

Medium Term Financial Strategy – Budget Options 2015/16 and 2016/17

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WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS

This report details the updated proposals received by Executive at its meeting in September, on the early budget options for 2015/16 developed in accordance with the principles set out in the Medium Term Financial Strategy which was approved by Council on 27th February 2014.

WHY HAS THIS REPORT COME TO THE OSC?

(E.g. Key Decision, Policy recommendation for Full Council, at request of Council, etc)

The report updates OSC on the Budget Options considered for 2015/16 to 2016/17.

RECOMMENDATION:

The OSC are asked to note that Executive:

Approved the investigation of the early budget savings options for the two year strategy as set out in the report;

- (i) Approved the budget timetable and the public consultation on the savings options which is currently running until December.
- (ii) Approved that the 2015/16 budget will be prepared under the principles as set out in the Corporate Plan 2013-2015 pending a revision of the priorities which will be carried out during 2015/16.

1. BACKGROUND

- 1.1 The Medium Term Financial Strategy (MTFS) approved by full Council on 27th February 2014, sets out the current framework for planning and managing the Council's financial resources, to develop its annual budget strategy and update its four year projections to 2017/18.
- 1.2 Good financial management is essential for the delivery of good public services and the effective stewardship of taxpayers' money. It assists the Council in making the right financial decisions for the short, medium and longer term.
- 1.3 The financial management arrangements of the Council express in monetary terms the planned use of resources to deliver Council services in accordance with its stated

priorities set out in the Corporate Plan. The Corporate Plan 2013-15 was approved by Council on 21st February 2013.

- 1.4 In terms of available financial resources, Copeland Borough Council continues to face severe financial challenges as set out in detail in the MTFS. Central Government funding has been cut substantially and we face the challenge of meeting community expectations with significantly less money.
- 1.5 Copeland Borough Council has been one of the Council's facing the largest cuts in its budgets and this is not expected to ease. Funding from Central Government continues to be redirected from a 'needs based' allocation to a 'growth' basis. In effect this means that financial resources are being allocated away from more deprived areas and the funding is being targeted towards areas that are able to grow and be sustainable. This is evidenced by policies such as the New Homes Bonus and the Business Rates Retention scheme which allocate funding according to growth. In addition the Local Council Tax Support schemes penalise Councils that see an increase in their claimant numbers as the funding is now fixed.
- 1.6 This report updates members on the early budget options for 2015/16 and 2016/17 to meet the projected budget deficit. The proposals have been developed in accordance with the principles set out in the Medium Term Financial Strategy as approved by Council on 27th February 2014.

2. CORPORATE PLAN 2013- 15

- 2.1 A key objective of the planning process is to align budgets to the Council's priorities as set out in the Corporate Plan 2013 - 15. The Plan sets out the Council's visions, goals and objectives taking into account the reduction in funding and feedback from public consultation exercises.
- 2.2 The Corporate Plan currently covers the period to March 2015. The Plan is currently under review however from May 2015 a new system of governance will be introduced in CBC in the form of the new mayoral system, and this may impact on the corporate plan priorities. Until the revised Plan is completed and approved the 2015/16 budget will be prepared under the principles approved in the 2013-15 corporate plan.

The Council's mission is:

- *'An effective Council that works with partners and communities to arrange services for residents of Copeland'*

The three priorities contained in that Plan are:

- *Deliver efficient and effective statutory services*
- *Be an effective public service partner so that we can get the best deal for Copeland*
- *Working in partnership with communities.*

- 2.3 The growth agenda for the Copeland area will be a key feature of the future Corporate Plan.

3. POLICY LED BUDGETING

3.1 The work carried out by the Policy Development Groups (PDG's) during 2011, 2012 and 2013 has been critical in identifying on going budget savings which are necessary to enable balanced budgets to be set. The 2014/15 budget proposals includes £500k of savings identified by the PDGs in 2012/13 and a further £162k of savings identified in 2013/14. In order to identify further budget reductions for future years our future savings strategy will focus on

- Looking to maximise our business rates income through accelerated growth and pooling opportunities.
- Look to maximise our new homes bonus through accelerated growth and a review of our empty properties.
- A continued focus on finding efficiencies and reducing costs including the reshaping of our office accommodation, continuing with our customer access strategy and the move to web enabled access.
- Moving to a commissioning approach, using evidence based need to set the level of statutory service and exploring alternative forms of service delivery
- Enhanced 2 tier working and exploring unitary / further shared services.
- Maximising the income from our fees and charges including new charges.
- Approaching the Boundary Commission re the number of councillors.
- Continuing to work towards ensuring discretionary services are provided at no cost to the council.
- Keeping under review the levels of subsidy we provide in our Council Tax discount scheme.

