

REPORT OF: MANAGEMENT TEAM

TO: THE EXECUTIVE

DATES: 10th FEBRUARY 2015

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GENERAL FUND REVENUE BUDGET 2015/16

PURPOSE OF REPORT

1. The purpose of this report is to:-
 - a) inform the Executive of the details of the provisional Local Government Finance Settlement (LGFS) for 2015/16 and the implications for the Council (***subject to the details of the final settlement being announced***);
 - b) consider the proposed General Fund Revenue budget for 2015/16;
 - c) enable the Executive to make a recommendation to Council at its meeting on 19th February 2015 on the level of Council Tax to be set for the financial year 2015/16; and
 - d) provide details of the Council's Medium Term Financial Plan for the period 2015/19 to highlight the significant budget deficit and the need to take further action to reduce expenditure to a sustainable level.

RECOMMENDATIONS

2. The Executive is recommended to:-
 - a) have regard to **Appendix A** to this report in respect of the robustness of Council's budget estimates and adequacy of reserves when considering recommendations (f) to (j) below;
 - b) note the proposal to maintain the General Fund Minimum Working Balance at £1.250m;
 - c) note that details of the Local Government Finance Settlement for 2015/16 will be made provided at the meeting should they be available;
 - d) note the projected outturn position in the current financial year;
 - e) in relation to Pendle Leisure Trust, subject to consideration of the savings proposals for 2015/16, agree to provide a grant to the Leisure Trust of £1,802,700 for 2015/16;

- f) make recommendations to the full Council on 19th February 2015 on the General Fund Budget Requirement for 2015/16 having regard to the recommended budget as set out in this report (and detailed at [Appendix I](#));
- g) subject to the Executive's consideration of the budget proposals in this report and confirmation by Government of the Council Tax Referendum Thresholds for 2015/16, to recommend to Council on 19th February 2015 a Band D Council Tax for 2015/16 of £245.16, representing an increase of 1.99% when compared to the Council Tax in 2014/15;
- h) require each Service to operate within its budget for 2015/16, once approved, and that these budgets be cash limited and subject to regular monitoring and control;
- i) in view of the estimate of savings required for period 2016/19 onwards, and as set out in the report, request Management Team to develop and bring forward a 3-year strategy comprising a package of savings options for consideration by the Executive early in the new financial year as part of the development of future year's budgets;
- j) request that a further report be brought back to a future meeting of the Executive updating the Financial Strategy and Medium Term Financial Plan for 2016/19.

REASONS FOR RECOMMENDATION

- 3. To comply with statutory requirements to determine a balanced budget and council tax for the forthcoming year.

ISSUE

- 4. The budget process is a key element of the Council's strategic planning process and, as part of the service and financial planning approach adopted by the Council, is a means of ensuring that resources are best placed to enable the Council to meet its objectives as set out in the Strategic Plan.
- 5. This report follows on from the First Budget Report considered by the Executive on 11th December 2014 which explained the main issues in the current budget round. Since that report, the Government has released details of the Provisional Local Government Finance Settlement for 2015/16.
- 6. This report provides an update of the most recent information in relation to the Provisional Settlement, the development of the budget and proposes a budget strategy for 2015/16 to enable the Executive to make a recommendation to Council on both the budget and Council Tax for the forthcoming financial year.
- 7. In view of the continuing significant reduction in funding, the report also highlights a need to consider a medium term financial strategy, including savings options, in which the Council's net revenue expenditure can be reduced in the short term to a level that is sustainable with the estimate of ongoing resources receivable by the Council.

