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| Title of Report: | Revenue Budget 2015/16 |
| Report to be considered by: | Executive on 12 February 2015 Council on 3 March 2015 |
| Forward Plan Ref: | C2835 |

Purpose of Report: To consider and recommend to Council the 2015/16 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 12th February 2015.

(2) That the Special Expenses be approved as set out in Appendix G in accordance with the decision of the Executive on 12th February 2015.

(3) That the 2015/16 budget requirement for Council tax setting purposes of £78.44 million requiring a Council Tax freeze be approved.

Reason for decision to be taken: Formulation of the 2015/16 Budget is a requirement to meet the Council's Statutory duties.

Other options considered: None

Key background documentation: Medium Term Financial Strategy 2015-18
Capital Strategy and Programme 2015-20
Council Strategy 2015-19

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| The proposals will help achieve the following Council Strategy principle: <input checked="" type="checkbox"/> CSP6 - Living within our means |
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| Portfolio Member Details | |
|---|--|
| Name & Telephone No.: | Councillor Alan Law - Tel (01491) 873614 |
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| Date Portfolio Member agreed report: | 3 February 2015 |

| Contact Officer Details | |
|-------------------------|--------------------------|
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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. The savings programme for 2015/16 totals £5.91m with additional cost pressures and investment of £2.78m.
- Personnel:** Any staffing implications arising as a result of this budget will be subject to the Council's HR policies and procedures.
- 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 2015/16 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"/> | |

Executive Summary

1. Introduction

1.1 This report:

- (1) Advises Members of the Council's Formula Grant settlement for 2015/16 received in December 2014
- (2) Outlines the revenue budget for 2015/16, 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 2015-2018 (MTFS) also on this agenda.

2. Proposals

- 2.1 To set a Council Tax requirement of £78.44m for 2015/16 with a Council Tax freeze for West Berkshire Council, and to approve the revenue budget and appendices.
- 2.2 To set a 2015/16 net revenue budget of £122.86m. This includes unavoidable investment of £2.78m in Council priorities and a savings programme of £5.91m.

3. Equalities Impact Assessment Outcomes

3.1 Assessments have been done by the relevant services putting forward their 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.

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.

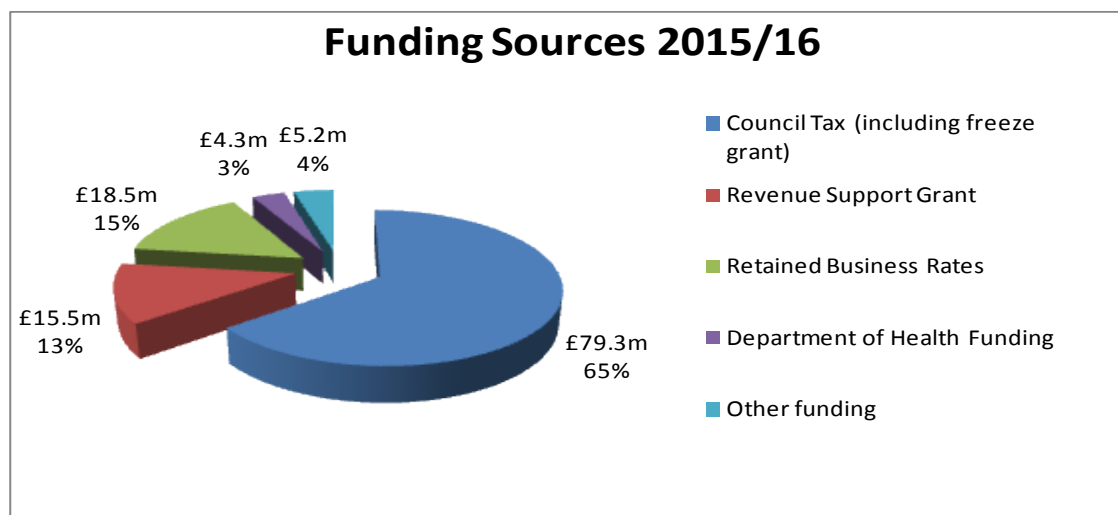
Executive Report

1. Introduction

- 1.1 The purpose of this paper is to propose the Council's revenue budget for 2015/16, to outline the context within which it is set, and to set a Council Tax requirement for 2015/16.
- 1.2 This report highlights that for West Berkshire residents there will be Council Tax freeze in 2015/16.
- 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 £31m. This programme of controlled expenditure will continue for the period of the Medium Term Financial Strategy, 2015 to 2018.

