

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

REVENUE BUDGET 2015/16 AND FINANCIAL PLAN 2015/19

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The purpose of this paper is to consider budget proposals for the period 2015/19 and to provide Council with the information and analysis necessary to set a revenue budget and council tax for the next financial year 2015/16.
- 1.2 The paper and its appendices identify options for continuing to deliver high quality services while meeting the challenges of the current financial climate. A separate paper on this agenda provides details of a proposed capital programme for the same period.
- 1.3 It gives assurance on the council's financial resilience, confirms that the estimates presented in the report are robust and that reserves are adequate. This meets the requirements of section 25 of the Local Government Act 2003 and provides a basis for council to set a balanced budget.
- 1.4 The key decisions in this report are:
- To decide the council's revenue budget for 2015/16
 - To set the council tax for 2015/16
 - To approve the financial strategy for 2015/19

This meets the requirements of Sections 31 to 52 of the Local Government Finance Act 1992 as modified by subsequent legislation.

2. BACKGROUND INFORMATION

The Financial Framework

- 2.1. The Council operates with legally defined powers to deliver a range of local services. These include powers to raise funding to meet the costs of delivery, but funding brings accountability. The following paragraphs explain the current financial framework for local government bodies.

- 2.2. There is a legal requirement to set a **revenue budget** each year. This provides for the cost of running council services. The council must decide the level of spending it can afford. It must take account of how much government grant it will receive and the level of **council tax** it wishes to set. The council must make sure that it sets a balanced budget – that it has identified adequate finance to pay for its spending plans. The revenue budget is by law set one year at a time. However, it needs to fit the longer –term strategic vision and in practice the council sets an indicative four year financial plan as well as a detailed one-year budget.
- 2.3. It is an established principle that the costs of running local authority services are met partly from local taxation and partly from government grant. The components change over time, as well as the balance between local and central funding. Starting in 2013/14 there has been a partial re-localisation of business rates, with government and local authorities taking a 50% share each. This means that there are again two local taxes to support council spending, the **local share of business rates and council tax**.
- 2.4. **The Settlement Funding Assessment (SFA)** determines the government’s general contribution to the cost of local services. It distributes funding in proportion to the relative share of government support each council received in 2012/13. The shares are fixed for seven years until 2020. They take into account the different social and economic characteristics of each area and relative needs and resources measured at that point. Settlement Funding has two elements: revenue support grant and funding applied from the central share of business rates. The key feature of this government funding is that it will be progressively reduced over time as the government addresses the public sector deficit.
- 2.5. It is also established practice for government to provide specific grants for specific purposes and most of these are ring-fenced and paid separately. The most significant grants are **Dedicated Schools Grant (DSG)** which can only be spent in schools or on defined support services for schools; and **Public Health Grant**, which supports a range of public health initiatives, and is a service for which responsibility has recently transferred from the NHS to local councils.
- 2.6. There are constraints on council’s power to raise **local taxation**:
- i. The increase in Business Rates is set by the Secretary of State. This is normally tied to the increase in RPI, but for a second year running an increase of 2% has been set. The council will be compensated for the difference, and for a number of other relief schemes for small and retail businesses
 - ii. The council shares the business rate income with government (50%) and the Fire Service (1%), and because North Lincolnshire historically has a high business rate tax base it must also pay an additional tariff to government for authorities with a lower taxable capacity, and a 25% levy on any growth
 - iii. The Localism Act 2011 also requires a council to conduct a **local referendum** if an increase is proposed which is above an ‘Excessive’ level determined by the Secretary of State. For 2015/16 this is 2%. The government has offered a further **council tax freeze grant**, equivalent to 1% on the council tax base, to those authorities which hold or reduce the council tax compared to 2014/15.

