

**4 March 2015**

**Ordinary Council (Budget)**

**Medium Term Financial Plan (General Fund) 2015/16 –  
2017/18**

*Report of: Jo-Anne Ireland, Acting Chief Executive*

**Wards Affected:** *All Wards*

**This report is:** *Public*

**1. Executive Summary**

- 1.1 The Medium Term Financial Plan (MTFP) sets out the key financial management principles and budget assumptions. It is then used as the framework for the detailed budget setting process to ensure that the Council's resources are managed effectively in order to meet its statutory responsibilities and deliver the priorities of the Council, over the medium term.
- 1.2 This report considers the detailed budget proposals for 2015/16, together with a proposal to freeze Council Tax for 2015/16.

**2. Recommendation(s)**

- 2.1 **To note the key assumptions that underpin the Medium Term Financial Plan and the associated risks.**
- 2.2 **To note the projected outturn of an estimated deficit of £17,000 for 2014/15.**
- 2.3 **To approve the spending requirement for 2015/16 as shown in the table at para 4.38 which includes:**
  - 2.3.1 **The sum of £163,850 for new developments**
  - 2.3.2 **The sum of £545,000 for anticipated savings**
  - 2.3.3 **The sum of £361,634 to be taken from the Working Balance**
  - 2.3.4 **The sum of £350,000 to be earmarked for the WHW Development.**
- 2.4 **To approve the Section 151 Officer's Assurance Statement on the robustness of the estimates and adequacy of the reserves.**
- 2.5 **That regular reports are presented to Finance & Resources Committee on the progress on delivery of the savings.**

### 3. Introduction and Background

3.1 The key priorities for the Council as outlined in the Corporate Plan for the period 2013 – 2016 are:

- **Street Scene and Environment** - Brentwood is a clean, green and pleasant Borough. Maintaining and improving this involves not just the Council but also our communities and many partners. We will find new ways of working with our partners and communities, and improve the way we play our part, to enhance the environment and attractiveness of the Borough.
- **Localism** – We believe that through bringing communities together and working effectively in collaboration with a range of groups and organizations we can better ensure the future wellbeing of our Borough. We will work with local businesses, community groups and the voluntary sector to develop projects that will enhance and support the local community.
- **A Prosperous Borough** – A new Local Development Plan will shape the way our Borough will change over the next fifteen years. We will work hard to get the best outcome and achieve a good balance for residents, business and the economy in a way that celebrate Brentwood's unique history and quality of life; both within the Borough and influencing the outcome of regional developments that will affect Brentwood residents.
- **Housing, Health and Wellbeing** – Current legislative reforms will lead to significant changes to the way the Council supports people in housing need and in receipt of state benefits. We will develop different ways of working, both in the way we deliver services and with the voluntary sector, to make sure that the more vulnerable residents in Brentwood are protected, and help goes to those most in need of it.
- **A Safe Borough**- In this era of austerity, it has never been more important to work in partnership to tackle the Borough's community safety issues. As the new Police and Crime Commissioners begin their work, we will involve ourselves in new ways of working and continue to work with Safer Brentwood (the statutory Community Safety Partnership for Brentwood). With our partners and communities, we will further reduce incidents of crime and anti-social behavior in the borough.
- **A Modern Council** – Between 2013 and 2016 the way the council looks and works will be transformed. We will make it easier for customers to access services and information, cut out bureaucracy that doesn't add value and make sure taxpayers money is spent even more wisely. We will become more entrepreneurial. We will have services delivered by those best placed to deliver excellence and value for money, whilst holding onto and enhancing our role, duties and powers as Local Council and Community Leader.

## Planning Assumptions

- 3.2 **Inflation (CPI)** - The consumer prices index (CPI) shows a decrease in the forecast for CPI in 2014 of 0.4% and 2015 of 0.8%, compared to Budget 2014:

	2013	2014	2015	2016	2017
Autumn Statement 2014	2.6%	1.5%	1.2%	1.7%	2.0%
Budget 2014	2.6%	1.9%	2.0%	2.0%	2.0%
Autumn Statement 2013	2.6%	2.3%	2.1%	2.0%	2.0%

For medium term financial planning purposes, the inflation rates per Autumn Statement 2014 have been used for goods and services.

