

**Eden District Council  
Executive**

**16 December 2014**

**Revenue Estimates 2015-2016: Draft Budget Proposal**

**Lead Officer: Director of Finance**

**Lead Portfolios: Resources and Leader**

**1. Introduction**

- 1.1 This report considers the Council's revenue estimates so as to be able to recommend a draft 2015-2016 budget for consultation.
- 1.2 The capital budget is dealt with in a separate report elsewhere on the agenda.

**2. Recommendations**

- 1 That the draft budget for 2015-2016 to be consulted upon (see section 17.1) is:

	<b>£</b>
Net Expenditure	7,574,478
Less: Revenue Support Grant	1,259,551
Less: Business Rates Retention Scheme Income	1,919,000
Less: Council Tax	<u>3,647,121 *</u>
<b>Deficit</b>	<u>748,806 *</u>

being made up by:

- a The Estimates, as set out at Appendix A
- b Uncommitted Growth items of:

	<b>£</b>	
Recurring	22,520	See section 10.2
Non-recurring	169,970	

- c Council Tax per Band D property of either £181.57 (unchanged from 2014-2015), or £185.18\* (1.99% increase)
- 2 The telephones budget is moved from Central Expenses (Resources Portfolio) to Information Technology (Organisation and External Relations Portfolio).
- 3 Any income arising from BRRS pooling, in 2015-2016 and beyond, is earmarked for economic development purposes.

*\*This currently includes a 1.99% Council Tax increase. Based on the understanding of the Government's likely offer of a Council Tax freeze grant: if a Council Tax freeze was agreed instead, Council Tax income would be approximately £70,728 lower, but there would be a Council Tax freeze grant of £35,364: a net increase in the deficit of £35,364.*

### **3. Constitutional Requirements**

- 3.1 Under the Council's Constitution, the Executive must agree a draft budget in December each year for Scrutiny review. Scrutiny must respond to the Executive with any comments by the end of January.
- 3.2 The arrangements for the scrutiny of the budget have been agreed by the Scrutiny Budget Review Group. This will ensure that the appropriate Scrutiny will take place within the required timescale.
- 3.3 A new telephone system was implemented in the early part of the year. As this is now, in effect, part of the overall IT arrangements, the IT Manager is the budget holder, rather than budget responsibility sitting partly with the Customer Services Manager, as previously. To reflect this, it is proposed that the telephones budget is moved from Central Expenses (Resources Portfolio) to Information Technology (Organisation and External Relations Portfolio).

### **4. The Financial Backdrop to the Budget**

- 4.1 The financial backdrop to the budget was fully set out in the Resources Plan (report F62/14), which was considered by Council on 23 October 2014.
- 4.2 The Council continues to face a number of major uncertainties and risks in its financial planning, in particular:
  - The level of Revenue Support Grant (RSG) funding from 2016-2017 onwards - see section 13 below
  - Future levels of Council Tax in the light of national constraints - see section 12.2 below
  - The cost of moving to a sustainable position on funding footway lighting - see section 13.2 below
  - Public sector spending will remain under considerable pressure for the foreseeable future: this will hit district councils particularly hard, given the priority given to other parts of the sector, for example, the NHS, social services. This has been the clear message from all the main political parties as they prepare for the May 2015 General Election and has been reinforced in the recent Autumn Statement
- 4.3 The Council continues to be well placed financially. It is pleasing that this was once again confirmed by the Council's external auditor in the Annual Audit Letter presented to Council on 4 December 2014. Notwithstanding this, maintaining a balanced budget must be one of the Council's key priorities. The Resources Plan stressed the importance of maintaining financial discipline and not becoming complacent.

### **5. Government Funding**

#### **5.1 Overview**

- 5.1.1 Government funding for the Council comes from three sources:
  - Revenue Support Grant (RSG): this is an annual cash grant, fixed in advance of the year
  - Income from the Business Rates Retention Scheme (BRRS). Partly depends on the level of Business Rates income in the year

- New Homes Bonus (NHB): an annual cash grant. This is based on levels of new homes built in the previous year (see section 14)

5.1.2 Previously, all the funding now paid through these three grants/income streams was paid as Formula Grant. When NHB was introduced, the funding for it was taken out of the national amount available for Formula Grant. From April 2013, Formula Grant was replaced by RSG and BRRS.

5.1.3 The level of funding reductions for local government has been subject to considerable spin from Government and local authorities. The percentage cuts can vary considerably depending on what comparisons are used. What is not in dispute is that the level of cuts to local government funding in general (and this Council in particular) have been very substantial and without precedent in living memory.

In the Autumn Statement (3 December 2014), the Chancellor reported that the Government's deficit reduction target had been missed. In consequence, after 2015-2016, public sector expenditure as a percentage of Gross Domestic Product was expected to fall to levels not seen since the 1930s. The increased cuts required will fall disproportionately on non-protected departments, such as police, justice and local government.

## 5.2 Revenue Support Grant (RSG)

5.2.1 As part of last year's Local Government Financial Settlement, an indicative figure for RSG in 2015-2016 was given. It is expected that the actual amount of RSG will be close to this indicative amount (which is shown in the MTFP). However, until the 2015-2016 Settlement in late December, this will not be certain.

Given the election in May, RSG in 2016-2017 and 2017-2018 is very difficult to forecast. The levels shown in the Medium Term Financial Plan (MTFP) at Appendix C are based on advice from a funding specialist last year. Given the uncertainty beyond 2015-2016, there was little point in seeking more up-to-date advice.

5.2.2 SPARSE (the organisation that lobbies for a fair share of funding for rural areas: the Council is an active member) is continuing with a vigorous campaign to improve the allocation of RSG to rural councils. In particular, it is focusing on removing the 'damping' in the grant allocation which takes away considerable funding from the most sparsely populated areas (like Eden) to ensure urban areas don't lose too much funding. SPARSE achieved some success last year with the introduction of a Rural Services Delivery Grant (RSDG) which is now baseline in RSG: for 2014-2015 this was £79,476 for this Council. It is understood that there may be some modest increase to RSDG.

5.2.3 Under the new funding regime introduced in April 2013, a number of grants that were previously specific grants were rolled into RSG. The DCLG gave details of the amounts rolled-in for 2013-2014, but said it would not do so thereafter. Two of the former grants are linked to expenditure budgets by the Council (this is discretionary). These are:

- Council Tax Reduction Scheme grants for parishes: at its meeting on 1 October 2013, the Executive agreed (report F41/13) that grants payable to parishes would vary proportionately to the change in the Council's central government funding (RSG and BRRS baseline)
- The Homelessness Grant: despite what the DCLG said, they have continued to indicate the homelessness element within RSG. For 2015-2016, this is £124,800. Following a Scrutiny Committee review of homelessness, a recommendation was made that this indicated sum should be reflected in an equivalent expenditure budget. The approach taken is in line with this Scrutiny recommendation

### 5.3 Business Rates Retention Scheme (BRRS)

- 5.3.1 The BRRS came into force on 1 April 2013. This was a radical change to local government funding and there were considerable uncertainties. Whilst some of these have been resolved, others have been introduced, especially through central government changes to Business Rates payable by businesses (for example, the temporary retail relief announced in the 2013 Autumn Statement and now extended by the 2014 Autumn Statement). As the District Council's network recently stated, *'who receives what from growth in the business base is not easy to understand or predict.'*
- 5.3.2 The forecast for 2014-2015 is based on the NNDR1 as at January 2014. The NNDR1 is a statutory return on which BRRS income for the forthcoming year is based. The forecast for 2015-2016 is based on the 2014-2015 forecast, plus an inflationary uplift, with an adjustment for any likely change in Business Rates payable. As noted in the Resources Plan, this includes the estimated impact of an appeal (if successful). The cost covers a two year period, as any successful appeal would be backdated to April 2013. Whilst the cash impact (if the appeal is successful) will be in 2014-2015, the accounting impact will be in 2015-2016: this difference in timing is another factor, making the BRRS horribly complicated to monitor, forecast and explain. The forecast for 2015-2016 will be revisited based on the January 2015 NNDR1: this will be reflected in the final budget considered by Council in February 2015.
- 5.3.3 At its meeting on 10 October 2013, Council agreed to participate in a Cumbrian application to pool Business Rates in 2014-2015 (Report F69/13). At its meeting on 23 October 2014 (report F72/14), the Council agreed to continue in the pool for 2015-2016. Income is projected at the following levels:

- 2014-2015: £130,000
- 2015-2016: £200,000

Actual income will not be known until May, after the relevant year-end.

