

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources, Policy and Performance)	Executive Cabinet	16 January 2014

## **2014/15 BUDGET AND SUMMARY BUDGET POSITION OVER THE MEDIUM TERM**

### **PURPOSE OF REPORT**

1. To set out the budget position for 2014/15 including the forecast for the following 2 years to 2016/17 and also present the relevant proposals in respect of:
  - Potential investment in the Council's Corporate Strategy priorities in 2014/15.
  - Increasing budget resilience in the longer term.
  - Budget Consultation.

### **RECOMMENDATION(S)**

2. That Members agree the contents of this report in order to start the Budget Consultation process and note the following proposed budget items in particular:
  - Council Tax to be frozen in 2014/15.
  - The proposed New Investments for 2014/15 and 2015/16.
  - The balanced budget position for 2014/15.
  - The forecasted budget position to 2016/17.

### **EXECUTIVE SUMMARY OF REPORT**

3. The budget forecasted over the next 3 years have been updated to take account of the following changes:
  - Council Tax will be frozen in 2014/15.
  - Local Government Settlement 2014/15 – provisional round published 18<sup>th</sup> December 2013.
  - Progress against the Medium Term Financial Strategy (MTFS) budget efficiency objectives.
  - Triennial Review of the Pensions Fund.
4. The recent Local Government Finance Settlement for 2014/15 continued the programme of Central Government core grant reductions for the years 2014/15 and 2015/16, adding to the previous cuts since the Comprehensive Spending Review in 2010 as follows:-

Year	Reduction £000	%
2011/12	1,154	-13.6
2012/13	857	-11.7
2013/14	435	-7.4
2014/15	879	-13.5
2015/16	874	-15.6
<b>Total</b>	<b>4,199</b>	

5. Due to the successful implementation of the MTFS budget efficiency savings totalling £0.903m have been applied to the budget to achieve a balanced budget position for 2014/15. It is important to note however, this is not a sustainable position. The projected budget position in future years shows there remains a significant budget gap in 2015/16 and 2016/17 as in the table below together with heightened uncertainty and risk in the form of year on year variable new funding regimes. A more detailed breakdown is contained in Appendix One.

6. **Updated Budget Deficit as at December 2013**

	2014/15	2015/16	2016/17
Updated Budget Deficit – December 2013	0	1,547	2,709

7. It is important to note that the latest budget position is based on the following key assumptions:

Key Budget Assumptions	2013/14	2014/15	2015/16	2016/17
Reduction in Government Grant	£435k	£879k	£874k	£350k
Profiled Reduction in Grant Settlement	(7.4%)	(13.5%)	(15.6%)	(7.4%)
Payaward	1%	1%	1%	1%
Pension Fund Employers' Contribution – Future Service	n/a	11.1%	11.1%	11.1%
National Insurance Contributions	10.4%	10.4%	10.4%	13.8%
Increase in Council Tax	0%	0%	0%	0%
Grant for freezing Council Tax in 2014/15 & 2015/16	-	£65k	£65k	-
Use of New Homes Bonus (NHB) in the base budget to date	£1,044k	£1,044k	£1,044k	£1,044k

8. In addition to the above assumptions the following approach has been taken:-

- Council Tax will be frozen at its current level in 2014/15.
- NHB receipts in respect of 2013/14 and 2014/15 have not been built into the base budget as recurring core funding to enable the Council to improve budget resilience and flexibility to respond to future annual uncertainty inherent in the new public finance funding regimes. Future years awards will be dependent upon the level of housing development.

