

**Policy Committee – 11th February
2014**



REVENUE BUDGET 2014/15

Report of the Corporate Head of Financial Management

Ward(s) affected: All

1. Purpose of Report

- 1.1 The purpose of this report is to:
- identify a fully funded Revenue Budget for 2014/15
 - Recommend a prudent level of General Fund Revenue Balances for the financial year.

2. Recommendations

That the following be recommended to Council:-

- 2.1 Revenue Budget assumptions as detailed below are noted.
- 2.2 The Revenue Budget for 2014/15 at £6,502,690 is approved.
- 2.3 Contributions to specific reserves are made as follows:

	£'000
New Homes Bonus Reserve	796.5
Business Rates Contingency	120.0
Insurance Fund	30.0
Buildings Reserve	50.0
IT Reserve	50.0
Vehicle Reserve	130.0
Enabling Efficiencies Fund	20.0
Total Contributions to Reserves	<u>1,196.5</u>

2.4 Funding sources are approved as follows:

	£'000
a) New Homes Bonus	-984
b) Contribution from Planning Reserve	-14
c) Revenue Support Grant	-1,522
d) Redistributed NDR	-1,448
e) S31 Grants	-477
f) 2014/15 Freeze Grant	-34
g) Council Tax	-3,224
h) Collection Fund Surplus	-40
i) Sparse Grant	-33
Total Funding	<u>-7,777</u>

2.5 The estimated sum of £1,030k identified as the General Fund Balance at 31 March 2014 in Table 1 be approved

2.6 The schedule of growth bids (£85k) and savings incorporated into the budget (£415k), as identified in Appendices C and D, be approved.

3. Background Information

3.1 This budget sets a balanced budget for 2014/15 and prepares the Council to achieve a balanced budget in future years over the term of the Medium Term Financial Strategy (MTFS).

3.2 The draft budget is based on the final grant settlement as announced on 5th February 2014.

3.3 In relation to Business Rates income, the figures in this report have been taken from the final NDR1 return which was completed on the deadline of 31st January 2014. Taking account of the NDR1 information, and Government guidance notes, has helped mitigate against some of the remaining uncertainty surrounding the Business Rates Retention figure, and the expected income from Section 31 Grants. Members should bear in mind that the NDR1 return is an estimate.

3.4 This is the second year of the Business Rates Retention scheme. The information in the NDR1 is now crucial to setting a robust balanced budget. As the deadline for submitting the NDR1 return is not until the 31st January, Members should give consideration, in subsequent years, to holding the Budget Policy Committee meeting later in February.

3.5 A Budget Consultation exercise has been undertaken. A summary of the feedback from the Consultation is included at Appendix E.

4. Review of the 2013/14 Financial year

4.1 Monitoring of the 2013/14 budget has taken place through monthly income

and staffing costs reports to CLT, the quarterly Value for Money Clinics and this Committee.

- 4.2 Based on the Quarter 2 Budget Monitoring Report to Policy Committee on 19 November 2013, an underspend of £260k was forecast for 2013/14.
- 4.3 Work on the Quarter 3 position is nearing completion, and will be reported to Committee in March. This work confirms that there will be an underspend against budget for 2013/14, reflecting the target savings that have already been achieved during the current year.
- 4.4 The table below identifies the movement in the available General Fund Balance during the 2013/14 financial year and the expected available balance at 31 March 2014.

Table 1

	£'000
Opening Balance as at 1 April 2013	(1,030)
Budgeted Contribution to General Fund for 2013/14	0
Total available General Fund Balance as at 31 March 2014	<u>(1,030)</u>

5. 2014/15 Budget Assumptions

Pay and Prices Inflation

The budget assumes a cost of living award of 1% for 2014/15. Incremental increases have also been included.

Prices inflation has been applied at cost centre level based on known inflationary pressures, for example in relation to utility, fuel costs and NNDR charges.

In total, a cost pressure of £215k arising from inflation, has been incorporated into the Budget.

Financing of Capital Expenditure

The Capital Programme is included as a separate report.

The Budget assumes that no new long term borrowing will be made to finance the Capital Programme in 2014/15. Consequently, there is no need to increase the Revenue Budget in respect of increased borrowing costs.

6. 2014/15 Revenue Budget Funding

Grant Settlement and Specific Grants

The Draft Local Government Finance Settlement was announced on the 18 December 2013, with information arriving over subsequent weeks. The final Settlement Funding Assessment was issued on 5 February 2014.

The Settlement is better than had been assumed in the MTF5, because the

inclusion of a grant for rural areas (£32.8k) has continued. This grant will now be known as the Rural Services Delivery Grant. In addition, a small grant of £4k for returned funding has also been received.

Retained Business Rates

Members will be aware that from 2013/14 the Council retains a percentage of business rates. The Council retains 40% of the rate income it collects; it then pays a fixed tariff to the Government (£5,718k in 14/15). If it then has income above a pre-determined target the Council keeps 50% of this sum with the remainder paid as a levy to the Government.

Members are also aware that in September it was agreed that the Council apply to form a business rates pool with North Yorkshire County Council (NYCC), Hambleton District Council, Richmondshire District Council, Ryedale District Council, and Scarborough Borough Council (who will act as host). The application was approved in December and the pool will commence on the 1 April 2014. The benefit of forming the pool is that the levy rate on growth above target is reduced to zero. This benefit is shared between the pool members in accordance with the agreement.

An estimate of the business rate income based around the current position is included in the budget. The benefit of being in pool the will enhance this income further. Clearly though the receipt of this income is dependent, not only Craven's business rate income, but that of the other pool members (excluding NYCC). Because of this, and as a result of the business rate calculations still being finalised by the member authorities, a prudent view has been taken. The 2014/15 budget includes a contribution of £120k to a new Business Rates Contingency Reserve. This will help mitigate against the risk of fluctuations.