Statement on the Robustness of the Council's Budget Calculations and the Adequacy of Financial Reserves

8. As indicated in the Legal Implications below, section 25 of the Local Government Act 2003 requires the Head of Central and Regeneration Services, as the officer having responsibility for the administration of the Council's financial affairs, to report to the Council on the robustness of the budget estimates and the adequacy of proposed financial reserves when determining its budget requirement under the LGFA 1992.
9. A draft copy of the statement that will be reported to Council on 19th February is provided at [Appendix A](#) and the Executive is requested to consider this when making proposals in relation to the budget. The statement has been produced on the basis of the proposals set out in this report. It should be noted that, subject to Councillors' deliberations on the budget at Council on 19th February, it may be necessary for the Head of Central and Regeneration Services to revise the statement to take into consideration the implications of any decisions taken at the Council meeting.
10. **With the continuing significant reductions in funding from Government, and the increasing reliance on reserves to balance the Council's budget, Councillors are asked to consider these statements fully in the context of the proposed budget and Medium Term Financial Plan.**
11. As part of the preparatory work in relation to the statement on the adequacy of the Council's financial reserves, work has been undertaken to review the level of the Council's General Fund Working Balance. This review is undertaken annually and the outcome of this work is that it is proposed to maintain the Minimum Working Balance at £1.250m. The rationale for the Minimum Working Balance is provided at [Appendix B](#).

Provisional Local Government Finance Settlement 2015/16

12. Details of the provisional Local Government Finance Settlement (LGFS) for this Council were received in late December 2014. Following consideration of the First Budget Report, the Executive resolved, amongst other things, to give delegated authority to the Head of Central and Regeneration Services, in consultation with the Executive Councillor for Resources, to respond to the Government's consultation on the provisional Settlement. A copy of the response is provided at [Appendix C](#).

Funding Allocations for 2015/16

13. On the basis of the Provisional Settlement, Table 1 below summarises the estimate of funding for Pendle in 2015/16:-

Table 1: Estimate of Funding for 2015/16

	Estimated Funding 2014/15 £000	Estimated Funding 2015/16 £000	Estimated Funding 2016/17 £000	Estimated Funding 2017/18 £000
Estimate of Retained Business Rates	3,369	3,577	3,697	3,767
Add Revenue Support Grant *1	5,138	3,904	3,045	2,459
Settlement Funding Assessment	8,507	7,481	6,742	6,226
less Council Tax Support Grant	(1,236)	(1,236)	(1,236)	(1,236)
less Homelessness Grant	(97)	(97)	(97)	(97)
Net Settlement Funding Assessment	7,174	6,148	5,409	4,893

*1 – Includes Efficiency Support Grant which has been 'rolled' into Revenue Support Grant from 2015/16

14. The estimate of Retained Business Rates shown above is based on an assessment of the Council's likely share of the business rates that will be collected in 2015/16. This estimate is lower than the Government's assessment of the Council's share of income as it reflects local knowledge of reliefs, exemptions, outstanding appeals etc.
15. As Table 1 indicates, the Council's funding in 2014/15 is estimated to be £8.5m. In comparison, the estimate of funding for 2015/16 is £7.4m, a reduction in funding of £1.1m (or c14%).
16. It is only possible to estimate the funding at this stage. Whilst the Revenue Support Grant for 2015/16 is guaranteed, the estimate of retained Business Rates is not; this is dependent on the amount of Business Rates income for the year. This is affected both by changes in the amount of Business Rates payable, itself subject to outstanding appeals and changes to the rating list (as new properties are built; existing properties demolished) along with the Council's collection of rates. There is, therefore, some degree of volatility in the estimate of retained business rates.
17. At the time of writing this report, the Government had not released final details of the Local Government Finance Settlement (LGFS) for 2015/16 and, therefore, the estimate of funding here is subject to change. The final Settlement is expected in early February 2015; should details become available, a verbal update will be provided at the meeting of the Executive.

Comparison to Medium Term Financial Plan 2015/16

18. Table 2 below provides a comparison of the estimate of funding for 2015/16 to those amounts that were assumed in the Medium Term Financial Plan 2015/18 (as reported to the Executive in December 2014):-

Table 2: Comparison of Funding Estimates to Medium Term Financial Plan

	Funding 2015/16 £000	Funding 2016/17 £000	Funding 2017/18 £000
Estimate of Funding (See Table 1 above)	6,148	5,409	4,893
Medium Term Financial Plan (December 2014)	6,063	5,444	4,929
Change in Funding Estimate	85	(35)	(36)

19. As Table 2 indicates, in comparison to the Medium Term Financial Plan, the estimate of funding for 2015/16 is £85k higher than expected which is primarily due to the Council Tax Freeze Grant for 2014/15 being rolled into the funding settlement on a permanent basis. In contrast, in both 2016/17 and 2017/18, funding is expected to be less than forecast, by £35k and £36k respectively, due to variations in the estimate on Business Rates Retention.
20. Overall, however, the Provisional Settlement is broadly as planned.

