

**Update - Medium Term Financial Strategy Projections 2014/15 to 2017/18 and Revenue Budget Proposals for 2014/15**

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**SUMMARY**

This report provides Executive members with the updated projections on the Medium Term Financial Strategy and Revenue Budget Proposals for 2014/15, following the details of the Government settlement for 2014/15, which were received 18 December 2013.

We have a statutory duty to consult every year with local businesses on the budget and this helps inform decisions made on the council's budget and corporate plan. This report therefore seeks approval from the Executive for the budget proposals to be consulted upon under Statutory Instrument 1992 No.3171).

Following this consultation and further consideration these final proposals will be presented to Executive at its meeting on 13<sup>th</sup> February 2014, for recommendation to Council for approval of the budget on 27 February 2014.

**RECOMMENDATION:**

It is recommended that Executive considers the following issues in this report for the purpose of agreeing a draft budget for consultation purposes as follows:

- (i) Note the total settlement figure received from government on 18<sup>th</sup> December of £4.594m
- (ii) Note the guaranteed cash receipt element of this settlement is £2.513m and the risk associated with the remaining £2,081m as detailed in paragraphs 1.5 and 5.2
- (iii) Note the budget setting timetable and use the Council Tax Setting Committee, which was established last year, to set the council tax, should parish councils be unable to meet the deadlines.
- (iv) Approve the use of the New Homes Bonus to support existing Council services, see paragraph 1.7
- (v) Approve the proposed fees and charges as detailed in Appendix E
- (vi) Note the gap of £1.2m for 2013/14 as detailed in paragraph 4.1 and approve the following to close this to give a balanced budget for 2013/14;
  - a) Approve the changes to the detailed saving proposals agreed by Council in February 2013, (adjusted to £500k) as set out in Appendix B
  - b) Approve the savings proposals for 2014/15 (£162k) as detailed in Appendix C

- c) Approve the use of external funding from BEC Social Fund (£400k) to support the Leisure contract and
- d) Approve the use of the unallocated general fund balance (£138k), to be used to fund the 2014/15 budget shortfall.
- (vii) Approve the use of £275k from Earmarked Reserves, as detailed in Earmarked Reserves report presented elsewhere on this agenda.
- (viii) Approve the working MTFS assumptions set out in paragraph 3.3 including the assumption that council tax will be raised by 1.95%, as opposed to accepting any Council Tax freeze grant that may be offered ( and retained in baseline funding), see paragraph 3.3- Council Tax
- (ix) Note that there will be no change to the current Council Tax Discount Scheme for 2014/15
- (x) Note the public consultation report, reported elsewhere on this agenda and advise if any revisions are required or if there are any alternative proposals that Executive wish to consider
- (xi) Agree the content of this report, and others on this agenda, will form the basis of the statutory budget consultation (under Statutory Instrument 1992 No.3171) under which the council is required to consult business ratepayers or business representatives on proposed spending.

## **1. INTRODUCTION**

- 1.1. The Local Government Finance Act 2012 changed the way local government is financed. This means that the council has a greater reliance on income from council tax, business rates and other direct income sources. At the same time Government is reducing the core funding that it allocates to councils. This fundamental change in our funding regime increases the council's financial risk.
- 1.2 When the MTFS was last formally revised in February 2013 the settlement figures used where those notified on 4<sup>th</sup> February.
- 1.3 The comprehensive spending review (CSR) 13 announced in June 13, set out the Coalition Government's intention to reduce the local government settlement and initial figures out for consultation have identified a further 15.9% cut to the government support that Copeland will receive. These and other spending pressures, arising from legislative changes such as complex changes to the pension regime have been considered when reviewing our Medium Term Financial Strategy (MTFS).
- 1.4 Based on our MTFS assumptions as at February 2013 as revised in December 2013 in line with receipt of the settlement figure receipt and we are £373k worse off (gap revised to £1.2m in December 2013 against gap of £827k in February 2013). This gap is on top of the substantial savings that have been made in the previous three years, and included savings approved by Council in February 2013 for 2014/15.

1.5 In announcing the settlement figures on 18 December it was stated that local authorities (collectively) will face an overall reduction in **spending power** of 2.9%; and that no local authority (individually) would experience a decrease of more than 6.9%. On the basis of the figures provided by DCLG for Copeland, we have suffered a reduction of **4.4%**, as shown in Appendix A. However the figures given in the Settlement assumed full recovery of NNDR, as opposed to the safety net position that the authority anticipates once numerous appeals are heard (drop in income limited to £165k). On the basis of this Copeland is one of the authorities most severely hit with an adjusted reduction of 6.74% as detailed in Table below:

**Table 1 - Reduction in Spending Power (defined as categories in table below)**

	2013/14 Actual	2014/15 Provisional	% drop in year	2015/16 Illustrative	% drop in year
<b>Spending Power:</b>	<b>£'000s</b>	<b>£'000s</b>		<b>£'000s</b>	
Council Tax Requirement	3,590	3,648		3,976	
Settlement Funding Assessment*	5,515	4,594		3,837	
New Homes Bonus	236	472		**472	
Specific Grants	21	17		***0	
Public Health Grants	N/A	N/A			
<b>Total</b>	<b>9,362</b>	<b>8,731</b>	<b>-6.74</b>	<b>8,285</b>	<b>-5.38</b>

\*\* Currently assumes no increase however empty property exercise to be repeated in 2014/15.