The report to Council noted that the budget *'does not include any income from pooling. This is because of:*

- *the lack of certainty as to whether pooling will continue for the foreseeable future; and*
- *the inherent difficulties of accurately forecasting BRRS income.*

*As part of the budget cycle, the Executive will consider how to deal with the actual income that arises so it can make a recommendation to Council. This could be to treat any income as a windfall contribution to reserves, or it could be to commit it to fund expenditure in a particular area. It is noted that the pooling agreement states that the additional income from pooling will assist pool members in promoting economic development growth.'*

- 5.3.4 This report includes a recommendation to be considered as part of the agreement of the final budget that any income from BRRS pooling is earmarked for economic development purposes. This dovetails with the recommendation agreed at Council on 4 December 2014, that the first £250,000 of BRRS pooling income is used to fund the business loans fund.

## 6. Receipts on Cash Balances

6.1 Receipts on cash balances still provide useful revenue income. The estimate for such receipts in 2015-2016 is £187,720. Projected receipts have been based on:

### Cash Deposits

Cash deposits (interest) forecasts of future interest rates. An average return of 0.75% has been used in the 2014-2015 revised figure and 0.6% for the 2015-2016 original for cash deposits. The reason for this is a shortening of the periods cash will be deposited for. During 2014-2015, the Council's average cash balance is estimated to be £14.6 million.

### Property Fund

In February 2014, the Council agreed to invest £2,000,000 in a Property Fund. The Council owns a share of a basket of properties and receives a share of rental income. The Property Fund (rental share) has been budgeted at £96,000 in both 2014-2015 and 2015-2016. This represents a return of 4.5%.

6.2 The MTFP assumes that:

- Interest returns will be 0.8% in 2016-2017 and 1% thereafter. This may be over-prudent, but interest rate movements over the last few years have continued to defy expectations
- Rental returns - current level of 4.5% assumed to continue

## 7. Use of Reserves

7.1 The Council's unearmarked revenue reserves are expected to be:

	<b>£'000</b>
Actual at 1 April 2014	6,154
Less: Projected Deficit 2014-2015	<u>800</u>
Estimated Balance at 31 March 2015	5,354
Less: Projected Deficit 2015-2016	<u>749</u>
Estimated Balance at 31 March 2016	<u>4,605</u>

7.2 It is difficult to put an accurate figure on what the Council should use as its minimum level of balances. For a Council the size of Eden, and given the normal level of financial risk it faces, a minimum level is probably between £1.5 million and £2 million: see Policy on General Fund Balances (report F75/14: Resources Portfolio Meeting, October 2014).

7.3 However, the funding position for local authorities continues to be very difficult and maintaining a high level of reserves is an important way of ensuring the Council remains financially resilient. The Audit Findings Report (Accounts and Governance Committee, 25 September 2014) by the external auditor states, '*the General Fund and Earmarked Reserves are appropriate given the risks*'.

7.4 Whilst the higher than normal level of reserves represents a valuable source of non-recurring funding, care will need to be taken that any use of reserves is for key priorities and projects. In particular, reserves must be maintained sufficiently high to cope with any sudden changes in funding from central government.

## 8. Integration of Business Planning and Budgeting

8.1 It is accepted good practice that an organisation's business plans should be reflected in its budgetary process. The Council's priorities are set out in the Corporate Plan. These priorities inform the budget process and must be considered in any proposal to change the level of resources allocated to any services.

8.2 Within the corporate planning process there are two key documents:

- The Corporate Plan, which sets the vision, strategic direction and policy framework for the Council
- The Resources Plan, which identifies how the resources of the Council (financial, human and physical assets) will be allocated to deliver the Corporate Plan

8.3 The linkage between the Corporate Plan and the Resources Plan is crucial in the work of the Council to ensure that, not only is it focused on its priorities, but also that its resources are appropriately allocated.

## 9. Revised Revenue Estimates for 2014-2015

9.1 The Revised Estimates, at Appendix A, show a projected deficit of £521,197. Including items agreed at Council on 4 December 2014 (principally the £250,000 for the business loans fund), this increases by £278,500 to £799,697. However, this does include a number of major one-off expenditures, principally:

- A one-off economic development budget funded from above target business rates income: £324,000
- Agreed budget carry forwards from 2013-2014: £299,000
- The business loans fund contribution: £250,000

The portfolio budgets are those agreed at the portfolio budget meetings.

9.2 The revised estimate above reconciles broadly to the original estimate as follows:

	£'000	£'000	Notes
Original Estimate: Surplus		-8	
Supplementary Estimates:			
Brought Forward Budgets	299		1
Other	137	436	
Rephrasing of the Economic Development Budget		-140	2
BRRS		-161	3
Affordable Housing Fund		189	4
New Homes Bonus		-195	4
Reduced Car Parking Income		50	
Increased Development Control Income		-60	
Job Evaluation		120	5
Property Fund		-86	6
Revenue Contribution to Capital		240	7
Increase in Net Benefit Cost		33	
Set up of Business Loans Fund		250	8
Other		132	9
Revised Estimate: Surplus (as above)		800	

## Notes

1. Equivalent underspend in 2013-2014.
2. Of the original budget of £464,000 in 2014-2015, £140,000 has been re-phased into 2015-2016.
3. Higher than forecast business rates as new premises have come on stream.
4. Increased levels of NHB has, per the NHB Protocol, increased funding to the Affordable Housing Fund.
5. This reflects the maximum cost of implementing job evaluation. As any grade increases are backdated to April 2013, this covers a two year period.
6. Investment in the CCLA Property Fund was agreed by Council in February 2014. The additional income was not reflected in the original estimate.
7. This is the net impact of the RCCO for the Drover's Lane car park (£301,000) 'slipping' from 2013-2014 to 2014-2015, less part of the original revenue contribution to capital for finishing off the Eden Business Park roads (£61,000) 'slipping' from 2014-2015 to 2015-2016.
8. As agreed by Council on 4 December 2014. This is the Council's contribution to the loan fund.
9. This includes a number of smaller charges, for example, reduction in income from court costs (£15,000).

## 10. Revenue Estimates for 2015-2016

### 10.1 Level of Expenditure

10.1.1 The estimates for 2015-2016 (Appendix A) show a deficit of £545,116 (before growth). Including items agreed at Council on 4 December 2014, this increases by £11,200 to £556,316. However, this does include one-off budgets (including the additional cost of all-out local elections) of £617,000: the main such budgets are for:

- Investment in renewable energy at Council premises - £220,000
- Economic development expenditure funded from above target BRRS income - £140,000
- Performance payments to staff - £80,000

The portfolio budgets are those agreed at the portfolio budget meetings. The other key element is the budgeted contingency (see section 10.3.1 below).

10.1.2 As noted elsewhere, there will, undoubtedly, be a number of changes before the budget is finalised, which will determine the final surplus/deficit in the estimates. In particular, the budget will need to be updated for the RSG, as set out in the Settlement in late December 2014. However, as the indicative figure for RSG (given by the DCLG last year) is used in this report, this should not have a major impact (see paragraph 5.2 above).