- 3.3 **Pay Awards (Inflation)** – National agreement has been reached for a 2 year pay award which will run from 1 January 2015 to 31 March 2016. For Brentwood Borough Council employees this results in a 2.2% increase from 1 January 2015. In addition to this, a one off non-consolidated payment of £150 per employee has been agreed. The terms of this payment are such that it is not added to the basic pay. For financial planning purposes a 1% increase has been included for 2016/17 onwards.
- 3.4 **Fees and Charges** - Historically, the Council has increased fees and charges in line with inflation. This is to reflect that the assumption that the costs of running the service will rise by the same rate as inflation. For 2015/16 Fees and Charges have been maintained at 2014/15 levels. The table below shows the recent decisions on Fees and Charges:

Year	Change
2011/12	+1.00%
2012/13	Freeze
2013/14	+2.50%
2014/15	+2.50%
2015/16	Freeze

There is a potential risk that there will be an implicit cost to the proposed freeze since it will not keep pace with the inflationary cost increases. However this cannot be quantified or confirmed until such time as a scheduled review of the current charging policies has been undertaken.

## Demographic Changes

- 3.5 Between 1991 and 2011, the population across Brentwood increased by 4.1%. This compares to an average increase of 10.7% across the whole of England.
- 3.6 According to the Office for National Statistics, the projection for 2011 – 2021 is that Brentwood will grow by a further 9.7% to give a projected population of 80,979 by 2021.
- 3.7 According to the Office for National Statistics, the unemployment rate in the UK fell to 5.8% over the three months to November 2014. This compares to an unemployment rate across Brentwood of 3.7%.
- 3.8 An analysis of the number of Housing Benefit and Council Tax Benefit/Local Council Tax Support claimant numbers for Brentwood is shown below:

	March 2012	March 2013	March 2014	March 2015 est
Housing Benefit	3,330	3,292	3,184	3,024
Council Tax Benefit	4,381	4,260	-	-
Local Council Tax Support	-	-	3,987	3,751

## 4. Issue, Options and Analysis of Options

### Autumn Statement

- 4.1 The Chancellor delivered his Autumn Statement on 3 December 2014. The key message for Local Government was that there were no additional funding reductions planned for 2015/16 beyond those already indicated within the indicative settlement figures. However, the Government aims to find a further £10bn of efficiency savings by 2017/18. The delivery of these will be led by the Cabinet Office and are anticipated to focus on the areas of digital take up of public services and improving IT procurement. These figures were confirmed on 3 February 2015, with no changes to the values received in December.
- 4.2 The 2015/16 Settlement represents the third year in which Business Rates Retention (BRR) is the principal form of Local Government funding. Government funding is split between two areas:
- Revenue Support Grant (RSG) – guaranteed sum
  - Retained Business Rates – sum received is subject to Local Authorities collecting Business Rates in line with the Government’s assumed levels

- 4.3 The Council currently collects some £30.1 million in Business Rates Income, of which it currently receives back around £1.7 million through the Finance Settlement.
- 4.4 On 29 October 2014 the Finance and Resources Committee resolved that the Council joins the Essex Wide Pool for business rates in 2015/16. The pool consists of ten Essex local authorities including Essex County Council, Essex Fire Authority and eight Borough and District Councils. By pooling, any levy payments that would have been made to central government in relation to business rate growth can be saved and distributed to the members of the pool. For 2015/16 it is estimated that Brentwood's share of the levy savings will be £100,000.
- 4.5 An on-going concern for the Council was the number of appeals lodged with the Valuation Office Agency. Whilst every effort to forecast the impact of these has been made, the success or failure of appeals is beyond the control of the Council.
- 4.6 The Valuation Office Agency continues to experience delays in dealing with Tribunal appeals against the Rateable Values contained within both the 2005 and 2010 rating lists. Information from the VOA website indicates that a total of 2,543 appeals have been made by businesses within the Borough against their current valuation, of which 113 remain outstanding.
- 4.7 Successful appeals can be backdated to 1 April 2005 and in view of this, provision of £531,555 was set for 2013/14. In the current year (2014/15) appeals costs has been set at £464,631, whilst £1,567,222 has already been allowed for the years before 2013/14 within Government Returns. The Government have pledged to clear 95% of the backlog of appeals by July 2015.
- 4.8 The funding announced as part of the Finance Settlement for 2015/16 is as follows:

