

## Agenda Item 7

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<b>Date</b>	3rd February 2015

<b>Ward (s) affected</b>	All	<b>Key Decision</b>	Yes
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<b>Subject</b>	2015/16 Budget and Council Tax Resolution
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### RECOMMENDATIONS

- (i) That the proposed budget for 2015/16 be set at £10,055,000.
- (ii) That the Council Tax Freeze Grant, offered by Government, be rejected for 2015/16
- (iii) That the Band D Council Tax for 2015/16 be set at £160.52, representing a 1.9% increase on 2014/15
- (iv) That the proposed Capital Programme of £11,774,000 be approved
- (v) That the Section 151 Officer's statement concerning the 2015/16 budget and the medium term financial outlook for the Council be noted
- (vi) That the reserve of £238,000 previously earmarked for Subsidence be re-designated as a general reserve
- (vii) That the Council decide whether to increase Members' Allowances in line with the recommendations of the Independent Remuneration Panel (i.e. in line with the National Pay Award for staff)
- (viii) That a Committee of the Council be established comprising 7 Councillors (politically balanced 3:3:1) to approve the Council Tax should the precept from partners not be received prior to the Council meeting on 17 February 2015
- (ix) That Group Leaders advise the Council of the Councillors to be appointed to the Committee established in (viii) above

### EXECUTIVE SUMMARY

The proposed budget for 2015/16 is set out in the report. An increase of 1.9% in Council Tax is proposed. The report sets out the budget assumptions in relation to the various strands of Council funding (grant, business rates, New Homes Bonus, fees and charges) and proposals for spending in 2015/16.

The existing budget reflects current priorities in service provision and the scope, range and level of provision of those services is protected in these budget proposals.

### **CORPORATE PRIORITIES**

The budget proposals reflect the current corporate priorities of the Council and are consistent with the themes and priorities emerging from the ongoing preparation of the new Corporate Strategy 2015/16 to 2018/19.

**The Council has the authority to determine the recommendations.**

### **INTRODUCTION**

1. The financial outlook for Mole Valley District Council is challenging, with the amount of funding received from central Government through the Revenue Support Grant continuing to reduce. The austerity programme is scheduled to last well into the next Parliament, irrespective of the outcome of May's general election.
2. The Council produced a Medium Term Financial Strategy (MTFS) last year setting out the size of the challenge over the medium term to 2020/21. The Strategy recognised the impact of reduced grant and lower investment returns in the context of continuing austerity. It also recognised that the Government is encouraging Councils to take control of their own fortunes, to an extent, by attaching specific streams of funding to outcomes related to building and development - such as retention of a share of increased business rates and the New Homes Bonus. A major theme of the Strategy was therefore for the Council to make the best use of its assets in support of its financial position.
3. In countering the impact of reduced grant and falling investment income over recent years, the Council has been successful in identifying savings and improvements that have not significantly affected the provision of services. The proposals in this budget paper demonstrate how the Council has once again balanced spending and funding without reducing the services provided. However, achievement of efficiencies is becoming increasingly challenging, having reduced the Council's budget by more than 30% in recent years. If, as seems almost certain, Government funding continues to fall for the foreseeable future, this challenge will require ever more innovative measures on behalf of the Council to maintain a balanced budget and protect services.
4. The budget has been formulated alongside the development of a new Corporate Strategy for the Council, following a period of consultation during the Autumn of 2014. This Strategy will be presented to Council in March, though the budget proposals presented here are consistent with the emerging themes and priorities.

## **BUDGET PROPOSAL 2015/16**

### **Background : Medium Term Financial Strategy and previous year budget**

5. The Executive approved the Medium Term Financial Strategy (MTFS) on 29 October 2013. This document set out the financial outlook for the Council over the medium term – from 2014 to 2021. It provided a framework within which a detailed budget proposal in the short term can be formulated. In assembling the 2015/16 budget, many of the assumptions underlying the 7 year MTFS are confirmed though updates and revisions are provided where the position has changed in the last 18 months.
6. In approving the budget for 2014/15 a year ago, the Executive was also presented with an “indicative” budget for 2015/16. The budget proposal for 2015/16 is very similar to the budget presented then, except that the gap between spending and funding that was then labelled “savings required” has been closed by proposals for actual expenditure reductions or increased income generation in the 2015/16 version.

### **Revenue Budget Assumptions - Funding**

7. The assumptions behind the figures in the proposed budget are set out in the following paragraphs. The funding items are dealt with first (Council Tax, New Homes Bonus, investments etc.), followed by the assumptions on the spending side (inflation, pensions etc.)

#### Council Tax

8. The budget proposal includes an increase in Council Tax of 1.9% for 2015/16. This adds £3.05 to the MVDC portion of a Band D resident’s annual bill. For other bands, the increase ranges from £2.04 (band A) to £6.11 (band H).
9. As in previous years, the Government is offering grant equivalent to a 1% increase in 2015/16 and will require Councils to organise a referendum on increases in excess of the Government threshold for Council Tax increases, which has been retained at 2%. An increase beyond the threshold can only be implemented if the referendum response is positive.
10. The issue for the Council is the temporary nature of the Freeze Grant. Increases in Council Tax lead to ongoing funding for the Council, whereas Freeze grants are potentially one-off in nature so that if accepted, the Council Tax base is eroded for the future.
11. The issue is illustrated in the figures below, which show the difference in the level of Council funding by opting for Freeze Grant rather than increasing Council Tax. It demonstrates how the Council Tax base would have been eroded by almost £0.5m over the five year period from the introduction of the Freeze Grant in 2011/12 up until 2015/16 if the Freeze Grant had been consistently accepted.

