

Subject:	2016/17 Corporate Priorities, Budget, Council Tax and The Medium Term Financial Strategy		Status:	For Publication	
Report to:	Overview & Scrutiny		Date:	1 st February 2016	
Report of:	Head of Finance & Property Services		Portfolio Holder:	Resources and Performance	
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:	No	Attached:	No
Biodiversity Impact Assessment		Required:	No	Attached:	No
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1.	RECOMMENDATION(S)
	<i>The following represents the basis of a report to the February 2016 Cabinet on the 2016/17 Budget and the Medium Term Financial Strategy. Overview and Scrutiny are asked to note the report and make any further recommendations to Cabinet.</i>
1.1	That Cabinet considers the Council's Corporate Priorities and any further recommendation to Full Council: <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 cost and savings for 2016/17 as noted in 5.4 and which now form part of the Council's core budget.
1.3	That Cabinet recommends to Council the use of £200,000 from the Empty Homes reserve and £253,000 from the Business Rates Retention reserve to support the 2016/17 annual budget.
1.4	As a consequence of the above, the Cabinet recommends to Council a net revenue budget for 2016/17 of £8,349,000
1.5	That the Cabinet recommend to Council to a 2016/17 Council Tax rate for Band D of £xxx.xx

1.6	That Cabinet recommends to Council any changes to Fees and Charges as noted in Appendix 2
1.7	That Cabinet accepts the Government's four year settlement offer.
1.8	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 2016/17, 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.

4.2 In setting the 2016/17 Budget Members should continue to plan and give due regard to the continuing financial challenges over the medium term. In particular Members should be aware of the future implications for Council financial resources of any Council tax freeze or any increase below the Governments referendum trigger of 2%. Previous year freezes in Council Tax now mean that the Council has £600k less resources per annum.

4.3 Members should note that the budget proposals for 2016/17 put reliance on the use of Council reserves in order to produce a balanced budget. This reliance is set to increase over the medium term as the forecast deficit increases.

4.4 Further financial pressure will be faced by Council in 2021/22 as the impact of the reduction of New Homes Bonus currently received on a six year cycle falls to four years.

- 4.5 The 3 year revaluation of the Lancashire pension fund takes place during 2016. Any changes will impact on 2017/18 going forward and could be significant relative to the Council's funding resources. All Lancashire Districts and the pension fund are working together to mitigate any significant increases in contributions.
- 4.6 The medium term financial forecast indicates an underlying deficit of c. £500k to £600k (subject to the assumptions noted below). Members have to continue to give due consideration as to how they are to mitigate and cancel this deficit going forward.
- 4.7 Members have previously agreed to enter into a pooling arrangement which forfeits the Council's safety net, should income fall below the Council's baseline by more than 7.5%. That said, the current level of business rates is above the Council's baseline target and is assumed to continue in future years. The Council is able to withdraw from the pool on an annual basis.
- 4.8 The MTFS assumes the eventual receipt of c £600k per annum from renewable energy, however, the local planning decision on which this revenue is based is currently with the Secretary of State. This income source is fundamental matter for the Council and its MTFS. The revised MTFS now assumes a delay of 2 years at a cost to Council of £1.2m.

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 2015 Comprehensive Spending Review and the proposed changes to Local Government Financing over the next 4 years.
- 5.2 During 2015/16 one report has been presented to Cabinet regarding current assumptions in relation to 2016/17 and beyond, highlighting cost pressures and potential savings. The main development since last report have been:
- The announcement on 17th December 2015 of the provisional 4 year Local Government Settlement for 2016/17.
 - New Homes Bonus now to be considered as part of core Council funding
 - Confirmation of a Lancashire wide pooling arrangement for Business Rates (NNDR)
 - The setting aside of a specific reserve to manage future annual revenue costs of the Empty Home Project.
 - An assumed two year delay before income is realised from the Scout Moor development proposal.

5.3 One-off Cost Pressures or Investment

There are no are no proposals for any one-off funding during 2016/17.

