1. Relevant Background Details

Members will be aware that there has been a continued emphasis on the need to make year on year savings within the General Fund as part of each year’s budget process. The Medium Term Financial Strategy (MTFS) presented to OCPC in November demonstrated that in the Medium Term there was a need to continue to build up reserves and be aware that Local Government Finance is subject to significant change at short notice. Notwithstanding this, there is a reduced need and pressure to make significant savings in 2015/16 following the level of savings found in previous years and the growth of the Council’s income generation.

In addition it is largely the view of officers that we cannot continue to make savings without reducing services and as such any future reduction should be driven by the identification of priority and non priority areas.

As a result, the budget process for 2015/16 has not focussed on identifying specific savings but instead focussed on absorbing pressures within existing budgets. There is therefore, very little change in overall controllable budgets from 2014/15, apart from where they have already been identified as part of the MTFS and where pressures have emerged that cannot be absorbed without growth.

In terms of the Housing Revenue Account (HRA), so long as rents are increased in line with the Government’s rent setting formula, the HRA continues to be viable whilst allowing investment of approximately £5.3m p.a. in the Council’s housing stock.

As part of the budget consultation process, members are being asked to comment on the growth proposals for both the General Fund and the HRA that are now being put forward, prior to public consultation. Members are also being asked to comment on the relative Council Tax and Rent increase proposals referred to below and about what our future priority and non priorities should be.

Any views will be fed back to OCPC before final decisions are made.

2. Report

2015/16 Growth Pressures

The list of variances from 2014/15 to 2015/16 is shown in Appendix A for the General Fund and Appendix B for the HRA. As outlined above there is very little change in overall controllable budgets from 2014/15, apart from where they have already been identified as part of the MTFS and where pressures have emerged that cannot be absorbed without growth.

Whilst the MTFS allows for £165k of growth within the General Fund, the budget process has so far identified £154k worth of growth proposals. These are as follows:
### Description | Amount (£k)
--- | ---
One off growth bid for feasibility study for a Crematorium | 15
One off growth bid for value for money and feasibility study for the Street Scene contract | 50
Empty Homes Officer for 1 day a week on a permanent basis | 12
Part-time Administration Officer within Environmental Services to increase resilience within section | 12
Planning Manager to increase the capacity of the Regeneration and Growth agenda | 49
Increase in contribution for the Community Safety Officer post | 16
**Total** | **154**

This leaves £11k of capacity for further growth if required. A possible option could be tree maintenance unless members have any other proposals.

**2016/17 – 2018/19 & Prioritising Services**

Moving forward over the next few years, it is clear that Local Government will continue to be adversely affected by Central Government spending cuts. At some point, the focus will therefore have to change to cutting services altogether rather than simply making changes to existing budgets. This may require a fundamental mind shift for future years. This view was also expressed by a previous Local Government Association presentation given to members.

If moving forward we are to look at prioritising what we do, rather than continuing to do what we do with less funding, then members need to understand and agree which services should or will be most affected.

**Council Tax Freeze**

A Council Tax freeze is now assumed within current projections. In previous years, the government has funded the equivalent of a 1% increase if Council’s agree to freeze their Council Tax for the year. No announcement has been made yet in respect of 2015/16. The proposed freeze would maintain our share of the Council Tax at the following levels:

<table>
<thead>
<tr>
<th>Band</th>
<th>2014/15 Tax</th>
<th>2014/15 Weekly Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>117.43</td>
<td>2.26</td>
</tr>
<tr>
<td>B</td>
<td>137.01</td>
<td>2.63</td>
</tr>
<tr>
<td>C</td>
<td>156.58</td>
<td>3.01</td>
</tr>
<tr>
<td>D</td>
<td>176.15</td>
<td>3.39</td>
</tr>
<tr>
<td>E</td>
<td>215.29</td>
<td>4.14</td>
</tr>
<tr>
<td>F</td>
<td>254.44</td>
<td>4.89</td>
</tr>
<tr>
<td>G</td>
<td>293.58</td>
<td>5.65</td>
</tr>
<tr>
<td>H</td>
<td>352.30</td>
<td>6.78</td>
</tr>
</tbody>
</table>
The overall impact will depend upon the increases made by the County, the Police and Parish Councils, since the Corby element accounts for only 13% of the total bill. Just over half of Corby residents live in Band A properties and nearly three quarters live in either Band A or Band B properties, so the average Council Tax for Corby is likely to continue to be the second lowest District Council in the County for 2015/16.