3.2 To ensure the Council achieves its savings target but also clearly allocates its reduced financial resources to its key priorities it needs to be clear on the answers to the following questions for each area of spending:

- Is this an activity the Council needs to provide?
- Is this an activity the Council needs to fund?
- Which other local bodies could provide and fund this activity?
- How can the private sector, third sector or citizens provide or fund this activity, whole or in part?
- How is the activity essential to achieving the council priorities?
- How can we focus this activity on people most in need?
- How can we provide this activity at lower cost?
- What can make this activity more effective?
- How can we make sure that payment to service providers' links to achievement?

- If income generating, consideration of break even or surplus generation taking into account equality implications.

4. THE FINANCIAL OUTLOOK 2015/16 TO 2017/18

4.1 The Medium Term Financial Strategy agreed by Council in February 2014 identified a potential gap in the council's budget of:

Year	Projected Deficit £000
2015/16	£1.648
2016/17	£0.422
2017/18	£0.418
Total projected three year deficit	£2.488

4.2 The main assumptions used for the purpose of setting the MTFS financial projections detailed above were as set out below. These will be reviewed as part of the budget setting process for 2015/16:

- Inflation – 2% on general inflation plus specific rates on individual contractual agreements.
- Salaries – 1% overall increase plus incremental increases.
- Pensions Contributions – as per the 2014 revaluation. A further revaluation will be carried out in 2017.
- Auto Enrol impact - £50k pa assumed.
- Council Tax – 1.95% per annum increase
- Government Settlement - assumes the illustrative settlement for 2015/16 is actually provided for by Government at this level. There are currently no indicative settlement figures available for 2016/17 onwards and an assumption of a 1% reduction p.a. has been used.

4.3 The projections also assume the council is in receipt of a safety net payment from Government on its business rates and that the loss to the council will be limited to £165K p.a. maximum which has been built into the projections. The issue of Business Rates projections now carries much more financial risk to the Council and the actual position year on year may vary significantly from estimates due to the timing of new growth initiatives and particularly the impact of appeals settlements. Both of these issues are out-with the Councils control, and in particular the settlement of the outstanding Sellafeld appeal will be crucial to the Councils on-going financial position. If the Business Rate risk is mitigated by the use of the risk based reserve on a one off basis, the council will be looking to find savings of £1.483m in 2015/16.

5. RISKS TO BE MANAGED

5.1 The deficit projections in the Table at 4.1 assume that a number of other elements of the council's income are delivered in accordance with expectations during 2014/15. There will also be further risks emerging as we progress through the budget process and these will be monitored by the Corporate Leadership Team as part of the budget process project management arrangements.

The following risks have currently been identified:

- Britain's Energy Coast Funding - £400k pa is subject to annual review.
- Beacon Support - £325k pa funding is subject to annual review. Admissions income targets to be closely monitored.
- New Homes Bonus £472k is built into the base budget and assumes that this government funding stream remains for the foreseeable future.
- Delivery of additional income on the new NCL contract via the Gym extension at the Pool. The risk for us as the project has been delayed opening from June to October 2014 i.e. 5-6 months shift in timetable to begin to enable the guaranteed annual income of £100k to underpin the contract savings.
- Car park Income - levels will be carefully monitored to check projected levels increase in line with targets.
- Single Fraud Investigation Service. The service is expected to transfer to the DWP in the autumn of 2014. Full details and implications from the transfer on the Council's remaining fraud responsibilities are not yet known.
- Universal Credit – The impact is anticipated from late 2014 however are anticipated to be minimal for the foreseeable future to 2017.
- Cost and impact of Mayoral Referendum and new system of governance.

6. HEADLINE APPRAISAL OF THE SAVINGS OPTIONS:

6.1 The savings options are being investigated over a two year period and have been separated into two tables as set out below:

Table 1 – Savings under consideration for implementation in 2015/16

Table 2 - Savings under consideration for implementation in 2016/17 (or later years.)