- 5.4 **Net Revenue:** Previous updates to the MTFS have assumed an annual increase in Council Tax of 2% per annum, this is reflected below in the 2016/17 assumptions. ***NB this assumption is subject to full Member approval and therefore is not confirmed at this stage.***

Subject to the above, the 2016/17 net revenue (costs less resources) together with future forecasts is as follows:

	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000
Budget Estimates	8,901	9,048	9,075	9,200	9,346	9,482
<i>2015/16 forecast savings</i>	<i>(301)</i>					
Estimated Funding:						
Council Tax / Collection Fund	4,891	5,086	5,187	5,291	5,397	5,505
Council Tax Base Growth	-	-	31	62	93	126
RSG	1,361	1,016	503	190	-	-
NNDR	1,886	1,995	2,034	2,094	2,001	2,041
Homelessness Grant	83	-	-	-	-	-
Grant for 0% C Tax uplift 2011-15	136	-	-	-	-	-
Grant for 0% C Tax uplift 2013-14	55	-	-	-	-	-
Grant for 0% C Tax uplift 2014-15	55	-	-	-	-	-
Grant for 0% C Tax uplift 2015-16	54	-	-	-	-	-
Collection Fund Surplus - Council Tax	120	-	-	-	-	-
NNDR Retained	78	253	400	400	400	400
Resources	8,720	8,349	8,155	8,036	7,891	8,072
Surplus / (further savings required)	120	(699)	(921)	(1,164)	(1,455)	(1,410)
Potential cost pressures	0	(25)	(55)	(695)	(725)	(755)
Potential savings	-	724	975	1,134	1,380	1,703
Surplus / (further savings required)	120	(0)	(1)	(725)	(800)	(462)
Use of Reserves	181	0	1	725	800	462
Surplus / (further savings required)	301	0	0	0	0	0

NB

1. For 2017/18 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 total value of this reserve is currently £2.7m.
2. The Core budget assumes the future cost of the Empty Homes Project is funded by an annual contribution from earmarked reserves of £200k per annum.

The potential future changes with regard to cost pressures and possible savings are as follows:

Cost pressures	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'001
DWP Admin Subsidy	0	30	60	90	120
LCC Cost Share & Recycling Income	0	0	610	610	610
Volume & Technical	25	25	25	25	25
	25	55	695	725	755

NB

1. *The Volume and technical adjustment relates to, in the main, a reduction in estimated recycling income.*

Possible savings	2016-17	2017-18	2018-19	2019-20	2020-21
	£000	£000	£000	£000	£000
Taxi Licensing	100	100	100	100	100
New Homes Bonus	474	440	459	399	416
Local Business Rates (Renewable Energy)	0	0	0	190	379
Rental income (Renewable Energy)	0	0	0	117	233
NNDR Pooling	0	220	360	360	360
Staff turnover	150	150	150	150	150
Pension Deficit Savings	0	65	65	65	65
	724	975	1,134	1,380	1,703

NB

1. *Additional Taxi licensing income expectations above our core budget has been reduced in anticipation of policy changes.*
2. *New Homes bonus is based on the averages experienced over previous years. This funding stream now forms part of the core budget resources.*
3. *Income anticipated from renewable energy has been deferred by two years compared to previous forecasts as a result of the Secretary of States review of the Scout Moor planning decision. This also implies that the assumption is that the final decision will be to allow the expansion.*
4. *NNDR Pooling – a Lancashire wide scheme has been approved by DCLG.*
5. *Staff turnover – the Council historically has seen in year budget saving as a result of staff turnover. It is therefore thought reasonable to anticipate this saving in annual budgets going forward.*
6. *The pension adjustment going forward is a correction on current payments and forecasts.*

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 and increments together with an annual saving (£150k) as a result of staff turnover. It should be noted that the current offer from the National Employers is for a 2% pay increase covering two years 2016/18. This would cost an additional c.£50k in 2016/17.
- Annual Council Tax increases of 2% beyond 2016/17 (being the current level of council tax increase, above which the Council would have to hold a referendum)

- A year on year reduction in the Revenue Support Grant element of the Funding Formula for 2016/17 to 2019/20 in line with the latest settlement announcement.
- A credit of £400k pa from the Council's share of Business rates together with a similar value from NNDR pooling. This is in line with expectations of the rateable value base across Rossendale for 2016/17. Annual NNDR surpluses are transferred to a reserve for future use.
- An estimated annual increase, within the core budget resources, of £180k in each year during the 6 year term of the New Homes Bonus (NHB) funding, less the fall out of funding at the end of the six year term. Members should note that given the reductions in RSG, NHB should now be considered as part of our core funding.
- VAT shelter arrangements with Green Vale Homes ends 31st March 2016
- The Homelessness Grant of £83k for 2016/17 and future years now forms part of the core government funding.
- The Capita contract for revenues, benefits and customer contact has now been extended for 3 further years to 30th Sept 2019 and the costs included in the forecast. The revised cost structure is assumed to continue beyond 2019.
- No savings has been realised from fuel prices on the basis that there is an expectation of increase over the medium term. Arguably, current reduced pricing is likely to continue into the majority of 2016/17 (saving c £60k).
- Income from renewable energy is now assumed to commence in 2018/19 and assumes that the Secretary of State will endorse the Council's previous planning decision. With a combined value of c. £600k this income is fundamental to bridging the forecast resources deficit.
- The conclusions of 2016 actuarial pension review will be similar to the 2013 review and therefore assumes no further annual increase beyond the current 4.1% pa for deficit payments and the current 14.0% p.a. for future benefits.
- The current waste recycling and disposal cost share arrangements will cease as from March 2018. The combined loss to the Council being £660k pa.

