

**REVENUE AND CAPITAL BUDGETS AND COUNCIL TAX 2015/16**

**Submitted by:** Executive Director (Resources and Support Services)

**Portfolio:** Finance and Resources

**Ward(s) affected:** All

**Purpose of the Report**

To enable Cabinet to recommend the 2015/16 General Fund Revenue Budget and the 2015/16 Capital Programme to Full Council, meeting on 25 February 2015, following consideration of comments received from the Finance, Resources and Partnerships Scrutiny Committee of 21 January 2015 and the Scrutiny Café on 13 January 2015 and following a review of the Council's balances and reserves.

**Recommendations**

- a) That the 2015/16 General Fund Revenue Budget as detailed in the report to Cabinet dated 14 January 2015 with the addition of the changes set out in paragraph 1.2 of this report be recommended to Full Council for approval.
- b) That the Capital Programme 2015/16 as detailed in the report to Cabinet dated 14 January 2015 be recommended to Full Council for approval.
- c) That Cabinet recommend to Full Council that a budget of £139,280 be approved in respect of Keele master-planning costs to be funded from an earmarked reserve established by transferring an equivalent amount into it from the General Fund revenue account, being the estimated council tax surplus of £139,280 which will be credited to the revenue account in 2015/16.

**Reasons**

To enable the Cabinet to recommend a robust and affordable budget for 2015/16 to the Council meeting on 25 February 2015.

1. **Background**

- 1.1 The 2015/16 Revenue Budget and the Capital Programme 2015/16 were considered by Cabinet on 14 January 2015, following which these were submitted to the Finance, Resources and Partnerships Scrutiny Committee, on 21 January, for consideration. In addition members have had the opportunity to raise issues and receive explanations concerning the proposed budget for 2015/16 at a Scrutiny Café event held on 13 January.
- 1.2 There have been a number of changes since the report considered by cabinet on 14 January which are outlined in the table below. The overall budget "gap" and the "Savings and Financial Strategies" to meet the "gap" have both decreased by a net total of £50,000.

<b>MTFS – CHANGES</b>	<b>£'000</b>
Government Funding (minor change following provisional settlement)	(7)
Price Increases (removal of inflationary provision for fuel)	(13)
New Legislation re Waste Income (reduction in new pressure from £90k to £20k)	(70)
Insurance Premiums - increase recently notified	40
<b>TOTAL (GAP REDUCED FROM £2.148m to £2.098m)</b>	<b>(50)</b>
<b>SAVINGS AND FUNDING STRATEGIES - CHANGES</b>	
<b><i>Procurement</i></b>	
Jubilee 2 Maintenance/Tyre Contract	10
<b><i>Staffing Related</i></b>	
Operational Services Flexible Retirement	17
<b><i>Good Housekeeping / General Savings</i></b>	
Keele Golf Course Holding Costs - reduction based on 2014/15 expenditure	32
Miscellaneous	5
<b><i>Alternative Sources of Finance</i></b>	
Business Rates Retention Scheme - revised figures	100
Minimum Revenue Provision - currently being discussed with treasury management advisors/auditors. Prudent not to include at this stage.	(151)
Council Tax (due to freeze grant being recommended at the 14 January Cabinet meeting)	(63)
<b>TOTAL (REDUCED FROM £2.148m to £2.098m)</b>	<b>(50)</b>

1.3 A Summary of the overall Revenue Budget is as follows:

	<b>Estimated Expenditure</b>	<b>Rate of Council Tax (Band D)</b>
	<b>£</b>	<b>£ p</b>
Borough Council requirements –		
Total Net Expenditure	12,147,870	344.70
Less: External Support	<u>(6,073,220)</u>	<u>(172.33)</u>
	6,074,650	172.37
Less:		
Collection Fund (Surplus)/Deficit 2014/15		
- Council Tax	(139,280)	(3.95)
- Business Rates	300,000	8.51
Borough Council Tax Requirement	<u>£6,235,370</u>	<u>£176.93</u>

External Support comprises Formula Funding (£6,002,720); Council Tax Freeze Grant in respect of 2015/16 (£70,500)

1.4 The Borough's council tax levy of £176.93 is unchanged from the 2014/15 amount. This was the Cabinet's proposal that was resolved at its meeting on 14 January 2015.

## **2. Finance, Resources and Partnerships Scrutiny Committee**

2.1 At its meeting on 14 January 2015 Cabinet approved the Revenue and Capital Budgets for 2015/16, recommending no increase in Council Tax. The report and the recommendations were referred to the Finance, Resources and Partnerships Scrutiny Committee for comments.