- 2.7. In addition, as billing authority for the area, the Council is responsible for levying a council tax not only to meet its own demands, but also to meet **the precepts of lower and higher tier authorities in the area**, and to collect that tax on their behalf. The precepting bodies are:
- Parish and town councils in North Lincolnshire
 - Humberside Police and Crime Commissioner
 - Humberside Fire Authority
- 2.8 Each precepting body decides its own budget and council tax requirement. Special expenses for Scunthorpe, which are equivalent to the parish precept, are also set by the council. This meets the cost of those services provided by the council to Scunthorpe residents (including parks, playgrounds and community centres) which elsewhere are provided by town or parish councils. At its meeting in December 2014, Council approved grant support to compensate parishes for the loss of tax due to the Council Tax Reduction Scheme. The precept decision and grant entitlement for each parish and town council is shown at **Appendix C**.
- 2.9 Should one of the council's **major precepting bodies** (Police and Fire) set an 'excessive' increase, the council is required to conduct a referendum on its behalf. It must also produce a substitute set of figures, which will apply if the proposed increase is not approved at referendum. For 2015/16 the Police and Crime Commissioner has set an increase of 1.99% in the Police precept and the Fire Authority has frozen its precept. The Police precept is below the referendum limit. The referendum requirement does not currently apply to parish and town councils
- 2.10 At the time of the Settlement the government publishes a year on year '**Spending Power**' comparison to illustrate the combined impact on resources available to councils taking account of settlement funding, most non-schools specific grants and local tax resources.
- 2.11 The council has a separate **capital programme** for longer-term investment in services. This is spending on the construction and improvement of assets such as schools, roads and other council-run facilities. It also includes grants for investment in community facilities and home improvements, and government funding allocated for economic regeneration and infrastructure development. It can fund this spending from grant, borrowing, capital receipts from asset sales, or direct from the revenue budget. The cost of borrowing to pay for capital investment is a call on the revenue budget, and the Council must ensure its level of borrowing is prudent and affordable.

Financial Resources 2015/19

General Government Funding

- 2.12 The Autumn Statement confirmed that public spending will be subject to further retrenchment over the next four years to address the public sector deficit. Expenditure reductions are likely to continue for Local Government, which is not an area of protected spending for any of the major political parties. For the plan an assessment of likely funding for 2016/17 and beyond has been made based on analysis of government indicative public spending totals. This anticipates reductions of 8%, 7% and 5% in the Settlement Funding Assessment (SFA).

2.13 The SFA for 2015/16 is now known, and shows a reduction in settlement funding to £56.8m compared to the February 2014 plan. This is a 14% reduction from £65.7m in 2014/15, but is £236k more than announced in December 2014. The Government added £74 million for upper-tier authorities to help them respond to local welfare needs and to improve social care provision.

The SFA figure is made up of a number of elements:

- a) Revenue Support Grant. This is general funding which can be used for any purpose
- b) Baseline Funding Level (NNDR). The government's share of business rates redistributed in line with each council's share in 2012/13, and up-rated for inflation
- c) Council Tax Freeze Grant for 2013/14 and 2014/15. These elements ensure that Councils such as North Lincolnshire which froze their council tax, continue to receive the 1% grant compensation.
- d) There is a deduction for the Carbon Reduction scheme as the council is now exempt from the tax regime
- e) Some minor ring-fenced grants have been rolled into the SFA

Local Resources

2.14 There are other local funding streams and additional grants which vary with local circumstances. In general, North Lincolnshire benefits from underlying growth in its tax base. This is true for council tax and business rates and is factored into the funding projections. The main funding sources are summarised in the table below, with more detail at Appendix B1.

- a) The council retains around 40% of the net tax yield from business rates each year, £35.374m in 2015/16, of which £30.107m is included in the baseline funding level above and the balance is the local share of growth in the tax base
- b) The tariff and levy are a sizeable £11.3m in 2015/16. This shows as income, but is paid over to Government
- c) There is an assumption of a 1.9% annual increase in council tax from 2016/17
- d) The plan to freeze council tax for a further year in 2015/16 attracts grant equivalent to a 1% increase in council tax
- e) There is a surplus on the Collection Fund, £1.3m over two years
- f) The government pays New Homes Bonus for six years on new housing and empty property brought back into use, a total of £2.6m in 2015/16 rising in later years.
- g) Education Support Grant (ESG), an amount per pupil to fund school support services, has been reduced and transferred in to schools own budgets. The grant also reduces year on year as schools which transfer to Academy status take a share of ESG with

them. Because fewer schools are transferring locally the ESG figure is £250k more each year than previously planned.

2.15 The table shows separately the expected growth in tax base from two major developments, the Able UK South Humber Bank development and Lincolnshire Lakes. This is expected to bring £9.8m of additional income by 2018/19.