Efficiency Support Grant

21. As Councillors will be aware, the Council has received Efficiency Support Grant (ESG) of £1.026m in each of the last two years. Following on from a Technical Consultation on the Settlement in July 2014, the Government has 'rolled' the ESG payment into the Council's Revenue Support Grant with effect from 2015/16.

22. However, as in previous years, the Government has indicated that no Council will suffer a reduction in Revenue Spending Power (RSP) of more than 6.4%. As defined by the Government, RSP *'aggregates the resources that local councils have available to support services on behalf of their local citizens'*. According to the Government's calculation of the changes in RSP from 2014/15 to 2015/16, there are 19 Councils whose RSP has reduced by more than 6.4% and these Councils, including Pendle, will receive ESG to cap their reduction in RSP at 6.4%.
23. Pendle's reduction in RSP is 6.8% and therefore a further amount of ESG totaling £40k will be paid to the Council in 2015/16. At this stage, it is not known what reporting/monitoring arrangements, if any, will be put in place to secure the ESG or whether it will continue to be paid in future years.

New Homes Bonus Allocation

24. On the basis of a provisional announcement on New Homes Bonus allocations, the Council will receive New Homes Bonus of £952k in 2015/16 comprising £714k funding for the period up to 2015/16 plus an additional £238k for New Homes/Empty Properties brought into use between October 2013 and October 2014. **As indicated in previous reports, this funding is being used wholly in support of the provision of Council services.**

Forecast General Fund Outturn 2014/15

25. At the meeting of the Executive on 11th December 2014, Councillors approved the Revised Estimates for 2014/15. At that time, it was estimated that the outturn position on the General Fund Revenue Budget would be c£660k less than the original estimate for the year, a position that would result in an equivalent reduction in the contribution from the Budget Support Reserve in order to balance the budget.
26. Monitoring of the Council's budget for the year has continued since the Revised Budget was agreed and Table 3 provides a summary of the position at the end of December 2014. This indicates that, in comparison to the Approved Budget, further savings of c£63k are expected for the year:-

Table 3: Forecast Outturn 2014/15

	Approved Budget 2014/15 £000	Forecast Outturn 2014/15 £000	Variance £000
Net Cost of Services	17,594	17,527	(67)
Corporate Income and Expenditure	(3,069)	(3,065)	4
Net Expenditure	14,525	14,462	(63)
Specific Reserves	(660)	(660)	-
Budget Requirement	(12,693)	(12,693)	-
Contribution to/(from) Budget Strategy Reserves	1,172	1,109	(63)

27. The main variances since the Executive last considered the budget for 2014/15 in December 2014 are various minor underspends on staff costs in Services. This stems mainly from changes in staffing arrangements following requests for voluntary early retirement, flexible retirement etc.
28. The Forecast Outturn as shown in Table 3 above reflects the best estimate of the likely outturn position for 2014/15. In view of the estimated outturn shown in Table 4 above, it is now likely that £1,109k will be drawn from the Budget Strategy Reserve to balance the budget in 2014/15.

29. Work will continue on the monitoring of the budget in the remainder of the financial year and any further variations will be reported as part of the regular Strategic Monitoring reports.

Base Budget 2015/16

Development of Budget Estimates 2015/16

30. As outlined in the report to the Executive on 11th December 2014, the Base Budget for 2015/16 has been prepared on the basis of the Council's existing policies, strategic objectives and related priorities. The main assumptions used in the development of the Budget Estimates were set out in the First Report and these remain largely unchanged.
31. Since the last report, work has continued to 'firm up' the Base Budget for 2015/16 (and future years). This latest position is now reflected in Table 4 below:-

Table 4: Revised Net Expenditure 2015/16 (and Forecast to 2018/19)

	Base Budget 2015/16 £000	Forecast 2016/17 £000	Forecast 2017/18 £000	Forecast 2018/19 £000
Net Expenditure as at 11 th Dec 2014 *1	16,086	16,127	16,644	16,977
Technical Adj – Council Tax Freeze Grant *2	62	62	62	62
'Firming Up' Adjustments (see Appendix D)	(5)	(10)	(50)	(50)
Savings Implemented (see Appendix D)	(78)	(78)	(78)	(78)
Revised Net Expenditure	16,065	16,101	16,577	16,910

*1 – This excludes the use of reserves.