	<b>2014/15</b>	<b>2015/16 Indicative (Dec 2014)</b>	<b>2015/16 Final (Feb 2015)</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Revenue Support Grant	1,719,000	1,258,692	1,258,692
NNDR Baseline Funding	1,478,000	1,505,959	1,505,959
Council Tax Freeze Grant	56,470	58,562	58,562
<b>TOTAL</b>	<b>3,253,470</b>	<b>2,823,213</b>	<b>2,823,213</b>

- 4.9 Funding for the new Local Council Tax Support Scheme is included within the overall funding and is no longer separately identifiable. Therefore the Council has lost the transparency of how these grants are being cut as part of the overall reduction in Revenue Support Grant. The overall scheme costs for 2015/16 are estimated at £3.8 million.
- 4.10 Homelessness Prevention Funding of £49,062 has also been included within the overall 2015/16 funding allocation. In order to provide continued support in this area, corresponding budgets have been included in order that this element of funding can be earmarked for initiatives which prevent homelessness.

### **New Homes Bonus Grant**

- 4.11 The New Homes Bonus was introduced from 2011/12 as a financial incentive and reward for housing growth. The grant is based on a national average Council Tax value of additional homes including any properties brought back into use. There is also an additional premium for affordable homes. The Bonus Grant is payable for 6 years.
- 4.12 For 2015/16, the Council is due to receive £1,455,427 in New Homes Bonus Grant. This is some £58,823 lower than originally anticipated. The profile of the Grant payments are shown below:

	11/12	12/13	13/14	14/15	15/16	16/17 Est	17/18 Est
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Yr 1	255	255	255	255	255	255	
Yr 2		214	214	214	214	214	214
Yr 3			330	330	330	330	330
Yr 4				416	416	416	416
Yr 5					241	241	241
Yr 6						250	250
Yr 7							250
<b>TOTAL</b>	<b>255</b>	<b>469</b>	<b>799</b>	<b>1,215</b>	<b>1,456</b>	<b>1,706</b>	<b>1,701</b>

- 4.13 The primary reason for the reduction in New Homes Bonus is that the net increase in stock between October 2013 and October 2014 was lower than anticipated with a net increase of 166 properties, compared to 314 in the previous year.
- 4.14 The New Homes Bonus Grant remains a flexible, non ringfenced fund for Local Authorities to spend as they deem appropriate. This could include:
- Reinvesting in housing or infrastructure.
  - Support for local services or facilities.
  - General financial support to hold down Council Tax levels.

- 4.15 Since its introduction in 2011/12, the Council has used the New Homes Bonus Grant to support the General Fund Budget. For 2015/16, the Council will continue to treat the Grant funding as general financial support.
- 4.16 This strategy presents a significant financial risk to the Council should the future funding arrangements change as a result of the General Election.

#### **Projected Outturn 2014/15**

- 4.17 The estimated forecast for the General Fund is an estimated deficit of around £17,000 as at 31 March 2015. This compares to the estimated surplus of £90,000 reported as part of the Half Year Review to Finance and Resources Committee on 29 October 2014.
- 4.18 The table below outlines the key variances:

<b>Budget</b>	<b>Difference £</b>	<b>Explanation</b>
Asset Management	25,000	Repairs and maintenance identified through reviews in order to maintain standards.
Cesspool	20,000	Budgeted income not achievable as the delivery vehicle had to be scrapped as it was beyond economical repair. It is not commercial viable to purchase another vehicle to continue providing this service.
Winter Service	12,000	Budgeted income not achievable as the delivery vehicle had to be scrapped as it was beyond economical repair. It is not commercial viable to purchase another vehicle to continue providing this service.
Net Subsidy Received	73,000	The net subsidy has been amended to reflect the Mid Year subsidy estimate
Vehicle Fleet Management	(40,000)	Savings due to reductions in fuel prices
<b>TOTAL</b>	<b>90,000</b>	

- 4.19 The sum of £1.2 million earmarked by Full Council on 5 March 2014 for William Hunter Way has been revised down to £1 million and re-profiled over 2015/16 and 2016/17 to reflect that there will be no spend commitment required during

2014/15. The net result is an estimated working balance at the end of the financial year (2014/15) of some £4.5 million.

