

Title of Report:	Revenue Budget 2014/15
Report to be considered by:	Council
Date of Meeting:	4 March 2014
Forward Plan Ref:	C2749

Purpose of Report: To consider and recommend to Council the 2014-15 revenue budget.

Recommended Action: That the Executive recommends to Council

(1) That the Fees & Charges be approved as set out in Appendix F and the appropriate statutory notices be placed where required in accordance with the decision of the Executive on 13th February 2014

(2) That the Special Expenses be approved as set out in Appendix G in accordance with the decision of the Executive on 13th February 2014.

(3) That the 2014-15 savings proposals, as detailed in Appendix Ci) and Cii) are agreed along with the 2015-16 savings proposals, as detailed in Appendix Ciii).

(4) That the 2014-15 budget requirement for Council tax setting purposes of £76.56 million requiring a Council Tax freeze be approved.

Reason for decision to be taken: Formulation of the 2014/15 Budget is a requirement to meet the Council's Statutory duties.

Key background documentation: Medium Term Financial Strategy 2014-17
Capital Strategy and Programme 2014-19
Council Strategy 2013-17

The proposals will help achieve the following Council Strategy principles:

- CSP6 - Living within our means**
- CSP8 - Transforming our services to remain affordable and effective**

Portfolio Member Details	
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Date Portfolio Member agreed report:	30 January 2014
Contact Officer Details	
Name:	Andy Walker
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Implications

Policy:	The formulation of the Budget is in accordance with the policies within the Financial framework.
Financial:	These are contained in further detail within the report. The key implication is a Council Tax freeze assumption and a significant reduction to the Council's funding from Central Government. The savings programme for 2014/15 totals £5.6m with additional cost pressures and investment of £1.5m.
Personnel:	These were addressed in a separate report to the December meeting of the Executive.
Legal/Procurement:	Requirement to produce a Revenue Budget under the various Local Government Finance Acts. Key savings proposals included in this report are determined by effective procurement decisions. The savings proposals will be monitored throughout the financial year by Corporate and Management Board.
Property:	None
Risk Management:	A number of budget risks have been identified as part of the budget proposals, and these will be kept under constant review. As part of the 2014/15 financial monitoring, savings proposals will be kept under monthly review to ensure they are delivered. Appendices D and E set out how the impact of increased volatility in Local Government finance will be managed.

Is this item relevant to equality?	Please tick relevant boxes		Yes	No
Does the policy affect service users, employees or the wider community and:				
• Is it likely to affect people with particular protected characteristics differently?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Is it a major policy, significantly affecting how functions are delivered?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Will the policy have a significant impact on how other organisations operate in terms of equality?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Does the policy relate to functions that engagement has identified as being important to people with particular protected characteristics?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Does the policy relate to an area with known inequalities?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
Outcome (Where one or more 'Yes' boxes are ticked, the item is relevant to equality)				
Relevant to equality - Complete an EIA available at www.westberks.gov.uk/eia				<input type="checkbox"/>
Not relevant to equality				<input checked="" type="checkbox"/>

Is this item subject to call-in?	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval		<input checked="" type="checkbox"/>
Delays in implementation could have serious financial implications for the Council		<input type="checkbox"/>

Delays in implementation could compromise the Council's position
Considered or reviewed by Overview and Scrutiny Management Commission or
associated Task Groups within preceding six months
Item is Urgent Key Decision
Report is to note only

Executive Summary

1. Introduction

1.1 This report:

- (1) Advises Members of the Council's Formula Grant settlement for 2014/15 received in December 2013
- (2) Outlines the revenue budget for 2014-15, including details regarding additional cost pressures and savings

1.2 This paper should be read in conjunction with the Council's Medium Term Financial Strategy 2014-2017 (MTFS) also on this agenda.

2. Proposals

- 2.1 To set a Council Tax requirement of £76.56m for 2014-15 with a Council Tax freeze for West Berkshire Council, and to approve the revenue budget and appendices.
- 2.2 To set a 2014-15 net revenue budget of £120.88m. This includes additional cost pressures and investment of £1.5m in Council priorities and a savings programme of £5.6m.