- No Business Rates retained income has been included in the budget forecast at this stage as forecasted receipts will only be finalised later in the year. At this point in time the final outcome will be dependent on movements in the local tax base and also collection performance including the outcome of appeals. Additionally the technical calculations with regard to the levy paid to Central Government have yet to be confirmed.
  - The triennial review of pensions has been issued which has resulted in a change to the way the Council pays its Employers Contributions.
  - The assumed reduction in Government Grant in 2016/17 is estimate and will be subject to change as part of CSR 2014.
9. Despite the additional funding cuts announced on 18<sup>th</sup> December 2013 a planned early budget preparation process has enabled the Council to apply New Homes Bonus (NHB) funds to invest in the corporate strategy priorities in 2014/15, these aim to:
- **INVOLVE RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL.**
  - **CLEAN, SAFE AND HEALTHY COMMUNITIES.**
  - **AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA.**
  - **A STRONG LOCAL ECONOMY.**
10. Potential investment proposals are summarised in the report and set out in detail in project mandates detailed in Appendix Two. Funding has been achieved by not building 2013/14 and 2014/15 New Homes Bonus income into the base budget. This approach has been taken to enable the council flexibility and resilience in order to address the variable nature of future core funding. New homes bonus is top sliced from the government grant pot, and whilst recurrent for a number of years, it is not guaranteed in the future and is of course dependent on future housing development.
11. The current Medium Term Financial Strategy (MTFS) sets out options over a 3 year period that effectively addresses the budget deficit position over the longer term to secure financial resilience and sustainability. This timeframe is considered the maximum period whereby reasonable forecasts can be made. Options that will be considered over the next three year MTFS period are:
- Re-engineering of services to fundamentally review service provision to reduce net expenditure and improve efficiency.
  - A programme of reducing the Council's debt position which has an impact on the revenue account including a possible accelerated rate at which the Pension Fund deficit is clawed back.
  - Income generation schemes as a continuation of the projects implemented to date.
  - Increases in Council Tax.
12. Consultation on the proposed budget for 2014/15, which includes a freeze on Council Tax, will commence following approval of the proposals by Executive Cabinet at this meeting. The consultation will focus on obtaining feedback on the key investment areas in order to help prioritise activity. It will also highlight the impact of a reduction in Council funds and ask residents to give us their views on the budget. The consultation will invite responses from residents, partners, parish groups and other stakeholders through a variety of methods including a short survey (available both in hard copy and online). Results will be analysed and published in February for consideration as part of budget finalisation.

<b>Confidential report</b> Please bold as appropriate		<b>No</b>
<b>Key Decision?</b> Please bold as appropriate	<b>Yes</b>	
<b>Reason</b> Please bold as appropriate	(1) <b>A change in service provision that impacts upon the service revenue budget by £100,000 or more.</b>	(2) A contract worth £100,000 or more.
	(3) A new or un-programmed capital scheme of £100,000 or more.	(4) Significant impact in environmental, social or physical terms in two or more wards.

## REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

13. To progress the Council's 2014/15 Budget Setting process to achieve an approved and balanced budget.

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

14. Setting the budget is a statutory responsibility.

## CORPORATE PRIORITIES

15. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	X	A strong local economy	X
Clean, safe and healthy communities	X	An ambitious council that does more to meet the needs of residents and the local area	X

## BACKGROUND

16. The Medium Term Financial Strategy (MTFS) approved in February 2013, covering the period 2013/14 to 2014/15, contained the budget deficit projection below. This being estimated on the basis of information published in the Government's Comprehensive Spending Review (CSR) 2010 and the subsequent Local Government Finance Settlement announcements. As settlements are now published periodically during the four year period and not upfront, the MTFS is increasingly based on estimates and key assumptions. This issue is currently exacerbated as some technical elements of the new Business Rates Retention Scheme have still to be clarified making accurate forecasting problematic.

17. **Budget Gap in the MTFS approved February 2013**

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Estimated Forecasted Budget Gap – February 2013	946	1,590

