

**SCRUTINY OF THE ADMINISTRATION'S DRAFT BUDGET PROPOSALS 2015-16**

Invitation and Agenda to all Members

**Members of the Finance & Resources Scrutiny Working Group**

Cllr D Jennings (Chairman)

Cllr. R. J. Berrington  
Cllr. L. M. Breckon  
Cllr. D. J. Findlay  
Cllr. J. M. Fox

Cllr. B. Garner  
Cllr J. O. Hudson  
Cllr S Maxwell  
Cllr. A. Moseleys

Cllr D. R. Parsons  
Cllr. E. Parsons  
Cllr. J. Springthorpe

Dear Councillor,

A meeting of the **SCRUTINY OF THE ADMINISTRATION'S BUDGET PROPOSALS 2015-16** will be held in the Council Chamber - Council Offices, Narborough on **TUESDAY, 13 JANUARY 2015 at 5.30 p.m.** Please find attached a number of supplemental items that are required for the meeting and are in addition to the agenda and report pack that has already been circulated.

Yours faithfully



**Colin Jones**  
Corporate Services Group Manager

**SUPPLEMENTAL ITEM**

2(a) Summary Medium Term Financial Strategy (Pages 3 - 8)

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## Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document.

In the past this document has formed the bridge between the local Sustainable Community Strategy and our Corporate Plan. For this forthcoming period, however, the key plans are being brought together in one document to form the '**Blaby Plan**' This will bring together the Council's Community Plan, the Corporate Plan, the MTFS and the People Strategy.

The current MTFS gives a three year financial forecast covering 2011/12 to 2014/15 to match the period covered by the government's Spending Review. Whilst this has proved a useful tool with which to drive efficiency and understand affordability it has been necessary to revise the forecasts. Since it's publication in September 2011 the economic climate has changed and the funding levels have become more uncertain.

Similarly the 5 year forecast included in the new strategy document will need to be revised on an annual basis. The Council has only received notification of the settlement for 2015/16. No provisional settlement has been released for future years.

The future funding envelope has therefore been based on information received from external sources taking into account the National picture and applying that to give an estimate of Blaby's future funding position.

Whilst the future funding levels are uncertain it is not unrealistic to assume there will continue to be funding reductions or higher demand placed upon the Authority. With this in mind it is important that the Authority understands the potential future funding gaps so it is best placed to make decisions at an early stage.

Delivery of these savings or generation of additional income can then be planned in a structured manner so as to minimise disruption to our customers.

The priorities have now been identified to form the Blaby Plan as follows:

- A vibrant local economy and job market.
- Residents are healthy, fulfilled and confident for their future
- Safe, strong and happy local communities

These fit with the manner in which the Council currently approaches its role to provide services within the district and therefore the financial implications of delivering these objectives do not require any dramatic change in direction or cause any additional financial requirements.

As such the provisional budget for 2015/16 has therefore been used as the base expenditure to roll forward to establish the budget requirement for future years.

## Forecast Revenue Budget 2015/16 to 2019/20

		2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Net Direct Expenditure	1	9,621,867	10,016,314	9,251,275	8,942,686	8,618,747
Minimum Revenue Provision	2	668,639	794,266	840,523	945,820	1,044,670
Council Tax Support Grant - Parishes	3	203,804	203,804	203,804	203,804	203,804
Appropriations & Accounting Adjustments	4	113,113	112,525	110,486	60,000	60,000
Contribution to/(from) Earmarked Reserves	5	(846,592)	(657,897)	(457,441)	(225,897)	(225,897)
Contribution to/(from) General Fund Balances	6	(183,014)				
Identified Transformational Savings/Income	7		(505,000)			
Additional Savings/additional revenue requirement	8		(503,210)	(663,953)	(671,089)	(583,828)
Net Revenue Expenditure	9	9,577,817	9,460,802	9,284,694	9,255,324	9,117,496

		2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Revenue Support Grant	10	1,558,579	980,000	507,000	275,000	53,000
Redistributed NNDR	11	2,024,209	2,089,000	2,152,000	2,217,000	2,283,000
New Homes Bonus Grant	12	1,432,940	1,743,133	1,888,721	1,936,291	1,862,610
NNDR Growth	13	200,000	200,000	200,000	200,000	200,000
	14	5,215,728	5,012,133	4,747,721	4,628,291	4,398,610
Council Tax Surplus	15	11,319	11,319	11,319	11,319	11,319
Council Tax	16	4,350,770	4,437,350	4,525,654	4,615,714	4,707,567
Funding Envelope	17	9,577,817	9,460,802	9,284,694	9,255,324	9,117,496

## Forecast Assumptions

Set out below is a commentary relating to the key assumptions that have been made in drafting the future financial forecast. The numbering relates to the lines of the Forecast Revenue Budget table.