### **Budget 2014/15 and Forecasts 2015/16 – 2016/17**

- 4.20 The Audit and Scrutiny Committee reported on their Scrutiny work on the outline budget proposals at their meeting on 27 January 2015. A copy of their report is attached at Appendix A. Attached at Appendix B is a copy of the Finance & Resources Committee response to the Audit & Scrutiny findings.

### **Anticipated Savings**

- 4.21 The MTFP approved in March 2014 included anticipated savings of £680,000 for 2015/16. These were proposed to be delivered through:

	£
Senior Management Restructure	230,000
Contact Centre	250,000
Revenues & Benefits	200,000
<b>TOTAL</b>	<b>680,000</b>

- 4.22 As previously reported to the Finance & Resources Committee in October, the Contact Centre Savings were identified to be challenging to deliver in year 1 (2014/15). This has had a consequential effect in the delivery of savings in 2015/16. In addition to this, the delayed introduction of Universal Credit has resulted in non delivery of the Revenues and Benefits related savings.

- 4.23 The anticipated savings have now been revised as follows:

	2015/16 £	2016/17 £	2017/18 £
Senior Management Restructure	100,000	200,000	200,000
Customer Services Transformation	100,000	150,000	200,000
Lease Reviews	10,000	10,000	10,000
<b>TOTAL</b>	<b>210,000</b>	<b>360,000</b>	<b>410,000</b>

- 4.24 A number of other savings have been identified during the update and preparation of the MTFP. The key savings are outlined in the table below:



	2015/16 £	2016/17 £	2017/18 £
Recycling – Introduction of Textiles Service	20,440	20,440	20,440
Open Spaces – Crazy Golf Income from August 2015	13,000	25,000	25,000
Street Services – Reduction in Fuel Prices	75,000	-	-
Car Parks – increased income from Lease arrangement	120,000	120,000	120,000
Housing - Service/Budget Review	22,000	22,000	22,000
Assets – Anticipated Income from Old House	-	-	64,000
Assets – Anticipated Income from Warley TC	-	-	42,240
<b>TOTAL</b>	<b>250,440</b>	<b>187,440</b>	<b>293,680</b>

4.25 Due to financial constraints, the Council is not in a position to invest heavily in services in the short term. Instead, the Council must carefully consider a longer term strategy to reduce costs and/or increase income levels.

4.26 The proposed developments are as follows:

Description	2015/16 Cost £	Future Cost £
Borough Bulletin – 2 editions per year	2,500	2,500
Essex Devolution Strategy	5,000	-
Apprenticeships	62,250	62,250
Local Development Plan – additional costs	50,000	-
Renaissance Group Grant	20,000	-
Additional Events	15,000	15,000
Election Marketing	5,100	-
Lone Worker Devices	4,000	4,000
<b>TOTAL</b>	<b>163,850</b>	<b>83,750</b>

- 4.27 In addition to the above, the Council needs to consider revenue implications of potential borrowing to finance the Council's Capital Expenditure. These are made up of a combination of interest payments and a minimum revenue contribution to repay the loan. The combined revenue costs are £77,000 in 2015/16, £237,000 in 2016/17 and £386,000 in 2017/18.
- 4.28 The funding position of the Council (after taking into consideration the savings and investment proposals above) for the period 2014/15 – 2017/18 is set out below:

	2014/15 £	2015/16 £	2016/17 £	2017/18 £
<b>Total Net Forecast Spend</b>	<b>9,997,927</b>	<b>10,617,492</b>	<b>11,242,046</b>	<b>11,348,160</b>
Total Funding	(9,980,570)	(9,874,708)	(10,087,519)	(9,858,203)
<b>Funding Gap / (Surplus)</b>	<b>17,357</b>	<b>742,784</b>	<b>1,154,527</b>	<b>1,489,957</b>
Anticipated Savings	-	(210,000)	(360,000)	(410,000)
Proposed Developments	-	163,850	83,750	83,750
<b>Net Funding Gap / (Surplus)</b>	<b>17,357</b>	<b>696,634</b>	<b>878,277</b>	<b>1,163,707</b>
<b>Working Balance b/fwd</b>	<b>4,511,000</b>	<b>4,493,643</b>	<b>3,447,009</b>	<b>1,918,732</b>
<b>Funding Gap</b>	<b>17,357</b>	<b>696,634</b>	<b>878,277</b>	<b>1,163,707</b>
<b>Earmarked for WHW</b>	<b>-</b>	<b>350,000</b>	<b>650,000</b>	<b>-</b>
<b>Working Balance c/fwd</b>	<b>4,493,643</b>	<b>3,447,009</b>	<b>1,918,732</b>	<b>755,025</b>

- 4.29 The revised table above confirms that from 2015/16 onwards a budget gap begins to emerge as the Government Grant reductions continue. This gap could be widened further subject to the proposals emerging from the results of the General Election.