*2 – Council Tax Freeze Grant for 2014/15 has been rolled up in Revenue Support Grant 2015/16 and has, therefore, been excluded from Net Expenditure

Leisure Trust – Grant 2015/16

32. The Pendle Leisure Trust currently receives a grant of £1.865m from the Council. As indicated in the First Budget Report, given the financial pressure on the Council's budget, the Trust was asked to consider savings options necessary to manage a net reduction in grant funding of at least £200k over three years when compared to the cash grant for 2014/15.
33. In response to this, the Trust has provided details of potential savings. Management Team has considered these potential savings and made a recommendation on the savings to be implemented. More details of this are provided along with other savings proposed by Management Team below.
34. Should the Executive accept the recommended savings, the grant payable to the Trust in 2015/16 would be £1.803m, a reduction of £62k.

The Financial Strategy 2015/19

35. The Provisional Local Government Finance Settlement for 2015/16 again confirms a significant reduction in funding for the Council; this is despite the Efficiency Support Grant being rolled into the Council's funding settlement. Whilst the Government has not provided any specific indication of funding for local government beyond 2015/16, there appears every likelihood that funding will continue to be reduced at or beyond the same rate as funding reductions already experienced.

36. Funding reductions of the magnitude proposed require the Council to take action to reduce its expenditure to a level that is consistent with the estimate of ongoing funding.
37. To put this into some context, Table 5 below summarises the updated Medium Term Financial Plan for 2015/19. This is before the use of reserves and the implementation of savings and is provided to stress the importance of taking early action to deal with the underlying funding deficit:-

Table 5: Medium Term Financial Plan 2015/19

	Budget 2015/16 £000	Forecast 2016/17 £000	Forecast 2017/18 £000	Forecast 2018/19 £000
Net Revenue Expenditure (see Table 4 above)	16,065	16,101	16,577	16,910
Government Funding (see Table 1 above)	(7,481)	(6,742)	(6,226)	(5,564)
Council Tax Income	(5,545)	(5,655)	(5,768)	(5,883)
Collection Fund Surplus	(154)	(150)	(100)	-
Total Estimated Funding	(13,180)	(12,547)	(12,094)	(11,446)
Local Funding Deficit	2,885	3,554	4,483	5,463

Table 7: Council Tax Assumptions

Estimated Taxbase	22,617.3	22,617.3	22,617.3	22,617.3
Estimated Council Tax (Band D)	245.16	250.04	255.02	260.09
% Council Tax Increase (Assumed)	1.99%	1.99%	1.99%	1.99%

* Band D Council Tax for 2014/15 is £240.38

38. **As Table 5 indicates, given the continuing reduction in Government funding, there is a growing budget deficit. By 2018/19, the Council's ongoing funding will be £11.4m compared to estimated net expenditure of £16.9m – a deficit of c£5.5m (excluding any use of reserves). There is, therefore, a need for the Council to take action to reduce its Base Budget to a sustainable level.**
39. In the absence of any change in the outlook for Government funding, which is not anticipated in the medium term, the options for the Council are limited to reducing expenditure and/or increasing income (from Council Tax, Fees and Charges). In support of a budget reduction strategy, it is possible to use balances/reserves to smooth the impact from year to year but, fundamentally, balances/reserves are finite and should not be relied on indefinitely to balance the budget.
40. The most immediate issue is the budget deficit in 2015/16. The narrative below deals with this but Councillors are asked to consider the proposed budget in the context of the Medium Term Financial Plan shown above.

