

Subject:	2014/15 Corporate Priorities, Budget, Council Tax and The Medium Term Financial Strategy		Status:	For Publication			
Report to:	Overview & Scrutiny / Cabinet		Date:	10 th February 2014 12 th February 2014			
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.	<i>The following represents a report to Cabinet on the 2014/15 Budget and the Medium Term Financial Strategy. Overview and Scrutiny are asked to note the report and make any further recommendations to Cabinet.</i>
	RECOMMENDATION(S)
1.1	That Cabinet reconfirms and 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 2014/15 as noted in para' 5.3
1.3	That the Cabinet notes the savings for 2014/15 as noted in para' 5.4 and detailed further in para' 5.6.
1.4	That Cabinet recommends to Council the use during 2014/15 of: <ul style="list-style-type: none"> - £29,000 from the Transitional Reserve to support the 2014/15 annual budget. - £177,000 from the Directors Reserves to support the Investment initiatives noted in paragraph 5.3. - £20,000 from the Directors reserve to support the Area Forums as noted in para 5.3.

1.5	As a consequence of the above, the Cabinet recommends to Council a net revenue budget for 2014/15 of £8,904,000
1.6	That the Cabinet recommend to Council to freeze Council Tax and that the Band D equivalent for 2014/15 remains at £253.40.
1.7	That Cabinet recommends to Council the changes to Fees and Charges as noted in Appendix 2
1.8	That Cabinet recommends to Council the annual inflation increase in relation to Member Allowances is not applied.
1.9	That Cabinet recommend to Council the changes to Council Tax discounts and premiums as noted in para 5.12
1.10	That Cabinet approves a local discretionary scheme for NNDR in relation to Retail Relief as per para 5.13 for 2014/15 and 2015/16. Any other changes to be delegated to the Head of Finance in consultation with the portfolio holder for Finance and Resources.
1.11	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 2014/15, 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 2014/15 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 2014/15 put some minor reliance on the use of Council reserves in order to produce a balanced budget. However, this reliance is set to increase over the medium term as the forecast deficit increases.
- 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 Councilors of the authority.
- 4.5 At the Spending Review 2013, the government announced that it intended to set the Council Tax referendum threshold at 2%. At the time of writing the Department for Communities and Local Government has yet to confirm the threshold. It is understood that the threshold will be confirmed 12th February 2014 at the latest.
- 4.6 Delay in software changes following the introduction of Retail Relief for business rate. Any delay will be retrospectively amended in future rebilling, to commence 1st April 2014.

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 and subsequent changes to Local Government Financing.
- 5.2 During 2013 two reports have been presented to Cabinet regarding current assumptions in relation to 2014/15 and beyond, highlighting cost pressures and potential savings. The main development since last report have been:
- The announcement on 18th December of the provisional Local Government Settlement for 2014/15. The latest position regarding this matter is summarised below (para' 5.8).

5.3 Cost Pressures and Investment

Pressures not included in our previous core budget are as follows:

Pressures	Value	Description
Revenue Contribution to Capital	£100,000 pa	This matter has been highlighted in previous Medium Term Financial Strategy (MTFS) update as a cost pressure over recent years as capital receipts decline.

One off Investments to be funded from the Directors Reserves are as follows:

Investments	Value	Description
Haslingden Town Centre Regeneration Fund	£100,000	Funding for a programme of works and studies to assist Haslingden in its economic growth, competitiveness and sustainability.
Drainage and flood prevention schemes	£50,000	Funding to address minor drainage works throughout Rossendale and to offer match funding for other projects in particular with our other partners: Lancashire County Council and The Environment Agency.
12 month Apprentice scheme	£27,000	Funding to support a young apprenticeship scheme for 1 year across the Council's services.

Cabinet have previous agreed (October 2013) to recommend to Full Council the allocation of £20,000 from The Director Reserves (for annual review) to fund Area Forum grants

5.4 Savings

During 2013 a number of savings initiatives have been approved (in particular those identified the June 2013 Cabinet report). In addition a number of service efficiencies have and continue to be implemented. All departments within the Council have been reviewed and restructured. In total £1.4m of savings have been identified and removed from the budget. Paragraph 5.6 explains further.