### **Addressing the Funding Gap**

- 4.30 The MTFP provides the framework with which the Council will achieve its aspirations. A balance has to be struck, as a consequence of the constraints on financial resources, between the pace of improvement and the affordability of proposals.

- 4.31 The future of Local Government finance now contains many uncertainties. However, the Council has greater opportunities in the form of:
- Retaining Business Rates income locally and therefore having less reliance on Central Government support.
  - Raising more Council tax income through the development of new homes, linked to the LDP.
- 4.32 The Council has embraced the modernisation agenda and is committed to achieving continuous improvement and innovation in service delivery. It is also committed to working with partners to improve the quality of life for residents and businesses within the Borough of Brentwood.
- 4.33 Whilst the Council will explore opportunities to identify and secure additional income with which to support services, it is clear that there is also the opportunity to balance its budget through the strict management of expenditure levels and securing efficiencies.
- 4.34 Services need to continue to drive through efficiencies and continually review their working practices and operations to try and make them as efficient as possible. This can be achieved by:
- Service reviews.
  - Reviewing vacant posts.
  - Identifying budget underspends.
  - More strategic approaches regarding a review of service delivery models available.
  - Review of current Committee arrangements.
- 4.35 It should also be noted that the current waste contract for the disposal of recycling material will come to an end in May 2015. The recycling market has changed significantly since this contract was agreed and it is envisaged that any new contract for the disposal of recycling material could lead to a significant loss of income for the Council. The Council has started a tender process in partnership with other Authorities for the disposal of recycling material and progress along with cost implications will be reported to the March Environment Committee.
- 4.36 Through the Council's Appraisal Service, the Corporate Leadership Board has agreed a total on-going target savings figure of £480,000. Of this amount £335,000 relates to General Fund and £145,000 relates to the HRA.

4.37 After allowing for the General Fund savings, there is still an unidentified savings target as follows:

	2015/16 £	2016/17 £	2017/18 £
<b>Funding Gap</b>	<b>696,634</b>	<b>878,277</b>	<b>1,163,707</b>
<b>Efficiency Savings</b>	<b>(335,000)</b>	<b>(335,000)</b>	<b>(335,000)</b>
<b>Revised Gap</b>	<b>361,634</b>	<b>543,277</b>	<b>828,707</b>

4.38 This produces a revised funding position for the MTFP as follows:

	2014/15 £	2015/16 £	2016/17 £	2017/18 £
<b>Total Net Forecast Spend</b>	<b>9,997,927</b>	<b>10,617,492</b>	<b>11,242,046</b>	<b>11,348,160</b>
Total Funding	(9,980,570)	(9,874,708)	(10,087,519)	(9,858,203)
<b>Funding Gap / (Surplus)</b>	<b>17,357</b>	<b>742,784</b>	<b>1,154,527</b>	<b>1,489,957</b>
Anticipated Savings	-	(545,000)	(695,000)	(745,000)
Proposed Developments	-	163,850	83,750	83,750
<b>Net Funding Gap / (Surplus)</b>	<b>17,357</b>	<b>361,634</b>	<b>543,277</b>	<b>828,707</b>
<b>Working Balance b/fwd</b>	<b>4,511,000</b>	<b>4,493,643</b>	<b>3,782,009</b>	<b>2,588,732</b>
<b>Funding Gap</b>	<b>17,357</b>	<b>361,634</b>	<b>543,277</b>	<b>828,707</b>
<b>Earmarked for WHW</b>	<b>-</b>	<b>350,000</b>	<b>650,000</b>	<b>-</b>
<b>Working Balance c/fwd</b>	<b>4,493,643</b>	<b>3,782,009</b>	<b>2,588,732</b>	<b>1,760,025</b>

4.39 Plans for capital investment are used to develop the Capital Programme. The Programme is driven by the need to get maximum value for money from the Council's assets by making sure that they are well maintained and where possible, providing a revenue return. The Council can borrow to fund its capital expenditure and with interest rates historically low, this is a potentially viable option.