2.16 In addition the Council can call on reserves to fund short-term transformation costs and short-term initiatives.

FUNDING	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's
Settlement Funding	56,838	52,130	48,533	46,116
Base Funding	78,226	79,830	81,776	83,954
Growth Funding	1,970	4,454	8,063	9,799
Use of Reserves	1,573	35	135	0
Total Funding	138,607	136,449	138,507	139,869

See **Appendix B1** for further detail.

3. OPTIONS FOR CONSIDERATION

When formulating the financial strategy the available resources need to be matched to the statutory and other spending priorities of the council. A wider range of issues also need to be addressed:

- a. The resilience of the current financial position**
- b. A balanced budget**
- c. The robust costing of spending plans**
- d. The arrangements for effective financial control and management of risks**
- e. The strategy for the prudent use of reserves**
- f. An appreciation of the implications of spending decisions for service outcomes and workforce impact**

a) FINANCIAL RESILIENCE

- 3.1 Before considering the financial strategy for 2015/19 it is important to review our current finances. The council has been commended for its financial management over a period of years, with independent external auditors reporting a clear embedded financial management culture and a stable financial position.
- 3.2 Auditors gave a clean bill of health on the council's accounts for 2013/14 as they have for each year since the inception of North Lincolnshire Council. The financial outturn for 2013/14 was positive, with non-schools **expenditure £0.921m (or £0.6%) below budget**, and additional funding of £0.273m, mainly grant. This one year saving was in addition to **real terms reductions of £5.3m** compared to the budget for 2012/13. There were:
- a) Savings on transformation costs through the careful management of staff reductions, £0.519m of unused contingency
 - b) Lower capital financing costs, with no need to borrow for a sixth consecutive year
 - c) No need for a planned call on general reserves
 - d) A small net contribution to the revenue support reserve
 - e) While 68% of key performance indicators showed improvement on the previous year, and 86% were above target or within tolerance.
- 3.3 There are some areas of spending which are managed separately:
- a) Schools manage their own budgets under Local Management of Schools. Collectively there was a net contribution to reserves
 - b) Public Health is funded through a ring-fenced grant and unspent grant was automatically carried forward
 - c) The Property Trading Account, an arrangement through which the council manages its commercial property, fell short of its income target and drew from its reserve.
- 3.4 The projection for 2014/15 core council spending, reported to cabinet on 28 January 2015, show a positive picture for the year:
- a) Progress in delivering **£8.65m of budgeted savings** is good
 - b) There is in addition a **projected underspend of £0.649m**:
 - There are contingency fund savings of £1.23m due to a lower minimum wage increase, no increase in energy prices, and through rephasing the capital programme
 - These more than offset cost pressures of £0.862m on fleet and transport costs, from increased waste tonnages and from lower car parking and security centre income, the former due to new free parking initiatives
 - c) Cost pressures from high levels of demand in specialist services (both Adults and Children) are being covered by the People Directorate, and are likely to continue; and there are modest savings in corporate support services

- d) Overall schools plan to draw £0.75m from their reserves: twelve schools have set in year deficit budgets; one secondary has an on-going deficit.

b) BALANCED BUDGET

- 3.5 Financial planning is, of its nature, a dynamic exercise and regular review is essential to ensure that changes of circumstance and changes of policy can be factored in. The purpose is to provide members with a reliable and up-to-date basis for budget and council tax decisions.
- 3.6 This paper takes as its starting point the 2014/18 plan approved in February 2014 and tracks the changes made to that plan after a review of spending pressures and saving opportunities. It incorporates the revised funding estimates from government grant and local taxes considered earlier; and it rolls the plan forward into 2018/19. The financial analysis is provided at **Appendix B1 and B2**, in summary and in detail for each Directorate.
- 3.7 **The central message is that the options included in this paper are sufficient to set a balanced revenue budget for 2015/16**, which allows the Council to deliver its priorities and implement the planned council tax freeze. However there is a gap between funding and expenditure for 2016/17. The net effect of current proposals is that the call on the revenue support reserve reduces to £1.573m in 2015/16, leaving a balance of £1.941m uncommitted. This is sufficient to cover the £1.064m shortfall in 2016/17, until permanent planned savings are realised in 2017/18 and 2018/19.
- 3.8 In reality the plan position may significantly understate the potential budget shortfall in later years. The Adult demand pressures included in the budget in 2015/16 are likely to continue to grow, together with the effects of the Care Act, Dilnot reforms etc which cannot be fully quantified at present. These could take the **budget gap to over £2m** in 2018/19. A strategic review of spending priorities, transformation initiatives and council tax levels may be necessary to bring the budget into balance.
- 3.9 In addition there are risks associated with volatility in the NNDR tax base which are considered later in section on the Management of Risks.

