuation of discretionary NNDR relief support to Charities and Community Amateur Sports Clubs.

9.5 Public consultation via Council Website

9.6 Feedback from the Councils public budget consultation is included at Appendix 4

9.7 Independent Remuneration Panel, Group Leaders, Committee Chairs and Vice-chairs and other Local Authorities (*re Member Allowances*)

10. CONCLUSION

10.1 The Council must remain focused on identifying and delivering c. £1.5m 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 has 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
Overview & Scrutiny Management (Feb' 2013)	Rossendale Borough Council website