	11/12	12/13	13/14	14/15	15/16
Council Tax Freeze Grant	2.5%	2.5%	1%	1%	1%
Value for MVDC (£000)	150	150	60	60	60
Additional, cumulative value in tax base if levied as Council Tax increase (£000)	150	300	360	420	480

12. As part of previous budget decisions, the Council has accepted the Freeze Grant for 2011/12 (a four year offer) and 2012/13 (one year) but rejected it for 2013/14 (two years) and 2014/15.
13. The Government has undertaken to continue to provide freeze grant funding in future years and to build the grant into the spending review baseline. This is to provide local authorities with greater certainty of funding and to address the “cliff edge” impact of withdrawing temporary grants. However, there is no guarantee against future changes of Government policy in this regard or against future changes of Government. Missed opportunities to update the Council’s tax base cannot be retrieved.
14. Council Tax increases in Mole Valley in recent years have been lower than the prevailing rate of inflation. Analysis of the period from 2008/09 to 2015/16 shows a Retail Price Index increase of around 22% over that period while the level of Mole Valley’s Council Tax levied on residents increased by only 11% (from £144 to £160 on a Band D property).

#### Revenue Support Grant

15. This is the main central government grant to local authorities and can be used to finance revenue expenditure on any service. The Local Government Finance Settlement 2015/16 announced the grant provisionally for 2015/16, to be confirmed in February 2015.

	Current Year 2014/15 £000	RSG Settlement 2015/16 £000
Revenue Support Grant	1,296	903

16. The figure for 2015/16 represents a 30% reduction on the current year figure (2014/15). In the MTFs, the possibility of the Council reaching “rock bottom” on

Government Grant was identified. Our latest estimates suggest that, if any future Government holds firm on the current commitments to protect grant funding for the Council Tax Support Scheme and Freeze Grants, then the lowest point for Mole Valley DC will be reached at around £650,000. From then on we might expect an inflationary increase each year but no further erosion of funding.

#### New Homes Bonus

17. To incentivise the provision of new and recovered (from being 'long term empty') housing, the Government introduced a New Homes Bonus for Local Authorities in 2011/12. For every net additional home provided, the Government awards the Council a bonus equivalent to the national average Council Tax for six years. In two tier areas, the District or Borough Council retains 80% of this bonus. MVDC will receive £1.1m in 2015/16, based on 95 homes either newly built or recovered from being "long term empty" in the period October 2013 to October 2014.
18. There is uncertainty over the future of this grant beyond 2016/17. No guarantee has been given that it will continue beyond its initial 6 year term (2011/12 to 2016/17). A Government review of the New Homes Bonus is expected.
19. The assumption in the budget is that the bonus will not continue for net additional homes provided beyond 2016/17, though the 6 year "tail" will be honoured for each new home up to that point. The Council will draw down £1m of New Homes Bonus each year and set aside the remainder to create a New Homes Bonus Reserve. The MTFs assumption was that, at an estimated 250 new homes per year, the reserve would continue to provide £1m per year back-up funding for the Council after the grant's termination in 2016/17 and beyond the end of the term of the MTFs (2020/21). However, the estimates have been re-worked in the light of new homes figures being 95 and 132 in each of the last two years. On revised estimates, the reserve will enable the Council to continue to bolster its revenue funding by £1m per year to 2019/20 but not beyond.

#### Business Rates

20. In 2013/14, the Government introduced the Business Rates Retention Scheme, a system to leave a proportion of business rates in the hands of Local Authorities (LAs). LAs then assume the risk of reductions in rates and reap the rewards of increases. A complicated system of top-ups, tariffs, safety nets and levies has been added to ensure limitations on the extent of gains and losses. The parameters are due to be "reset" in 2020, though a review of the system promised in the Government's Autumn Statement may lead to earlier changes.
21. The assumption on Business Rates retained for 2015/16 is that the Council will receive a share at least equivalent to the amount actually generated in 2013/14, and in 2014/15, being the first year of the new scheme. The Council has also entered into a Business Rates "Pooling" arrangement with Surrey County Council and three other Surrey Districts/Boroughs for 2015/16, from which Mole Valley is expected to benefit by £300,000. Going forward, the membership of the pool can change from year to year depending on the calculation of greatest benefit

amongst members. Accordingly, assuming inclusion in the pool for a third of the time, Mole Valley is anticipating an additional £100,000 annualised receipts over the next three years.

22. The Government introduced changes to “Permitted Development” rights during 2014 which enable office buildings to be converted to housing without planning permission. The impact of this on the future Business Rate income assumptions is impossible to quantify at this stage, but the position will be closely monitored.