c) ROBUST SPENDING PLANS

- 3.10 It is a legal requirement for the council to have assurance that service activity in the plan period is properly costed, that proposals for additional or reduced spending are quantified and deliverable, and that risks are properly evaluated. The council is required to set **a balanced budget**, that is it may not budget for a deficit.
- 3.11 The analysis at **Appendix A1** tests in detail the assumptions made in putting the budget together to demonstrate its robustness. Some of the key ones are discussed below:
 - a) Pay inflation is provided in line with the government's indicative 1% cap; and contractual price inflation on external spending.
 - b) There will be changes to employer pension contributions following the latest triennial review. A cost pressure has been phased over the budget plan (£0.6m) in anticipation of the additional costs.
 - c) Based on an assessment of the workforce impact of the changes proposed in the plan the contingency includes £0.5m per annum to cover transformation/redundancy costs in 2015/16.
 - d) The Financial Plan includes the projected growth in business rates and council tax from the South Humber Bank and Lincolnshire Lakes developments. There are risks

associated with this approach and **a prudent approach should be taken to not commit in advance the projected additional income, and to review the position as the plan period progresses.**

3.12 In addition the plan provides for specific additional spending pressures:

- a) An initial estimate of demand pressures in the People's Directorate, particularly Children and Adults, which may continue beyond 2015/16
- b) Reduced forecast Better Care Fund (BCF) income of £1m in 2015/16, potentially met from other reserves set aside for health and social care purposes.
- c) In Places, the impact of recent policy service improvements regarding Libraries, Skate Parks and Waste, totalling £165k
- d) Extra costs of free car parking, £190k
- e) Additional costs of subsidised bus routes and home to school transport, £383k
- f) £816k for potential additional costs from the Waste retendering process, to cover the costs of the Waste Transfer Station, higher tonnages and legacy issues
- g) With extra capital financing costs reflecting proposed additions to the capital programme
- h) And the one year costs of the council elections in May.

3.13 New or revised saving proposals have also been included for each directorate and are incorporated with saving proposals already included in the plan approved in February 2014. They include:

- a) Proposals to reduce support service costs further through transformation and integration
- b) And to implement a shared back office hub with North East Lincolnshire Council from April 2016 following a grant from government of £1.9m from the Transformation Challenge Award
- c) To maximise the benefits of service integration such as public health
- d) To recommission services
- e) To reconfigure service delivery for greater efficiency
- f) To raise additional income through charging or the sale of services commercially
- g) To reduce capital financing costs due to slippage and deferred borrowing
- h) To revise Terms and Conditions of service

3.14 This analysis and the details presented at Appendix A1 confirm that the budget estimates presented in this report have therefore been made on a prudent basis. Taken together with the provisions and controls detailed in sections d) to f) it is my view that the estimates presented here are robust. However the potential risks of increased care costs following legislative changes remain to be further considered in future years, and reductions in business rate income may require plans to be reconsidered.

d) THE MANAGEMENT OF RISKS

General approach

- 3.15 The council has a duty to ensure it can deliver effective services in line with its statutory duties and its priorities. There are a wide range of potential risks it can face: safeguarding children and vulnerable adults, ensuring health and safety for its workforce and the general public, or being prepared for emergencies which affect local people and disrupt local services. The council manages its risk through a Risk Management Strategy, ensuring appropriate controls are in place and responsibilities identified at all levels of the organisation.
- 3.16 After taking a balanced approach to manage and minimise risk there is always a possibility that adverse events arise, which have to be addressed. Many of these can bring a financial cost. The financial plan addresses the **financial risk** in several ways:
- Budget assumptions are tested to ensure plans are properly costed (section c)
 - Each service manages to a cash limited budget
 - The council buys insurance cover for its activities where available and cost effective
 - It builds in a contingency each year for cost increases which can be foreseen, but not precisely estimated, such as pay and energy costs
 - It keeps general reserves to meet the cost of unforeseen events
 - And earmarked reserves for some specific liabilities which will or may arise in the future – see section (e) below.
- 3.17 **Appendix A1** examines the **budget assumptions** and associated risks in more detail. It tests the degree of risk in the budget.