\*\*\* No notification on these

**Table 2 - \*Make up of Settlement Funding Assessment**

	2013/14 Actual	2014/15 Provisional	2015/16 Illustrative
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
<b>Settlement Funding Assessment</b>			
Guaranteed element – Revenue Support Grant	3,312	2,513	1,695
Not Guaranteed element – Baseline Need	2,203	2,081	2,142
	<b>5,515</b>	<b>4,594</b>	<b>3,837</b>

1.6 As can be seen above only part of the settlement figure is GUARANTEED, almost 50% rising to 56% in 2015/16 is NOT GUARANTEED and is dependent upon the authority's collection of National Non Domestic Rates. However the figure included above and in

the MTFs assumes Copeland will be caught by the safety net threshold, which permits authorities to suffer a drop limited to 7.5% below baseline need only, which for us is circa £165k, so the amount shown is the lowest amount receivable.

- 1.7 The New Homes Bonus is a grant paid by central government for increasing the number of homes and their use. The New Homes Bonus is paid each year for 6 years. It's based on the amount of extra Council Tax revenue raised for new build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes. This money recognises the additional burden that new homes and residents will place on existing services and as it is not ring fenced it is therefore proposed to use this funding to support the Council's existing services.
- 1.8 In Spending Round 2013 (SR 13) the government announced that it intended to take £400m per annum from New Homes Bonus allocations to part-fund the Single Local Growth Fund. This on-going deduction was due to start in 2015/16 and will reduce this income stream for the council. However within the recent settlement figures, which are still out to consultation until 15 January 2014, it was announced that the government has reduced the top slice in 2014/15 from £300m to £200m. The top slice for 2015/16 remains at £300m. The total amount deducted will therefore be £700m in 2014/15 and £1,000m in 2015/16. As announced at the Autumn Statement 2013, it has now decided to only top slice £70m from London Authorities.
- 1.9 During 2013/14 in an attempt to maximise New Homes Bonus receipt for as long as it is available, an empty homes review was undertaken by Liberata which identified a number of properties that could be re-classified as occupied. In addition to this exercise the impact of the 'long term empty premium' on council tax of 150% introduced by this authority has also decreased the number of empty properties; these two things together have resulted in an increase in New Homes Bonus. The in-year figure for 2014/15 is £236k which when added to cumulative years 1 to 3 still being paid gives an in year receipt in 2014/15 of £472k. The empty property review exercise will be repeated during 2014/15 with the anticipation of increasing NHB by a similar amount to that of this year; however this is not guaranteed and the current income in the MTFs does not reflect any increase.
- 1.10 The authority will become ever more reliant upon collection of Business Rates as it is anticipated the RSG grant will continue to be cut.

## **2 BUDGET PROCESS 2014/15**

- 2.1 As previously stated, the Government announcement on the grant settlement was received on 18<sup>th</sup> December. Due to the fact that the impact of the settlement is significant, this meeting of Executive is considering the budget ahead of consultation for a period of 4 weeks (as revised in constitution last year). The statutory budget consultation is under as a statutory duty (under Statutory Instrument 1992 No.3171)

where we need to consult business ratepayers or business representatives on proposed spending.

- 2.2 A separate consultation has been carried out on the proposed budget savings to meet the budget deficit and this closed on 20 December 2013. The results of this are tabled in a report elsewhere on the agenda.
- 2.3 Given the above, the budget timetable, incorporating a **4 week** consultation, was therefore established:

**Table 3 – Timetable 2014/15**

<b>Date</b>	<b>Detail</b>	<b>Comment</b>
4 <sup>th</sup> Dec	Government's Autumn Statement	
18 <sup>th</sup> Dec	Individual authority grant settlement figures	
20 <sup>th</sup> Dec	Consultation on CBC proposed budget savings closes	
9th Jan 2014	Special Executive arranged to consider the consultation outcomes and high level budget analysis the draft budget proposals	
10th Jan for 4 weeks	<b>Four week</b> statutory consultation period ending on 10 <sup>th</sup> February. (NNDR payers)	
10 <sup>th</sup> Jan	OSC to review proposals as part of consultation process	
31 <sup>st</sup> Jan	Final Date for setting the Council Tax Base	Decision delegated to S151 officer and Portfolio Holder
13 <sup>th</sup> Feb	Executive consider consultation outcome and make final budget proposals to Council. (NB. Consultation ends on 10 <sup>th</sup> Feb and so some comments may need to be tabled)	
27nd Feb	Council approve Budget and Council Tax for 2014/15. Council Tax Setting may be delayed if Parish Precepts not received in time.	
TBD	<b>Possible Council Tax Setting Committee</b> special meeting to set the council tax	Contingency if the parishes are unable to meet original deadline

- 2.4 It is still not clear whether Parishes may also be brought into the Council Tax capping regime, with the council tax threshold principles to be announced in the New Year. This may mean Parish Councils will not be in a position to provide CBC with their precept demands until February.