10.1.3 The projected deficit reconciles broadly to the original estimate for 2014-2015 as follows:

	<b>£'000</b>	<b>Notes</b>
Surplus per Original Estimates 2014-2015	-8	
Reduction in Revenue Support Grant	542	1
Increase in BRRS Income	-27	2
Additional Council Tax Income	-149	3
Special Projects Funding	-100	4
Affordable Housing Fund	366	4
New Homes Bonus	-266	4
Pay Award	99	5
Performance Payment	80	6
Revenue Contribution to Capital	220	7
Property Fund	-83	8
Job Evaluation	60	9
Fall-out of economic development budget	-370	10
Other	<u>192</u>	11
Deficit per Estimates 2015-2016 (excluding growth)	<u>556</u>	

#### **Notes**

1. Based on the indicative figure in the 2014-2015 Settlement.
2. The baseline increase is considerably higher: the increase shown here is above a deduction of £154,000 to reflect the cost of a major appeal, if successful.
3. As noted elsewhere, there is currently no recommendation on Council Tax. For illustrative purposes, the maximum rise of 1.99% (before a referendum is triggered) is included. This accounts for £71,000 of the additional income. £40,000 relates to the projected surplus on the Collection Fund and £38,000 to the initial estimate of taxbase growth.
4. The projected extra NHB income arising in 2015-2016, plus the fall-out of funding to Special Projects, allows funding to the Affordable Housing Fund to increase.
5. This reflects the recently agreed national employer's pay award. In effect, a two year pay award is being offered covering up to March 2016. A 2.2% increase would be payable from January 2015. In addition, there is a lump sum payment (£22,100).
6. As agreed at Council on 27 March 2014. This is the maximum payment that will be paid if all the agreed targets are met.
7. Investment in renewable energy at Council premises: as agreed on 17 July 2014.
8. Investment in the CCLA Property Fund was agreed by Council in February 2014. The additional income was not reflected in the original estimate.
9. This reflects the maximum ongoing cost of implementing job evaluation: as agreed at Council on 18 September 2014.
10. Reduction in this non-recurring budget.



11. This includes a number of smaller changes, for example, reduction in car parking income (£27,000), contracted services inflation (£27,000), increase in net cost of Housing Benefits (£31,000), reduction in income from HMRC and Registrars following cessation of use of the Town Hall.

## 10.2 Growth Items

- 10.2.1 The only growth currently included in the estimates in Appendix A is committed growth. Uncommitted growth lists have been considered by the relevant portfolio holders. In drawing up the estimates, Management Team and the portfolio holders have sought to restrict proposed growth to items of high priority. The growth proposed by the Leader and the Resources Portfolio Holder is set out at Appendix B. This also includes several items agreed as separate reports by the Executive on 2 December 2014. This is summarised below:

	£
Recurring Growth	22,520
Non-Recurring Growth:	
2015-2016	169,970
2016-2017	18,370
2017-2018	6,370

This level of growth would increase the budgeted deficit for 2015-2016 to £748,806. This includes one-off budgets of £714,140 and the additional costs of the all-out elections of £73,000.

## 10.3 Contingencies

### 10.3.1 Central Contingency

The estimates include a central contingency which is made up as follows:

	2014-15	2015-16	Notes
	£'000	£'000	
2.3% Provision for Staff Vacancies	-60	-103	1
Provision for 'Over-Budgeting'	-150	-150	2
Two Year Pay Award: 2.2 %	25	99	3
Old Balances Write-Off	-27	0	4
Renewables Cost Savings	0	-9	5
Contracted Services Inflation	0	27	6
Meeting Targets Payment	0	80	7
Under-Recovery of Staff and Overheads	5	6	8
	-207	-50	

### Notes

1. The 2.3% provision for vacancies reflects current levels of vacancies (this includes holiday purchase).
2. Based on previous years, there is a tendency for a degree of underspend. This is a function of having a large number of budgets, some of which are not always fully used due to circumstances. Such a provision has been included in the last few years. The proposed level of £150,000 was used for 2013-2014 and was borne out by the outturn, as reported to the Executive on 1 July 2014.

3. There was no pay award from 1 April 2014. Instead, a national pay offer of 2.2% from 1 January 2015 to 31 March 2016 was made: in addition, there are also small lump sum payments in 2014-2015 (the offer is not dissimilar from the previous assumption in the MTFP of a 1% offer in each of 2014-2015 and 2015-2016). The pay offer was recently accepted.
4. There are a number of small credit balances relating to previous initiatives: a review has identified that a number can be written back, giving a one-off income.
5. Following the investment in renewables at a number of Council facilities (Council, 17 July 2014) cost reductions will be seen from 2015-2016 onwards.
6. The cost of the contracted blue collar and recycling contracts are included in the 2015-2016 budget at 2014-2015 prices. Based on the individual contract inflators, a rate of 1% has been used to reflect 2015-2016 costs.
7. At its meeting on 27 March 2014, the Council agreed a range of performance targets for the Council. Part of this was a performance payment if specifics were met. The figure shown assumes that all the targets are met, leading to all the bonus being payable.
8. The difference between the total cost of salaries and overheads and the budgeted 'staff and overhead' recharges to services.

### 10.3.2 Other Contingencies

Estimates for contingencies have been reduced as far as possible. Budgets have only been set up where there is a strong probability of a budget being required. Whilst this may lead to additional supplementary estimate requests, it should lead to outturn expenditure being closer to budget. An example of this is the professional fees budget for Development Control. This has been set at a level to cover day-to-day use of planning advice and consultancy and any agreed one-off costs: any additional costs, for example, planning appeals, will require separate reports to Members.

### 10.4 Capital Accounting Adjustment

10.4.1 The estimates include capital charges which are made to service accounts. The application of capital charges increases the cost of services. The Capital Accounting Adjustment is to ensure that the total effect on the General Fund is nil. This results in no extra cost to the Council Tax payer because these charges are notional. The only exception to this is the capital charges that:

- Reflect contributions to the Repairs and Renewals Fund: these are real, not notional charges
- Loan repayments on the borrowing to fund the Bluebell Lane car park extension
- Revenue contributions to capital: a contribution of £281,000. £61,000 is a contribution to the completion of the Eden Business Park roads and £220,000 is funding for that element of the agreed investment in renewables which will fall into 2015-2016

## 11. Special Expenses

11.1 Council, on 10 April 2014, agreed a new scheme to take effect from April 2015.

11.2 It is policy to charge the following categories of revenue expenditure as Special Expenses. The estimated cost of each area for 2015-2016 is estimated to be:

<b>Service</b>	<b>£</b>
Sports Pitches	24,901
Castle Park Sports Facilities	2,237
Play Areas	6,993
Maintenance of Public Open Spaces	72,183
Seats	882
Christmas Tree	500
Town Clock	660
Bus Shelters	1,760
Total	<u>110,116</u>

11.3 When the Council Tax is set, the above costs will be charges to tax payers in the appropriate parishes/areas.

## 12. Level of Demand on Council Tax Payers

### 12.1 The Budget Requirement

12.1.1 The Council's Budget Requirement is its total net expenditure, plus (or minus) any contribution to (or from) balances. The Council Tax (expressed as £ per Band D property) is calculated by aggregating the Council's Budget Requirement and parish precepts, then deducting central government funding and any Collection Fund surplus. This gives the Council Tax Requirement which is then divided by the Tax Base.

12.1.2 For the purpose of this report, parish precepts are ignored, so that the focus is on the Council's own expenditure and that element of the Council Tax for which it is responsible.

### 12.2 Central Government Restraint

The Government's approach to restraining Council Tax increases requires any council considering an 'excessive' increase (as defined by the Government) to submit it to a referendum. The Secretary of State has yet to announce the 'excessive' amount for 2015-2016. It is assumed it will be 2%, the same as in the last few years. In effect, this is a 'cap'. However, the Government has indicated it will again offer a grant if Council Tax is frozen (see paragraph 12.3.2 below).

### 12.3 Determining the Level of Council Tax 2014-2014

12.3.1 Since 2011-2012, the DCLG has offered to give any council, freezing (or lowering) their Council Tax, a grant. The terms of the offers have been different in each year. The offer in 2011-2012 was considerably more generous than that in 2012-2013 and 2013-2014. The Council agreed to freeze its Band D Council Tax at £174.57 both for 2011-2012 and 2012-2013. For 2013-2014 and 2014-2015, a rise of 1.99% was agreed in each year, giving a Band D of £181.57.