2. Sources of Funding

The pie chart below shows the funding sources for West Berkshire Council in 2015/16.



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 2015/16.
- 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 £860k in 2015/16. The Government has confirmed that the freeze grant will become part of our baseline funding.

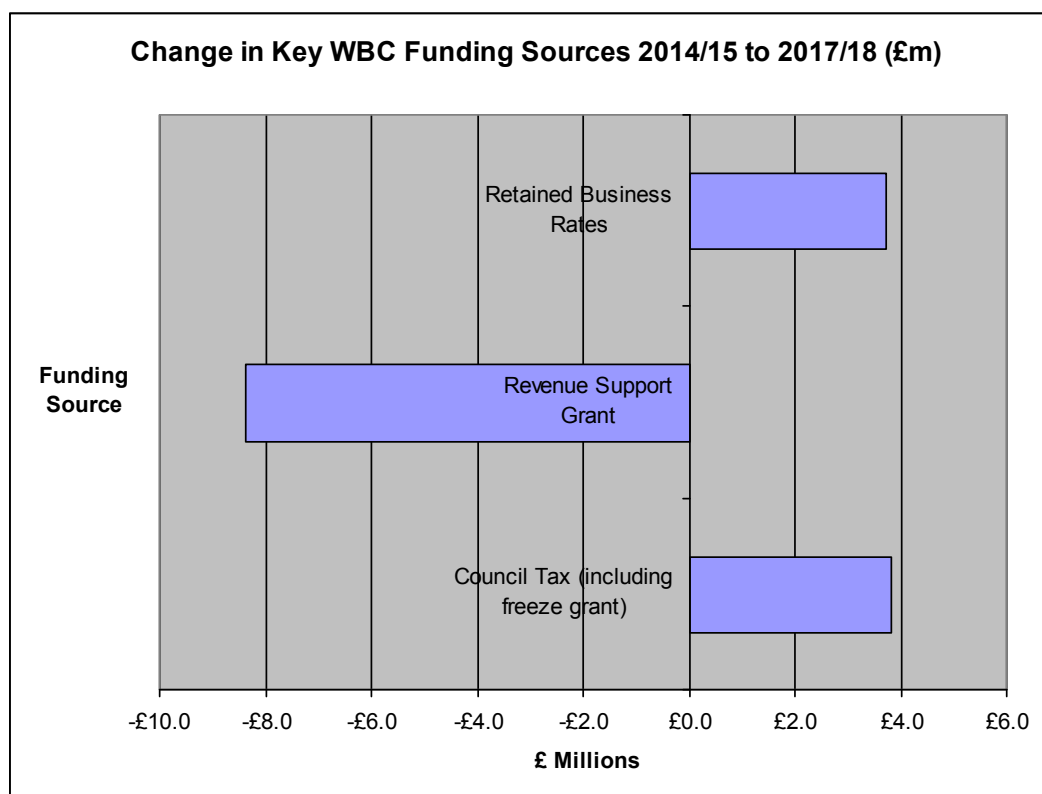
REVENUE SUPPORT GRANT (RSG)

- 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 £15.47m in 2015/16. This

represents a cut in funding of over 20% amounting to slightly over £4m from 2014/15.

RETAINED BUSINESS RATES

- 2.4 From 2013/14, councils keep a proportion of the income they receive from business rates raised in their area. Of the £82m collected locally the vast majority is paid over to central government leaving the Council with £18.5m.
- 2.5 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. For 2015/16 this amounts to £2.03m for West Berkshire Council, a reduction of £480k from 2014/15. This funding reduction is in line with Government anticipated efficiencies generated within local authorities through the conversion of Schools to Academies.

DEPARTMENT OF HEALTH FUNDING

- 2.8 The Department of Health provides funding, via the Better Care Fund 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. 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. In addition to this the Department of Health is providing grants to meet some of the new burdens arising from the Care Act.