- 2.5 We will continue to work with the Parishes to assist them in providing the information as soon as possible, and we have arranged 2 workshops in January (in Copeland Centre and Calder Bridge Village Hall) to further assist, but clearly if there is a delay until February in receiving their precepts then the Council Tax setting may not be able to take place at the same time as Copeland Borough Council sets its budget on 27th February. This may necessitate the need for the Council Tax Setting Committee (as set up last year) to set this early March (NB. Final date for setting the Council Tax is 11<sup>th</sup> March each year).
- 2.6 Whilst the parishes suffer a loss of income as a result of benefit claimants in their area, they also gain as a result of the Council tax technical changes introduced by CBC, so the intention for 2014/15 is to pass on sufficient grant to mitigate the net position.

### **3. MEDIUM TERM FINANCIAL STRATEGY - PROJECTIONS TO 2017/18**

- 3.1 The proposals for the Budget for 2014/15 have been prepared in accordance with the Council's existing Medium Term Financial Strategy (MTFS) agreed by Council in February 2013 and updated in this report.
- 3.2 A considerable amount of work has been carried out each year on a continuing basis to enable the Council to continue to set a balanced budget as required by legislation whilst meeting its statutory duties, however the Council will need to make significant additional savings over and above those already approved by Council in February 2013, these are estimated to be in the region of £1.8m - £2.0m the next 3 financial years with some considerable variables such as auto enrol pension, loss of NI rebate, anticipated further reductions in government funding. There are considerable risks to be managed in the setting of the 2014/15 budget including the delivery of a complex programme of budget savings, the agreement and securing of considerable external funding to underpin our discretionary services and the agreement to a new approach to delivering our statutory and essential business services.
- 3.3 The MTFS projections are based on broad assumptions and members are asked to confirm these amended assumptions for the purpose of setting the budget for 2014/15:

#### **Inflation:**

- 2% increase on general inflation for 2014/15. The cost of the 2% provision is estimated as £90k, it is however unrealistic to assume that with CPI at 2.2% at October 2013 (current forecasting predicting it will not hit 2% target until June 2015), that current supplies and services budgets can sustain a real term cut.
- 2% increase on general inflation for 2015/16 onwards
- Individual contracts (CPI/RPI/Other)

#### **Salaries:**

- 1% proposal for 2014/15. To meet the expected national pay award.

- 1% for 2015/16 to 2017/18. To meet the expected national pay award (N.B. Each 1% addition on salaries equates to c. £69k)
- Increments c. £27k in 14/15, c.£12k in 15/16 and 16/17

#### Pensions Contributions:

- The Pension Fund triennial review result received in November 2013 requires a lump sum payment to be made into the scheme (to be funded as presented in Pension Deficit Strategy report presented elsewhere on this agenda) as well as yearly contributions for current and past service. The lump sum has become necessary as the falling payroll numbers over the past 3 years and this expected continuing trend mean the scheme has not and will not receive payments that would have been received had staffing levels remained constant. This lump sum, one off payment has also helped to stabilise the requirement in the base budget.
- The MTFs as at February 2013 included sufficient to fund the pension contributions at 20.1% (being the then current and past commitments). The 'new' current rate is to be set at 12.4% so the remaining 7.7% (20.1% less 12.4%) is available to contribute towards the funding of the past service deficit in the sum of £348k.
- However additional yearly sums are needed, to meet the past service commitment and these are shown below:

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18*</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
In MTFs at Feb 13 (7.7%)	348	348	348	348
<b>Additional</b> requirement in MTFs	82	124	133	133
<b>Total needed</b>	<b>430</b>	<b>554</b>	<b>687</b>	<b>820</b>

\*The pension fund will undergo another triennial review before the end of the life of the current MTFs but for the sake of completeness 16/17 contribution has been replicated for inclusion in 17/18 figures.

#### Treasury Management:

- The Treasury Management income budget has been reduced by £50k from that of 2013/14 to reflect that the average rate of interest achieved has dropped to 0.44%, with interest rates not expected to pick up until Q3 2016.

#### Council Tax Projections:

- As the Council Tax threshold principles are yet to be announced (expected in the new year) an increase of 1.95% for 2014/15 and 2015/16 onwards, based on the current estimated council tax base, has been assumed for forward planning

purposes only, as currently any rise over 2% would trigger a referendum. Any change to the level of capping, the inclusion of Parishes or any grants, which will be built into the baseline funding (i.e. not lost after the year in which awarded) that may be offered will be included in future budget reports when the details are known.

- The impact of 1.95% increase on Band D and Band B (highest number of properties in borough) are detailed below:

<b>Band D</b> – currently £183.70 p.a.	£187.28
Annual increase - Council Tax	£3.58
Cost per week	£0.07
Cost per instalment	£0.36
<b>Band B</b> – currently £142.87 p.a. (7/9).	£145.66
Annual increase - Council Tax	£2.79
Cost per week	£0.05
Cost per instalment	£0.28

Income:

- Increases in fees and charges are being proposed on a service-by-service basis and were included in the information that went out for public consultation; RPI on cemetery and cremation fees  
RPI on car parking fees and are included in ‘saving proposals for 14/15’. Members are asked to note the public consultation feedback in connection with fees with some alternative proposals being suggested and comments offered. These included ensuring parking fees are equal across the borough, offering annual or weekly price reductions, offering midweek free parking, and thinking of the impact the changes would have on local businesses.

Government Settlement:

- Original MTFS in February 2013 assumed a 2014/15 provisional settlement figure received 4 February 2013 with a 2% reduction on this level applied to 2015/16 and 2016/17 as was indicated in the Chancellor’s Autumn Statement, updated for receipt of Settlement figures on 18 December 2013.