A number of announcements and changes to business rates were announced in the autumn statement. Councils have been assured that they will not lose financially as a result of the announcements. The s31 grant income to compensate for these measures has been estimated at £477k.

Localisation of Council Tax

In 2013/14 the Council received a total of £364k relating to the introduction of the Council Tax Support Scheme. This was identified separately within the Settlement. In 2014/15 the grant has been rolled up into the overall funding and is not separately identifiable. Council have already approved that £77k of the grant should be passed through to Parishes, and this is reflected in the Budget.

New Homes Bonus

The New Homes Bonus final allocation for 2014/15 has been confirmed at £791k. This year four instalment includes an affordable homes premium of £8k. Estimated NHB return funding of £5k has also been included in the Budget. This follows on from DCLG removing £700m to pay for the scheme

in 2014/15, rather than the original £800m.

Contributions to the New Homes Bonus Reserve are in line with priority spending areas that have already been approved by Policy Committee.

Council Tax

The total amount to be met from Council Tax in 2014/15 is £3,224k. This represents no increase in the Craven District Council Tax of 152.21 for a Band D property. A separate Council Tax setting report will be presented to Full Council for approval.

7.0 Revenue Budget 2014/15 - Proposals in Summary

7.1 Appendix A, attached, identifies the proposed budget for 2014/15 at £6,503k. Variances between the Original 2013/14 Budget and the proposed 2014/15 Budget are shown in the final column. Members should note that there have been some transfers, and these are reflected in some of the variances.

Overall, the net cost of services has stayed constant at £5.8m. However, this includes cost pressures that have been contained within the Budget.

The Budget provides for Contributions to Reserves in the sum of £1.2m.

7.2 Appendix B gives a subjective analysis of the net cost of service by cost centre.

7.3 Budgets have been prepared for each service in consultation with budget holders. The budgets have been based on the predicted outturn for the current year, along with the identification of any new or continuing pressures, growth bids, and budgetary savings.

7.4 A Corporate Contingency has also been provided for in the sum of £75k.

8. Financial Standing and Governance

8.1 Subject to the agreement of the Budget, the Council's 2014/15 net expenditure base is able to be financed from within available funding sources, without reliance on contributions from the General Fund Balance.

8.2 The major risks for the Council in 2014/15 are:

- Sustaining income levels in the current economic climate;
- Realising the savings that have been built into the Budget;
- The uncertainty around the Business Rates Retention scheme.

8.3 A detailed report on the Council's Medium Term Financial Strategy is included as a separate item.

8.4 Balances and financial performance will continue to be monitored on a

regular basis. This information will be reported as an integral element of the quarterly budget monitoring reports presented to Policy Committee during 2014/15. Quarterly value for money monitoring clinics will also continue, ensuring there is close scrutiny of any potential variances to financial and performance plans.

- 8.5 The budget proposed in this report includes the increases to fees and charge as already approved by Members. There has been no increase to car parking charges, which continue to be held at 2011/12 rates.
- 3.6 Taking into account all of the above factors and the risks identified, the Budget identified is robust and will deliver a balanced budget in 2014/15, as required by Section 25 of the Local Government Act 2003.

9. Setting the Council Tax levels for the year

- 9.1 The draft budget is based on the assumption that the Council will accept the Freeze Grant for 2014/15.

The Autumn Statement gave a clear message to local government that it expected councils to deliver a further council tax freeze in 2014/15. The Ministerial Statement issued on 05/02/14 reinforced this message. Government have confirmed that the funding for the 2011/12 and 2013/14 freezes has now been incorporated into the local government settlement for future years, and that the funding for the next two freeze years will also be built into the spending review baseline. This provides assurance that the Council will not face a 'cliff edge' effect from the freeze grant being withdrawn in future years.

Following much speculation about the 2014/15 referendum limit, the Government finally confirmed on 05/02/14 that the limit will be kept at 2%, rather than the 1.5% which was widely assumed to be applied.

10.0 Adequacy of Reserves

- 10.1 This budget report shows the estimated position on the General Fund Balance at 31 March 2014. No further contribution to the Balance will be made in 2014/15. The level of £1,030k is considered prudent. Reserve levels will be kept under review to ensure that they are sufficient to manage the financial risks facing the Council in future years. Detailed information on Reserves is included in the MTFS Report.

11. Budget Consultation

- 11.1 A Budget Consultation exercise as undertaken between 26 September and 6 December. The Consultation focussed on areas of expenditure, income, savings and Council priorities. A summary of the feedback from the Consultation is attached at Appendix E.

12. Implications

12.1 **Financial and Value for Money Implications**

All financial implications are contained in the body of the report.

12.2 **Legal Implications**

All legal implications in respect of delivery of a balanced budget and adequacy of reserves are contained in the body of the report. The requirements in the Local Government Act 2003 for reports to be presented to the Council on the robustness of the estimates, and on the position on reserves and balances are dealt with in the report.

12.3 **Contribution to Council Priorities**

The Revenue Budget for 2014/15 has been developed in support of the Council Plan. The Council's financial sustainability and resilience are crucial to delivering its priorities.

12.4 **Risk Management**

All risks are clearly identified throughout the report.

12.5 **Equality Impact Assessment**

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

13. **Consultations with Others**

Public consultation has been held via presentation and on line. Consultation with Members has been undertaken during the course of the budget setting process.

14. **Author of the Report**

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15. **Appendices**

Appendix A – Revenue Budget 2014/15 Summary Budget

Appendix B – Subjective Analysis

Appendix C – Summary of Growth Bids

Appendix D – Savings

Appendix E – Budget Consultation