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 £3.06m from this grant in 2015/16.

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. Expenditure on the Better Care Fund now also forms part of our base budget.

BASE BUDGET GROWTH - CARE ACT ELIGIBILITY

- 3.2 The first phase of the Care Act 2014 comes into force in April 2015 and introduces the most significant changes to social care legislation for 60 years. The two changes expected to have the most significant financial impact for the council are the introduction of a new national eligibility criteria and the entitlement for Carers. Extensive modelling of the likely impact puts the cost of the new Care Act duties at £5.2m in 2015/16. Despite the government stating they would meet the costs of the Care Act in full, the total additional funding being received is only £2.2m leaving the council to cover a funding gap of £3m.

CONTRACT INFLATION

- 3.3 Budgets are inflated where a contract is in place and is subject to annual inflationary increases of up to 1.5%. This amounts to £641k in 2015/16. Super inflation is added to budgets where the contract inflation is over 1.5% and amounts to £164k in 2015/16. 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

- 3.4 These are new pressures that require additional budget in 2015/16 which amount to £1.98m. Full details are given in Appendix B.

SAVINGS

- 3.5 Given the scale of the savings requirement for both 2014/15 and 2015/16, we recognised that a number of the proposals being put forward within the revenue budget would 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.

- 3.6 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.
- 3.7 All proposals were posted 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.
- 3.8 A separate consultation exercise was undertaken on savings proposals impacting on Integrated Youth Support Services, which closed on 9th January 2015. The overview and recommendations from this consultation exercise can be found in Appendix C 1b.
- 3.9 The full list of savings proposals for 2015/16 are detailed in Appendix C. The savings total £5.91m for 2015/16.

FUNDING STATEMENT

| 2015/16 Funding Statement | £m | £m |
|---|--------|---------------|
| Income | | |
| Council Tax income | | 78.44 |
| Council Tax Freeze Grant | | 0.86 |
| Revenue Support Grant | | 15.47 |
| Other Non-Ringfenced Grants | | 0.21 |
| Retained Business Rates | | 18.52 |
| Education Services Grant (ESG) | | 2.03 |
| Department of Health Funding | | 4.34 |
| New Homes Bonus | | 3.06 |
| Council Tax Collection Fund deficit | | -0.07 |
| Funds available | | 122.86 |
| Expenditure | | |
| Opening Directorate Budget | 113.13 | |
| Base budget growth | 1.14 | |
| Base budget growth - Care Act Eligibility | 5.15 | |
| Contract inflation | 0.81 | |
| Unavoidable service pressures | 1.98 | |
| Savings requirement | -5.91 | |
| Directorate budget requirement | | 116.30 |
| Levies & capital financing costs | | 8.64 |
| Net Budget Requirement for Management Accounting | | 124.93 |
| Use of Reserves | | -2.18 |
| CTSS support for Parishes | | 0.11 |
| Budget requirement | | 122.86 |

4. Levies and Capital Financing Costs

- 4.1 This budget includes approximately £9 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 £0.38 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 Medium Term Financial Volatility Reserve (MTFVR), 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's s151 officer (the Head of Finance) recommends that General Reserves are a minimum of 5% of the Council's net budget, which in 2015/16 would be £6.2m. The Council General Fund is expected to stand at £6.5m on 1.4.2015.
- 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 over spends in 2014/15 then it will need to establish a mechanism for replenishing reserves in future years.
- 5.6 The Council in 2012/13 created a risk fund called the 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 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 | £3,450 |
| Kintbury – St Mary's Church yard | £6,280 |
| Shaw – St Mary's Church yard | £1,050 |
| Theale – Holy Trinity Church yard | £1,400 |
| Total | £12,180 |

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

7. Recommendations

- 7.1 To approve the budget report for 2015/16 and the budget proposals contained with the report and appendices.

Appendices

Appendix A - Contract inflation
Appendix B - Unavoidable service pressures
Appendix C - Savings proposals 2015/16
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 with next version
Appendix J – Minutes of the Business Panel information meeting held on 9th February 2015 - to follow with next version

Consultees

Local Stakeholders: Consulted local business leaders on 9th February 2015 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