It should be noted however that exact timing of savings over the two year period will be dependent on the speed of progressing various work-streams and the complexity of the

work involved. Further budget options may also emerge as the budget process progresses.

Table 1 : Savings Options for target implementation in 2015/16

Options Under Consideration Savings for 2015/16	Detailed areas to explore	Notes:	Potential Saving Opportunity
1. Looking to maximise our business rates through accelerated growth.	<ul style="list-style-type: none"> - Pooling options - Accelerated growth - LEP Local Growth Deal - Appeals 	Business Rates position unclear until the Sellafield Appeal position is settled.	Unable to quantify at this stage pending the resolution of the Sellafield appeal. Assume £165k met from Risk Based Reserve.
2. Looking to maximise our New Homes Bonus	<ul style="list-style-type: none"> - Empty Homes Review - Accelerated growth 	Empty Homes Review has commenced. Increase in empty homes being investigated.	Unable to quantify at this stage. Will have a clearer picture when the numbers are submitted to Govt at end of Oct
3. A continued focus on finding efficiencies and reducing costs including the reshaping of our office accommodation.	<ul style="list-style-type: none"> - Accommodation move. - Letting out of floor space - PDG to be established 	Extra income estimated Additional costs also required for refit of new offices and ICT equipment changes	£500K target 2015/16 £400k capital budget set aside to in 2014/15 to achieve the cost of the moves.
4. Enhanced 2 tier working and exploring unitary / further shared services.	- For 2015/16 budget a review of current Revenues and Benefits Shared Service during 2014/15	Other services to be identified for future years through the commissioning work and progressed via the Chief Executive's Transformation Board	£100k target in 2015/16
5. Maximising the income from our fees and charges including introducing new charges.	Introduce Charges for replacement bins and green waste	Currently manual system so investment in ICT and kit required. Communication	£50K in 2015/16 from green waste

		and Consultation required to mitigate risks.	
6. Review of underspends to see if any permanent savings can be taken from the base.	<ul style="list-style-type: none"> - Base Budget review underway which will continue under budget monitoring arrangements - Introduce Salary Turnover savings - Inflation Review - Review of Reserves process - Review of risk level of estimates 	Revised Estimate process for 2014/15 to identify base budget reductions and pressures.	<ul style="list-style-type: none"> - £50k est - - £100k est - £100k est - As part of budget process
7. Vehicle Lease Review	Review investigation underway	Tender due for renewal 2017/18	Potential savings in 2015/16 depending on results of negotiation. Main savings possibly 2016/17 or 17/18
8. Government Settlement projections - review	LGA and LG Future projections available and will be reviewed	Modelling of best / mid / worst case scenarios	Currently Unknown. Government Grant announcement anticipated December 2014
9. Treasury Management Risk	Meeting set up with Treasury Advisors to discuss risk / yield issues.	Risk appetite. Discuss with Audit and Governance Committee	Likely to be minimal (say £30k)
10. Review of Members Allowances and new system of mayoral governance	<ul style="list-style-type: none"> - PDG established 		Currently unknown
11. Review of Parish funding for LCTS.	<ul style="list-style-type: none"> - Review of need against budget available 		Potential to reduce budgets in line with the budget reduction imposed on CBC by Central Government.
12. Use of reserves to smooth out the	Additional Reserves from 2013/14 of		Up to £960k is available. The

implementation of the programme	£960k to smooth the impact of the budget deficit for 2015/16 pending the longer term approach to commissioning and sharing of services		current target is for c. £500k to £600k to be taken from reserves in 2015/16 with the balance available for 2016/17. The amounts in each year will be dependent on the progress of the various work streams particularly on Commissioning.
13. Continue to implement our customer access strategy and increased web enabled access.	Linked to the Accommodation and IT strategy.		May be partially implemented during 2015/16
14. Member and Staff IT	Efficiencies in working arrangements to be explored. Members PDG to be established.	Savings to be generated through more efficient use of ICT resources across the Council as a whole	Start implementation from 2015/16