- 12.3.2 Any formal offer of a grant if Council Tax is frozen for 2015-2016 will only be confirmed as part of the Settlement in late December. However, the Government has made a commitment to provide some form of offer. It is likely to be similar to last year's offer. This would mean a grant equivalent to 1% of Council Tax in 2015-2016. So, if this was to be the final offer for foregoing an ongoing annual income of approximately £71,000, the Council would get a grant of £35,500 (which would be rolled into RSG, thereby becoming recurring).
- 12.3.3 In 2011-2012, almost all local authorities accepted the freeze grant. This was partly because the offer (a grant in each of four years, worth 2.5% of Council Tax) was thought relatively generous. Also, there was recognition that times were very hard for Council Tax payers. Since then the proportion of councils not freezing Council Tax has grown. Cumbria County Council is consulting on a possible 2% Council Tax increase and the Police and Crime Commissioner financial plans currently include a 2% increase. Taken together, these two preceptors account for nearly 90% of the Council Tax bill in Eden.
- 12.3.4 Freezing Council Tax in any one year is, in itself, not financially significant. However, if a freeze is applied over a period of years, the cumulative impact does become important. This is especially so within the context of very substantial real cuts in central government funding. Increasing Council Tax by 2% at least maintains its real value (after taking account of inflation).
- 12.3.5 At this stage, the Leader and the Resources Portfolio Holder believe no firm decision should be made: the position will be clearer when the final budget is considered by the Executive in January 2015. In particular, the formal offer from the Government will be known then. For illustrative purpose, a 1.99% rise (the assumed maximum allowed) is included in the 2015-2016 estimates and in the other years of the MTFP. It should be noted that the MTFP agreed in October 2014 had assumed an annual Council Tax increase of 2.00%. In setting the budget the Council will not be tying itself to any increases beyond 2015-2016 and, indeed, it couldn't. However, the Council Tax increases put in the MTFP for 2016-2019 are important, as they impact directly on the Council's financial planning.

## **13. Uncertainties in the Draft Estimates**

### **13.1 2015-2016**

Uncertainties could arise around:

- RSG - until the Settlement, the exact amount of RSG will not be known. However, an indicative figure was given for 2015-2016 as part of last year's Settlement: it is very likely the actual figure will be close to this
- BRRS (non-pooling) – by its nature, BRRS is difficult to predict and nasty surprises can arise, in particular, appeals from ratepayers (as is the case currently with an appeal in the process of being determined - the impact will be on 2015-2016)
- BRRS (pooling) - given the issues with predictability and the future of pooling, no budgeted income is included: income is treated as a windfall
- Recycling credits – the County Council has indicated it intends to cap recycling at 2014-2015 levels. This would reduce budgeted income by some £17,000. However, this has not been accepted and the County has suggested that offsetting efficiencies may be identified

## 13.2 2016-2017 and Beyond

Uncertainties in the longer term are:

- RSG - if the Government wishes to save more from local government it will reduce RSG: this is difficult to forecast. It is particularly difficult to forecast RSG beyond the next election. Even if the national total for RSG remains unchanged after an election, the way it is distributed could change significantly
- BRRS – as above. In addition, the Autumn Statement (3 December 2014) promised a fundamental review of the business rates system. Pressure has been building up from businesses in recent years who argue that business rates unfairly treat traditional bricks and mortar businesses. It is possible that business rates could be fundamentally changed or scrapped in a few years' time. Clearly, if the business rates system is scrapped, then BRRS will also be scrapped
- New Homes Bonus - If the Conservatives do not feature in a future Government after the General Election, there is a strong possibility that New Homes Bonus could be radically changed or, indeed, abolished
- Footway Lighting – addressing this remains a major financial challenge. Beyond 2015-2016, no funding is committed. However, there is recognition that the future costs are one of the reasons for maintaining high levels of reserves. An update report to Council on 4 December 2014 noted that, by April 2015, it should be possible to more accurately assess future costs. This is because:
  - ▷ the numbers of lights to be renewed under the policy will have been determined
  - ▷ the costs of installation will be known
  - ▷ phasing can be revisited
- Recycling credits – this is clearly an area that the County Council wish to make savings in

## 14. New Homes Bonus

14.1 The estimates currently include the following in relation to New Homes Bonus (NHB):

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
New Homes Bonus Income	597	668
Expenditure Funded:		
Affordable Housing Fund	397	568
Special Projects	100	0
Community Fund	100	100
	<u>597</u>	<u>668</u>

14.2 The above are drawn from the current NHB Protocol. The forecast NHB in 2015-2016 was based on a very cautious estimate and it is likely that this will be exceeded. This will be updated once the NHB for 2015-2016 is provisionally confirmed by the DCLG - this is normally in December. This will be reflected in the budget report to the Executive in January 2015.

- 14.3 The allocation of the total NHB to expenditure follows the agreed NHB Protocol. This states that the first call on NHB monies is a contribution of £100,000 to the Community Fund. The remaining monies fund a contribution to the Affordable Housing Fund, except that £100,000 is allocated to Special Projects in 2014-2015 (the last year of the three year contribution of £100,000).

## **15. Policy Framework**

- 15.1 The Council has four corporate priorities which are:

Housing  
Quality Environment  
Economic Vitality  
Quality Council

Council, on 29 September 2011, agreed strategic actions to achieve these priorities.

- 15.2 The annual budget forms an essential part of the Council's budgetary and policy framework.

## **16. Implications**

### **16.1 Legal**

- 16.1.1 The Council is required to set a balanced budget which sets out how expenditure is to be funded from income and any required contribution from balances.

- 16.1.2 This report complies with the timescale set out in the Constitution for the budget process.

### **16.2 Financial Implications**

- 16.2.1 All changes to budgeted capital or revenue expenditure must be consistent with the priorities within the agreed Corporate Plan. This report does not propose any such changes.

- 16.2.2 The financial implications are dealt with in the report as a whole.

### **16.3 Equality and Diversity**

- 16.3.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equality Act 2010 and related statutes.

- 16.3.2 There are no implications in this report.

### **16.4 Environmental**

- 16.4.1 The Council has to have due regard to conserving biodiversity under the Natural Environment and Rural Communities Act 2006.

- 16.4.2 There are no implications.

### **16.5 Crime and Disorder**

- 16.5.1 Under the Crime and Disorder Act 1998, the Council has to have regard to the need to reduce crime and disorder in exercising any of its functions.

- 16.5.2 There are no implications.

## 16.6 Children

16.6.1 Under the Children Act 2004, the Council has to have regard to the need to safeguard and promote the welfare of children in the exercise of any of its functions.

16.6.2 There are no implications.

## 16.7 Risk Management Implications

16.7.1 Risk Management is a process whereby attempts are made to identify, actively control and reduce risk to protect the Council. This covers not only the traditional areas of insurable risk, but also the organisational risk that the Council faces in undertaking all of its activities.

16.7.2 Over recent years excellent progress has been made in balancing the budget. This was reflected in the Annual Audit Letter by the Council's external auditors (reported to Council, 4 December 2014). However, given the continuing reductions in funding, the Council's finances do necessarily remain a risk and officers and Members will need to work hard to ensure the budget stays balanced over the next few years. It is especially important that any additional spending does not create ongoing commitments.

16.7.3 A range of specific risks are set out in the report.

## 17. Comments on the Draft 2015-2016 Budget Proposal

17.1 The proposed draft budget for 2015-2016 is as follows:

	Net Expenditure	RSG, BRRS income, and Council Tax	Deficit (+)/ Surplus (-)
	£	£	£
Draft Budget Before Growth and Decision on Council Tax Increase	7,381,988	6,754,944	627,044
Growth: Recurring	22,520	0	
Growth: Non-Recurring	169,970		
Council Tax Increase at 1.99% <i>illustrative only</i>	0	70,728	
Draft Budget Including Growth and 1.99% Council Tax Increase	<u>7,574,478</u>	<u>6,825,672</u>	<u>748,806</u>

The above shows a deficit for 2015-2016 of £748,806. This includes one-off expenditure in the year of £714,140. It also includes the additional cost of the all-out elections: £73,000, which does not occur annually. In addition, the budgeted impact of the Business Rates appeal on BRRS income (a reduction of £154,000) does not have a recurring impact.