#### Interest on investments

23. The Council has been constrained in recent years by the restrictions in the Treasury Management Strategy which have prioritised “security” and “liquidity”, somewhat to the detriment of “yield”. The Strategy was amended in 2012 to try to strike a better balance and, without compromising on the cautious stewardship of public funds, to achieve a better return. The Strategy allows an increase in longer term investments and widens the scope of potential counterparties as part of a plan to invest £8m at higher rates of return (around 5%). Progress has been made against this new target with the recent investment of £5m in a property fund yielding a return consistently above 4%.
24. The budget proposal includes investment income of £498,000. This represents a significant increase on the budget two years ago of £320,000 but, after implementing the change in strategy, is in line with recent projections of 2014/15 income.

#### **Revenue Budget Assumptions - Spending**

25. The build-up of the proposed budget for 2015/16 is set out in Appendix A. It shows a number of additions and reductions on the base budget rolled forward from 2014/15. Each of these lines, representing either an addition to or a reduction on the previous year’s budget, is explained in the following paragraphs.

#### Inflation (addition of £233,000)

26. The inflation provision of £233,000 comprises:-
  - Pay award provision – 2% has been allowed for the 2015/16 pay award, balancing the continuing need for austerity against the requirement to recruit and retain staff.
  - General inflation on expenditure - the assumption of 2.5% general inflation made in the MTFS has been replaced by 1.5% in view of the current rates of RPI (1.6%) and CPI (0.5%) and the general expectation of future inflation levels.
  - Inflation on fees and charges of 2.5%. This is in line with the MTFS and envisages that a contribution will be made through increases in fees and

charges towards the inflationary increases in the cost base. This applies where the fees are locally set. Nil inflation is applied for 2015/16 where the fees are set by Government or have reached a Government ceiling. Budget Managers set the annual increases in the context of the Fees & Charges Principles, which require them to “maximise income” unless there is a clear decision not to do so.

Parks – tendering of grounds maintenance and verge cutting contracts (budget reduction of £175,000)

27. The contract for Parks grounds maintenance and highway verge cutting was re-tendered during 2014/15. The successful bidders put forward prices that represented a saving of £175,000 over the previously budgeted cost for a full year. The contract began in January 2015.

Partnerships – profit share of income from Leatherhead Leisure Centre (budget reduction of £89,000)

28. The healthy level of income generated at Leatherhead Leisure Centre is at a threshold that triggers an additional share for the Council. This has produced a substantial underspend in the current year’s monitoring and is expected to continue into next year, resulting in an excess of income of £89,000 on the Partnerships budget.

Housing - reduction in costs of Bed & Breakfast following purchase of Emergency Accommodation (budget reduction of £28,000)

29. The business case for capital investment in Emergency Housing, that was approved by the Executive on 25 June 2013, envisaged revenue benefits through reduced use of B&B facilities. A phased budget reduction, over 2014/15 and 2015/16, has been made in the budget reflecting the time taken to purchase the housing required to provide the emergency accommodation.

Car Parking – loss of income in Dorking following opening of new supermarket (budget addition of £60,000)

30. A new supermarket in Dorking was opened in October 2014 with its own parking provision. This has reduced use of the Council-run pay and display facilities and thus had an impact on income levels. An assessment of reduced Council income, based on the experience to date, is that £60,000 will be lost.

Property – lease of Curtis Road premises (budget reduction of £45,000)

31. The Property budget will be reduced by net £45,000 following the successful letting of Curtis Road premises which creates additional income as well as a saving on business rates.

Finance – departure of Interim Closing Manager (budget reduction of £45,000)

32. Specialist resource was required by Finance at year-end to improve the

performance of year-end procedures following difficulties and prolonged Audit involvement at the end of 2010/11. The specialist Closing consultant, who has managed the year-end process for 2011/12, 2012/13 and 2013/14, will not be returning at the end of 2014/15. Staffing at former establishment levels has been restored.

#### Revenue contributions to capital

33. The MTFS explained the Council's intention to support its Capital Minor Works programme with regular revenue contributions when possible. This policy recognises the repetitive and routine nature of some minor works (e.g. playground resurfacing, boiler replacement) and the fact that such spending is best covered by annual revenue contributions to prevent erosion of capital reserves. In 2014/15, a contribution of £321,000 was built into the base budget and is to be retained in 2015/16..

#### Items to be funded from reserves in 2015/16

34. The Council has approved the expenditure of approximately £0.5m on the Leatherhead Project over the period 2014/15 to 2016/17 (the precise spend approval depends on the level of LEP funding). £0.2m of this is expected to be incurred in 2015/16 and will be funded either through a contribution from the Council's revenue reserves (which, at 31.3.14, stood at £3.424m) or through utilising underspends during the year if budget monitoring reveals a sufficient projection. The latter method has been used during 2014/15 to fund a required £0.1m for Leatherhead.
35. Similarly, temporary additional funds will be required over the next few years to fund the extra resource necessary to produce the revised Local Plan. £30,000 per year, over the next three years from 2015/16 to 2017/18, will be contributed from reserves to fund this work.

#### New Budget Proposals 2015/16 (budget addition of £57,000)

36. The Administration has included new proposals in the 2015/16 budget. These are:

##### Housing – Accreditation for National Best Practice Standard

£18,000 will fund the improvements required to ensure compliance with the nationally approved standard.

