

DRAFT BUDGET 2015/16 - UPDATE

Cabinet – 15 January 2015

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

Executive Summary: This report sets out progress made in preparing the 2015/16 budget and updates Members on key financial information recently received.

The overall emphasis is on building on the strong framework provided by the 10-year budget, whilst taking into account any new financial burdens and changes in the economy that have an impact on budget assumptions.

The Cabinet will make its final recommendation on the budget at its meeting on 5 February 2015, after taking into account any updated information available at that date.

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Adrian Rowbotham Ext. 7153

Helen Martin Ext. 7483

Recommendation to Cabinet: Members give consideration to the current budget position and provide officers with any further instructions.

Introduction and Background

- 1 At the Cabinet meeting on 11 September 2014, Members considered a report setting out the Council's financial prospects for 2015/16 and beyond. That report set out the major financial pressures the Council is likely to face, together with a proposed strategy for setting a balanced and sustainable budget for 2015/16 and beyond.
- 2 As part of the budget process officers put forward their Service Overviews to the Advisory Committees in October and November, which set out a summary of current and future issues or pressures. The Advisory Committees recommended new growth and savings items which were considered at the Cabinet meeting on 11 December 2014.
- 3 The report to Cabinet on 11 December 2014 also contained updates to the Financial Prospects report.

- 4 This report sets out the current position for the 2015/16 budget and updates Members on key financial information received since the last report, including the Local Government Finance Settlement announced on 18 December 2014.

Updates to the Financial Prospects Report

- 5 The Financial Prospects report considered in September raised a number of financial risk areas for the Council. These were updated in the December report but further information has been received since which is explained below:
- 6 **Government Support: Revenue Support Grant (£2.2m in 2014/15)** – The Provisional Local Government Finance Settlement for 2015/16 was announced on 18 December 2014 and contained only minor changes to the illustrative figures announced last year. This results in a 32% reduction for 2015/16 and a 10% reduction has been assumed for later years. The final settlement will be announced in the new year.
- 7 The Government refer to ‘Spending Power’ reductions averaging –1.8% in 2015/16. The figure for this council is –1.3%. Please note that ‘Spending Power’ is not only Government Grant; it also includes Council Tax and New Homes Bonus. As Government Grant is a low proportion of funding for this council, the large reduction in Government Grant has a smaller impact on ‘Spending Power’ than other councils making it a questionable comparison.
- 8 **Council Tax Support Funding for Town and Parish Councils** – The Local Government Finance Settlement did not include a separate amount for Town and Parish Councils therefore the assumption in the 10-year budget remains that no funding will be passed on. Members will be asked whether they wish to continue with this approach at the Council meeting on 17 February 2015.
- 9 **Government Support: Retained Business Rates (£1.9m)** – There was a small reduction for Retained Business Rates in the Local Government Finance Settlement due to the Retail Price Index (RPI) for September 2014 being lower than assumed last year. The assumption remains unchanged that this council will receive funding at the safety net level. Future projections continue to take this prudent approach and further analysis will be completed when more information is available.
- 10 **New Homes Bonus (£1.4m)** – The amount for 2015/16 was announced on 16 December 2014 and was slightly higher than assumed.
- 11 **Council Tax (£9.0m)** - It has been confirmed that Local Authorities increasing Council Tax by 2% or above will be required to hold a local referendum. The Council Tax assumption for 2015/16 has been reduced to 1.95% which is the closest amount below 2% that results in a Band D Council Tax that is divisible by 9 which is recognised good practice due to the way in which amounts for each band are calculated.
- 12 Local Authorities freezing Council Tax in 2015/16 will receive a Council Tax Freeze Grant equivalent to a 1% increase in Council Tax.

- 13 Details of the Council Tax Base for 2015/16 are contained in a separate report to the meeting.
- 14 **Use of Reserves** - Ensuring the adequacy and sustainability of the Council's reserves continues to be a key part of the budget process. A detailed review of reserves will be included in the February Cabinet report.

Current Budget Position

- 15 The following table shows the differences between the 10-year budget included in the Draft Budget 2015/16 report on 11 December 2014 and the latest version set out in Appendix B.

10-Year Budget	£m
Previous 10-year budget gap/(surplus) at 11/12/14	(1.9)
Changes:	
Council Tax Base increase	(0.2)
New Homes Bonus	(0.1)
Council Tax 2015/16 at 1.95%	0.1
Local Government Finance Settlement	0.1
Revised 10-year budget gap/(surplus)	(2.0)

- 16 Members are asked to give consideration to the current budget position and provide officers with further instructions.

Key Implications

Financial

All financial implications are considered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

For the effective management of our resources and in order to achieve a sustainable budget it is essential that all service cost changes and risks are identified and considered.

Current and future pressures were included in the Service Overviews presented to the Advisory Committees and each Service Change Impact Assessment (SCIA) includes the likely impacts including a risk analysis.

An effective integrated policy and priority driven long-term financial and business process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order

to take account of the changing climate within which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.

The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as future grant settlements. The risk will be mitigated by continuing to review assumptions and estimates and by updating Members throughout the process.

Equality Assessment

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups. The decisions recommended through this paper directly impact on end users. The impact has been analysed and does not vary between groups of people. The results of this analysis are set out immediately below.

Individual equalities assessments have been completed for all Service Change Impact Assessments (SCIAs) to ensure the decision making process is fair and transparent. These were included in the Draft Budget 2015/16 report to Cabinet on 11 December 2014.

Community Impact and Outcomes

Members' early consideration of the issues raised in this report would be beneficial to residents in that a planned approach to achieving a balanced budget should produce the best outcome for the community in limiting the level of budget reductions.

Conclusions

The 10-year budget currently shows a surplus and Members are asked for further instructions. The final settlement figures for 2015/16 will be announced in the new year.

The budget process will continue to be a major financial challenge for a Council that already provides value for money services to a high standard. In making any budget proposals, Members will need to consider the impact on customers, service quality and staff well-being, to ensure that these proposals lead to an achievable 10-year budget that supports the Council's aspirations for customer-focused services.

Appendices

Appendix A – Budget Timetable

Appendix B – 10-year Budget

Background Papers:

Report to Council 18 February 2014 – Budget and Council Tax Setting 2014/15

Report to Cabinet 11 September 2014 – Financial

Prospects and Budget Strategy 2015/16 and Beyond

Report to Strategy and Performance Advisory Committee 7 October 2014, Housing and Community Safety Advisory Committee 8 October 2014, Economic and Community Development Advisory Committee 21 October 2014, Local Planning and Environment Advisory Committee 23 October 2014, Finance and Resources Advisory Committee 11 November 2014 – Budget 2015/16: Service Reviews and Service Plan Impact Assessments (SCIAs)

Report to Cabinet 11 December 2014 – Draft Budget 2015/16.

Adrian Rowbotham
Chief Finance Officer