It should be noted that there will, undoubtedly, be some changes between this draft budget proposal and the final proposal considered in February 2015. In particular:

- The Settlement will confirm the amount of RSG
- An updated projection for BRRS income based on an initial NNDR1
- The Government's offer for freezing Council Tax will be known and there will be a recommendation on any Council Tax increase in the light of this

- The final taxbase will be determined

17.2 The MTFP agreed in October 2014 showed:

- 2014-2015 - a deficit of some £646,000. A number of changes have been made during the budget process. The difference between the position in the Resources Plan and the budgeted deficit of £799,697 is largely explained by slippage of several one-off budgets (principally that for economic development: £140,000) into 2015-2016 and the £250,000 contribution to the business loans fund
- 2015-2016 – a deficit of £327,000. This has increased (before growth) to £556,000. This is largely explained by the same slippage of one-off budgets from 2014-2015 into 2015-2016 (principally the one-off economic development budget: £140,000)

17.3 The proposed growth items and illustrative Council Tax rise of 1.99% are included in the MTFP, summarised at Appendix C. The budget is broadly balanced in 2015-2016 (after allowing for one-off costs). An underlying deficit arises in the following years mainly due to the assumed ongoing cuts in RSG from central government funding. The deficit increases in size each year. How sharply this increases depends on the level of cuts. To address this the Council needs to continue its ongoing focus on cost reduction and income generation. However, there are three important caveats to bear in mind regarding 2016-2019. These are:

- Trying to predict RSG after 2015-2016 is little better than educated guesswork, especially given the election in 2015 and the Government's failure to meet its deficit reduction target
- The Council does not currently use New Homes Bonus to support the General Fund. Most councils do. Even the worst case forecast of NHB receipts in 2018-2019 (£738,000) would be sufficient to fully fund the projected deficit (£345,000). Obviously, the Council would have to change how it uses NHB. This is not a decision for now, but it is important to realise that the deficit in the final year of the MTFP could be covered by NHB if the Council chose
- There is no recognition in the budget of the extra BRRS income that might arise from a pooling application. The proposed approach is to treat this as windfall income, with it being earmarked for Economic development. However, the income could be used as support to the General Fund

## **18. Agreement of the Final Budget Proposal**

18.1 At its meeting on 27 January 2015, the Executive will agree the budget proposal which it wishes to submit to Council on 19 February 2015.

18.2 At its meeting the Executive will consider:

- An updated version of this report - in the intervening six weeks, a number of elements will have changed and these will be updated
- The comments of Scrutiny
- Comments from other consultees - the key consultee groups, as set out in the Resources Plan, are staff, the public, and Eden Association of Local Councils.

D J Rawsthorn  
Director of Finance



**Governance Checks:**

Checked by, or on behalf of, the Chief Finance Officer	✓
Checked by, or on behalf of, the Monitoring Officer	✓

**Background Papers:**

Policy on General Fund Balances (Report F75/14: Resources Portfolio, 20 October 2014)  
Resources Plan (Report 62/14: Council, 23 October 2014)

Officer Contact: David Rawsthorn  
Telephone Number 01768 212211

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## **Appendix A**

### **Estimates**

The full detail for each portfolio (including the supporting notes for each individual budget page) is available on the Council's website at:

[www.eden.gov.uk/your-council/council-finances/budget-2015-2016-consultation/](http://www.eden.gov.uk/your-council/council-finances/budget-2015-2016-consultation/)

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## Budget 2015-2016

### General Fund Summary

Actual Service	Original Estimate	Revised Estimate	Estimates	Notes
2013-14	2014-15	2014-15	2015-16	
£	£	£	£	
42136 Leader Portfolio	55930	54220	54910	
1921810 Resources Portfolio	1929364	2176500	2032130	
2498214 Environment Portfolio	2469785	2512540	2484610	
1118122 Planning and Economy Portfolio	1629860	1485100	1191290	
880775 Housing Portfolio	1131841	1661470	1299760	
1535968 Communities Portfolio	1391846	1720870	1411950	
22698 Organisation and External Relations Portfolio	29180	30660	31090	
<b>8019723 Portfolios' Net Requirement</b>	<b>8637806</b>	<b>9641360</b>	<b>8505740</b>	
0 Central Contingency	-177664	-207610	-50908	
-589077 Adjustment for Notional Capital Charges	-895160	-1429450	-629450	1
234521 Renewals Fund	202879	252731	243956	
138089 Revenue Contribution to Capital	61000	544000	281000	2
19579 Debt Charges	10980	11010	10450	
34918 Net Interest (Receivable)	-45420	-131240	-128450	
-331757 New Homes Bonus Grant	-402000	-597290	-668000	3
-189882 Second Homes Grant	-192770	-193550	-193550	4
-80125 Other Grants	-16732	-16732	0	
<b>7255989 Net Expenditure</b>	<b>7182919</b>	<b>7873229</b>	<b>7370788</b>	
Less:				
-2252844 Revenue Support Grant	-1800625	-1800625	-1259551	
Business Rates Retention Scheme:				
-1837639 Base Income	-1892000	-2032000	-2073000	
0 Collection Fund Surplus/Deficit	0	-21000	154000	5
Council Tax:				
-3420736 Base Income	-3498407	-3498407	-3607121	
0 Collection Fund Surplus/Deficit	0	0	-40000	
<b>7511219</b>	<b>-7191032</b>	<b>-7352032</b>	<b>-6825672</b>	
<b>-255230 Use of/(contribution to (-)) Balances</b>	<b>-8113</b>	<b>521197</b>	<b>545116</b>	

#### Notes

1. Nets off the notional charges made to services for capital usage. These notional charges are made in compliance with local authority accounting requirements to reflect capital usage. There is no net effect on Council Tax, as this adjustment brings the total back to nil.
2. Capital funding from revenue contributions – the revised estimate in 2014-2015 relates principally to the laying out of the Drover's Lane car park at the rear of the Town Hall (£301,000). The 2015-2016 estimate relates principally to investment in renewable energy at various Council facilities (£220,000).
3. This funds contributions to the Community Fund, the Special Projects Fund and the Affordable Housing Fund: these contributions are shown in the relevant portfolios.
4. Under a ten year agreement that runs until March 2019, the County Council grant back a third of the extra income they receive as a result of the Council, as Billing Authority, reducing discount on second homes being reduced from 50% to 10%.
5. The deficit in 2015-2016 relates to an undecided business rates appeal. If the appellant wins the appeal, this will be the reduction in the Council's BRRS income.

## Budget 2015-2016

### Leader Portfolio

Actual 2013-14	Service	Original Estimate 2014-15	Revised Estimate 2014-15	Estimates 2015-16	Notes
£		£	£	£	
<b>Summary of Estimates</b>					
<b>Revenue Estimates</b>					
<b>Services</b>					
37955	Emergency Planning	50790	49080	49670	
4181	Civic Duties	5140	5140	5240	
<u>42136</u>	Net Charge to General Fund Summary	<u>55930</u>	<u>54220</u>	<u>54910</u>	
<b>Business Units</b>					
134275	Chief Executive	133310	129840	131790	
165984	Director of Finance	164730	158890	159960	
104311	Director of Corporate and Legal Services	111100	107960	108100	
108431	Communities Director	105650	102480	102800	
<u>-513001</u>	Less: Recharge to Services	<u>-514790</u>	<u>-499170</u>	<u>-502650</u>	
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	
<b>Memo Note: Change in Controllable Expenditure</b>					
42136	Total Net Expenditure (as above)	55930	54220	54910	
-13458	Less: Staff and Overheads	-16390	-14750	-14750	
0	Capital Charges	0	0	0	
513001	Add: Internal Recharges	514790	499170	502650	
<u>541679</u>	Net Controllable Expenditure	<u>554330</u>	<u>538640</u>	<u>542810</u>	