3.4 The **original** budget deficit projections set out in the MTFS approved in February 2013 were as set out below in Table 4, along with the currently anticipated deficit taking into account information known to date and the assumptions set out above:

**Table 4 – Revised Projections 2013/14-2017/18**

Year	MTFS Projections February 2013 £000	Current Projections January 2014 £000
2014/15	<b>*278</b>	<b>**700</b>
2015/16	<b>510</b>	<b>1,624</b>
2016/17	<b>441</b>	<b>***422</b>
2017/18		<b>***418</b>
<b>Total Projected Deficit</b>	<b>1,229</b>	<b>3,164</b>

\* Remaining shortfall as 549k savings identified in 12/13

\*\* £1.2m less £500k saving (£549k above as adjusted)

\*\*\* no settlement figures received, based on 1% reduction year on year on RSG and RPI increase on safety net figures for NNDR

3.5 Table 5 below details the original 2013/14 budget as projected in February 2013 and the latest revision:

**Table 5 – Detailed Revised Projections 2013/14**

	<b>2014/15 Original Feb 2013</b>	<b>2014/15 Current revision</b>	<b>Notes</b>
		£	
<b>Base budget</b>	10,230,310	10,184,428	
<u>Budget Reductions</u>			
Savings not on-going into later years	1,000	2000	
Savings proposals identified 2012/13	-549,000	-500,000	<b>Appendix B</b>
Savings proposals for 2014/15		-162,377	<b>Appendix C</b>
<u>Budget Increases</u>			
Salary Movements	200,000	115,388	
Auto Enrol pensions		50,000	
Estimate change to eligible earning on pension		7,561	
Estimate increase pension deficit		82,497	
Contractual increases for inflation	120,000	315,276	<b>Appendix D</b>
Treasury Management		50,000	
	10,002,310	10,144,773	
<b>Funding from Reserves</b>			
Earmarked Reserves	104,000	274,500	
<b>Total Spending</b>	10,106,310	10,419,273	
Rounded Total Spending (£'000)	10,106	10,419	
<b>FUNDING</b>			
RSG	2,531	2513	
Baseline Need	2,271	2081	
New Homes Bonus	425	472	
PFI Grant	837	837	
Council Tax	3,660	3,650	
Collection Fund surplus		37	
Specific Grants		17	
BEC - Social Fund		400	
General Reserves		138	
Earmarked Reserves	104	275	
	9,828	10,419	
<b>Shortfall</b>	- 278		

3.6 The main reasons for the movement between the original February 2013 projections and the current projections as at January 2014 being: -

**1. Saving proposals approve February 2013**

Members agreed £549k savings for the 2014/15 budget when setting 2013/14 budget in February 2013; changes to these have reduced this target to £500k and are detailed in Appendix B.

**2. Savings proposals for 2014/15**

Appendix C details the proposed savings for 14/15.

**3. Salaries and pensions**

Reducing staff numbers have led to lower increment and pay award figures but the need to provide for pension contributions for; increasing numbers in members, anticipated with the onset of auto enrol and changes to the criteria of what is pensionable pay, have both increased costs.

**4. Contractual increases for inflation**

Original MTFS in February 2012- £120K, Revised Revenue Budget December 2013 2013-£315k, see Appendix D

**5. Treasury Management**

In year pressure as detailed in 3.3 above

**6. Government Settlement**

Original MTFS in February 2013 assumed a level of provisional funding given on 4<sup>th</sup> February. The 2014/15 settlement figures have since been received, on 18 December 2013. Copeland's total grant settlement is £4,594m for 2014/15 (see Table 2, paragraph 1.6). Illustrative figures have been received for 2015/16 only, in the absence of any further information the figures included for 2016/17 and 2017/18 have been reduced by 1% year on year for RSG and increased by RPI year on year for NNDR for the purposes of the MTFS.

3.7 The impact of settlement and other changes on 4 year MTFS projections now stand at:

**Table 6– Detailed Revised Projections 2014/15-2017/18**

	2014/15 Current revision	2015/16 Current revision	2016/17 Current revision	2017/18 Current revision
	£	£		
<b>Base budget</b>	10,184,428	10,144,773	10,889,365	11,429,019
<u>Budget Reductions</u>				
Savings not on-going into later years	2000			
Savings proposals identified 2012/13	-500,000			
Savings proposals for 2014/15	-162,377			
<u>Budget Increases</u>				
Salary Movements	115,388	94,789	81,278	81,278
Auto Enrol pensions	50,000	50,000	50,000	50,000
Estimate change to eligible earning on pension	7,561			
Estimate increase pension deficit	82,497	123,700	133,100	133,100
Loss of NI rebate		125,828		
Contractual increases for inflation	315,276	275,276	275,276	275,276
Treasury Management	50,000			
Loss of recycle credits		75,000		
	10,144,773	10,889,365	11,429,019	11,968,673
<b>Funding from Reserves</b>				
Earmarked Reserves	274,500	54,000	0	0
<b>Total Spending</b>	10,419,273	10,943,365	11,429,019	11,968,673
Rounded Total Spending (£'000)	10,419	10,943	11,429	11,969
<b>FUNDING</b>				
RSG	2513	1695	1678	1661
Baseline Need	2081	2142	2206	2272
New Homes Bonus	472	472	472	472
PFI Grant	837	837	837	837
Council Tax	3,650	3,719	3,790	3,862
Collection Fund surplus	37			
Specific Grants	17			
BEC - Social Fund	400	400	400	400
General Reserves	138			
Earmarked Reserves	275	54	0	0
	10,419	9,319	9,383	9,505
<b>Shortfall</b>		1,624	2,046	2,464
In year increase in difference		1624	422	418