3. Equalities Impact Assessment Outcomes

3.1 Assessments have been done and are included on the relevant savings items.

4. Conclusion

- 4.1 The Council, like all public bodies, has, and will continue to see, a significant decrease to its funding streams as result of Central Government reducing expenditure over the period of the Comprehensive Spending Review (CSR) 2011-15. The Council has therefore seen a significant decrease to its funding from Central Government as part of this review.
- 4.2 There is greater volatility within the financing of the Council due to Central Government reforms. This combined with the point above, has lead to a continued high level of savings required.
- 4.3 Within the context above, the Council continues to develop and transform its services in line with the Council Strategy and outcomes that this Strategy seeks to deliver.

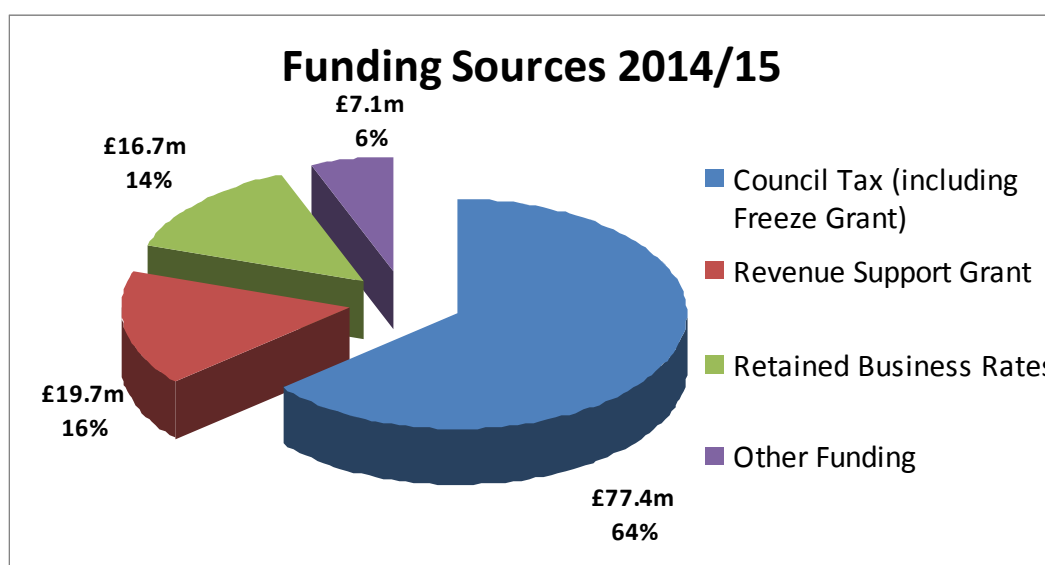
Executive Report

1. Introduction

- 1.1 The purpose of this paper is to propose the Council's revenue budget for 2014/15, to outline the context within which it is set, and to set a Council Tax requirement for 2014/15.
- 1.2 This report highlights that for West Berkshire residents there will be Council Tax freeze in 2014/15.
- 1.3 The Government's 2010 Comprehensive Spending Review (CSR) allocated a tough settlement for local government with large reductions in grant funding. In the period since then, we have put in place a programme to remain within our budget which has delivered savings of around £23m. This programme of controlled expenditure will continue for the period of the Medium Term Financial Strategy, 2014 to 2017.

2. Sources of Funding

The pie chart below shows the funding sources for West Berkshire Council in 2014/15.



Council Tax

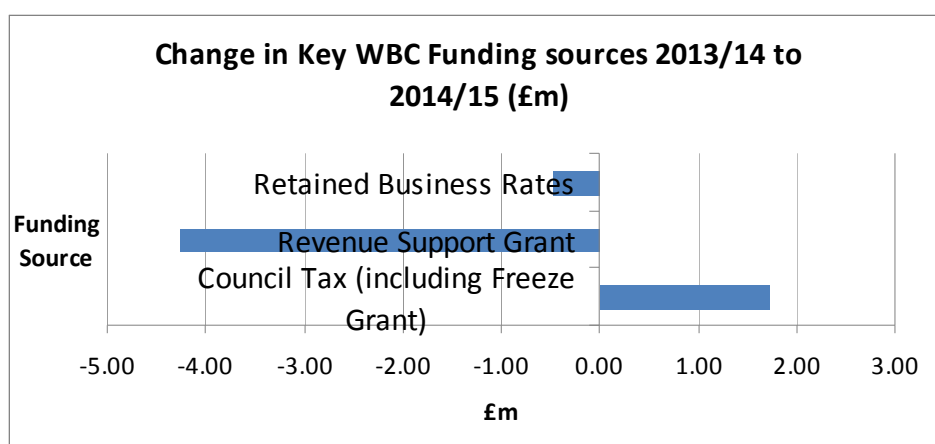
- 2.1 West Berkshire Council's main source of funding is from Council Tax, which is collected from local residents based on the value of the property in which they live. The recommendation included within this report is a Council Tax freeze for 2014/15.
- 2.2 The Government has announced funding for a Council Tax freeze, which is equivalent to the income we would have received from a 1% rise. For West Berkshire Council this amounts to £820k in 2014/15. The Government has confirmed that the freeze grant will become part of our baseline funding.