**Budget 2015-2016**  
**Resources Portfolio**

Actual 2013-14	Service	Original Estimate 2014-15	Revised Estimate 2014-15	Estimates 2015-16	Notes
£		£	£	£	
<b>Summary of Revenue Estimates</b>					
<b>Services</b>					
890071	Corporate Costs	1078963	1232170	1073220	
623012	Committee and Member Costs	585905	600320	591720	
33521	Elections	67220	144390	189510	
123700	Registration of Electors	122040	121350	139010	
321515	Local Taxation Collection	325660	289670	291520	
142730	Council Tax Benefit/Council Tax Reduction	169909	162640	161650	
293891	Housing Benefit	212692	253590	258200	
0	Discretionary Housing Payments	0	0	0	
0	Universal Credit	0	0	0	
13257	Land Charges	17490	-8430	-12120	
-527001	Land Management	-666380	-634070	-673010	
2768	Licensing	8730	8360	7690	
4346	Insurance	7135	6510	4740	
1921810	Service Expenditure	1929364	2176500	2032130	
34918	Treasury Management/Interest	-45420	-131240	-128450	
<b>Business Units</b>					
326231	Legal and Committee Services	314557	343490	364350	
91311	Human Resources	86630	85290	86140	
298641	Financial Services	291660	285420	283610	
832585	Revenues and Benefits	792680	798600	765050	
488905	Property and Contracts	548280	521160	521050	
110986	Central Expenses	169800	178620	164280	
325984	Administrative Buildings	312672	332030	347480	
-2474643	Less: Recharge to Services	-2516279	-2544610	-2531960	
0		0	0	0	
<b>Memo Note: Change in Controllable Expenditure</b>					
1956728	Total Net Expenditure (as above)	1883944	2045260	1903680	
-2781622	Less: Staff and Overheads	-2775220	-2646650	-2690480	
-215561	Capital Charges	-160680	-165500	-153500	
2552237	Add: Internal Recharges	2577874	2613700	2595550	
1511782	Net Controllable Expenditure	1525918	1846810	1655250	

**Budget 2015-2016**  
**Environment Portfolio**

Actual 2013-14	Service	Original Estimate 2014-15	Revised Estimate 2014-15	Estimates 2015-16	Notes
£		£	£	£	
<b>Summary of Revenue Estimates</b>					
<b>Services</b>					
300270	Public Conveniences	246820	217670	224230	
360093	Street Cleaning	379780	350210	356460	
69042	Provision of Amenities	54690	64440	63390	
154797	Footway Lighting	149465	212180	146270	
226151	Recycling	279725	248930	269870	
804981	Refuse Collection	827410	834370	835380	
14860	Pest Control	16070	14510	14510	
101315	Community Wardens	68250	103410	104430	
65199	Appleby Fair	69575	72220	72650	
16536	Health and Safety	33570	25530	25540	
121256	Pollution Control	145800	119000	121980	
46586	Investigation of Nuisances	45530	47920	48530	
221596	Food Safety	219640	235010	235220	
26260	Water Sampling	35510	27950	28150	
8197	Animal Health Licensing	4870	5660	5700	
29520	Other Environmental Health	28800	37240	37590	
-103267	Vehicle Parking – Off-Street	-135830	-89190	-105290	
34822	Vehicle Parking – On-Street	110	-14520	0	
<u>2498214</u>		<u>2469785</u>	<u>2512540</u>	<u>2484610</u>	
<b>Business Units</b>					
843676	Environmental Services	857930	844010	848200	
-843676	Less: Recharge to Services	-857930	-844010	-848200	
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	
<b>Memo Note: Change in Controllable Expenditure</b>					
2498214	Total Net Expenditure (as above)	2469785	2512540	2484610	
-1038302	Less: Staff and Overheads	-1013240	-1021800	-1021800	
-65210	Capital Charges	-65990	-40120	-44120	
843676	Add: Internal Recharges	857930	844010	848200	
<u>2238378</u>	<b>Net Controllable Expenditure</b>	<u>2248485</u>	<u>2294630</u>	<u>2266890</u>	



**Budget 2015-2016**  
**Planning and Economy Portfolio**

Actual 2013-14	Service	Original Estimate 2014-15	Revised Estimate 2014-15	Estimates 2015-16	Notes
£		£	£	£	
<b>Summary of Estimates</b>					
<b>Revenue Estimates</b>					
<b>Services</b>					
95782	Building Regulations	88750	84340	84340	
225940	Development Control and Enforcement	276280	190550	211770	
257658	Economic Development and Promotion	745610	667240	374060	
33797	Environmental Enhancement and Conservation	34300	33790	34200	
-61041	Industrial Estates	-66400	-70940	-76240	
226693	Local Plans and Policy	223060	241470	240340	
7995	Markets	14360	12740	11310	
20888	Other Building Control	18730	29880	29880	
121004	Tourism Promotion	122490	126360	126240	
88252	Tourist Information Centres	93810	93720	82440	
101154	Town Centres	78870	75950	72950	
1118122		1629860	1485100	1191290	
<b>Business Units</b>					
203609	Building Control	207910	193710	202110	
576970	Planning Services	605700	528840	598630	
-780579	Less: Recharge to Services	-813610	-722550	-800740	
0	Net Charge to General Fund Summary	0	0	0	
<b>Memo Note: Change in Controllable Expenditure</b>					
1118122	Total Net Expenditure (as above)	1629860	1485100	1191290	
-1411143	Less: Staff and Overheads	-1458290	-1400150	-1405150	
-119364	Capital Charges	-78630	-80070	-80070	
780579	Add: Internal Recharges	813610	722550	800740	
368194	Net Controllable Expenditure	906550	727430	506810	

## Budget 2015-2016

### Housing Portfolio

Actual 2013-14	Service	Original Estimate 2014-15	Revised Estimate 2014-15	Estimates 2015-16	Notes
£		£	£	£	
<b>Summary of Estimates</b>					
<b>Expenditure</b>					
149391	Renovation Grants	398370	445560	153010	
288559	Homelessness	289041	275060	282020	
370112	Housing Delivery	381900	869120	792850	
72713	Housing Standards	62530	71730	71880	
<u>880775</u>	Net Charge to General Fund Summary	<u>1131841</u>	<u>1661470</u>	<u>1299760</u>	
<b>Memo Note: Change in Controllable Expenditure</b>					
880775	Total Net Expenditure (as above)	1131841	1661470	1299760	
-373731	Less: Staff and Overheads	-322820	-368310	-368310	
-96937	Capital Charges	-327000	-629000	-87000	
<u>410107</u>	Net Controllable Expenditure	<u>482021</u>	<u>664160</u>	<u>844450</u>	

**Budget 2015-2016**  
**Communities Portfolio**

Actual 2013-14	Service	Original Estimate 2014-15	Revised Estimate 2014-15	Estimates 2015-16	Notes
£		£	£	£	
<b>Summary of Revenue Estimates</b>					
<b>Services</b>					
76762	Museum	82885	75400	71830	
462946	Eden Leisure Centre and Appleby Swimming Pool	430666	737630	471080	
131627	Arts and Leisure	139860	143230	122290	
342457	Parks and Open Spaces	371898	379240	364590	
84348	Cemeteries	126249	102710	103870	
24075	Closed Churchyards and War Memorials	22858	27650	24000	
46228	Community Safety and Community Legal Services	34440	36780	36780	
367525	Community Development and Engagement	182990	218230	217510	
<u>1535968</u>	Net Charge to General Fund Summary	<u>1391846</u>	<u>1720870</u>	<u>1411950</u>	
<b>Business Units</b>					
453469	Communities	442355	437400	436680	
<u>-453469</u>	Less: Recharge to Services	<u>-442355</u>	<u>-437400</u>	<u>-436680</u>	
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	
<b>Memo Note: Change in Controllable Expenditure</b>					
1535968	Total Net Expenditure (as above)	1391846	1720870	1411950	
-392828	Less: Staff and Overheads	-336570	-369300	-373300	
-225123	Capital Charges	-226400	-499380	-249380	
453469	Add: Internal Recharges	442355	437400	436680	
<u>1371486</u>	Net Controllable Expenditure	<u>1271231</u>	<u>1289590</u>	<u>1225950</u>	