Budget Savings, Charges and Growth Proposals 2015/16

41. An initial analysis of savings/charging proposals for 2015/16 was presented to the Executive in December 2014. Decisions have already been taken in relation to some of the proposed savings/charges and, as a consequence, these are now included within the Firming Up Adjustments provided at [Appendix D](#).
42. The remaining proposals have subsequently been reviewed and a revised list is provided at [Appendix E \(i\)](#) (with additional analysis of savings by Pendle Leisure Trust provided at [Appendix E\(ii\)](#)); these total £1.046m in 2015/16 (with proposals also provided for 2016/17

and 2017/18 which total £1.071m and 1.046m respectively. A narrative supporting each of the proposals is provided at [Appendix F](#).

43. The Base Budget 2015/16 includes no provision for budget growth.

Council Tax

44. The position on Council Tax for 2015/16 is largely as set out in the First Report to the Executive on 11th December 2014.
45. As part of the provisional Local Government Finance Settlement, the Government confirmed that it would, again, make available a grant equivalent to 1% of Council Tax, to Councils that do not increase their Council Tax in 2015/16. For Pendle, the grant is £64,760. The Government also confirmed that any Council Tax increase of 2% or more would require a Council to hold a referendum to ratify the increase.
46. In view of the deficit on the Medium Term Financial Plan, there is a need for the Council to maintain and, where possible, increase the Council Tax yield where possible. **As a consequence, Management Team's view is that the Council should reject the offer of the Council Tax Freeze Grant and increase Council Tax by 1.99% in 2015/16.** For residents, this would mean an additional £4.78 per year or 9p per week for Band D Properties (or for Band A properties, it would be £2.41 or 6p per week) for Pendle's services.
47. However, the level of Council Tax is a matter for Councillors to determine and it is acknowledged that the Executive may wish to consider an alternative level of Council Tax. To assist Councillors in their deliberations on this matter, [Appendix G](#) shows a range of Council Tax Requirements and associated Council Tax levels, combined with the impact on the budget, at different tax levels.
48. The Executive should note that the analysis above concerns only the Council Tax charge made by Pendle Borough Council. Council Tax charges for the other authorities (Lancashire County Council, Police and Crime Commissioner and Fire Authority) that precept upon the Council will be provided as part of the Council Tax resolution to Council on 19th February (subject to them being available at that time).

Reserves and Balances

49. Details of the Council's Reserves and Balances were provided in the First Report. An updated analysis of Balances and Reserves is provided at [Appendix H](#). A strategy for using Balances and Reserves was also set out in the First Report and, again, this remains largely unchanged. in the light of the provisional Settlement, this has been amended as follows:-
- ***A total of c£4m will be used from the Budget Support Reserves over the period to 2017/18.*** Combined with the estimated use of the Budget Strategy Reserve in 2014/15, this will mean a total of c£5m will be taken from the Reserve to support the budget in the period to 2017/18.
 - ***Specific Reserves will be used only for the purposes for which they have been set aside and will be subject to an annual review;*** and
 - ***the Minimum Working Balance will remain at £1.250m over the period to 2015/16 and the balance for the Bond Reserve will continued to be reviewed annually).***

50. Acknowledging the substantial budget deficit and the need to take early action to reduce the Council's net expenditure to a sustainable level, Management Team recommends implementing all of the savings identified at [Appendix E\(i\)](#) in 2015/16. This, combined with the proposed increase in Council Tax and using c£1.839m from Reserves, forms the basis of the Management Team Budget proposal which is summarised below and shown in detail at [Appendix I](#):-

Table 6: Recommended Budget 2015/16

	Base Budget 2015/16 £000
Revised Net Expenditure 2015/16 (per Table 5 above)	16,065
Recommended Savings (see Appendix E(i))	(1,046)
Net Revenue Expenditure	15,019
Use of Reserves (see Appendix H)	(1,839)
Collection Fund Surplus	(154)
Estimate of Government Funding (as per Table 1 above)	(7,481)
Recommended Council Tax Requirement	5,545

Updated Medium Term Financial Plan 2015/19

51. Assuming Management Team's Budget proposal for 2015/16, the Council's Medium Term Financial Plan to 2018/19 has been updated and is shown in Table 7 below:-