HRA Rents Increase

The 2015/16 HRA budget currently allows for a 2.3% increase in rents. This is in line with the Government’s rent setting formula of the Consumer Price Index plus 1%. It also allows us to invest approximately £5.3m p.a. in our stock in order to invest £160m over the next 30 years as part of our long term business plan and to meet the requirements of decent homes.

As our rents are below guideline levels we have the option to increase rents above as well as below the rent setting formula should we want to. However, the MTFS assumes that we will increase rent by roughly 2.5% each year and any significant divergence from this would impact on the income from rents. In turn, this would mean either compensating savings have to be found from within the HRA or the £5.3m annual investment in the stock would need to be reduced and thereby affect the long term viability of the Housing stock. This £5.3m has reduced from £5.8m in previous years as members have decided to increase rents at amounts less than the rent setting formula percentage.

The current average rent for Corby tenants is around £80 per week. This is the lowest in the County and approximately £6 a week less than the average. A 2.3% rents increase amounts to approximately £1.84 a week.

It should also be noted that over half of tenants receive full housing benefit.

Levels of Balances and Reserves

In addition to requiring a statement regarding the robustness of the budgets, the Local Government Act requires the Chief Financial Officer to confirm the adequacy of reserves. The two aspects are clearly linked, and the robustness of the budgets, the maintenance of a strategic risk register and the continued improvement in budget monitoring enable the minimum level of balances to be maintained at £800k for both the General Fund and the HRA.

Aside from our statutory minimum revenue balance of £800k, the budget for 2015/16 maintains General Fund balances at around £5m. Although this represents a significant achievement and demonstrates that the Council is acting in a financially prudent manner, the reserves strategy approved by OCPC in September 2013 recognises that this trend needs to continue in order to cover the future risks that we face. The reserves levels based on risks will be updated as part of the final budget reports to be presented in February.

HRA reserves are likely to be approximately £5-6m.

3. Options/Other Factors to Consider

The proposed budget pressures will be subject to public consultation in December and January.

For future years the financial situation may remain challenging and it is widely accepted that we may have to stop providing the level and range of services that we currently do. Consideration therefore also needs to be given to which services will be given the most priority in respect of this.

Key options for Members to consider during the development of future year’s detailed budgets are:

• The supporting of a Council Tax freeze or a 1.99% increase in Council Tax. Any increases over and above 2% would be subject to a public referendum.
• The supporting of a 2.3% increase in Housing rents in line with rent setting formula. Every 1% represents approximately £180k and so if the increase is less than 2.3%, the £5.3m annual investment in the stock will need to be reduced accordingly, if further efficiency savings or revenue cuts cannot be made.

• The extent to which lower priority services are reduced or ended in order to release resources for higher priorities.

• Other areas for budget reductions that members would like officers to consider and review.

4. Issues to be taken into account:

Policy Priorities
Budgetary savings and expenditure should be clearly linked to the Council’s One Corby priorities.

Financial
These are referred to within the report. There is a statutory requirement to set a balanced budget in 2015/16 in line with the requirements of the Medium Term Financial Strategy.

Performance Information
Heads of Service are charged with delivering service improvements included in their service plan within the budgets allocated.

Legal
No specific issues to highlight.

Human Rights, Equalities, Community Safety, Sustainability
Consideration will need to be given to the impact of the changes on all the above statutory and policy priority areas.

5. Conclusion
Within the General Fund, continued grant settlement reductions from Central Government, potential cuts to the New Homes Bonus, the general economic outlook and other unavoidable pressures have re-enforced the need to make revenue savings in order to maintain a balanced budget, whereby expenditure is at least matched by income.

Although significant savings have therefore previously been identified as part of previous budget processes there may be a continued need to make further savings over the next 2-3 years. However the position for 2015/16 at least is reasonably settled.

The HRA has a more settled outlook so long as rent increases continue to allow necessary future investment in the stock.

6. Recommendations
That Members:

i. Agree the growth proposals identified as the basis for public consultation;

ii. Comment on any further areas or savings or growth options that they would like officers to consider;

iii. Comment on relative areas of priority for future years;

iv. Support the proposed Council Tax freeze in 2015/16 as a basis for public consultation; and

v. Support the proposed Rent increase of 2.3% in 2015/16 as a basis for public consultation.
Background Papers
2015/16 Budget Working Papers
MTFS Working Papers

Consultations
Public consultation on options will be undertaken and the outcome from this will inform
the budget process. This will include feedback through the Council’s website.

List of Appendices
Appendix A – 2015/16 Variance Analysis for the General Fund.
Appendix B – 2015/16 Variance Analysis for the HRA.