4.40 Other key strategies that are being developed are:

- Waste.
- Leisure and Recreation.

4.41 Waste Services is one of the largest services delivered, both by ECC (as the disposal authority) and by the Borough Council (as the waste collection authority).

4.42 The Council is seeking to develop a long term strategy for the Council. The scope of the Strategy will include:

- Collection methods.
- Frequencies.
- Shift Patterns.
- Joint Working.
- Shared Facilities.

4.43 Whilst it is not possible at this stage to quantify any savings/additional income, these will need to be a key outcome from the development of the Strategy.

4.44 The Council is also seeking to produce a Leisure and Recreation Strategy (including a review of Open Spaces). The scope of this work will include:

- A viable and deliverable model of sports facility stock (type/mix) that meets existing and anticipated future demand.
- A comprehensive assessment of the supply of and demand for outdoor playing pitches in Brentwood Borough.
- A clear understanding of the overall surpluses and deficiencies across the Borough and any specific geographical and/or individual facility needs.
- Establishment of key principles to help inform where future resources should be focused and help inform the policy direction of the emerging LDP.
- Production of a strategy which is compliant with Sports England guidance.

4.45 Whilst it is not possible at this stage to quantify any savings/additional income, these will need to be a key outcome from the development of the Strategy.

4.46 The uncertainty on future funding arrangements, linked to the General Election, places increased pressure on the Council to constantly challenge and revire its services and processes. It is essential that the Council explores the opportunities around the key areas of Assets, Waste and Leisure in order to address the unidentified savings gap. Given the importance of securing savings to the financial stability of the Council, progress will be reported on a regular basis to the Finance and Resources Committee.

## **Working Balances and Reserves**

- 4.47 As part of the budget approved in March 2014, a minimum General Fund Working Balance of £2.5m was agreed. In accordance with best practice, an annual risk assessment is undertaken to check the level required for 2015/16. Revised calculations show that the assessed level will be around £2.2million.
- 4.48 In addition to the General Fund Working Balance, the Council keeps a number of Earmarked Reserves on the Balance Sheet. These Reserves are required in order to comply with proper accounting practice, whilst others have been created to earmark resources for known or predicted liabilities. The balance of these Reserves as at 1 April 2014 was around £3.3 million. A list of the Earmarked Reserves is attached as Appendix C.

## **Council Tax Base and Collection Rate**

- 4.49 The calculation of the tax base has been amended to take account of the Local Council Tax Support (LCTS) Scheme. The replacement of Council Tax Benefit with LCTS effectively reduces the tax base as LCTS is provided as a discount against the Council Tax liability rather than a rebate which was previously repaid to the Council via Government Subsidy.
- 4.50 The impact of LCTS, has, in part, been offset by the approved changes to the discounts and exemptions awarded to empty homes. The resultant tax base for 2015/16 is 31,155.6. This compares to a figure of 30,893.4 for 2014/15. An assumed growth of 0.5% has been included within the MTFP, with no increases in the actual level of Council Tax included.
- 4.51 The calculation of the Council Tax Base for a given year includes an assumption of the percentage of amounts due which are actually collected. The forecast collection rate has been agreed at 98% and has been incorporated within the Medium Term Financial Plan calculations.

## **Collection Fund Surplus**

- 4.52 Following a calculation of the income and expenditure in the Collection Fund for this year, it is estimated that there will be an accumulated surplus of £1,000,000 to be distributed in respect of Council Tax by 31st March 2015. This will be distributed as follows:

<b>Authority</b>	<b>Amount £</b>
Brentwood Borough Council	120,582
Essex County Council	736,610
Police and Crime Commissioner	97,788
Essex Fire Authority	45,020

- 4.53 The Council must take the amount of £120,582 into account when it sets its element of the Council Tax for 2015/16.
- 4.54 This transaction is covered by legislation. Since the Council Tax receipts collected have exceeded our forecast there is additional income. This has to be shared amongst all precepting authorities in accordance with their original precept value (for Brentwood Borough Council that equates to about 12%). This amount must then be included within the budget for 2015/16 to reduce our Council Tax Requirement for that year.