##### Car Parks – freeze pay & display charges at 1p per minute - £35,000

The roll forward of the budget assumes that controllable fees and charges will keep pace with inflation. Pay & Display has not increased since 2009. In 2015/16, the lost increase (if volumes remain the same) equates to £35,000 (2.5% of £1.37M). This bid requires additional budget to enable prices to be frozen.

##### Lower Mole Countryside Management Project - £4,000

Restore contribution to previous levels to assist the project.



#### Beyond 2015/16 – issues for the revenue budget in future years

37. The cost of the Council's national insurance (NI) contributions will increase by around £0.2m from April 2016 when the Government reduces the state pension system from two tier to one. At that point, the "discounted" NI contribution paid by subscribers to Surrey's pension scheme because it contracted out of the additional state pension will no longer apply.
38. The investment, through the capital programme (see below) in refurbishing Pippbrook and building a Wellbeing Centre in Dorking will impact on the revenue budget in future years through reduced running costs of Pippbrook and an estimated 5% return through income generation on the Council's £4.1m investment in Meadowbank.
39. The project to build 500 houses alongside the North Leatherhead By-Pass was mentioned in last year's budget report. If it happens, there will be an impact on Council Tax receipts and New Homes Bonus, but it was judged last year that the planning complications made these receipts too remote to be included either in the MTFs or the future years' budgets. This remains the case.

#### Council Tax Support Scheme

40. The Council adopted, two years ago, the "default" scheme supplied by Government in relation to the introduction of Council Tax Support. In line with the Council's resolution in January 2014, the Executive Member for Community Engagement & Resident Services, in conjunction with the Corporate Head of Service, has decided that the Council will continue to apply this scheme in 2015/16.

#### Members' Allowances

41. The Council, at its meeting on 18 February 2014, accepted the recommendations of the independent remuneration panel in relation to Members' allowances. Part of the recommendations included that, if the Council so determines, all Members' allowances can be increased on 1<sup>st</sup> April 2014, 2015, 2016 and 2017 to a maximum in line with the national pay award for local government staff. The national pay award for local government staff from 1<sup>st</sup> January 2015 is 2.2%.

#### **Council Tax**

42. The Administration is recommending that Council Tax levels increase by 1.9% in 2015/16 to give a Band D Council Tax of £160.52.

#### **Capital Programme**

43. The proposed capital programme of £11,774,000 for 2015/16 includes a range of major (over £50,000) and minor (under £50,000) schemes and is set out in Appendix B. The Appendix also shows current, ongoing schemes in 2014/15, many of which will be works in progress at the end of the year and will be automatically rolled forward to be progressed and spent in 2015/16.
44. The main feature of the proposed capital programme is the inclusion of two major schemes for the re-development and refurbishment of the Pippbrook Headquarters building and the creation of a Meadowbank Wellbeing Centre. The projected cost of each is £4.5m and £4.1m. In both cases, business cases have been presented and approved by the Executive. Both will have a positive impact on future years' revenue budgets through reducing the running costs of Pippbrook and generating lettings income at Meadowbank.
45. In both cases, the bulk of the capital outlay is expected in the second half of 2015/16 and the first half of 2016/17. Although the Meadowbank outlay is expected to be partially offset by a government grant, the combined impact of these projects will significantly reduce the Council's reserves of capital. The level of usable reserves for capital programme funding is expected to reduce to around £3m by the end of 2017/18 (see table below). This will have a detrimental impact on investment returns but will also leave the Council with little flexibility for further capital spend, other than by diverting from recent tradition and becoming a "borrowing" authority. It will also contravene the recent guideline of retaining at least £8m in capital reserves.
46. The capital budget of £1.4m for Emergency Accommodation has so far enabled the authority to acquire or convert a mix of seven houses and flats. This project has enabled the authority to meet its homelessness policy objectives as well as saving on revenue costs by significantly reducing the usage of bed & breakfast accommodation. Overall, an underspend of £104,000 on the capital budget is currently being projected and consideration is being given to a business case for further property purchase.

## RESERVES AND BALANCES

### Revenue Balances

47. The Council's available revenue balances and the movements on them resulting from the Administration's proposals are outlined below. The projection demonstrates that the Council fulfils the commitment in the MTFS to maintain a minimum of £1.3m revenue reserves.

MVDC Revenue Reserves 2014/15 – 2017/18		
Financial Year End	Balance £'000	Movement of reserves
31/03/14	3,424	Closing balance 2013/14
31/03/15	3,526	Addition of projected underspend plus NHB reserve

31/03/16	3,385	Increased NHB reserve, Leatherhead project and Local Plan
31/03/17	3,526	Increased NHB reserve, Leatherhead project and Local Plan
31/03/18	3,663	Increased NHB reserve and Local Plan

### Capital Reserves

48. The Council's reserves that are available to finance the capital programme and the movement on them are summarised below.