Key Message:

It is clear that given the 2016/17 base and the widening financial gap over the longer term that Council needs to develop further plans, during 2016/17, to reduce its net cost base by at least £500k pa in order to avoid initial reliance on limited reserves and to deal with the future resource deficit. Therefore, the Key messages for the medium term are as follows:

- 1. Council must begin to increase Council Tax as per the MTFs (value £400k pa over the four years).***
- 2. Council must secure the wind farms income as per the MTFs (£600k pa).***

3. Council must give further consideration in its financial planning to either reduce costs or increase revenues.

5.5 Changes in the base budget costs between 2015/16 and 2016/17 (before the detailed cost pressures and savings) are as follows:

	£000s
2015/16 Base Budget	8,901
Employment costs	125
Savings	(258)
Volume & Technical changes	280
2016/17 Base Budget	9,048

(i) The main changes in employment costs are the pay award and national changes to Employers NI costs (£102k) as from 01/04/16

(ii) The main savings changes are noted below:

	£000s
Capita Contract savings	158
Staffing	78
Other	22

(iii) The key changes in increased Volume & Technical costs is a reduction in the Housing Benefits grant (£60k) and the end to the VAT shelter arrangements (£250) less other cost increases

5.6 The level of Council Tax for 2016/17

Council will make proposals on 24th February 2016

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

- Lancashire County Council – tbc
- Lancashire Fire & Rescue – 15th February 2016
- Lancashire Police & Crime Commissioner – 16th February 2016
- Whitworth Town Council – 28th January 2016

The current Band D Council Tax for 2015/16 across Rossendale is:

Council Tax	£	%
LCC	1129.78	71.5%
RBC	253.40	16.0%
Police	159.06	10.1%
Fire	64.86	4.1%
	1607.10	
WTC	23.01	
	1630.11	

Council Tax Base

The Council tax base has increase by 1.9% to 19,678, being in the main a reflection of new homes in Rossendale.

5.7 2016/17 Provisional Settlement and beyond

The provisional Settlement Funding Assessment for 2016/17 was announced on 17th December 2015. The key messages arising from the settlement are:

- a. The overall settlement announcement was in line with our expectations in that the Revenue Support Grant will disappear entirely, albeit the speed of the cut is more severe.
- b. £160k has also been cut from the Councils share of NNDR baseline due to the remaining RSG not being large enough to accommodate the Governments required reduction.
- c. The four year settlement is an offer which requires formal acceptance and is understood to require an efficiency plan, demonstrating how a Council will manage its reduced recourses. Currently for Council this is by the use of limited reserves.

NB - Members will recall that in the 2013/14 settlement, £856k was identified within that years settlement only to reflect changes to Council Tax Benefit and the replacement of Local Council Tax support , split as follows:

- £514k within RSG
- £342k within NNDR

The above will therefore be funded in the future from local resources over the medium term.

5.8 Fees & Charges

The annual budget requires that any changes to the Council's fees and charges be approved by Members. The September 2015 retail price index indicated general inflation of 0.1%.

A full list of fees (including previous year comparisons) are included at Appendix 1

6. COMMENTS FROM STATUTORY OFFICERS:

6.1 SECTION 151 OFFICER

6.2 The key financial matters are dealt with above.

6.3 The matter of any increase in Council Tax is a matter for Members. In making their decision Members should give consideration of the deficit facing the Council over the medium term. Given the Council's future deficit an increase in Council Tax is recommended by the s.151 officer.

6.4 Any shortfall in Council Tax expectations will be met from Cost of Collection surpluses and fuel savings.

7. MONITORING OFFICER

7.1 No comments required for this report.

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

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.

Consultation carried out:

8.2 Cabinet and Management Team

8.3 Public Consultation (web and partner networks)

- At the time of writing no comments have been received.

8.4 Members (annual budget briefing).

8.5 Overview & Scrutiny Management (1st February).

9. CONCLUSION

9.1 The Council must remain focused on identifying and delivering further efficiencies and income in order to ensure annual balanced budgets over the medium term.

It must also ensure that all its budget resource allocations are directed to the core functions of the Council and that the use of its resources has clear links to the Council’s Corporate Priorities.

Background Papers

Document	Place of Inspection
Previous updates to the MTFS	Rossendale Borough Council website
Government’s Financial Settlement	DCLG website