18. In addition to Business Rates Retention, 2013/14 was the first year of the new Council Tax Support Scheme. As neither of these two schemes have completed their first year since implementation their full and detailed impact on the budget has still to be quantified. This has also meant that the degree in estimating budget forecasts has increased.
19. The provisional stage of the last settlement round within the 2010 CSR period was announced recently on 18<sup>th</sup> December 2013. The changes from that previously issued are:
  - Council Tax Freeze Grant applicable to freezing prior to 2013/14 has been removed.
  - There was a marginal positive change from the anticipated grant reduction of £10k.
  - The provisional grant reduction in 2015/16 is £0.874m.
20. In addition to the settlement the Employers' Contributions to the Pension Fund has also been updated. In addition to the fund undergoing its triennial review and revaluation, employers' contributions are being structured in a different way. Both events impact on the budget both in terms of budget provision and also reducing the budget savings that can be realised from reducing employee costs. In summary, the two elements of the contribution made i.e. future service (for current membership) and deficit recovery (to bring back to a fully funded status) have previously been rolled into one contribution based on a percentage of the pay bill. These two elements have now been separated out with the future service contribution remaining as a percentage of the pay bill and the second deficit contribution now to be paid as a total cash sum that will not reduce if establishment or pension fund membership reduces.
21. Due to the fact that significant reductions in core funding are expected for the foreseeable future, a robust budget preparation process has been progressed using reasonable financial assumptions where actual data is absent. Despite the settlement only being announced on 18<sup>th</sup> December this approach has enabled a balanced budget position to be achieved in advance of the next financial year, this serves to mitigate the risk to service provision inherent in such a significant and complex process.
22. This approach has also secured a balanced budget in 2014/15 without incorporating any further NHB funds into the base budget for a further year. This makes NHB received in 2013/14 and 2014/15 available to finance one-off investments projects that support and enhance the delivery of the Corporate Strategy priorities.

## **THE PROPOSED BUDGET POSITION**

23. Council Tax will be frozen and will not increase in 2014/15. This will be the second consecutive year that the current administration has achieved a balanced budget position for the forthcoming financial year without increasing Council Tax.
24. The publication of the Local Government Finance Settlement now completes the CSR 2010 4 year period. It has resulted in large scale reductions in Central Government grant placing significant pressure on the Councils budget. For 2014/15 this being £0.879m (equating to -13.5%). This is in addition to the reductions in the previous three years: 2011/12 £1.154m (-13.6%); 2012/13 £0.857m (-11.7%); and 2013/14 £0.435m (-7.4%). Thus making the four year reduction in grant total £ 3.325m.
25. The provisional figures published for 2015/16 indicates that a further £0.874m will be reduced from Central Government Grant in 2015/16. Announcements have been issued stating austerity measures will continue after 2015/16 and beyond, therefore, a reduction in the region of £0.350m has been assumed in 2016/17 although this will be subject to change as part of the CSR 2014. This results in a forecasted budget deficit totalling £2.709m as in the table at paragraph 28 below.

26. The updated budget position forecasted over the longer term is summarised below, together with the key budget assumptions that have been applied. The table below identifies that a balanced budget position has been achieved in 2014/15 following the successful implementation of the Medium Term Financial Strategy (MTFS). Additionally, as NHB has not been applied to the base budget, funds are available for non-recurring new investment in 2014/15. It should be noted, however, that as a result of the grant reduction above a significant budget gap is expected thereafter. More details are included in the Four Year Budget Summary in Appendix One.
27. An outline financial strategy to achieve a balanced position over the longer term is summarised later in the report and will be set out in detail within the Budget Report to Council in February 2014.
28. **The current forecasted budget deficit to 2016/17**

Budget Assumptions	2014/15 £000	2015/16 £000	2016/17 £000
Revised Budget Deficit – December 2013	903	1,547	2,709
Recurring Budgetary Savings Already Achieved	(903)		
<b>Budget (Surplus)/Deficit</b>	<b>(0)</b>	<b>1,547</b>	<b>2,709</b>
Uncommitted/Surplus NHB	(1,054)	*(1,704)	*(2,589)
<b>Funds available for new investment in 2014/15</b>	<b>1,054</b>		

\*assumes some NHB growth in future years but this is not guaranteed.

## KEY BUDGET ASSUMPTIONS AND NEW EVENTS

29. As increasingly more critical and high value components of the total budget becomes uncertain more elements of the budget forecasts are based on assumptions that may well need to be adjusted at a later date. These are set out below for information and to also provide some scale to the possible movement that can still occur, either prior to the budget being finalised or during the relevant financial year.