**Budget 2015-2016**  
**Organisation and External Relations Portfolio**

Actual 2013-14	Service	Original Estimate 2014-15	Revised Estimate 2014-15	Estimates 2015-16	Notes
£		£	£	£	
<b>Summary of Revenue Estimates</b>					
<b>Services</b>					
21721	Community Services	23030	24510	24810	
977	Member Development and Training	6150	6150	6280	
22698	Net Charge to General Fund Summary	29180	30660	31090	
<b>Business Units</b>					
316603	Customer Services	324870	309900	321220	
509801	Information Technology	469830	438250	439750	
59131	Training Expenses	56050	56050	56220	
-885535	Less: Recharge to Services	-850750	-804200	-817190	
0		0	0	0	
<b>Memo Note: Change in Controllable Expenditure</b>					
22698	Total Net Expenditure (as above)	29180	30660	31090	
-9780	Less: Staff and Overheads	-8530	-10010	-10010	
-40964	Capital Charges	-36460	-15380	-15380	
885535	Add: Internal Recharges	850750	804200	817190	
857489	Net Controllable Expenditure	834940	809470	822890	

**Appendix B**  
**Summary of Growth**

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### Summary of Growth: Leader and Resources Portfolio Holder Proposals

Portfolio	Recurring £	Non-Recurring			Appendix
		2015-2016 £	2016-2017 £	2017-2018 £	
Leader	0	0	0	0	
Resources	17,370	15,000	0	0	B1
Environment	1,000	76,600	0	0	B2
Planning and Economy	0	72,000	12,000	0	B3
Housing	0	0	0	0	
Communities	1,440	6,370	6,370	6,370	B4
Organisation and External Relations	2,710	0	0	0	B5
<b>Total</b>	<b>22,520</b>	<b>169,970</b>	<b>18,370</b>	<b>6,370</b>	

## Estimates 2015-2016 - Resources Portfolio Growth Items

Description	Service	Amount £	Recurring Y/N	Reason
Software maintenance	Financial Services Business Unit	3,270	Y	<p>This is a sum to allow for 3 days' consultancy to continue to develop the Council's Financial Management System (FMS). Ongoing development is important to realise the opportunities of more efficient working as was the case when electronic creditor advice and payslips were introduced. A similar sum was included in the 2014-2015 budget as a non-recurring item. The extra support gained from this has enhanced the FMS and is considered to have been successful.</p> <p>Legislation changes imposed by Central Government regularly require specialised support and it is therefore proposed that the consultancy support be made recurring in future.</p>
Building Maintenance	Land Management	15,000	N	Repairs to Frenchfield Stadium on completion of the lease. This would include emergency lighting, door repairs, flat roof works and general repairs.
GIS and Property Support Resource	Contracts and Property Business Unit	14,100	Y	<p>Executive, on 2 December 2014, supported a growth item for a 0.6 FTE Property Technician. For the full report follow:  <a href="http://www.eden.gov.uk/democracy/meetings/committee-meeting-agenda-and-minutes/agendas-and-minutes-2014/executive/01-exec-2dec14-agenda/">http://www.eden.gov.uk/democracy/meetings/committee-meeting-agenda-and-minutes/agendas-and-minutes-2014/executive/01-exec-2dec14-agenda/</a> (item 6)</p>
		32,370		



## Estimates 2015-2016 - Environment Portfolio Growth Items

Description	Service	Amount £	Recurring Y/N	Year	Reason
Maintenance Budget	Off-Street Parking	1,000	Y	2015-2016	Maintenance budget required for off-street car parks. During the year there are typical repairs required, for example, potholes. Currently, there is no budget to fund these repairs.
Removal of fibre optic cables and redundant equipment and cameras	Provision of Amenities	37,000	N	2015-2016	<p>Following the budget balancing exercises in 2010, the Council's CCTV systems were deactivated by the cancellation of the rented BT circuits used to transfer image signals. This achieved immediate savings of approximately £20,000 per annum. The physical equipment making up the CCTV systems in Penrith, Appleby and Kirkby Stephen was left in place and effectively redundant. The redundant equipment included cameras, pole mounts, bracket mounts on buildings, control kiosks, power supplies and BT fibre optic circuit terminals. A total of 20 equipment sites remained. At the time of BT disconnection, it was suggested that, if the equipment was to remain in place for any length of time, a modest maintenance and inspection budget should be established. The equipment could then be monitored purely in terms of ongoing physical condition. This idea was not pursued and no maintenance or inspection regime was established. It seems possible that there was some concern with regard to public reaction to the CCTV service being discontinued. This may account for the lack of any clear proposal for the remaining equipment. The immediate delivery of significant savings may also have moved the focus of attention to other strategic areas. The various systems were offered to Cumbria Police in 2010, prior to disconnection. They declined any transfer of ownership, most likely due to their own budgetary pressures at the time. Recent initiatives have seen a renewed interest in CCTV and 2 of the remaining sites in Penrith have now been 'gifted' to Cumbria Police and all liabilities have ended.</p> <p>In 2013, the Property Team successfully negotiated the transfer of the 3 sites at Kirkby Stephen to the Town Council. All liabilities for these 3 sites have now ended.</p> <p>The camera and control equipment located at Southend Road was removed by the developer during the works at the New Squares during 2011 and all liabilities ended at this site.</p> <p>The camera at The Sands, Appleby, is considered to make a significant contribution to community safety with regard to the Appleby Fair. The camera itself was replaced in 2010 and is connected directly to (and operated by) the Police Station. A decision was made to retain the camera at this site to allocate a small budget for electricity use.</p> <p>The remaining 13 sites were considered to be fully redundant, with no operational future, all equipment being at least 10 years old and possibly in a deteriorating physical condition. An order was placed early in 2012 to have the power feeds permanently disconnected at these sites to allow safe removal of the equipment. After extensive difficulties with Electricity North West, this work is now complete.</p> <p>A non-recurring growth item of £35,000 is requested to allow final removal of CCTV equipment. This would include removal of BT fibre optic terminals (quoted at £16,000) and physical removal of all remaining hardware (estimated at £21,000). This work will safeguard the Council against ongoing liabilities in the public domain and should be funded if possible.</p>

### Estimates 2015-2016 - Environment Portfolio Growth Items (continued)

Description	Service	Amount £	Recurring Y/N	Year	Reason
Bid for heat network funding		39,600	N	2015-2016	Executive, on 2 December 2014, supported a growth item to fund the Council's share of an investigation into the feasibility of heat networks in the district. For the full report follow: <a href="http://www.eden.gov.uk/democracy/meetings/committee-meeting-agenda-and-minutes/agendas-and-minutes-2014/executive/01-exec-2dec14-agenda/">http://www.eden.gov.uk/democracy/meetings/committee-meeting-agenda-and-minutes/agendas-and-minutes-2014/executive/01-exec-2dec14-agenda/</a> (item 9)
		77,600			