### **Council Tax Referendums**

- 4.55 As part of the 2011 Localism Act, Council Tax Capping in England has been abolished and replaced by new powers for residents to approve or veto excessive tax increases through a referendum. If the residents vote against the increase, the Council will have to revert to a Council Tax level that is compliant with the Government's proposed increase.
- 4.56 A Council Tax referendum principle of 2% will apply for 2015/16. This will apply to all principal Local Authorities, Police & Crime Commissioners and Fire & Rescue Authorities.
- 4.57 There are no equivalent limits proposed for Parish and Town Councils for 2015/16, although these may be introduced in future years to provide protection for local taxpayers. There is an implied level of funding within the Finance Settlement for Local Council Tax Support (LCTS) Schemes, and specifically to reflect reductions in parish tax base resulting from LCTS. The Council has already agreed to award grants to Parishes to ensure that the starting point for 2015/16 for each area is unaffected.

### **Council Tax 2015/16**

- 4.58 The Local Government Finance Settlement announced that Council Tax Freeze Grants will now be built into the Spending Review baseline. This has been undertaken to ensure that the extra funding for freezing (or reducing) Council Tax remains available and so help prevent a "cliff edge" effect from the freeze grant disappearing after 2015/16.
- 4.59 Any Authority which freezes or reduces their basic amount of Council Tax in 2015/16 compared to 2014/15 will be eligible to receive a grant equivalent to 1% of the basic amount of Council Tax set for 2015/16. For Brentwood Borough Council this equates to £58,562. For 2015/16, this grant will be payable for 1 year only.
- 4.60 There is an option to increase Council Tax by up to 2%. However the recommendation is to freeze the Council Tax for 2015/16 and to seek opportunities within the Council to reduce costs and increase income, rather than seek funding from local residents during these challenging times. Whilst any Council may increase Council Tax above 2%, the Council would incur

referendum costs arising from increases greater than 2% which are between £80,000 and £100,000.

- 4.61 It is therefore recommended that Council Tax be frozen for 2015/16. As a result of this the Council will be eligible for the Council Tax Freeze Grant.
- 4.62 The full Council Tax resolution is included within a separate report elsewhere on this agenda.

### **Section 151 Officer's Assurance**

- 4.63 Section 25 of the Local Government Act 2003 requires that, when the Council is considering next year's budget and Council Tax levels, the Council's Section 151 Officer (the Director of Strategy and Corporate Services) must report on:
- the robustness of the estimates, and
  - the adequacy of the proposed financial reserves.
- 4.64 The estimates are considered to be robust. Realistic assumptions have been incorporated with regards to inflationary increases, and where appropriate these have been reflected in both expenditure and fees and charges income.
- 4.65 Additional savings of £335,000 have been anticipated for 2015/16 meaning that the sum of £361,634 would need to be taken from the Working Balance in order to produce a balanced budget position. This is acceptable since the impact of this does not breach my recommended £2.2 million minimum level. Given that future funding pressures are inevitable, further work will need to be undertaken to ensure the financial viability over the medium term.
- 4.66 Potential risks in respect of the budget and their estimated impact on the projections have been undertaken and have been used to inform the levels of reserves required.
- 4.67 A list of the Council's Earmarked Reserves is attached at Appendix C. The levels of reserves are considered to be adequate to fund the planned expenditure identified by the Council.
- 4.68 Deciding how and when to utilise the General Fund Working Balance and Earmarked Reserves is a matter to be determined locally depending on the priorities of the Council. However, it is my opinion that there is a requirement for maintaining the current reserve levels and the working balance at £2.2 million during 2015/16. This will continue to be kept under review.



## **5 Reasons for Recommendation**

- 5.1 The Council is required to approve the Budget as part of the Budget and Policy Framework.

## **6 Implications**

### **Financial Implications**

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- 6.1 The financial implications are set out in the report.

### **Legal Implications**

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- 6.2 The Council is obliged by Section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It is consistent with sound financial management and the Council's obligation under Section 151 of the Local Government Act 1972 for the Council to adopt and monitor a medium term financial plan. The medium term financial plan informs the budget process and may be viewed as a related function.
- 6.3 The report provides information about risks associated with the medium term financial plan and the budget. This is consistent with the Council's obligation to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit (England) Regulations 2011 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

## **7 Appendices to this report**

Appendix A – Audit & Scrutiny Budget Feedback

Appendix B – Finance & Resources Response

Appendix C – Earmarked Reserves

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