Wards
All

Officer to Contact
Adrian Sibley, Director of Corporate Services, 01536 464125
## 2015-16 Budget - Variance Analysis
### Appendix A
#### General Fund Services

<table>
<thead>
<tr>
<th>Variance Analysis</th>
<th>£</th>
<th>£</th>
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</thead>
<tbody>
<tr>
<td>2014/15 Approved Budget</td>
<td>8,308,705</td>
<td></td>
</tr>
<tr>
<td>2015/16 Draft Estimate</td>
<td>8,844,670</td>
<td></td>
</tr>
<tr>
<td><strong>Increase/(Decrease) from 2014/15 to 2015/16</strong></td>
<td><strong>535,965</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Inflation & Other Cost Increases/Decreases

- **Kier Contract Uplift (% uplift as per MTFS)**: 105,000
- **Part time Disabled Facilities Grant Officer (Funded from Capital)**: 15,000
- **Increase in Pension deficit funding contribution**: 67,590
- **2015/16 Pay award**: 37,950
- **Incremental Increase in Salaries (as per MTFS)**: 44,983
- **Establishment Changes and Living Wage**: 32,117

**Total**: 302,640

### Unavoidable Growth/Spending Pressures

- **Alliance Leisure**: 70,500
- **Mixed Recycling Collection Costs**: 155,000
- **Oakley Vale Cleansing works**: 35,255
- **Elections (as per MTFS)**: 75,000
- **Cinema Car Park (as per MTFS)**: 16,000
- **Electrical testing (as per MTFS)**: 10,000
- **Environmental Feasability Study (as per MTFS)**: 65,000

**Total**: 442,325

### Growth Bids for Consultation

- **Increase in Contribution for Community Safety**: 15,570
- **Empty Homes Project Officer**: 12,000
- **Environmental Services Administration Support**: 12,500
- **Planning Manager**: 49,000

**Total**: 89,070

### Efficiency and Other Savings

- **LPSC Capital Contribution (as per MTFS)**: (100,000)
- **Royal Anglican Parade (as per MTFS)**: (20,000)
- **Other Savings**: (7,860)

**Total**: (127,860)

### Changes In Income Volumes

- **CB Properties**: (104,680)
- **Fees & Charges (as per MTFS)**: (33,119)
- **Railway Station Car Park (as per MTFS)**: (13,500)
- **Loss of Fraud Administration Grant**: 113,470
- **Capital Contribution from Disabled Facilities Grant**: (15,000)

**Total**: (52,829)

### Technical Adjustments

- **Additional Pension Deficit not required**: (103,793)
- **Depreciation Charge**: (31,818)
- **NNDR Discretionary Rate Relief**: (32,000)
- **Homeless Grant to HRA**: 40,000
- **s.106 contribution for monitoring officer**: 10,230

**Total**: (117,381)

### Variance between 14/15 Approved & 15/16 Draft Estimate

**535,965**
### Variance Analysis

<table>
<thead>
<tr>
<th>Description</th>
<th>2014/15 Approved Budget</th>
<th>2015/16 Draft Estimate</th>
<th>Increase/(Decrease) from 2014/15 to 2015/16</th>
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<tbody>
<tr>
<td>Inflation &amp; Other Cost Increases/Decreases</td>
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<tr>
<td>Increase in Pension deficit funding contribution</td>
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<td>2015/16 Pay award</td>
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<td>Increments Growth, Establishment Changes and Living Wage</td>
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<td>Unavoidable Growth/Spending Pressures</td>
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<td>Materials &amp; Equipment</td>
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<td>Transport Costs</td>
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<td>Misc Supplies &amp; Services</td>
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<td>Court Costs</td>
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<td>Efficiency and Other Savings</td>
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<tr>
<td>General Repairs &amp; Maintenance</td>
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<td>(52,700)</td>
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<td>Car Mileage</td>
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<td>(21,000)</td>
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<td>Changes In Income Volumes</td>
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<tr>
<td>Dwelling Rental Income Increase</td>
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<td>(272,670)</td>
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<td>Interest on balances</td>
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<td>(20,000)</td>
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</tr>
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<td>Insurance Commission</td>
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<td>(10,000)</td>
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<td>Growth Bids for Consultation</td>
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<td>Technical Adjustments</td>
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<td>Provision for Debt Repayment</td>
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<td>Revenue Contribution to Capital</td>
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<td>(250,000)</td>
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<td>Other Technical Adjustments</td>
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<td>Deposit Bond Scheme Officer post made permanent</td>
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<td>Variances between 14/15 Approved &amp; 15/16 Draft Estimate</td>
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<td>(149,771)</td>
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