Approach to Financial Planning

- 3.18 The context for public finances and local government in particular are for reductions in public spending to continue. This brings a greater degree of funding risk to local councils:
- a) Government target savings to achieve deficit reduction have increased over time, and therefore forward year projections of settlement funding are uncertain. There has already been a significant increase in required savings in 2015/16 following the 2013 Comprehensive Spending Review and these are likely to continue.
 - b) The rebalancing of the local government finance system shows a deliberate shift from needs based distribution of government support towards incentives
 - c) There are significant demographic pressures which need to be accommodated within a lower resource envelope, including an ageing and growing population.

These are not factored into the Settlement Funding Assessment, for which socio-economic indicators are frozen until 2020

- d) Local tax revenues are now more explicitly tied to the fortunes of the local economy through the Business Rate Retention Scheme, the Council Tax Support Scheme and the New Homes Bonus.

3.19 For these reasons the need to plan for a range of possible future scenarios becomes imperative. In its initial financial planning, therefore, the Council made projections for three alternatives:

- a) A **positive scenario** which factored in substantial growth in the local tax base through development of the South Humber Bank and Lincolnshire Lakes
- b) An **intermediate scenario** which allowed for normal levels of economic and population growth, and the Lincolnshire Lakes only
- c) A **negative scenario** in which neither project proceeded.

3.20 The approval of both developments in October allowed the council to shift its planning to the positive scenario as major uncertainties were resolved. The funding analysis presented earlier in section 2 demonstrates increasing reliance on local tax resources to sustain future service delivery.

Local Resource Risks

3.21 The additional local resource generated through NNDR, council tax and New Homes Bonus arising from major developments is crucial to the budget strategy. There are excellent prospects for the North Lincolnshire economy, contributing to above trend population growth and the development of new areas of economic activity:

- The Able UK development in support of the wind energy sector, and the development of the Humber as the renewables estuary
- The construction of a University Technical College in Scunthorpe and the new Bae Training Academy at Humberside Airport to develop skills
- The Lincolnshire Lakes development for a growing population, and
- Substantial funding for regeneration and business growth through the Local Enterprise Partnership and European funding.

3.22 **The forecast for future NNDR and Council Tax income is an optimistic one**, with a projected additional £9.8m of resources for the Council by 2018/19. The current plan does, however, build in a one year delay in the progress of these key developments compared to previous forecasts given the time taken to achieve the recent approvals.

3.23 Nonetheless, planning does need to recognise there are **potential risks**; in particular changes to the funding arrangements for local government which took effect in 2013/14. The relocalisation of business rates has shifted the balance of risk between Government and Council, and there are a range of factors which make North Lincolnshire particularly vulnerable to potential wide volatility, in particular the concentration of tax base in a small

number of large-scale industrial enterprises which are exposed to national and international economic conditions. These are predominantly the steel, petro-chemical and power industries. These industries are exposed to international competition over which the council has little control. This means that business rate reductions when they occur could be significant. Our knowledge of the plans of our key industries does not indicate the likelihood of significant closures, but this knowledge can only ever be partial.

- 3.24 The way in which the new business rates retention scheme has been established brings further risks. The scheme continues the principle of the previous local government grant support regime by continuing to redistribute baseline business rates between local authorities based on need. This locks in the historic redistribution of funding from councils judged to have a surplus (tariff authorities) to those judged to have a shortfall in resources (top-up authorities). As a tariff authority North Lincolnshire must budget to pay over £11.3m in 2015/16 out of its 50/50 share rising in line with inflation year on year; combined with a levy on growth which increases the total payment to £11.6m by 2017/18.
- 3.25 In addition the council now receives typically a 37% share of business growth and all growth in renewables. This applies to additional rates generated above the baseline set by government when it established the new Business Rate Retention scheme in 2013/14. Overall this means that from £89.5m of NNDR budget to be collected in the area in 2015/16 the council expects to receive £35.4m.
- 3.26 The other area of substantial volatility is the cost of appeals. All businesses can challenge their rateable values which are reset by the Valuation Office Agency usually every five years (the 2015 revaluation has been delayed to 2017). There are potential large refunds to be made if rateable values are reduced on appeal, not least because refunds are backdated to the time of the last revaluation. If the appellant is a large undertaking these can be substantial. There is currently a significant appeal progressing through legal process which could reduce future NNDR receipts in the area by several million pounds per annum which will be kept under review.
- 3.27 Provision has been made for a proportion of the backdated costs of these and other known appeals (which are significant), but they may not fully cover council liabilities. No adjustment is made for potentially significant ongoing reductions resulting from such appeals or closures in the 2015/19 period. The Council needs to have a credible plan for dealing with such shocks, without taking steps that would un-necessarily reduce council services now, but which is prudent in committing future resources. Arrangements for dealing with such an eventuality are outlined later at paragraph 3.39.
- 3.28 One final complication is that the scheme is due to be reset each decade, the first reset being 2020. The details of how this will work are yet to be determined, but bring the risk that some or all of the additional growth secured between 2013 and 2020 will also be taken for redistribution.
- 3.29 While business rates provide significant benefits to the council, they also present a risk to the council's financial health which may be beyond the council's ability to manage through good house-keeping. As discussed below an adequate and perhaps increasing level of reserves are needed to cover these volatile and unpredictable risks.