5.5 **Net Revenue:** The impact on 2014/15 net revenue (costs less resources) together with future forecasts are as follows:

	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000
Budget Estimates	9,814	8,805	8,833	9,375	9,541
Estimated Funding:					
Council Tax / Collection Fund	4,580	4,729	4,710	4,804	4,900
Council Tax Support Grant	871	-	-	-	-
RSG	2,214	2,049	1,358	1,063	831
NNDR	1,473	1,850	1,902	1,940	1,978
Grant for 0% C Tax uplift 2011-15	137	137	137	-	-
Grant for 0% C Tax uplift 2013-14	55	55	55	-	-
Grant for 0% C Tax uplift 2014-15		55	55		
Resources	9,330	8,876	8,216	7,807	7,710
Surplus / (further savings required)	(484)	71	(617)	(1,568)	(1,831)
Future potential pressures		(100)	(250)	(350)	(350)
Future potential Savings		-	287	472	869
Surplus / (further savings required)	(484)	(29)	(580)	(1,446)	(1,312)
Use of Reserves	484	29	580	631	0
Surplus / (further savings required)	(0)	0	0	(815)	(1,312)

NB

- For 2014/15 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	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
DWP Admin Subsidy	0	0	100	100
Revenue Contribution to Capital	100	100	100	100
Volume & Technical - Other	0	150	150	150
	100	250	350	350

Possible savings	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000
Further Planning Efficiencies	0	90	90	90
New Homes Bonus	0	182	182	182
Local Business Rates Retention	0	0	100	100
Local Business Rates (Renewable Energy)	0	0	41	288
Rental income	0	0	0	150
Whittaker Park Museum	0	15	59	59
	0	287	472	869

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.
- Future annual Council Tax increases of 2% beyond 2014/15 (being the current level of council tax increase, above which the Council would have to hold a referendum for 2014/15).
- A continued year on year reduction in the Revenue Support Grant element of the Funding Formula for 2016/17 and 17/18 in line with Local Government Association forecasts.
- An estimated increase of £70k in each year during the 6 year term of the New Homes Bonus (NHB) funding within the core underlying budget.
- 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 2016/17 and 17/18.
- A prudent view of income gains particularly in relation to Planning and Taxis Licencing.
- The impact of any scheme or changes in relation to Universal Credit has been forecast at £100k. This is a marker only and could prove over optimistic given the current grant split of 20% Council Tax support and 80% Housing Benefits and its current value of £450k. That said we still await confirmation of timescales and its operational impact.
- A neutral financial impact following the end of the current Capita contract October 2016
- Income from renewable energy will commence in 2016/17.
- The conclusions of 2016 actuarial pension review will be similar to the 2013 review.

It is clear that given the 2015/16 deficit and the widening gap over the longer term that Council need to develop further plans, during 2014/15, to reduce its net cost base by at least £500 - £600k in order to avoid initial reliance on reserves and to deal with an increasing future resource deficit.

5.6 Changes in the base budget costs between 2013/14 and 2014/15 are as follows:

	£000s
2013/14 Base Budget	9,814
Pay awards	67
Contract inflation	91
Savings	(1,450)
Volume & Technical changes	283
2014/15 Base Budget	8,805

The main savings changes are noted below:

Savings	£000
Salaries	646
Opertaions / Refuse	260
Pool	100
Grants	97
Service efficiencies	180
Other	168
	1,450

5.7 The level of Council Tax for 2014/15

The proposal is to retain Council Tax at its current level of £253.40.

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

- Lancashire County Council – 20th February 2014
- Lancashire Fire & Rescue – 10th February 2014
- Lancashire Police & Crime Commissioner – February 2014
- Whitworth Parish Council – 30th January 2014

Current Band D equivalent for 2013/14 is:

Council Tax	£	%
LCC	1086.13	69.9%
RBC	253.40	16.3%
Police	152.92	9.8%
Fire	63.65	4.1%
	1556.10	100.0%
Whitworth TC	23.01	

5.8 2014/15 and 15/16 provisional Settlement

The provisional Settlement Funding Assessment was announced on 18th December 2013 is as follows:

2014/15	RSG £000	NNDR £000	Total £000
Settlement Funding	2,234	1,941	4,175
C Tax freeze (2011/12)	81	56	137
C Tax freeze (2013/14)	55	-	55
Homelessness	49	35	84
Lower tier Funding	2,050	1,851	3,900

2015/16	RSG £000	NNDR £000	Total £000
Settlement Funding	1,540	1,995	3,535
C Tax freeze (2011/12)	79	58	137
C Tax freeze (2013/14)	55	-	55
Homelessness	48	36	84
Lower tier Funding	1,358	1,902	3,260

RGS – Revenue Support Grant

NNDR – National Non-Domestic Rates (Business Rates) Baseline Funding

The Settlement is expected to be finalised 12th February 2014 at the latest.

The key messages arising from the settlement are:

- The overall settlement announcement was in line with our expectations
- On a like for like basis our core annual 2014/15 settlement will see a 14.2% reduction year on year, with a further 16.4% reduction in 2015/16.
- Business rate collection (as with Council Tax) now has a direct impact on the Council's financial resources.