2.2 The Scrutiny Committee met on 21 January 2015. The Chair of the Committee will be attending the Cabinet meeting to present the Committee's observations and comments on the report and budget proposals and will also give feedback from the Budget Scrutiny Café held on 13 January 2015. In addition, any comments relating to the fees and charges for 2015/16, which have also been scrutinised by the Committee, will be reported to you.

## **3 Final Finance Settlement notification**

3.1 At the time of compiling this report the government have not yet notified the Council of the final amount of its grant funding for 2015/16. This was received at the beginning of February last year. However, there is unlikely to be a significant change from the amounts notified as the provisional settlement figure. If the amounts do change, the table in paragraph 1.1 will require amending to reflect the changes. A verbal update will be given at the Cabinet meeting.

## **4 Balances and Reserves**

4.1 The Council's Balances and Reserves Strategy for 2014/15 is that there should be a minimum General Fund balance of £1.2m and a minimum balance on the Contingency Reserve of £100,000. The Council currently holds these reserves.

4.2 A review of all the Council's Balances and Reserves together with a risk assessment has been carried out for inclusion in the final report on the budget to Full Council on 25 February.

4.3 The review and risk assessment indicate the following:

- Reserves are still adequate to meet normal levels of expenditure.
- The level of minimum balances required after considering the risk assessment remains at £1.3m.

4.4 Cabinet considered two reports concerning options in respect of the former Keele Golf Course site on 5 March 2014 and 23 July 2014. Both of these reports referred to the need for the Council, as the land owner, to carry out a master planning exercise in order to determine the most appropriate long term strategic solution for the land, working with other strategic landowners in the locality and taking into account the current local plan process. The July report resulted in the following resolution "(d) that the financial resources required as the Council's contribution to the master-planning exercise be sought in accordance with financial regulations". The cost was estimated at a figure in excess of £100,000, which will require the approval of Full Council. Subsequently,

Cabinet, on 12 November, considered a report in relation to the Council's response to the "Call for Sites" made as part of the Joint Local Plan preparation process and approved the inclusion of the Keele site in a wider masterplanning exercise around that site and western/southern fringes of urban Newcastle. The cost was estimated as being at least £100,000, with other stakeholders being asked to contribute.

As is usual and required by council tax legislation, an estimate has been made of the current year outturn position in relation to the Council Tax Collection Fund. It is estimated that there will be a surplus of some £1,140,970 for 2014/15. The legislation requires an estimated surplus on the Collection Fund to be transferred to the major precepting authorities in the following year and included in their revenue budgets for that year, in proportion to their respective council tax levies. This council's share of the estimated surplus is £139,280. Presently, the Medium Term Financial Strategy does not include an amount in respect of a Collection Fund transfer in 2015/16. The transfer of £139,280 will, therefore, be additional income to the revenue account and will be available to fund Keele master-planning costs up to this amount.

It is proposed, therefore, that Cabinet recommend to Full Council that a budget of £139,280 be approved in respect of Keele master-planning costs to be funded from an earmarked reserve established by transferring an equivalent amount into it from the General Fund revenue account, being the estimated council tax surplus of £139,280 which will be credited to the revenue account in 2015/16.

- 4.5 Previous reports have drawn attention to the situation with regard to Municipal Mutual Insurance (MMI), whereby the Council may be subject to clawback in respect of claims settled by the company after they went into administration. Potentially the liability could amount to around £721,000. Current advice remains that authorities should set aside around 25% of their potential liability as a provision to meet this eventuality. Originally, an amount of £180,000 was set aside in such a provision (the MMI Provision). The Municipal Mutual Scheme Administrator made a levy of 15 per cent of the liability in excess of £50,000 in January 2014, which meant that a payment of £101,000 was payable. The payment was duly made and met from the MMI Provision, leaving a balance of £79,000 in the Provision, which is sufficient to meet an additional levy of just over 10%. This remains within the recommended set-aside parameter, i.e. 25 minus 15 (used) leaving 10 per cent.

## **5. Earlier Cabinet Resolutions**

Newcastle Capital Investment Programme (Cabinet 5 February 2014);  
Keele Golf Course Site and Masterplanning (Cabinet 5 March 2014);  
Keele Golf Course Site and Masterplanning (Cabinet 23 July 2014);  
Medium Term Financial Strategy 2015/16 to 2019/20 (Cabinet 15 October 2014);  
Funding the Council's Capital Investment Programme (Cabinet 15 October 2014);  
Response to Joint Local Plan - Call for Sites (Cabinet 12 November 2014)  
Budget Report (Cabinet 14 January 2015)