Revenue Support Grant (RSG)

- 2.3 Councils receive general grant from Government to support the services provided. There are no restrictions on how this is used, within a council's legal powers. West Berkshire Council will receive Revenue Support Grant of £19.7m in 2014/15. This is a decrease of slightly over £4m from 2013/14. This equates to a loss of £62 per dwelling from last year.

Retained Business Rates

- 2.4 From 2013/14, councils keep a proportion of the income they receive from business rates raised in their area. Half of our business rates have to be paid over to central government. Of the other half, some are retained by West Berkshire Council and some are paid to central government as a tariff.
- 2.5 There has been a slight reduction in the amount West Berkshire Council is expecting to retain from Business Rates compared to last year mainly due to valuation changes. The bar chart below shows the change to the three main funding sources compared to last year.



Other Funding

- 2.6 West Berkshire Council receives a number of specific grants to support its priorities.

Education Services Grant

- 2.7 This is allocated on a per-pupil basis to local authorities according to the number of pupils for whom they are responsible. This has fallen slightly from last year due to loss of pupils to Academy Schools.

Better Care Fund

- 2.8 The Better Care Fund (previously the Integration Transformation Fund) provides funding to be spent locally on health and care with the aim of achieving closer integration and improve outcomes for patients and service users and carers. The fund is also intended to meet the costs from meeting the Care Bill. In 2015-16 the fund will be allocated to local areas where it will be put into pooled budgets under Section 75 joint governance arrangements between CCGs and Councils. A condition of accessing the money is that the CCGs and Councils must jointly agree

plans for how the money will be spent, and these plans must meet certain requirements.

New Homes Bonus

- 2.9 This is paid to councils to encourage them to build new homes. This gives councils a grant equivalent to their increase in Council Tax income for a period of six years for each new home. There is additional money if any of these new homes are affordable housing. West Berkshire Council will receive £2.26m from this grant in 2014/15.

3. Planned Expenditure and Savings

Base Budget Growth

- 3.1 This is the budget increase required for the Council to perform exactly the same functions year on year. As part of the budget setting process, the Council builds for salary increases (1% assumption) based on the established number of posts. Budgets are inflated where a contract is in place and is subject to annual inflationary increases of up to 1.5%.

Item	Type	Base Budget Growth	Amount £'000
1	Non-pay inflation	For contracts such as waste PFI (£280k), cleaning, energy and rates (£108k), highways maintenance, fostering allowances	740
2	Pay inflation	1% pay award assumed	495
3	Pension increase	0.5% increase	305
4	Incremental rises	As per WBC's terms and conditions of employment	523
5	Other adjustments	Includes a variety of minor adjustments due to central funding changes, prior year changes etc.	-220
6	NHS funding	Expenditure budget required to support social care	417
	Total		2,260

Super Inflation

- 3.2 This represents the inflation paid on contracts over 1.5% and amounts to £314k. The main amount of super inflation the Council faces is from the waste PFI contract. This contract increase is based on the RPIx measure in January of each year. Full details are given in Appendix A.