<b>MVDC Capital Reserves 2015/16 – 2017/18</b>			
	<u>2015/16</u> <u>(£000)</u>	<u>2016/17</u> <u>(£000)</u>	<u>2017/18</u> <u>(£000)</u>
Opening Reserves	13,137	8,355	3,298
Additions to Reserves	2,620	2,120	2,120
Use of Reserves	(7,402)	(7,177)	(2,937)
Closing Reserves	<b>8,355</b>	<b>3,298</b>	<b>2,481</b>

### Earmarked Reserves

49. Earmarked reserves are those sums that are set aside by the Authority for a specific, stated purpose. The final accounts for 2013/14 set out a list of earmarked reserves amounting to £7,315,000 at 31 March 2014. Amongst these, there are three reserves that are available to finance the capital programme and therefore included in the figures above. These are the Repairs and Renewals or Minor Works reserve (£4,824,000), Pippbrook House dilapidations (£325,000) and the Planning Tariff (s106) reserve (£1,074,000). In addition to these, the programme is financed by the available capital receipts and capital grants.
50. An earmarked reserve of £238,000 for "Subsidence" was created at the time of Housing Stock Transfer in case of future claims in this context. No such claims were lodged nor are there any issues currently that might lead to future claims. Our Insurance advice is that this sum is no longer required for the purpose specified. It is therefore intended to transfer this sum into general, non-earmarked reserves.

### Arrangements for determination of the Council Tax

51. Each year at the Budget Council meeting the Council approves the Mole Valley Budget and then approves the Council Tax levels which include the precepts

from Parish Councils, Surrey County Council and the Police and Crime Commissioner.

52. At this stage it is not possible to ascertain if the Council will be aware of the precepts from all partner organisations by the date of the Council meeting (17th February). There is a suggestion we may not know the intentions of the Police & Crime Commissioner as early as would normally be the case, and potentially not in time to take the details to the 17th February Council.
53. The Council Tax must be set by 11th March and the March Council meeting has been moved from 17th to 10th March as a “backstop” if a decision has to be taken on that day.
54. However, if this were to happen it would be impossible to dispatch the Council Tax bills in time to give the legal notice and collect the first instalments under direct debit on 5th April. This would be highly inconvenient for our residents and would be costly to the Council.
55. The Local Government Finance Act 1992 provides for the Council to establish a Committee for the purpose of setting the Council Tax. It is therefore suggested that a Committee of 7 Councillors (politically balanced – 3 Conservatives, 3 Liberal Democrats, 1 Independent) be established to determine the levels of Council Tax once details of all precepts have been received.
56. If all the precept levels are not received prior to the 17th February Council meeting, as soon as the precept details are received, a meeting of the Committee will be convened. If all precepts are received before 17th February the decisions can be taken at that Council meeting.
57. This will facilitate the dispatch of the Council Tax bills in a timely manner to enable the first direct debits to be taken on 5th April.
58. In order of preference, we will do the following:
  - i) If all precepts are known by 17th February, consider at 17th February Council;
  - ii) If all precepts are known by 6th March, we will convene the Committee as set out above;
  - iii) If all precepts are not known until after 6th March, we will take details to 10th March Council.

## **OPTIONS**

59. The Executive has two options for consideration

**Option One** – to agree to the recommendations contained in this report having given consideration to the views of the Standing Budget Panel and the Scrutiny Committee.

**Option Two** – To make alternative recommendations.

## **CORPORATE IMPLICATIONS**

### **Monitoring Officer's Commentary**

60. All relevant legal implications have been taken into account

### **Financial implications**

#### **Statement of s151 Officer: Adequacy of Reserves, Robustness of Estimates, Budget Monitoring and prudential indicators**

61. The Local Government Act 2003 introduced responsibilities for the Chief Financial Officer (at MVDC this is the Strategic Director / Section 151 Officer pursuant to the 1972 Local Government Act) to form a view on the robustness of the budget calculations and the adequacy of revenue and capital balances and reserves and duly report that view at the time Members make decisions on the revenue and capital budgets.

#### Adequacy of Reserves

62. There is a statutory requirement for the Chief Financial Officer to report at budget time on the adequacy of reserves held by the Council. The forecast position on revenue, capital balances and earmarked reserves is outlined in paragraphs 47 to 50 above. The Section 151 Officer confirms that, for 2015/16, the Council's revenue and capital reserves are adequate. However, the increase in the capital programme for 2015/16 will generate increased capital spending in both 2015/16 and 2016/17. In the second year, the level of capital reserves is currently forecast to fall below the £8m level, which the Council has adopted as its guideline minimum. This will continue to be monitored and will be reviewed when detailed plans for 2016/17 are prepared.

#### Robustness of Estimates

63. The 2003 Act requires an authority's Chief Financial Officer to make a report to the authority when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates.
64. The Section 151 Officer's overall view is that the estimates are sufficiently robust, having been prepared following well-established processes based on best practice and officer's professional judgment that have produced robust estimates in the past.

#### Budget Monitoring

65. The 2003 Act also requires local authorities to monitor their income and expenditure against their budget, and to take action if overspends or shortfalls in income emerge. If monitoring establishes that the budgetary situation has deteriorated, authorities are required to take the necessary remedial action. This

might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves (within the parameters of the MTFS).

66. Two years ago, the Council moved from a quarterly performance and budget monitoring cycle to a monthly one. Officers will continue to report financial monitoring and performance information monthly during the year to Members.
67. The position reported at the end of 2014/15 month 8 identified a £150,000 projected underspend. This is mainly due to the savings achieved on the re-let of 5 Curtis Road and the profit share arrangements with Leatherhead Leisure Centre. These factors have been taken into account in formulation of the new budget.