Table 7: Medium Term Financial Plan 2015/19 (assuming Management Team's Budget)

	Management Team Budget 2015/16 £000	Forecast 2016/17 £000	Forecast 2017/18 £000	Forecast 2018/19 £000
Local Funding Deficit (see Table 6)	2,885	3,554	4,483	5,463
Estimated Use of Reserves	(1,839)	(1,502)	(1,430)	(1,000)
Previous Year's In-Year Savings	(1,046)	(1,046)	(2,052)	(3,053)
In Year Savings Required	-	1,006	1,001	1,411

52. As the table indicates, whilst there is a balanced budget in 2015/16, there remains a significant budget deficit in each of the following 3 years **with savings of at least £3.4m required**. The implications of this are considered in more detail below.

What if less savings are implemented 2015/16?

53. It is acknowledged that it is for Councillors to determine the Council's budget. Recognising this, however, it is worthwhile highlighting the impact of agreeing fewer savings in 2015/16 as any decision to do so will impact on future year's budgets and the continuing delivery of key frontline services.
54. Table 8 shows the impact of achieving just £500k savings in both 2015/16 and 2016/17. As less savings are achieved, there is an increased need to use reserves to balance the budget. However, the underlying requirement to reduce the base budget remains.

Table 8: Impact of only £500k savings in 2015/16 and 2016/17

	Budget 2015/16 £000	Forecast 2016/17 £000	Forecast 2017/18 £000	Forecast 2018/19 £000
Local Funding Deficit	2,885	3,554	4,483	5,463
Estimated Use of Reserves	(2,385)	(2,554)	(1,430)	(1,000)
Previous Year's In-Year Savings	(500)	(500)	(1,000)	(3,052)
In Year Savings Required	-	500	2,053	1,411

55. The impact of the scenario outlined above is as follows:-

- reserves of £7.4m would be used in the period to 2018/19 with a continuing requirement to use reserves of £1m or identify equivalent savings, In using reserves at this level, most of the reserves set aside to support strategic change would have to be used which in turn would curtail
- deferring savings in this way simply shifts the burden of savings to the following year at which point the option of using reserves to smooth the impact of savings is limited.

56. Fundamentally, this is not a sustainable strategy as reserves will ultimately be exhausted but the requirement to reduce expenditure will remain and the Council may, at that point, have limited choices about the service reductions that would be required.

Identifying c£3m Savings up to 2018/19

57. As indicated above, the target level of savings over the next 3 years is c£3.4m. This assumes continuing reductions in Government funding and is predicated on Management Team's proposed budget for 2015/16 and the use of reserves as set out above. It also assumes a year-on-year increase in Council Tax within anticipated threshold levels.
58. Given the extent of savings achieved over recent years, the Council's ability to deliver further efficiencies with no service change is limited; **saving c£3.4m will require reductions in key frontline services and will require Councillors to take difficult decisions in this regard.**
59. The Executive has previously resolved that Management Team should develop a 3-year strategy comprising a package of savings options acknowledging that this, for example, would involve strategic reviews of the delivery of all Council functions. Details of outline proposals for 2015/16 onwards were reported to the Executive in December 2014 and are shown at [Appendix E\(ii\)](#) for information (in the columns headed 'Indicative Proposals 2016/17 and 2017/18'). Further work will be undertaken on the development of these proposals along with options for 2018/19.
60. Finally, a report on the forward financial strategy, including savings options, will be brought forward for consideration by the Executive early in the new financial year so that early action can be taken to progress with the implementation of savings in advance of the following financial year.

Capital Programme 2015/16

61. A report elsewhere on the Agenda for this meeting provides more details of the proposed Capital Programme for 2015/16.

Estimated Collection Fund Surplus 2014/15

62. The Collection Fund Account is required to account for precepts and the income collected from council tax and business ratepayers by the Council acting as the Billing Authority. As budgets and associated precepts represent estimates at a point in time variations can occur which result in either actual surpluses or deficits. These must be shared between the major precepting bodies (County, District, Police and Fire Authority).
63. The Collection Fund (Council Tax) for 2014/15 is estimated to make a surplus £924k of which £154k is attributable to Pendle Borough Council and can be used in the Council's budget calculations. The Collection Fund (Business Rates) for 2014/15 is estimated to break even and, as a consequence, there is no distribution of resources.