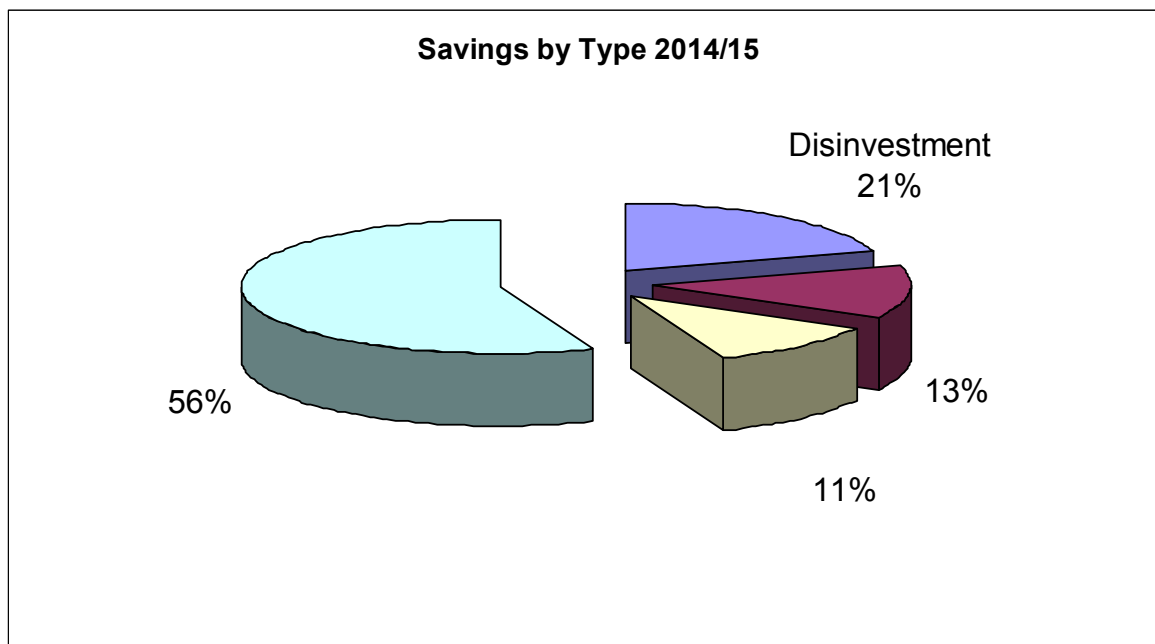
Unavoidable Service Pressures

- 3.3 These are new pressures that require additional budget in 2014-15 which amount to £1.2m. Full details are given in Appendix B.

Savings

- 3.4 Given the scale of the savings requirement for both 2014/15 and 2015/16, we recognise that a number of the proposals being put forward within the revenue budget will be considered 'front line' services that people use and notice. As such, in November 2013 we published a list of those proposed savings relating to both the 2014/15 and the 2015/16 financial years which would likely have a direct impact on users, and sought to elicit from those directly affected and interested what the impact of the proposed saving might be.
- 3.5 The purpose of this exercise was for residents, users or partners to put forward – and for us to ensure we more fully understood – the impact of the savings proposal on those who use them and should they be agreed, to explore ways in which the impact may be mitigated against.
- 3.6 All proposals were posted on our Consultation Finder database on our website, and those affected were contacted directly informing them of the proposals and how to respond. The proposals were emailed to around 900 members of the community panel as well information posted on our Facebook and Twitter accounts. This process generated a great deal of feedback. Individual papers providing an overview of responses received and subsequent recommendations for each of the proposals are provided as Appendix C iii) to this report.
- 3.7 These 'overview and recommendations' papers should be read in conjunction with the more detailed 'summaries of responses' and verbatim responses received in relation to each of the proposals to ensure decision makers have a sufficient overview of the breadth and tenor of the comments received. These have been circulated electronically to all members alongside the agenda pack and published online on our [Consultation Finder](#) database.
- 3.8 The full list of remaining savings proposals are detailed in Appendix C i) and ii). The savings total £5.63m for 2014/15. The chart below shows the 2014/15 savings by type.

3.9 2014/15 Savings by type



Funding Statement

2014/15 Funding Statement	£m	£m
Income		
Council Tax income		76.56
Council Tax Freeze Grant		0.82
Revenue Support Grant		19.69
Retained Business Rates		16.66
Education Services Grant (ESG)		2.52
Better Care Fund		2.21
New Homes Bonus		2.26
Council Tax Collection Fund deficit (-)/ surplus		0.16
Funds available		120.88
Expenditure		
Opening Directorate Budget	115.57	
Base budget growth (pay and non-pay)	2.26	
Super inflation	0.31	
Unavoidable service pressures	1.20	
Savings identified	-5.63	
Directorate budget requirement		113.71
Levies & capital financing costs		7.45
Use of Medium Term Financial Volatility Reserve		-0.44
CTSS support for Parishes		0.16
Budget requirement		120.88

4. Levies and Capital Financing Costs

- 4.1 This budget includes approximately £7.7 million for principal and interest payments on the long term loans which the Council has taken out to fund its capital programme. This cost is offset by interest earned on the Council's investments estimated at about £0.44 million. The remaining budget also includes levies set by the Environment Agency and the Thames Valley Magistrates Courts Service.