Health and Social Care Funding

- 3.30 The government has set a radical challenge to improve integration between health and social care over the next five years to improve outcomes for people and to deliver better value for money. The Better Care Fund (BCF) will support the aim of providing people with the right care, in the right place, at the right time with the right management. The key objectives of the BCF are to detect problems early and prevent deterioration so that people will keep well and stay safe; more people will live independently and we will be able to reduce long term residential care and reduce avoidable hospital admissions, particularly emergency admissions.
- 3.31 This ambitious programme involves redirecting £3.8bn of funding nationally from existing health and social care funding to a ring-fenced Better Care Fund. A programme of this scale, which involves an extensive reshaping of local services, inevitably brings risks which need to be managed. £1bn of the agreed funding is conditional on achieving the key performance target for the fund, which is to reduce non-elective emergency admissions activity; if this target is not met, the funding remains within the Clinical Commissioning Group allocation for NHS commissioned services.
- 3.32 For North Lincolnshire the Better Care Plan was approved by NHS England on 6 February. This describes the vision for integrated health and social care services in North Lincolnshire, building on what is working well already and gives assurance that we will meet the national requirements of the fund. It describes the shared set of outcomes and how funding will be deployed to achieve them. In 2015/16 the fund totals £12.4m, £1.4m of existing council capital funding in the form of social care grant and disabled facilities grants; and £11m of health funding. It includes funding to protect Social Care services, as envisaged by the national scheme: this is £1m in 2015/16 and £2m in 2016/17. If the key performance metric is not met however, the council faces a potential loss of £0.4m under locally agreed risk share arrangements that deliver the protection to NHS providers that are a requirement of the scheme.
- 3.33 However, the Council has at the same time to implement the reforms embodied in the Care Act, which brings a further set of financial risks. They include a cap on care costs for individuals from April 2016; a universal offer of deferred payments; new duties for the assessment and support of carers; and a national minimum eligibility threshold. Funding has been earmarked nationally through a top-slice of existing local authority resource, costs and grant are included in the Adults budget for 2015/16. Further work is in progress to estimate what the scale of demand will be and the cost consequences for the council, this position is not yet clear. These costs are therefore not yet included and therefore present a budget risk in the later years of the financial plan

Capital investment risk

- 3.34 A separate paper on this agenda considers the council's capital investment programme. In the current climate of economic restraint, where the resources available to the council will reduce significantly over time, it is important to consider carefully the extent to which capital spend adds to borrowing and so to revenue costs.
- 3.35 Spend financed through borrowing means financing costs take a greater share of declining revenue resources, putting pressure on other areas of spending. Typically debt is carried for 20 years and so commits revenue resources for an extended period. The cost of borrowing is also variable and it is important to take borrowing at the optimum time. In a recovering

economy interest rates, which have been at historically low levels since 2008, tend to rise potentially locking in higher costs for a prolonged period. The charge to revenue for the programme presented here is projected to rise to £14.3m in 2016/17 falling back to £13.8m by 2018/19 as debt is repaid.