1. **Net Direct Expenditure** has been compiled by rolling forward the 2015/16 draft budget numbers and applying inflationary factors where appropriate to the elements. Key areas of note are:
  - Establishment Costs – An increase of 3% has been allowed for year on year in relation to all employee costs
  - Other Costs – Where contractual arrangements exist any contractual uplift has been allowed for and where applicable an inflationary rate of 2% has been included year on year.
  - Income – In this draft estimate no additional uplift has been included on top of the current income levels of 2015/16. Should any substantial income be generated from any new initiatives these will be reflected in the Transformational Savings/Income line 7.
2. **Minimum Revenue Provision (MRP)** is based upon the current level of capital expenditure that results in a MRP charge. The bulk of this charge is related to the purchase of fleet vehicles but Disabled Facility Grants also contribute to this charge. The success of the 'Light Bulb Project' and the future direction of changes to Refuse and Recycling which are being considered in the future by Leicestershire County Council may cause this figure to alter.
3. **Council Tax Support Grant - Parishes** is based on the current level of grant transferred to Parishes. This is based on the actual amount of Council Tax Support specifically awarded within the parish and the impact it has on the parish tax base. This may fluctuate given the caseload.
4. **Appropriations and Accounting Adjustments** represents the New Homes Bonus transferred to Parishes. £50,486 of this is committed to be paid to the Parishes that benefitted in the first year for the full six years. The last year this is payable is 2017/18. The remaining £60k is pending any decision to remove this payment to Parishes.
5. **Contributions to/(from) Earmarked Reserves** represents the release of reserves to support the budget requirement. In 2015/16 and 2016/17 a release of £400k each year is included and a release of £200k for the remaining 3 years. This

general release is in addition to more specific reserve releases the main one being £232k per year from the Pickles grant supporting weekly collections.

6. **Contributions to/(from) General Fund Balance** currently shows the gap for 2015/16. Options to close this gap are currently being explored and it is not expected this gap to remain at this level when the MTF5 is presented to Council in February.
7. **Identified Transformational Savings/Income** Work has already commenced to identify and put in place initiatives to generate savings or additional income. Only those that have reached the stage that the financial implications can be estimated have been included within this figure. They include such projects such as Channel Shift, Management Restructure and the investment in the Pavilion.
8. **Additional Savings/Additional Revenue Requirement** Illustrates the level of savings to be found to meet the forecast reduction in funding. The figure in each year is calculated on the basis that that gap is filled within the year in which the shortfall occurs.
9. **Net Revenue Expenditure** is the resulting expenditure figure to match the available funding.
- 10/11. **Revenue Support Grant/Redistributed NNDR** Together these form the Council's core grant funding. Only figures for 2015/16 have been provided in the settlement notification. No future provisional figures have been provided by Department for Communities and Local Government (DCLG). The Council, along with the other Leicestershire Districts, receive advice from Consultants working with CIPFA who have provided a detailed forecast of potential future funding. It is this forecast that has been used to inform any estimate of future funding.
12. **New Homes Bonus Grant (NHB)** This is the total grant forecast to be received based on the current mechanism and distribution of NHB. It assumes that in later years a constant of £300k will be generated from the increase in new homes in the area. 2016/17 is the 6<sup>th</sup> year of NHB grant and it is at this point that the income reaches a plateau as the earlier years income falls out and is replaced by the £300k.

13. **National Non Domestic Rates (NDR) Growth** Up to now the Council has released no additional income from growth in business rates. This decision was taken whilst the impact of appeals and the accounting treatment of the Localisation of Business Rates was fully understood. A significant provision has built up from the outcome of the Business Rate growth. Whilst some of this provision will be utilised to account for the impact of valuation appeals which have reduced the growth, it is appropriate to recognise some of this provision within the revenue budget going forward and that future growth will continue. Taking this into account an amount of £200k has been identified to be released on an ongoing basis throughout the forecast.
15. **Council Tax Surplus** represents the amount of Council Tax Collected above the anticipated collection rate.
16. **Council Tax** represents the expected revenue received from Council Tax billed. In 2015/16 no increase has been included but an increase of 1.99% has been included for each of the future forecast years.

# Financial Risks

- **New Homes Bonus (NHB)** When the New Homes Bonus commenced it was a non-ring fenced grant introduced to encourage the building of new housing. This, in effect, was top sliced from the existing funding streams for local government and therefore has provided as alternative source of funding as the core grant has been reduced. In the early years Blaby was in the position to support local housing schemes with some of the New Homes Bonus, however in recent years, it has been necessary to include the NHB as a source of funding to underpin the budget requirement.

In 2013 there was consultation on proposals to re-align the distribution of the NHB to reallocate 40% of that currently distributed to Blaby into a fund to support local infrastructure. There was strong opposition to this proposal and no such re-distribution occurred.

The risk has not however, gone away and currently there is a suggestion that the NHB will undergo a review of how it is distributed. This has arisen mainly from the fact that some southern authorities have benefitted greatly from the building of new developments and have actually seen an increase in their funding level with the NHB being generated at a higher level than their core funding has reduced.

Blaby currently is underpinning the budget requirement by approx. **£1m** with NHB.

Blaby has not benefitted from NHB over and above the core funding reductions. Needless to say it poses a substantial risk to the Council if the NHB changes significantly.

- **Localisation of Business Rates.** The scheme introduced in 2013/14 which allowed Local Authorities to benefit from growth in Business Rates has proved complex especially given the issue of the valuation appeals which have made it difficult to assess growth. The Autumn Statement suggests that the Localisation of Business Rates scheme will be revised and consultation will be sought on the subject in 2015/16. Whilst this isn't an immediate risk we have now started to build some income into the financial forecast **of £200k per annum** and any changes to the scheme may impact on this.
- **County Council Funding Reductions.** The County Council has openly illustrated the level of funding cuts that they will be required to make over the coming years. In this financial year we have seen the financial impact of this start to feed through. Whilst we can plan to mitigate any obvious impacts of this, some are more subtle and the increased demand that results from this is difficult to quantify financially. This is a considerable risk to which we will put financial values to as and when we are in a position to do so.