Key Budget Assumptions	2013/14	2014/15	2015/16	2016/17
Reduction in Government Grant	£435k	£879k	£874k	£350k
Profiled Reduction in Grant Settlement	(7.4%)	(13.5%)	(15.6%)	(7.4%)
Payaward	1%	1%	1%	1%
Pension Fund Employers' Contribution – Future Service	n/a	11.1%	11.1%	11.1%
National Insurance Contributions	10.4%	10.4%	10.4%	13.8%
Increase in Council Tax	0%	0%	0%	0%
Grant for freezing Council Tax in 2014/15 & 2015/16	-	£65k	£65k	-
Use of New Homes Bonus (NHB) in the base budget to date	£1,044k	£1,044k	£1,044k	£1,044k

30. NHB monies received prior to 2013/14 in the sum of £1.044m have been factored into the base budget as recurring funding. With effect from 2013/14, however, NHB receipts have not been incorporated into the base budget on a permanent basis. This is based on the fact that NHB is only received over a 6 year period. The purpose of this approach is to maximise the Council's ability to adjust its budget to respond more quickly to future variations in funding levels. Within the last few years public sector finance has become increasingly exposed to year on year uncertainty with annual fluctuations now built in permanently to the total core funding regime. Both core grants have undergone extraordinary change in the form of significant reductions and how they are structured, for example, Business Rates Retention. Therefore it is important the Council's budget is able to demonstrate resilience and flexibility in order to respond to annual fluctuations in core funding levels. It is for these reasons that new NHB received will not be built into the base budget as permanent recurring funding in 2014/15.
31. With regard to the Business Rates Retention our projected additional retained income, over and above the Start-Up Funding Assessment remains to be finalised. Unfortunately the precise calculation that will be applied to Business Rates collected in the form of a levy paid to Central Government is still to be clarified. The forecasted budget is also informed by performance within 2013/14 against to some high value factors and therefore no reliable assumptions can be quantified at this stage. As not all the calculations are known and income is subject to potential large scale change in the form of appeals made against property valuations, assessing the out-turn position and subsequent financial impact on 2014/15 is problematic. Therefore the budget contains some assumptions on the income level to be achieved in 2014/15 onwards.
32. The triennial review of the Pension Fund is due to impact on the budget with effect from 2014/15. The impact is complex with two applicable factors within the review impacting on the budget:
- Firstly, the fund's valuation has suffered negatively due to the current valuation criteria meaning progress in making up the fund's deficit position has not been as effective as originally expected.
  - Secondly the Employers' Contribution, which is a budgeted cost to the Council, is to be calculated in a different way. Up until now it has been calculated as a straightforward percentage applied to the pay bill of pension fund members. The contribution paid has been a consolidation of both elements due to be paid that is, (i) the contribution for current members (future year's contribution) and (ii) a contribution to make up the fund's deficit and achieve a fully funded position over a period of 19 years. Due to widespread reductions in public sector pay bills, deficit contributions have by default been eroded slowing down the deficit's rate of recovery. To overcome this issue the deficit element of the contribution will now be paid as a pre-determined cash amount that will not fluctuate in accordance with pension fund membership numbers and will total £2.500m over the triennial review period.

## **BALANCING THE BUDGET FOR 2014/15**

33. The current MTFs set out ways in which the budget pressures and deficit could be addressed over the longer term by achieving cost reductions and increasing income. The successful implementation of the strategy has secured a balanced budget position in advance of the next financial year by reducing the budget requirement by £0.903m. This is mainly attributable to the following key projects:
- **Market Walk (£0.433m)** – Purchase of Market Walk shopping centre provides a net income positive contribution to the budget in the sum of £0.433m. This occurs on an annual basis and is achieved after making a provision, in the form of an equalisation account, to mitigate against the risk of future temporary fluctuations in income.

- **Base Budget Review (£0.094m)** – Continual robust challenge and update of the base budget to ensure it fully reflects changing levels of requirement.
- **Productivity Gains, Efficiency Savings and Pay Policy (£0.376m)** – Reviews carried out to realised budgetary efficiency savings from improved productivity and also the revision of the Pay Policy to reduce direct costs. (Single Front Office £175k; HEN Review £119k; Pay Policy £36k; Strategic Housing Review £25k; Cotswold House Rent £12k; Streetscene vehicles £9k).