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 2.70%.

Service Area	% Increase	Comments
Trade Waste	2.7	Except Trade Recycling 1100ltr 4.4%
Bulk & Other Misc	2.7 to 7.6	Range
Pest Control	0	
Parks	2.7	Pricing structure changes in some areas
Cemeteries	2.7	Certain exceptions
Land Charges	0	
Taxi	0	
Gambling	0	
Liquor Licenses	0	
Stree Trading & Other Licences	new	
Planning	0	
Building Control	0	
Street Naming	0	
Environmental Health	2.7	
Departure Charges	2.7	

A full list of fees is included at Appendix 2

5.10 Member Allowances

The recommendation is that inflation is not applied to current Member Allowances.

5.11 Council Tax Discounts re Empty Properties

Following a previous report to Members (November 2013) Council commenced consultation regarding current Council Tax exemptions and discounts for empty properties and second homes.

Consultation has been undertaken with the results noted at appendix 3

An equality impact assessment has been undertaken to inform decision making – details noted at appendix 4. This has not identified any significant adverse or disproportionate impacts on any protected equality groups. Council Tax is payable by all groups and there is no evidence to suggest that particular groups own a disproportionately high number of empty properties. It is acknowledged that there are already some mitigating exemptions in place that will remain.

In addition, the Council will continue to consider flexible and/or deferred payment options on a case by case basis.

Following consultation feedback, some further consideration has however been given to the proposal for a 6 month 50% discount when properties become empty and unfurnished (the current discount being 100% for 6 months). In order to alleviate argument and confusion,

particularly in cases of tenant changes, it is suggested that the current 100% discount remain for the first month only followed by 50% for a maximum further 5 months. This will also provide some further mitigation in terms of reducing the impact.

The potential financial benefits to Council cannot be precisely forecast but are thought to be marginal, particularly in light of a continued 100% discount for one month as noted above (maximum estimated at c £30k). In addition any initial financial benefit to Council will naturally reduce as properties are brought back into use. The real driver is the social and economic impact on local communities

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For the avoidance of doubt separate exemptions still remain in place to assist in circumstances of:

- Class E - An unoccupied dwelling which was previously the sole or main residence of a person who has moved into a hospital or care home
- Class F - Dwellings left empty by deceased persons (6 months from date of probate).

5.12 Council Tax Discounts Proposals

The revised proposals are therefore:

- i. Vacant dwellings due to structural repairs: current discount rate of 100% up to 12 months for properties where major repairs or structural alterations are required, underway, or recently completed (previously Class A exemption) – discount reduced to 50% for 12 months.
- ii. Unfurnished vacant dwellings: current 100% six months exemption for empty homes (previously Class C exemption) – retain 100% discount for the first month, thereafter 50% discount for a maximum 5 months.
- iii. Second Homes: current 10% full year discount reduced to 0%.
- iv. To levy a premium of an additional 50% of Council Tax due on properties that have been empty and unfurnished for at least two years, subject to any statutory exceptions.

5.13 Business Rates (NNDR) – Retail Relief

The Government announced in the Autumn Statement on 5th December 2013 that it will provide a relief of up to £1,000 to all occupied retail properties with a rateable value of £50,000 or less in each of the years 2014-15 and 2015-16.

In practice this will be applied as a local discretionary relief, reimbursed by Central Government. The relief to be applied and proposed adoption by Council will be in line with the eligibility criteria set out in the Government guidance (DCGL, Business Rates, Retail Relief – Guidance, January 2014).

The emphasis is on supporting retail establishments such as: shops, restaurants, cafes and drinking establishments.

The list below sets out the types of property use that is not consider to be retail use for the purpose of this relief:

- Financial services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, pawn brokers)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
- Post office sorting office
- Property not generally accessible to visiting members of the public.

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 (10th February).

9.5 Public consultation via Council Website

10. CONCLUSION

10.1 The Council must remain focused on identifying and delivering in excess of £1.0m of net revenue savings over the medium term. With that in mind it needs to break this challenge down in to manageable pieces based on the 2015/16 where the deficit is in a range of £500 to £600k.

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' 2013)	Rossendale Borough Council website
Grants Report (October 2013)	Rossendale Borough Council website
Council Tax Discounts (November 2013)	Rossendale Borough Council website
Council Tax Discounts – Full consultation response and analysis	Rossendale Borough Council working papers
DCGL, Business Rates, Retail Relief – Guidance, January 2014	DCLG Website: https://www.gov.uk/government/publications/business-rates-retail-relief