#### 4. PDG AND BUDGET CONSULTATION 2013/14

- 4.1 A full consultation exercise on the Proposed Budget Savings for 2014/15 has recently been undertaken and a summary of savings consulted on are as detailed in a separate report presented elsewhere on this agenda. The total of £180k in 2014/15 is needed to reduce the £1.2m gap and is included in council tax figures and 'savings proposals for 2014/15' (income). Savings proposals agreed in February 2013 (as adjusted) and securing external funding from BEC social fund will leave a remaining gap of £138k which could be bridged in 2014/15 by the utilisation of the unallocated general fund. This would allow for the successful management and implementation of the service changes and provide capacity for planning for the 2015/16 phases of the transformation programme.

**Table 7 – Gap and proposed funding for budget 2014/15**

	£'000s	£'000s
<b>Gap in 2013/14</b>		<b>-1,200</b>
Less:		
Savings agreed Feb 2013 (as adjusted)	-500	
Savings proposals for 2014/15	-162	
BEC Social Fund- external funding	-400	
Use of unallocated general fund reserve	-138	
		<b>- 1,200</b>

- 4.2 Members are asked to consider the report on the public consultation and any changes required to the budget proposals in light of the feedback and the latest financial settlement.
- 4.3 Once the draft budget proposals have been approved by Executive at this meeting, this will be subject to a further statutory budget consultation which will run for four weeks from 13<sup>th</sup> January to 10<sup>th</sup> February 2014.

#### 5. RISKS

- 5.1 There are always risks associated with setting a budget as many budget assumptions can change if forecasts used in the process prove to be inaccurate. The scale of the cuts and the changing way in which figures are given makes this more challenging.
- 5.2 The settlement from Government of £4,594m includes a guaranteed is made up of £2,513m (Revenue Support Grant) and £2,081m (Baseline Needs Grant). The Revenue Support Grant is a guaranteed cash receipt, but the receipt of Baseline Needs funding is dependent upon the collection of NNDR. For the purposes of the budget and MTFs we

have assumed the appeals lodged will take Copeland down to the safety net payment, which equates to a loss of 165k.

- 5.3 The settlement figures for 2015/16 figures provided on 18 December were on an 'illustrative' basis and have been included in the MTFS. The figures for 2016/17 onwards have been included as 16/17 reduced by 1% year on year for RSG and increased by RPI year on year for NNDR for the purposes of the MTFS.
- 5.4 A pension triennial review will be due 2016/17 which is within the life of the current MTFS. The current contribution rate is included at 12.4% with yearly additional sums for past service of c. 83k for 14/15, increasing by £124k for 15/16, and by £133k for 16/17. For the sake of completeness 16/17 contribution has been replicated for inclusion in 17/18 figures.
- 5.5 Whilst the authority has taken the decision to postpone auto enrol into the pension scheme for its employees until 2017/18, any employee who is not a member can join at any time. An estimate of take up has therefore been included at £50k (circa 25% of estimated additional cost if all employees in scheme) a year, every year, until 2017/18. However this is only an estimate and take up may be more or less.
- 5.6 The government published 'The single-tier pension: a simple foundation for saving' on 14 January 2013. On 18 March 2013 the government announced that the single-tier pension will be brought in on 6 April 2016. The single-tier pension will replace the State Second Pension, contracting-out arrangements and reliefs.

Closing the State Second Pension is an important part of the single-tier reforms. Contracting out of the State Second Pension for Defined Benefit schemes will therefore come to an end. Contracting out means giving up entitlement to the State Second Pension in return for a broadly similar occupational pension and a lower National Insurance (NI) rate for employer and employee.

For employers, the end of contracting out will have cost and administrative implications, the largest of which will be paying higher employer National Insurance contributions. They will have to pay the same rate of National Insurance as all other employers, meaning an increase in respect of each contracted-out employee of 3.4 per cent of earnings between the Lower Earnings Limit (LEL) and Upper Accrual Point (UAP), for Copeland this cost is estimated at £126k pa and is included in the MTFS projections from 2015/16 onwards.

- 5.7 As set out in a separate report, the Council holds a risk-based reserve of £2m, with an unallocated general fund balance of £933k. As stated in paragraph 4.1 above, £103k of the unallocated general fund will need to be utilised to balance the budget once the savings identified and consulted upon have been actioned.

## **6 REPORT OF THE HEAD OF CORPORATE RESOURCES**

- 6.1 In setting the budget requirement in February 2014, the Council is required under Section 25 of the Local Government Act 2003 to consider the formal advice of the statutory s151 responsible officer, the Head of Corporate Resources, on the robustness of the estimates included in the budget and adequacy of reserves. In a report to Executive on 17 December 2013, the Head of Corporate Resources recommended a level of £2m be set as the minimum level deemed acceptable for Council purposes.
- 6.2 If the balance on the General Fund is projected to fall below the recommended risk-based level, then priority will be placed on restoring the balance in subsequent budget and out-turn recommendations. Temporary dips below the target may be acceptable provided that the minimum amount is not likely to be breached and there is a robust plan to restore balances to the target level.