## Estimates 2015-2016 - Planning and Economy Portfolio Growth Items

Description	Service	Amount £	Recurring Y/N	Year	Reason
Eden Local Plan	Local Plans and Policy	60,000	N	2015-2016	<p>An Examination is a statutory requirement for the adoption of a Local Plan. Such an Examination will be required for the Eden Local Plan during 2015-2016. The estimated cost of an Examination is £100,000. This is based on the following build-up:</p> <ul style="list-style-type: none"> <li>• Independent Planning Inspector £81,400: this must be sourced from the Planning Inspectorate. This is based on 12 days' examination, 24 days' preparation, 3 days' site visits, 36 days' reporting, 4.5 days' travel and £2,500 travel and subsistence. The costs come from the published Planning Inspectorate costs</li> <li>• Programme Officer £19,600: this is a Council officer who would provide the logistical support for the Examination. This is based on a six month temporary post at Grade H, plus estimated ancillary costs, such as accommodation, if required.</li> <li>• There is £40,000 within the 2015-2016 budgets (part of the resource previously agreed for the Local Plan). To increase this budget to £100,000 will require a non-recurring growth item. Any unused element of the budget would be returned to Council reserves.</li> </ul>
Contribution to Appleby and Kirkby Stephen Tourist Information Centres	Tourist Information Centres	12,000	N	2015-2016 and 2016-2017	<p>When the running of the Kirkby Stephen TIC was transferred to Kirkby Stephen Community Interest Company in April 2012, a grant of £6,000 was agreed for three years to cover the rental cost of the premises. Council, on 6 December 2012, agreed that Appleby TIC should receive the same support as the Kirkby Stephen TIC. So, for 2014-2015, both TICs received £6,000 each: this was the last year of current budgeted support.</p> <p>Letters have been received from Kirkby Stephen Community Interest Company regarding Kirkby Stephen Visitor Information Centre and Appleby in Westmorland Town Council regarding Appleby Tourist Information Centre. Each explains that the centre continues to be well used and is considered a vital support to the economies of each town. The grant is considered a vital contribution to the continued operating of the centres and it is clear that the groups value the Council's support. Both TICs regularly liaise and share information with the Council's tourism staff. This benefits the tourism 'offer' across the district.</p>
		72,000			

## Estimates 2015-2016 - Communities Portfolio Growth Items

Description	Service	Amount £	Recurring Y/N	Year	Reason
Grants to rural pools	Arts and Leisure	1,440	Y	2015-2016+	This budget supports six rural pools. The portfolio holder proposed at the portfolio meeting that the budget was increased from £8,560 to £10,000. This was to take account of the increased running costs and successive years of cash freezes to the grants.
Contribution to Eden Arts	Arts and Leisure	6,370	N	2015-2016 to 2017-2018	<p>As part of a previous savings exercise (Addressing the Budget Deficit) the core grant given to Eden Arts was to be reduced over three years from £33,200 to £13,630 in 2014-2015. Following agreement of a revised SLA between the Council and Eden Arts, a budget virement was identified which enabled the 2013-2014 and 2014-2015 budgets to be set at £30,000. Funding at this level was key to Eden Arts securing a favourable funding package from the Arts Council. However, the budget virement was only temporary and the budget shown in the estimates for 2015-2016 has reverted to the base budget of £13,630.</p> <p>There has been a meeting with Eden Arts regarding their ongoing funding. They have requested that the grant reverts to what it was three years ago - a cash grant of some £33,200 plus rent-free accommodation valued at £2,650.</p> <p>Given the Council's funding position, it is not thought realistic to restore the initial reduction fully. However, Eden Arts has been very successful at delivering a wide-ranging and high quality arts provision across the district and it is thought some increase is reasonable. An annual cash grant of £20,000 for 2015-2016 to 2017-2018 (this matches the timespan awarded by the Arts Council) is proposed. This would require a growth item of £6,370.</p>
		7,810			

**Estimates 2015-2016 - Proposed Uncommitted Growth Items – Organisation and External Relations Portfolio**

Description	Service	Amount £	Recurring	Reason
Increase to cover essential training	Staff Development	2,710	Y	Growth item requested to cover required training in Child Protection, Equality and Diversity and also Health and Wellbeing (stress).
		2,710		

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**Appendix C**  
**Medium Term Financial Projection**

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### Medium Term Financial Projection

	2015-16	2016-17	2017-18	2018-19	Notes
	£'000	£'000	£'000	£'000	
Base Budget	7,921	8,065	8,153	8,249	1
Penrith New Squares	-800	-805	-811	-816	2
Local Elections	73	0	0	0	
Parish Grant re CTRS	25	23	22	21	3
Interest Receivable	-187	-185	-205	-202	4
Second Homes Grant from the County	-194	-197	-201	-205	5
Proposed Growth: Recurring	22	22	23	23	6
<b>Recurring expenditure</b>	<b>6,860</b>	<b>6,923</b>	<b>6,981</b>	<b>7,070</b>	
<b>Non-Recurring Costs:</b>					
Proposed Growth: Non-Recurring	170	18	6	0	6
Local Plan	40	0	0	0	
Investment in Renewable Energy	220	63	0	0	7
Staff Payment for Meeting Targets	80	0	0	0	8
Economic Development	140	0	0	0	9
Revenue Contribution to Capital	61	0	0	0	
Other	3	0	0	0	
<b>Non-Recurring Expenditure</b>	<b>714</b>	<b>81</b>	<b>6</b>	<b>0</b>	
<b>Net Expenditure (Recurring and Non-Recurring)</b>	<b>7,574</b>	<b>7,004</b>	<b>6,987</b>	<b>7,070</b>	
Government Grant and Council Tax Income	-6,826	-6,808	-6,716	-6,713	10
<b>Annual Deficit</b>	<b>748</b>	<b>196</b>	<b>271</b>	<b>357</b>	

#### MEMO

<i>Lower End Predictions of New Homes Bonus</i>	668	738	738	738
<i>General Fund Balance at End of Year</i>	4,605	4,409	4,138	3,781

#### Notes

- For 2016-2017 onwards, inflation runs at an average of just over 1%. This is based on a 1% increase for salaries, a 1% increase for contracted services and 2% for all other costs and fees and charges. It also includes:
  - An additional £90,000 increase in payroll costs from 2016-2017 onwards due to changes in employers' National Insurance contributions
  - Savings arising from the investment in renewables: £72,000 by 2017-2018
- This comprises:
  - an annual rental in lieu of car parking income: indexed linked
  - The rental from the retail store: fixed amount
- As agreed by Executive on 1 October 2013, varies pro rata to total Government funding (BRRS based on Baseline Funding Level).

4. This is made up of:
  - Interest of 0.8% on cash deposits is assumed in 2016-2017 and 1% thereafter. This assumes that interest rates remain at 0.5% to 1%.
  - Rental share from the Property fund- budgeted at £96,000 per annum
5. Under a ten year agreement with the County Council (April 2009- March 2019), the County Council grants back to the districts a third of the additional Council Tax raised by the districts, reducing the discount on second homes from 50% to 10%.
6. See Appendix B
7. As agreed at Council on 17 July 2014: as per note 1 above the baseline savings resulting from this investment are included in the base budget figure.
8. As agreed at Council on 27 March 2014.
9. Last year a one-off economic development budget of £464,000 was funded out of estimated excess of actual BRRS income over original estimate in 2013-2014. This budget has been rephrased with £140,000 falling in 2015-2016.
10. See overleaf.

## RSG/BRRS and Council Tax

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	Notes
Revenue Support Grant	1,260	1,015	803	677	1
Business Rates Retention Scheme:					
Base Income	2,073	2,114	2,160	2,208	2
Deficit from Previous Year	-154	0	0	0	
Pool	0	0	0	0	3
Total Government Funding	3,179	3,129	2,963	2,885	
Council Tax					
Base Income	3,607	3,679	3,753	3,828	4
Surplus from Previous Year	40	0	0	0	
Total	6,826	6,808	6,716	6,713	

### Notes

1. 2015-2016 as per the indicative amount in the 2014-15 Settlement. 2016-2017 to 2018-2019 uses a forecast from a funding specialist.
2. 2014-2015 is based on the Business Rates income return (NNDR1) to Government in January 2014. Provision is made in 2015-2016 for a major appeal recently submitted by a ratepayer: the cost is two years' worth of appealed rates, as the appeal relates back to April 2013. If successful, the impact of the appeal will cover a two year period, but it will not have an ongoing impact.
3. Nothing included on grounds of prudence: this report proposes that any such income is dealt with as windfall.
4. Council Tax has been estimated by:
  - Assuming an annual increase of 1.99%
  - Using the provisional 2015-2016 taxbase: the final budget considered by the January Executive will be based on the final taxbase