#### Prudential Indicators

68. Under the Prudential Code on Capital Finance introduced in April 2004, the capital programme is based on the Council's assessment of affordability, sustainability and prudence.
69. The Section 151 Officer has considered the revenue consequences of the proposed capital programme in agreeing the budget for 2015/16 and the resultant risk and dependency the budget has on interest earned from capital and revenue balances. The Council has a fully funded capital programme and the associated revenue costs are built into the budget for 2015/16 and future years.
70. The Prudential Code of Practice requires the Council to set a series of indicators to show that the capital programme has due regard to affordability, sustainability and prudence. The recommended indicators, including explanatory notes will be presented to Audit Committee on 12th March 2015 and will be presented to Council on 17 March 2015 in the Council's Treasury Management Strategy 2015/16.

#### **Risk Implications**

71. The Council's Corporate Strategy is underpinned by a set of robust risk management arrangements which are reviewed by the Audit Committee on a regular basis. A strategic review of risk across the organisation has resulted in the identification of key strategic risk areas and these are set out in the Strategic Risk Register.
72. One of the strategic risks in the register is the failure to deliver the Medium Term Financial Strategy and a mitigating control is undertaking the annual budget setting process.

#### **Equalities Implications**

73. An Equality Impact Assessment (EIA) has been completed for the new budget proposals and is attached at Appendix C.

#### **Employment Issues**

74. Human Resource implications have been fully considered in the report.

#### **Sustainability Implications**

75. The budget supports delivery of the Corporate Plan which currently includes specific priorities on the delivery of improved recycling rates and the reduction of the Council's carbon footprint.

#### **Communications**

76. The revised level of Council Tax will be notified to residents by newspaper announcement as well as via the Council's website. Monitoring of the budget during 2015/16 will be reported monthly to the Executive.

#### **Consultation**

77. This report sets out the Administration's budget proposals, which have been considered by the Standing Budget Panel; this report will be considered by the Scrutiny Committee and the Executive. Separate consultation discussions have taken place with Parish Councils, Chambers of Commerce and other representative organisations.

#### **Background Papers**

78. None.

## APPENDIX A

<b>PROPOSED REVENUE BUDGET 2015/16 &amp; INDICATIVE BUDGETS</b>				
<b>2016/17 &amp; 2017/18</b>				
	<b>Base Budget 2014/15 £000</b>	<b>Proposed Budget 2015/16 £000</b>	<b>Indicative Budget 2016/17 £000</b>	<b>Indicative Budget 2017/18 £000</b>
<b><u>FUNDING</u></b>				
Council Tax	(6,116)	(6,299)	(6,441)	(6,586)
Business Rates	(1,146)	(1,355)	(1,382)	(1,409)
Government RSG	(1,325)	(903)	(775)	(650)
New Homes Bonus	(1,000)	(1,000)	(1,000)	(1,000)
Interest on Investments	(477)	(498)	(476)	(390)
<b>TOTAL FUNDING</b>	<b>(10,064)</b>	<b>(10,055)</b>	<b>(10,074)</b>	<b>(10,035)</b>
<b><u>SPENDING</u></b>				
Base Budget				
– pay	9,861	9,892	10,090	10,496
- contracts and other costs	13,021	13,113	13,068	12,845
- income (fees & charges, grants, recharges)	(12,941)	(12,941)	(13,103)	(13,267)
	9,941	10,064	10,055	10,074
Inflation – pay, prices, charges		233	234	237
Unavoidable changes (previous year)	(198)			
Parks – contract re-tender		(175)		
Partnerships – profit share		(89)		
Housing – reductions in B&B costs		(28)		
Car parking – income reduction due to new supermarket		60		
Property – lease of Curtis Road		(45)		
Finance – departure of Interim Manager		(45)		
Minor adjustments		23		
Proposals for new spend / reduced income		57		
Revenue Contribution to Capital – increase or (reduction)	321			
NI increase due to Pension changes			200	
Pension contributions			70	70
Savings on Pippbrook running costs				(60)
Income from Meadowbank Wellbeing Centre			(132)	(68)
Savings required			(353)	(217)
<b>TOTAL SPENDING</b>	<b>10,064</b>	<b>10,055</b>	<b>10,074</b>	<b>10,035</b>
<b>Leatherhead Project</b>	<b>96</b>	<b>217</b>	<b>136</b>	