## **7 CONCLUSIONS**

- 7.1 The position of the budget and the MTFs projections as set out in this report outline the budget proposals for consideration for 2014/15 and once approved will form the basis for the statutory budget consultation. It also provides a forecast for a further 3 years to 2017/18.
- 7.2 The detailed budget proposals including the savings for 2014/15 will be represented to the Executive on 13<sup>th</sup> February 2014 to be recommended to Council for the setting of the budget on 27 February 2014.

## **8 STATUTORY OFFICER COMMENTS**

- 8.1 The monitoring officers comments are: No further comments
- 8.2 The Section 151 Officers comments are: included in the report
- 8.3 EIA Comments: There are no EIA impacts at this stage
- 8.4 Policy Framework:
- 8.5 Other consultee comments: the consultation process is set out in the report.

## **9. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?**

- 9.1 The budget process is a high risk process which is project managed and monitored by CLT. The risks are contained in the Strategic Risk Register and will be monitored as part of that process.

## **10. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?**

10.1 The key measurable outcome is a balanced budget proposal for the Council for 2013/14, which will determine the manpower, financial and other resources it will have available to provide services for the year.

### **List of Appendices**

Appendix A – 2014-15 Spending power Estimates (DCLG)

Appendix B – Savings Proposals Identified February 2013 (Adjusted)

Appendix C – Savings Proposals 2014/15

Appendix D – Inflation workings 2014/15

Appendix E – Proposed Fees and Charges

### **List of Background Documents:**

Public consultation document on savings proposals.

DRAFT

## Appendix A - Revenue Spending Power (DCLG)

### 2014-15 REVENUE SPENDING POWER ESTIMATES

Please select:

Copeland

Spending Power Components		2013-14	2014-15
1 Council Tax Requirement excluding parish precepts	£m	3.6	3.6
Settlement Funding Assessment	£m	5.5	4.8
2 SFA: Adjustment to reflect Section 31 grants for business rates cap	£m	0.0	0.0
3 minus Council Tax Support Funding to Parishes	£m	-0.1	-0.1
4 Efficiency Support Grant	£m	0.0	0.0
Commons Registration Authorities	£m	0.0	0.0
Inshore Fisheries Conservation Authorities	£m	0.0	0.0
Lead Local Flood Authorities	£m	0.0	0.0
Community Right to Challenge	£m	0.0	0.0
Community Right to Bid	£m	0.0	0.0
Local Welfare Provision (Admin + Programme funding) 2014-15	£m	0.0	0.0
Fire Revenue Grant (FireLink and New Dimension elements)	£m	0.0	0.0
5 Indicative Council Tax Freeze Grant 2014-15	£m	0.0	0.0
6 New Homes Bonus	£m	0.2	0.5
7 New Homes Bonus: returned funding	£m	0.0	0.0
Housing Benefit Subsidy Admin	£m	0.5	0.0
Local Council Tax Support and Housing Benefit Administration Subsidy	£m	0.0	0.4
Council Tax Support New Burdens Funding	£m	0.1	0.1
LA Social Housing Fraud	£m	0.0	0.0
City of London Offset	£m	0.0	0.0
GLA Transport Grant	£m	0.0	0.0
Local Reform and Community Voices DH revenue grant	£m	0.0	0.0
Public Health Grant (Ring-fenced)	£m	0.0	0.0
NHS funding to support social care and benefit health	£m	0.0	0.0
Estimated 2014-15 Revenue Spending Power including NHS support for social care	£m	9.8	9.4
Change in estimated 'revenue spending power' 2015-16	£m		-0.4
<b>Change in estimated 'revenue spending power' 2015-16</b>			<b>-4.4%</b>

- The council tax requirement figures for 2014-15 has been estimated by assuming the historic growth rate in local authority tax bases continues and that there are no increases in Council Tax levels.
- Estimated value of Section 31 grants to compensate local authorities for the cost of capping the business rates multiplier in 2014-15 announced at Autumn Statement 2013.
- Council tax support funding for parishes, this funding is assumed to be constant at the level estimated in 2013-14.
- Efficiency Support Grant in 2014-15 is dependent on local authority's performance. It is capped so that no local authority should receive a spending power reduction of more than 6.9%. For local authorities that received Efficiency Support Grant in 2013-14 they will not get less than their 2013-14 amount in 2014-15.
- Indicative Freeze Grant 14-15 has been estimated by assuming historic growth rate in local authority tax bases continues and that there is 100% take up of the grant.
- New Homes Bonus allocations for 2014-15 are provisional
- New Homes Bonus: Returned funding is the element of the SFA topslice for New Homes Bonus that is returned to local authorities distributed as per 2013-14 SUFA allocations.