## **AN OPPORTUNITY FOR SUBSTANTIAL INVESTMENT IN CORPORATE PRIORITIES**

34. In a similar approach to last year, early planning and preparation has enabled the Council to address the forecasted budget deficit well in advance of 2014/15. Also consistent with last year's budget setting process, a balanced budget position has been achieved with no further permanent use of NHB to fund the financial commitments within the base budget.
35. This presents an opportunity to invest in the Council's Corporate Strategy for a further year despite the significant reductions in grant funding. The investment projects link to the Corporate Strategy and the priorities contained within it. The New Investment Programme, now in its second year, supports the delivery of the Corporate Strategy priorities. The potential new programme of investments is summarised below and also set out in Appendix Two with more detailed individual mandates for each proposal in Appendix Three.

<b>Corporate Priority</b>	<b>2014/15 New Investment Revenue £m</b>	<b>2014/15 New Investment Capital £m</b>
<b>INVOLVE RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL</b>	<b>0.108</b>	
<b>CLEAN, SAFE AND HEALTHY COMMUNITIES</b>	<b>0.120</b>	<b>0.424</b>
<b>AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA</b>	<b>0.055</b>	
<b>A STRONG LOCAL ECONOMY</b>	<b>0.347</b>	
<b>Total</b>	<b>0.630</b>	<b>0.424</b>
<b>Funded by New Homes Bonus (NHB)</b>	<b>£1.054m</b>	



**Corporate Priority: INVOLVING RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL**

<b>Investment</b>	<b>Overview – Total Revenue Investment 2014/15 £0.108m</b>
1. Deliver agreed neighbourhood priorities	This project will deliver priorities established through the neighbourhood group meetings and agreed by Executive Cabinet To provide additional funding supporting works over and above business as usual.
2. 16/17 young person's drop in	This budget will enable the continuation for another year of the drop-in service for 16/17 year olds that provides housing advice, family mediation and counselling for young people
3. Britain in Bloom	The Council won the Gold Award for the Best Small City category at the 2013 North-West In-Bloom Awards and has subsequently been entered to represent the North-West for this category in the national Britain In-Bloom awards in 2014. Additional features / improvement have been identified that will improve the Council's offer as part of the In-Bloom judging process and this budget will support their delivery.
4. Connecting communities through food to overcome social isolation	This project will review activity to alleviate social isolation including the 6 month pilot scheme launched in November 2013 to deliver warm meals to older vulnerable people at home. The project will investigate solutions, develop options and implement actions to take the work forward in order to help overcome social isolation in the borough through food based initiatives.
5. Expand the Food Bank	The Living Waters Storehouse currently operating in Chorley has seen a significant increase in demand over the past 12 months attributed to various factors including the changes as a result of Welfare Reforms. This project will look to enhance the existing facility to enable it to cope with future demand.

**Corporate Priority: CLEAN, SAFE AND HEALTHY COMMUNITIES**

<b>Investment</b>	<b>Overview – Total Revenue Investment 2014/15 £0.120m</b>
6. Extension and Improvement of Street Furniture	This project is the continuation of the street furniture /litter bin replacement with a further 150 bins over a two year period 2014/15 and 2015/16. The bins will be replaced with larger litter bins that can accept both litter and dog waste 75 by December 2014 and 75 by December 2015.
7. Play and Open Space Strategy	The project will provide financial support to deliver some of the currently unfunded year 1 actions. This will in turn support the delivery and implementation of the strategy together with the associated benefits set-out in the Play, Open Space and Playing Pitch Strategy Executive Summary.