## APPENDIX B

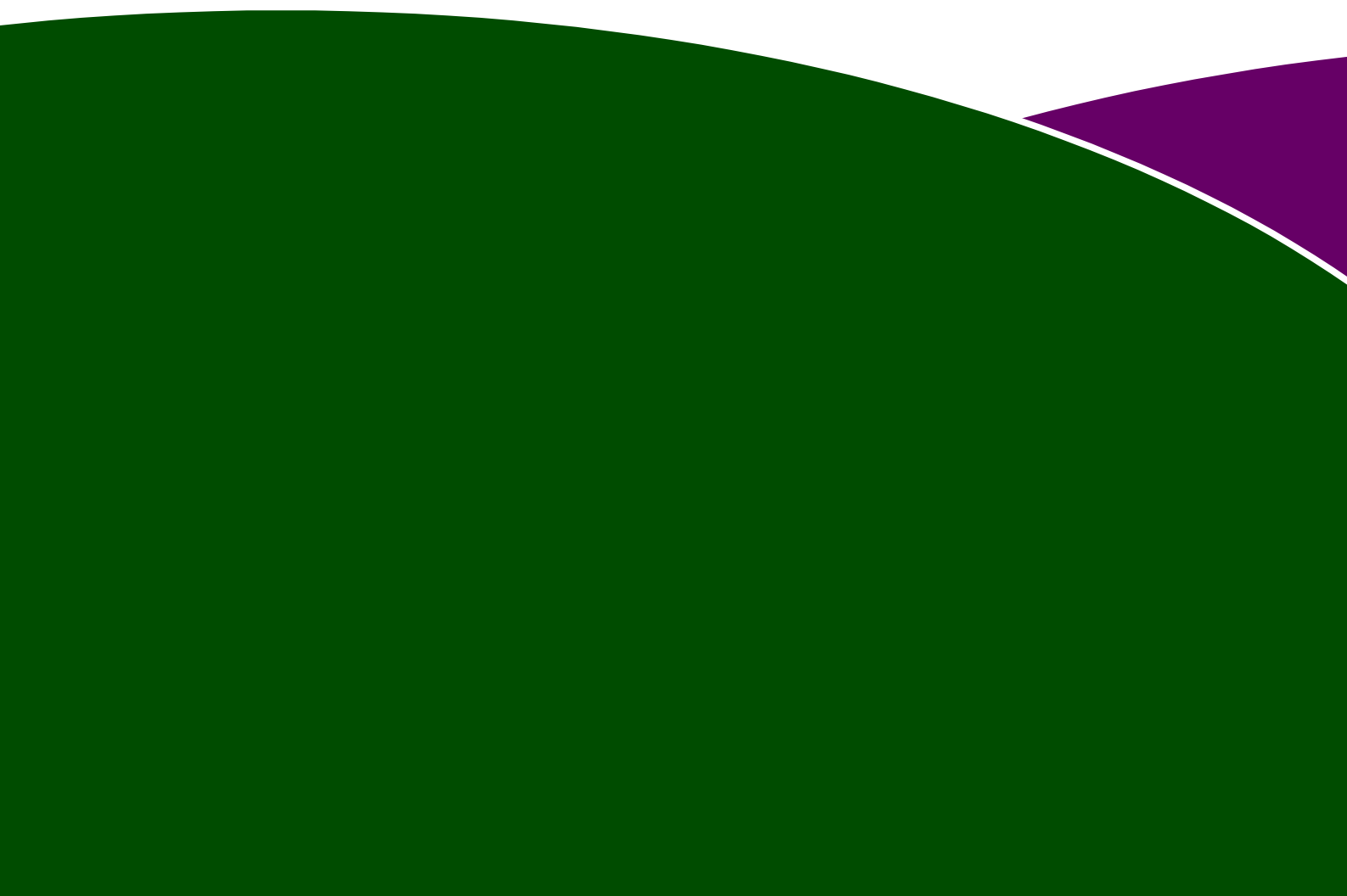
### PROPOSED CAPITAL PROGRAMME 2015/16, 2016/17 & 2017/18

		2014/15	2015/16	2016/17	2017/18
	Budget Manager	Updated Capital Programme £000	Capital Programme £000	Capital Programme £000	Capital Programme £000
<b>MAJOR PROJECTS</b>					
<u>CAPITAL PROJECTS</u>					
Pippbrook HQ Refurbishment	Paul Brooks		4,500		
Meadowbank Wellbeing Centre, Dorking	Richard Burrows		4,100		
121 Kingston Road (The Pitstop)	Alison Wilks	425			
Emergency Accommodation	Alison Wilks	1,400			
HOPE Mausoleum (HLF funded)	Paul Anderson	153			
Leatherhead High Street (s106)	Jack Straw	33			
Ashtead Village Centre	Jack Straw	48			
Carbon Reduction Project	Steve Ruddy	300			
Multi Sports Conversion & Renovation	Paul Anderson	38			
KGV Playing Fields Improvements	Paul Anderson	100			
Pippbrook House	Paul Brooks	215			
<u>CAPITAL BLOCK SUMS</u>					
Disability Adaptations	Richard Haddad	760	760	760	760
Affordable Housing	Alison Wilks	735	735	500	500
S106 Projects	Jack Straw	250	250	250	250
Community Grants	Patrick McCord	70	96	74	74
Playground Refurbishment	Paul Anderson	60	60	60	60
Capitalised salaries	Phil Mitchell	464	473	483	493
Telecare Equipment	Tim Ward	151			
Dial-A-Ride Vehicle Replacement	Tim Ward	200			
Property Projects	Paul Brooks	150			
<b>TOTAL MAJOR PROJECTS</b>		<b>5,552</b>	<b>10,974</b>	<b>2,127</b>	<b>2,137</b>
<b>MINOR CAPITAL PROJECTS</b>		<b>1,680</b>	<b>800</b>	<b>800</b>	<b>800</b>
<b>TOTAL CAPITAL</b>		<b>7,232</b>	<b>11,774</b>	<b>2,927</b>	<b>2,937</b>
<u>Reserves</u>					
	-	<u>End 2014/15</u>	<u>End 2015/16</u>	<u>End 2016/17</u>	<u>End 2017/18</u>
Usable reserves for capital programme funding - includes capital receipts and revenue contributions towards Minor Works		13,137	8,355	3,298	2,481