**Appendix B - Savings Proposals Identified February 2013 (Adjusted)**

	Agreed February 2013			Amended December 2013
	13/14	14/15	=	
	By Mar 13	By Mar 14	in year 14/15	
REDUCE grass cuts	68	79	11	11
STOP flower displays & maintenance	56	75	19	19
STOP shrub beds-Remove 75% of shrub beds and reseed areas	0	16	16	19.5
REDUCE Internal Audit budget	10	20	10	15
STOP Christmas lights	0	2	2	2
REDUCE council running costs (Business Basics)	80	164	84	145
REDUCE Grants	61.5	82	20.5	20.5
Reduce NCL costs	287	338	51	7
Increase NCL PPM costs				-93
REDUCE Copeland Centre costs	60	150	90	90
Change Beacon opening times and then partner – if not close	109	325	216	216
CLOSE Public Toilets seek CAT	11	41	30	18
Reductions in Members allowances				30
	742.5	1292	549.5	500

**Appendix C - Savings Proposals 2014/15**

	<b>£'000s</b>
Additional external income to support economic development	<b>62</b>
Reduction in legal and professional fees in finance	<b>15</b>
Reduction of 0.6 post DC administrative support officer	<b>12</b>
Additional fee income:	
RPI Increase cemetery fees	<b>4</b>
RPI Increase crematoria fees	<b>23</b>
RPI Increase car parking fees	<b>13</b>
Additional fee on burials/cremations	<b>12</b>
Reduction in residual costs - nuclear issues	<b>3</b>
Reduction in members training expenses	<b>10</b>
Reduction to concurrent grant	<b>8</b>
<b>Total savings proposals 2014/15</b>	<b>162</b>

**Appendix D - Inflation workings 2014/15**

<b>Contract</b>	<b>Increase</b>
	<b>£'s</b>
NCL	87,364
PFI	56,166
General Repairs	44,840
NCL General Repairs	5,778
Programmed Maintenance	1,514
Cyclical Maintenance	1,657
Term Contact agreed	1,200
Vehicles	4,802
Electricity	9,784
Gas	3,289
RBS Shared Service	11,793
General Inflation	87,088
<b>Total inflation 2014/15</b>	<b>315,275</b>

**Appendix E -CAR PARKS**

2013-14 Projected car park fees (Net) INCOME

335000\*

2014-15 Projected car park fees (net) INCOME

348000\*

PROPOSED FEES & CHARGES 2013/14 [ALL INCLUDING VAT]	CURRENT FEES	PROPOSED CHARGES
	2013-14	2014-15
	£	£
<b>SCHOOLHOUSE LANE WHITEHAVEN</b>		
Up to 30 minutes	n/a	1.00
Up to 1 hr	1.40	1.50
Up to 2 hrs	2.00	2.10
Up to 3 hrs	2.60	2.70
Overnight parking	4.60	4.80
<b>SENHOUSE STREET WHITEHAVEN</b>		
Up to 30 minutes	n/a	1.00
Up to 1 hr	1.40	1.50
Up to 2 hrs	2.00	2.10
Up to 3 hrs	2.60	2.70
Up to 4 hrs	3.50	3.70
Overnight parking	4.60	4.80
<b>THE COPELAND CENTRE WHITEHAVEN (weekends only)</b>		
Up to 1 hr	1.40	
Up to 2 hrs	2.00	2.10
Up to 3 hrs	2.60	2.70
Up to 4 hrs	3.50	3.70
Over 4 hours	4.60	4.80
<b>SPORTS CENTRE WHITEHAVEN</b>		
Up to 1 hr	1.40	1.50
Up to 2 hrs	2.00	2.10
Up to 3 hrs	2.60	2.70
Up to 4 hrs	3.50	3.70
Over 4 hrs	4.60	4.80
Overnight parking	4.60	4.80
Monthly permit	60.00	61.80
Quarterly Permit	n/a	180.00
Annual Permit	n/a	665.00
<b>BEACON WHITEHAVEN</b>		
Up to 1 hour	1.40	1.50
Up to 2 hrs	2.00	2.10
Up to 3 hrs	2.60	2.70
Up to 4 hrs	3.50	3.70
Over 4 hrs	4.60	4.80
Overnight parking	4.60	4.80
Weekend stay (Fri-Mon)	n/a	15.00
<b>NORTH SHORE, WHITEHAVEN</b>		
Up to 1 hour	1.40	1.50
Up to 2 hrs	2.00	2.10
Up to 3 hrs	2.60	2.70
Up to 4 hrs	3.50	3.70
Over 4 hrs	4.60	4.80
Overnight parking	4.60	4.80
Monthly car park pass (10 bays only)	60.00	61.80
<b>SOUTH SHORE, WHITEHAVEN (CAR PARK)</b>		
Up to 1 hour	1.40	1.50
Up to 2 hrs	2.00	2.10
Up to 3 hrs	2.60	2.70
Up to 4 hrs	3.50	3.70
Over 4 hours	4.60	4.80
Overnight parking	4.60	4.80
Monthly car park pass(5 bays only)	60.00	61.80
Weekend stay (Fri-Mon)	n/a	15.00
<b>SOUTH SHORE, WHITEHAVEN (BUS BAYS)</b>		
Up to 4 hrs	6.30	6.50
Over 4 hrs	14.70	15.20
Overnight parking	4.60	4.80
<b>WHITEHAVEN CIVIC HALL</b>		
Monthly permits	50.00	55 for 1st 6 months then 61.80
<b>CHAPEL STREET EGREMONT</b>		
Up to 1 hr	0.90	1.00
Up to 2 hrs	1.20	1.30
Up to 3 hrs	1.40	1.50
Up to 4 hrs	1.70	1.80
Over 4 hrs	2.80	2.90
Monthly Car Passes (25 bays only)	40.00	41.20
<b>BECK GREEN EGREMONT</b>		
Up to 1 hr	0.90	1.00
Up to 2 hrs	1.20	1.30
Up to 3 hrs	1.40	1.50
Up to 4 hrs	1.70	1.80
Over 4 hours	2.80	2.90
<b>ST BEES FORESHORE</b>		
Up to 1 hr	1.40	1.50
Up to 2 hrs	2.00	2.10
Up to 3 hrs	2.60	2.70
Up to 4 hrs	3.20	3.30
Up to 5 hrs	3.80	4.00
Over 5 hrs	5.00	5.20
7 Day Permit	15.00	15.50