8. Free Swimming	This budget will deliver free swimming for 16 year olds and under during the summer school holiday period (Monday to Friday) to support health and wellbeing priorities through making council leisure facilities more accessible.
9. British Cycling Lancashire event	This project and associated budget investment will support the development and delivery of a cycling and sporting programme of activities and events in Chorley in partnership with British Cycling.
10. Mediation service for anti-social behaviour disputes	Investigations into cases of anti-social behaviour can often be dealt with and de-escalated using mediation techniques between the parties affected. This project will introduce a scheme to refer parties into mediation where appropriate and will be assessed over the course of the year in terms of success and impact.
<b>Corporate Priority: AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA</b>	
<b>Investment</b>	<b>Overview – Total Revenue Investment 2014/15 £0.055m</b>
11. Employee Health Scheme	<p>This project is a continuation of a Health Cash Plan funded by the council. The council pays a fixed contribution per employee which then enables employees to claim back the costs of health related treatments such as dental charges, eye tests and glasses, consultant appointments, professional therapy and many other benefits.</p> <p>The scheme has proved to be very successful in its first year, and this project would extend the scheme for a further 12 months</p>
12. Campaigns and Events	<p>The investment would support identified campaigns and promotional activity for the town centre and the borough. This includes:</p> <ul style="list-style-type: none"> <li>• A promotional campaign of the civic pride campaign and neighbourhood working (including as necessary, advertising, printed materials and other materials)</li> <li>• A promotional town centre marketing campaign (including as necessary, advertising and printed materials)</li> <li>• A promotional campaign to help make Chorley a cleaner place to live</li> <li>• A promotional campaign to promote our assets and attract more visitors to Chorley</li> </ul>
13. Deliver Chorley Council energy advice switching service	This project will develop and implement an in house energy advice switching service as part of a proactive approach to ensuring that residents of Chorley are on the most cost effective energy tariff. The project should contribute to reducing fuel poverty in the borough.

**Corporate Priority: A STRONG LOCAL ECONOMY**

<b>Investment</b>	<b>Overview – Total Revenue Investment 2014/15 £0.347m</b>
14. Inward Investment Delivery	Following the preparation of the inward investment plan, this project will focus on actions to be delivered during 2014.
15. Town Centre Master Plan	This project will deliver a number of specific actions in line with the Town Centre Masterplan.
16. Support the Expansion of Local Business	Extension of a business advice and support service for existing businesses in the Borough who have been trading for more than 3 years in order to help them to survive and grow.
17. Support the Expansion of Local Business (BIG Grant and Loans)	<p>A business support service to assist existing businesses to grow and develop is provided by a dedicated business adviser within Chorley Council.</p> <p>As part of the service for existing businesses a reward scheme to support their expansion was launched in April 2013. This scheme is called the Chorley Business Investment for Growth grant (Chorley BIG) and this aims to support businesses that are creating or safeguarding jobs with capital investments or works. This project will support the delivery of the scheme in 2014/15.</p>
18. Town Centre & Steeley Lane Pilot Action Plans	This budget will support the development and delivery of a two year programme of local area projects within the town centre/Steeley Lane areas of Chorley. This is a pilot programme which will be evaluated by feedback from town centre stakeholders including shoppers, residents and traders.

36. The one year projects above will be added to the three years projects below that were approved in the budget and commenced last year which totalled £0.235m.

<b>Continued New Investment Projects from 2013/14</b>	
Neighbourhood Working – Building Capacity in Local Communities	£70,000
Support to the VCFS Network	£15,000
Unify Credit Union	£50,000
Play Area Improvements	£100,000
<b>Total</b>	<b>£235,000</b>

#### **FINANCIAL STRATEGY AND OPTIONS TO BE CONSIDERED TO ACHIEVE SUSTAINABLE AND RECURRING BUDGET RESILIENCE**

37. As set out in the paragraphs above the Council still needs to address a significant budget deficit in the longer term to 2016/17 brought about in the main by cuts to core funding and Central Government's austerity measures. Despite a balanced budget being achieved for 2014/15 further action is required to achieve the same budget status in future years.
38. The Medium Term Financial Strategy (MTFS) aims to set out options that will effectively address the budget deficit position over the longer term to 2016/17 and secure financial resilience and sustainability. This timeframe is considered the maximum period whereby reasonable forecasts can be made.
39. Options that will be considered over the next three year MTFS period are:
- Re-engineering of services to fundamentally review service provision to reduce net expenditure and improve efficiency.
  - A programme of reducing the Council's debt position which has an impact on the revenue account including a possible accelerated rate at which the Pension Fund deficit is clawed back.
  - Income generation schemes as a continuation of the projects implemented to date.
  - Increases in Council Tax.
40. A key action of correcting a forecasted budget deficit is to carry out a fundamental review of all activities undertaken by the Council in order to seek ways in which the cost of providing services can be reduced. Within this process, priority is given to mitigating risk within the assessment and decision making criteria to highlight and focus on any possible impact on front line services.
41. The revenue budget contains costs associated with servicing debt. Debt will have been incurred appropriately in previous years to fund Capital Projects but as time moves on changing circumstances can present new opportunities to achieve lower cost options by proactively restructure debt repayment plans.