APPENDIX C

# Equality Impact Assessment

MVDC Budget 2015/16



<b>What is being assessed?</b>	<b>MVDC Budget 2015/16</b>
<b>Department</b>	<b>Finance</b>
<b>Name of assessor/s</b>	<b>Phil Mitchell</b>
<b>Strategic Management Lead</b>	<b>Nick Gray</b>
<b>Date</b>	<b>January 2015</b>
<b>Is this a new or existing function or policy?</b>	<b>New budget proposals for 2015/16 in addition to roll forward of existing budget from 2014/15</b>

### **Section 1: Introduction and background**

#### **Please describe your service or function .**

The proposed budget for 2015/16 maintains the existing scope, range and level of service provision. Savings have been found from budget underspends that will not impact on front-line service delivery.

The proposed new budget will protect services at their existing levels despite reductions in or withdrawal of funding to Mole Valley District Council.

There are three new budget proposals covering (i) Housing, (ii) Car Parking and (iii) Planning.

- (i) Resources to enable the Housing Service to comply with a new national standard
- (ii) Funding to enable Car Parking rates to be held at current levels
- (iii) Additional funding to support a local Countryside Management Project.

#### **Now describe how this fits into the Council's Corporate Priorities or other local, regional or national plans and priorities.**

The 2015/16 budget proposals reflect the priorities in the existing Mole Valley District Council Corporate Plan and is in line with the themes emerging from the new Corporate Strategy being prepared for 2015/16 to 2018/19.

#### **If you are not carrying out an equality impact assessment, briefly summarise reasons why you have reached this conclusion, the evidence for this and the nature of any stakeholder verification of your conclusion.**

N/A

## Section 2: Analysis and assessment

Given available information, what is the actual or likely impact on minority, disadvantaged, vulnerable and socially excluded groups?

Indicate for each of the 'protected characteristics' whether there may be a positive impact, negative impact, a mixture of both or no impact.

Protected characteristics	Positive	Negative	No impact	Reason
Age			√	It is not considered that the budget changes will have a particular impact, positive or negative, on people within particular age groups.
Disability			√	It is not considered that the budget changes will have a particular impact, positive or negative, on people with disabilities.
Gender reassignment			√	It is not considered that the budget changes will have a particular impact, positive or negative, on individuals undergoing gender reassignment.
Marriage and civil partnership			√	It is not considered that the budget changes will have a particular impact on people who are married or in a civil partnership.
Pregnancy and maternity			√	It is not considered that the budget changes will have a particular impact on women who are pregnant or on maternity leave.
Race			√	It is not considered that the budget changes will have a particular impact on any racial groups.
Religion or belief			√	It is not considered that the budget changes will have a particular impact on any religious/belief groups.
Sex			√	It is not considered that the budget changes will have a particular impact due to a person's sex.
Sexual orientation			√	It is not considered that the

				budget changes will have a particular impact due to a person's sexual orientation.
Other aspects to consider	Positive	Negative	No impact	Reason
Carers			√	It is not considered that the budget changes will have a particular impact, positive or negative, on carers.
Rural/urban issues			√	It is not considered that the budget changes will have a particular impact, positive or negative, on rural/urban areas. Although the car parking charges will be implemented in the relatively urban areas, they will apply equally to visitors from either urban or rural locations.
HR issues	√			A provision has been made for a pay award for staff though its detailed application has still to be determined.

What can be done to reduce the effects of any negative impacts? Where negative impact cannot be completely diminished, can this be justified, and is it lawful?

N/A

Where there are positive impacts, what changes have been or will be made? Who are the beneficiaries? How have they benefited?

N/A

### Section 3: Evidence gathering and fact-finding

What evidence is available to support your views above? Please include:

- A summary of the available evidence
- Identification of where there are gaps in the evidence (this may identify a need for more evidence in the action plan)
- What information is currently captured with respect to usage and take up of services.

- **What the current situation is in relation to equality and diversity monitoring (where relevant)**

The budget proposals for 2015/16 are in line with the corporate priorities in the Mole Valley District Council Corporate Plan 2014/15 and the themes emerging in the Corporate Strategy 2015/16 to 2018/19. These latter priorities were developed against findings from extensive consultation and needs analysis work.

**How have stakeholders been involved in this assessment? Who are they, and what is their view?**

The budget proposals are being considered by the Standing Budget Panel, Scrutiny Committee and the Executive. Separate consultation discussions have taken place with Parish Councils, Chambers of Commerce and other representative organisations.

**Recommendations**

Please summarise the main recommendations arising from the assessment. NB If it is impossible to diminish negative impacts to an acceptable or even lawful level the recommendation should be that the proposal or the relevant part of it should not proceed.

N/A

**Summary**

<b>Review date</b>	January 2015
<b>Person responsible for review</b>	Phil Mitchell
<b>Strategic Management Lead signed off</b>	Nick Gray