5. Reserves

- 5.1 As part of the financial planning process, the Council will consider the establishment and maintenance of reserves. Reserves are categorised into General Reserves (General Fund and Risk Fund), Working Balances, Earmarked Reserves, Capital Reserves and Unusable Reserves.
- 5.2 The purpose of the General Fund is to act as a fund to be used in emergencies and to protect council taxpayers from any steep rises in future Council Tax if the Council overspends against its budget.
- 5.3 The Council s151 officer (the Head of Finance) recommends that the general reserve is a minimum of 5% of the Council's net budget, which in 2014/15 would be £6.1m. The Council General Fund currently stands at £6.4m which is just above the minimum recommended level.
- 5.4 The General Fund exists to cover a number of risks. These are detailed as per the s151 officer's statement in Appendix E; there are a number of items that have inherent but not specific risks.
- 5.5 If the risks occur, then this would reduce the general reserves, assuming that every other Council budget breaks even. If the Council does not break even in 2013-14 then it will need to establish a mechanism for replenishing reserves in future years.
- 5.6 The Council in 2012/13 created the Risk Fund or Medium Term Financial Volatility Reserve (MTFVR). This reserve exists for a number of risks, primarily resulting from changes to local government finances and the volatility that these present.
- 5.7 The s151 officer has concluded that the MTFVR should be at least 50% of the 'gap' between the predicted Business Rates level and the level at which the Council receives a safety net payment from Government. At present, this total gap is £3m. The MTFVR should therefore be at a minimum of £1.5m to ensure that the Council does not experience a significant pressure going into future financial years from any losses due to appeals and rateable value changes.
- 5.8 The MTFVR will fund the shortfall in retained Business Rates in 2013/14 estimated at circa £0.44m leaving a balance of £1.06m which would be below its recommended minimum level and would raise some additional financial risk in the future. It is the intention to build this reserve back up to the recommended level as part of the Medium Term Financial Strategy.
- 5.9 Further detail on reserves is given in Appendix D

6. Special Expenses

6.1 There are four special expenses areas within the District and the special expenses to be levied are detailed below:

Hungerford Footway Lighting	£5,750
Kintbury – St Mary’s Church yard	£500
Shaw – St Mary’s Church yard	£500
Theale – Holy Trinity Church yard	£800
Total	£7,550

6.2 The special expenses to be levied for these areas are detailed in Appendices G.

7. Recommendations

7.1 That the Executive recommends to Council

- (1) That the Fees and Charges be approved as set out in Appendix F and the appropriate statutory notices be placed where required in accordance with the decision of the Executive on 13th February 2014
- (2) That the Special Expenses be approved as set out in Appendix G in accordance with the decision of the Executive on 13th February 2014
- (3) That the 2014/15 savings proposals, as detailed in appendix Ci) and Cii) are agreed along with the 2015/16 savings proposals as detailed in Appendix Ciii).
- (4) That the 2014-15 budget requirement for Council Tax setting purposes of £76.56m requiring a Council Tax freeze be approved.

Appendices

Appendix A – Super Inflation

Appendix B – Unavoidable Service Pressures

Appendix C i) to iii) – Savings proposals 2014-15 and saving summary responses to consultation.

Appendix D – Reserves statements

Appendix E – Adequacy of Reserves and robustness of budget estimates

Appendix F – Fees and Charges

Appendix G – Special Expenses

Appendix H – Council Tax Collection Fund

Appendix I - Unison comments to follow

Appendix J – Minutes of the business panel held on 10th February 2014 - to follow

Appendix K – Council Tax Resolution - to be completed

Consultees

Local Stakeholders: Consulted local business leaders on 10th February 2014 and notes from meeting can be found in Appendix J.

Officers Consulted: Directorate SMTs, Heads of Service and Corporate Board.

Trade Union: See Appendix I.