Table 2 – Savings Options from 2016/17 onwards

Options Under Consideration Savings likely from 2016/17 onwards	Detailed areas to explore	Notes:	Potential Saving Opportunity
15. Moving to a commissioning approach. We will continue to look at how best to deliver services within our Borough. We will develop a framework to help us decide the best way to do this and we will become more commercially aware in how we	Programme of service reviews – looking at levels of services provided	Also staff/managers suggestions from reviewing their budgets to contribute	Target savings commencing in 2016/17

trade our services for the benefit of our communities.			
16. Approaching the Boundary Commission ref the number of councillors.	Already completed and awaiting BC response		Any likely savings will only accrue from 2018/19 as there is no election until May 2019 when this could take effect.
17. Reviewing the levels of subsidy we provide in our Council Tax discount scheme.	Reduction of support to certain groups to reduce the level of financial discount and save money. Review carried out 2013/14	No review recommended for 2014/15. Await outcome of the government's 3 year review of the system	Likely to be 2016/17 at earliest.
18. PFI Review	To be investigated	Full review dependent on PFI grant position	Likely to be 2016/17 at the earliest
19. Enhanced 2 tier working and exploring unitary / further shared services.	Enhanced 2 tier working and exploring unitary / further shared services.	Other services to be identified through the commissioning work and progressed via the Chief Executive's Transformation Board	Enhanced 2 tier working and exploring unitary / further shared services.

6.2 The savings option listed above are an early analysis of the work that has taken place to date. A substantial amount of further work will need to be carried out over the coming months and business cases and Equality Impact Assessments will need to be developed, culminating in the budget proposals being recommended to Council on 26th February 2015.

6.2 These options will be developed for public consultation over the period from November to mid - December 2014.

7. OVERVIEW BUDGET PROCESS TIMETABLE:

7.1 A detailed budget timetable will be produced for internal control and report preparation purposes, however the key dates for member consideration are:

Date	Event / Meeting	Purpose / Note
30/9/14	Executive	Approval of the Budget Options under consideration (this paper).
November – mid December	Public Consultation (c. 6 weeks)	Consultation on Budget Savings Options.
11/11/14	Special OSC	Consideration of Budget Savings Options.
25/11/14	Executive	Consideration of Consultation proposals
16/12/14 (i)	Executive	Consideration of final budget options for statutory consultation
17/12/14 to 14/1/15	Statutory NDR Consultation	4 weeks minimum
16/1/15	Special OSC	Budget Options and Budget consultation consideration
20/1/15	Special Exec (Budget)	Budget Consultation consideration
9/2/15	OSC (if required)	
12/2/15	Special Exec (Budget)	Final Proposals
26/2/15(ii)	Council	Final Approval to CBC budget for 2015/16
Early March (before 11 th) (ii)	Council Tax Setting Committee	To set the Council Tax levels

- (i) Executive 16th December – recommend draft budget proposals for formal 4 week business ratepayers statutory consultation. (NB: In the past 2 years this meeting has been pushed back to early January due to the late announcements on the Government settlement and it is likely this will need to be done again)
- (ii) Council 26th Feb – Copeland Borough Council’s budget can be approved on this date. However the setting of the Council Tax is dependent on receiving all of the parish precepts in time (parishes have until the end of February to set their precepts). In the past 2 years a special meeting of the Council Tax setting sub-committee has been held in early March, and a meeting will be arranged to facilitate this again for this year.

8. STATUTORY OFFICER COMMENTS:

- 10.1 The Monitoring Officer's comments are: Proposals for consultation set out in the report are proportionate and in accordance with statutory guidance on consultation.
- 10.2 The Section 151 Officer's comments are: Included in the report.
- 10.3 EIA Comments: An EIA assessment will be completed for the budget options being proposed.
- 10.4 Policy Framework: Proposal within the Corporate Plan 2013-2015 which will be extended for a further year.
- 10.5 Other consultee comments, if any: A 6 week public consultation will be carried out on the options under consideration from early October to mid- November.

11. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

- 11.1 The Corporate Leadership Team will monitor the overall budget process and the risks emerging. Detailed timetables will be prepared.

12. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

- 12.1 A balanced budget position will be recommended to Council in February 2015

13. APPENDICES AND BACKGROUND DOCUMENTS:

Background documents:

- Medium Term Financial Strategy 2014/15 to 2017/18
- Corporate Plan 2013 to 2015