Council Tax Base 2015/16

64. The Council Tax Base for the 2015/16 financial year has been calculated in accordance with the relevant regulations at 22,617.3 Band D equivalent dwellings and the Executive approved this at its meeting on 11th December 2014.

Group Proposals

65. On 10th February the Executive should make recommendations to the Council on budgets and council tax for 2015/16. Each Group will also have an opportunity to present alternative budget proposals for consideration by Council.
66. It should be noted that each Group has been reminded of the statutory obligation of the Head of Central and Regeneration Services (as the Council's Chief Finance Officer) to make a statement on the robustness of the Council's budget calculations in support of the proposed budget. In view of this, Groups have been encouraged to discuss, in confidence, budget proposals with the Head of Central and Regeneration Services prior to the meeting of Council on 19th February 2015.

Budget Consultation

67. As part of the development of the budget for 2015/16, there have been various forms of budget consultation. These include:-
 - consultation with staff and Unions on proposed changes to the workforce;
 - the 'Savings Challenge' – the Council has, again, used the '*feedbackonline*' website to invite savings proposals from both the residents and staff. All of the responses received along with the Management Team's response are provided at [Appendix J](#) to this report;
68. In relation to the Area Committees, reports were submitted to the January 2015-round of Committees. The resolutions of each Area Committee are provided at [Appendix K](#) and the Executive is recommended to consider these in their deliberations on the recommended budget.
69. With respect to the Business Community, budget papers were sent to the East Lancashire Chamber of Commerce (ELCC) following the December meeting of the Executive. At the time of writing this report, no response had been received from the ELCC but should there be any feedback prior to the meeting, a verbal update will be provided to Councillors when the report is considered.

Precepts, Printing Council Tax Bills etc

70. The Major Preceptors will all be meeting during February 2015 to set their budgets and council tax. The dates of the meetings are as follows:-

Major Preceptor	Date of Meeting
Lancashire County Council	12 th February
Lancashire Fire and Rescue Authority	16 th February
Lancashire Police and Crime Commissioner	TBD

71. This Council's meeting is also fixed for 19th February. Where available, Parish and Town Councils have submitted details of their precepts for 2015/16 (to be added to the council tax in their area) and these are provided for information at [Appendix L](#).
72. The scheduled date for bills and accompanying leaflets to be printed is late February 2015 to enable bills to be issued by in early March 2015 at the latest. Should it not be possible for the main billing process to start in early March, it would not be possible to issue bills in sufficient time to ensure the first Direct Debit payments of Council Tax are collected on 1st April. Hence, it is important that Council Tax is set at the meeting of Council on 19th February 2015.

IMPLICATIONS

Policy

73. The Council's current Strategic Plan is consistent with the priorities identified by the Council. The Strategic Plan will need to be reviewed during the coming year as there is unlikely to be the level of funding required to achieve all of the Council's current plans.
74. In accordance with the Council's Corporate Planning and Performance Framework, detailed Service Plans will need to be prepared and aligned with the Council's Strategic Plan, setting out both achievements and key developments.
75. The Council's General Fund Revenue Budget for 2015/16 (and Medium Term Financial Plan 2016/19) have been developed as far as is possible in conjunction with the corporate planning process recognising that a key element of the process is to ensure resources are allocated in a such a way that will lead to the achievement of the Council's objectives, both in relation to the forthcoming year and preparing for following years. However, as funding constraints continue, the challenge will be to protect key frontline service provision for as long as it is possible within the funding that is available.

Financial

76. The financial implications are as given in the report.

Legal

77. In accordance with s32 and s43 of the Local Government Finance Act 1992 (LGFA 1992), annually the Council must calculate and approve its Council Tax Requirement for the forthcoming financial year.

78. Section 25 of the Local Government Act 2003 also requires the Head of Central and Regeneration Services, as the officer having responsibility for the administration of the Council's financial affairs, to report to the Council on the robustness of the budget estimates and adequacy of financial reserves when determining its budget requirement under the LGFA 1992. This is considered in [Appendix A](#) and will be reported to Council on 19th February 2015 when the budget is considered for approval.