\* excludes penalty charge fines

Appendix E

CREMATORIUM PROPOSED 2014/15 FEES AND CHARGES

2013/14 BASE BUDGET INCOME

726,000

PROPOSED 2014/15 BASE BUDGET INCOME

757,280

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES	BASE PROPOSAL	
	2012/13	2013/14	
	£		
Still born or Child up to 1 month *	0.00	0.00	
Amendment (Regulation) 2000	116.00	120.00	
Child 1 month to 16 years	195.00	211.00	
Person over 16 years (resident)	680.00	710.00	
Person over 16 years (non resident)	798.00	832.00	
Medical Referee/examiners fee (at cost)	25.00	At Cost	Transfer to Examiners Fee due April 2014, delayed from 2013.
Environmental levy	47.00	50.00	*levy set nationally - may change in year
Deleterious Material Surcharge	n/a	50.00	
<b>OPTIONAL FEES</b>			
Certificate of cremation	33.00	34.00	
Postage of remains UK only	51.00	53.00	
Strewing of remains (from other crematoria & by appointment)	51.00	53.00	
Strewing of remains (those returned)	26.00	27.00	
Use of Vestry (24 hour or part)	100.00	100.00	
<b>URNS AND CASKETS (all including VAT)</b>			
Metal Urn	20.00	20.00	
Wooden Casket	40.00	40.00	
Plastic Urn	7.00/6.00	7.00/6.00	
Biodegradable Urn	8.00/7.00	8.00/7.00	
<b>BOOK OF REMEMBRANCE - INSCRIPTION CHARGES (all including VAT)</b>			
BoR charges may be subject to supplier variation			
BOR 2 line entry	71.00	73.00	
BOR 5 line entry	104.00	107.00	
BOR 8 line entry	149.00	153.00	
Min Books 2 line entry	75.00	77.00	
Min Books 5 line entry	85.00	88.00	
Min Books 8 line entry	102.00	105.00	
Cards - Coloured - 2 line entry	37.00	38.00	
Cards - Coloured - 5 line entry	48.00	49.00	
Cards - Coloured - 8 line entry	62.00	64.00	
Cards - White - 2 line entry	33.00	34.00	
Cards - White - 5 line entry	39.00	40.00	
Cards - White - 8 line entry	54.00	56.00	
<b>Additional Charges</b>			
Floral emblem	74.00	76.00	
Badges etc	113.00	116.00	
<b>Memorials</b>			
Memorial plaque -Bronze (15yrs)	270.00	278.00	
15 year extension	80.00	82.00	
Bench	1,158.00	1193.00	
Bench Plaque	120.00	124.00	
Tree		100.00	

**Appendix E**

**CEMETERIES PROPOSED 2014/15 FEES AND CHARGES**

**2013/14 BASE BUDGET INCOME**

**135,363**

**PROPOSED 2014/15 BASE BUDGET INCOME**

**140,424**

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES	BASE PROPOSAL
	2013/14	2014/15
	£	£
<b>INTERMENT FEES</b>		
Still born Child up to 1 month	n/a	50.00
Child 1 month to 16 years	261.00	279.00
Person 16 years and over	771.00	804.00
Internment in a vault	845.00	880.00
Cremated Remains	208.00	214.00
Strewing of cremated remains	61.00	63.00
Additional Charge Non-Resident of Copeland	314.00	323.00
<b>EXCLUSIVE RIGHT OF BURIAL</b>		
In a grave adjoining main paths	671.00	691.00 Where available
Other graves	559.00	576.00 Where available
Cremated remains	209.00	215.00
<b>MEMORIAL &amp; INSCRIPTIONS (all including VAT)</b>		
Flat stone not exceeding 600mm x 600 mm	75.00	77.00
Flat stone between 600 mm x 600 mm and 1m x 1m	92.00	95.00
Flat stone exceeding 1m x 1 m	147.00	151.00
Headstone not exceeding 1.5m in height	169.00	174.00
Vase not exceeding 600mm in height	44.00	45.00
Additional inscription	55.00	57.00
Other memorials as Crematorium		
<b>MISCELLANEOUS FEES</b>		
Exhumation (plus labour)	1,123.00	1,123.00
Transfer of Exclusive Rights	60.00	62.00
Certified copy of register entry	60.00	62.00
Family tree search fee - Single enquiry to 30 minutes	n/a	20.00
Family tree search fee - Multiple enquiry over 30 minutes	101.00	150.00
<b>TRINITY GARDENS</b>		
Strewing of cremated remains	61.00	63.00
Charge per plaque	61.00	63.00
Inscription - charge per letter of number	9.00	9.00