42. In addition to debt incurred to finance some capital works the Council also has to make contributions from its budget to make good the deficit position within the Pension Fund. In summary, by clawing back the deficit more quickly by making upfront lump sum contributions, the reduced cost of the deficit contribution may be beneficial and it could exceed the loss of interest received on such sums.
43. As above, additional income has been realised with the acquisition of Market Walk in the Town Centre. The benefits of the purchase include a sizeable net income contribution to the Council's budget which is a significant boost to total income received. This serves to offset some of the erosion in Central Government Revenue Support Grant and also reduces the Council's reliance on external funding.
44. An option that is also available to the Council is to increase Council Tax. An increase, together with further savings options, would not only help to address the budget deficit but also be used to invest in projects that support delivery of the Council's new priorities and generate further revenues for the Council.
45. The table below shows the impact of increasing Council Tax between 0.5 % and 2% in each of the three years, 2% is the current cap before needing to undertake a referendum.

<b>% Each Year</b>	<b>2014/15 £</b>	<b>2015/16 £</b>	<b>2016/17 £</b>
0.5	30,000	59,000	89,000
1.0	59,000	119,000	179,000
1.5	88,000	178,000	269,000
2.0	118,000	238,000	361,000

46. The table shows that below inflationary increases do have a significant, cumulative and permanent effect, something that the Council Tax Freezing Grant option lacks as it is awarded for a short term temporary period after which it is lost. Even over a short term period approximately £361,000 can be raised.
47. The sum of £118,000 generated by the 2.0% increase can also be put into context with regard to its impact per household in the borough. For example, based on the 2014/15 Band D tax base this amounts to approximately £3.55 per household or 7 pence per week in 2014/15 (based on Council Tax Base). This increase facilitates a significant cumulative sum, therefore, small sustainable council tax increases can generate significant levels of income that can be used to bridge the budget gap. As a balanced budget position has been achieved for 2014/15, however, it is proposed that Council Tax is frozen in 2014/15 at its current level.

## **OTHER RELEVANT ISSUES**

48. This report has dealt with the Council's revenue budget, however, implicit in the investment programme set out above are financial implications for the Capital Programme, for example, regeneration projects and Astley Hall and Park Development. Therefore the Capital Programme will be dealt with when the final budget proposals are made.

## BUDGET CONSULTATION

49. Consultation on the proposed budget for 2014/15 will commence following approval of the proposals by Executive Cabinet. The consultation will focus on obtaining feedback on the potential key investment areas in order to help prioritise activity. It will also highlight the impact of a reduction in Council funds and ask residents their views on the budget. The consultation will invite responses from residents, partners, parish groups and other stakeholders through a variety of methods including a short survey (available both in hard copy and online). Results will be analysed and published in mid-February for consideration as part of budget finalisation.

## IMPLICATIONS OF REPORT

50. This report has implications in the following areas and the relevant Directors' comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

## COMMENTS OF THE STATUTORY FINANCE OFFICER

51. The financial implications of the above report are all contained in the text above but to clarify all proposals are funded and can be accommodated within the 2014/15 Budget. The report does contain some assumptions on some future budget elements and also what the final out-turn position will be for 2013/14, however, should this change due to unforeseen significant circumstances arising before 31<sup>st</sup> March 2014 this will be reviewed and reported.

## COMMENTS OF THE MONITORING OFFICER

52. There are no legal implications in adopting the Budget proposals for consultation.

**GARY HALL**  
**CHIEF EXECUTIVE**

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Susan Guinness	5101	06/01/14	

OR

Background Papers			
Document	Date	File	Place of Inspection
***	***	***	***
Report Author	Ext	Date	Doc ID
***	***	***	***