Risk Management

79. When considering the risks and risk management measures associated with the budget for next year, Councillors should note the draft statement on the robustness of the budget estimates and the adequacy of financial reserves shown at [Appendix A](#).
80. The development of the Council's budget is a complex task and is based on estimates of future income and expenditure. Councillors will appreciate that these estimates are made on the basis of the best information known when undertaking the work. It is necessary, for example, to assume a certain level of increase in pay (albeit the pay award is determined nationally), to estimate the likely interest rates and make forecasts of demand for, and therefore income from, the use of Council services.
81. Whilst every effort is made to ensure these estimates are robust, Councillors should be aware there is a risk that both internal and, particularly given the current economic climate, external factors may have an impact on budgetary performance. To minimise and control the impact of this, the Council has in place various mechanisms including for example, financial and contract procedure rules, budgetary control and monitoring arrangements to ensure that it can take pro-active action should it be necessary.
82. The budget for 2015/16 includes a range of budget reduction proposals. These proposals have been identified through the Council's Service and Financial Planning process and represent areas where it is considered possible to reduce the Council's budget whilst endeavouring to maintain key frontline service delivery at a level capable of achieving the Council's corporate priorities. The risk of not approving these savings is, subject to compensating savings not being identified, the increased reliance on reserves which, as indicated in the report, are already assumed to be used at a rate ranging between of c£1.4m and c£1.8m pa. Equally, in approving savings, there needs to be action to ensure they are implemented on time and in full and this will need to be monitored throughout the coming year.
83. Details of the impact of the proposed budget for 2015/16 on the Council's Medium Term Position are provided elsewhere in the report. Councillors should be aware that, whilst the budget recommended for 2015/16 is balanced, the Medium Term position continues to show a significant deficit in the face of a resource level that is reducing significantly year on year. In addition to the budget strategy for 2015/16 presented in this report, an outline Financial Strategy for 2015/19 is provided based around the principles of growing, charging and saving. There is little doubt that, on the basis of funding estimates that are known, substantial savings will be required. Further work will be required to develop these savings so that the Council can continue to set balanced budget in year and over the medium term.
84. Finally in this section, the Council has both a Strategic Risk Register. Where appropriate, the risks associated with the delivery of services and the Council's overall financial position is reflected in the risk register.

Health and Safety

85. There are no Health and Safety implications arising directly from the contents of this report. The budget does, however, include provision for ensuring the Council can meet its health and safety obligations as required.

Climate Change

86. As with health and safety implications, there are no climate change or sustainability implications arising directly from this report but the proposed budget includes provision, where necessary, to progress issues of sustainability for the Council. Equally, Councillors will be aware the Council has a Climate Change Action Plan and work has been undertaken to ensure that this is adequately resourced.

Community Safety

87. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity

88. In compliance with the Council's duties on equality and diversity, various impact assessments have been undertaken on the budget issues recommended in this report.

APPENDICES

- Appendix A – Draft Statement from the Chief Finance Officer on the Robustness of Estimates and Adequacy of the Council's Reserves and Balances
- Appendix B – Review of the Council's Minimum Working Balance
- Appendix C – Response to Consultation on the Local Government Finance Settlement 2015/16
- Appendix D – 'Firming Up' Adjustments
- Appendix E(i) – Revenue Budget Savings Proposals 2015/16
- Appendix E(ii) – Leisure Trust - Revenue Budget Savings Proposals 2015/16
- Appendix F – Narrative Supporting Revenue Budget Savings Proposals 2015/16
- Appendix G – Council Tax Exemplifications
- Appendix H – Reserves and Balances
- Appendix I – General Fund Revenue Budget 2015/16 – Management Team Recommendation
- Appendix J – Savings Challenge Proposals and Responses
- Appendix K – Responses to Area Committee Consultation
- Appendix L – Town and Parish Council Precepts 2015/16

LIST OF BACKGROUND PAPERS

First Budget Report – Presented to the Executive on 11th December 2014
Provisional Local Government Finance Settlement 2015/16