- 3.36 The best way to mitigate risk is to minimise borrowing and use alternative funding sources. This includes government grants, external funding, capital receipts from the sale of assets, and access to other funding sources. The 2015/19 programme of £128.9m includes substantial grant/external funding (£85.9m) some via the LEP; a significant contribution from capital receipts (£13.9m); and a £23.3m borrowing requirement. The Priority Schools Building Programme is managed regionally and therefore school building costs under this programme are additional to the council's programme.
- 3.37 The council has adopted a policy of deferred borrowing over the last six years to reduce revenue cost. It has avoided borrowing externally by funding capital spending from cashflow. This has had the beneficial effect on the revenue budget of reducing the cost from £90k per £1m of spend to £50k due to savings on interest. The council will not now need to borrow in 2014/15, but may need to do so in 2015/16.
- 3.38 The guideline of affordability of financing costs, used by the council as a benchmark, was set at Council in February 2013 at 10% to 12% of the revenue stream. The net effect of the proposed programme is a revenue cost marginally below the 10% lower boundary of the benchmark range at 9.58%.

Strategy for addressing significant in year pressures

- 3.39 As indicated earlier it is important to have a strategy to deal with exceptional resource reductions or spending pressures which might arise during a year. It would be inappropriate to provide for these in the budget because of the degree of uncertainty and the distortion it could cause to the funding of council priorities in a 'business as usual' scenario. The following bullet points outline the elements of a contingency plan should this situation arise:
- a) It is proper practice for councils to maintain general reserves of a prudent level to provide cover for significant risks which may emerge at short notice. These are currently set at £6.9m. If used they need to be replenished at the earliest opportunity.
 - b) There may in addition be an opportunity to redirect reserves earmarked for particular purposes. This could include use of the Revenue Support Reserve planned for future years, and other earmarked reserves such as the Insurance Reserve.
 - c) In the case of business rate volatility there is also the government safety net scheme. The government will guarantee a minimum level of funding for each council if actual receipts are lower than their Baseline Funding level. Councils are guaranteed to receive 92.5% of the baseline funding level, so for North Lincolnshire Council the maximum loss for 2015/16 is £7.5m equivalent to a 13.3% increase in council tax. If receipts fall by more than this amount, the council will receive a payment from government under its Safety Net scheme.
 - d) Much of the revenue budget is committed on an on-going basis to fund the day to day running costs of the council and its services, the larger portion of which is staffing costs. There are some areas, however, where spending can be curtailed either at short notice or over a longer period, though not without

consequences, This includes areas such as: highway and property maintenance programmes; subsidised public transport; public street scene services; and community grants. It may also be possible to effect an immediate vacancy freeze in non-critical areas. Given the reductions in staff numbers in the financial plan the benefit of such a policy will be lessened.

- e) All the options at a) to d) are short-term and not permanent solutions. Where the financial shock leads to a permanent loss of resource a fundamental service spending review would be necessary. This could involve the acceleration of planned savings, but would also need a more fundamental reassessment of the Council's service offer, to determine a sustainable level and standard of activity across services, including those which are statutory.

e) THE USE OF RESERVES

3.40 A further important element in the budget strategy is to consider what level of reserves it is prudent to carry and how far they can be deployed to support council spending plans. There is always a judgement to be made about what constitutes an adequate level of reserves and this depends significantly on the scale and range of risks the council faces; and the application of reserves must always take account of the fact that they can only be spent once and need to be replenished. The general principle followed by this council is that reserves are used for one- off and short term purposes and are not used to support on-going service delivery, which would undermine the robustness and sustainability of the financial plan.

3.41 The council keeps a number of reserves (see Appendix A2):

- a. General reserves are to meet unforeseen spending pressures
- b. The Revenue Support Reserve facilitates the council's transformation strategy
- c. Schools keep their own reserves under local management
- d. There are a number of other reserves earmarked for particular purposes.

3.42 As part of its framework for sound financial management each council requires a strategy for the use of reserves and this section proposes what that strategy should be. Reserves should be set at a prudent level to meet potential demands not covered in the budget, but should not be at a level which unnecessarily ties up resources. This is a matter of judgement, but given the scale of reduction in public sector finances, the impact of low economic growth and the additional risks associated with the localisation of business rates, the need to maximise reserves has been paramount. In the discussion which follows it is important to distinguish between those reserves the council can potentially deploy to meet budgetary challenges (e.g. the revenue support reserve) and those which it cannot (e.g. school and many earmarked reserves).

Available reserves

In the following section the headline balance on each reserve represents the position at 31 March 2014. The narrative explains the planned use of each reserve.

3.43 General Fund Reserves (£6.858m)

These are the council's safety net for unforeseen or other circumstances that cannot be addressed by management or policy action during the year and are not covered by earmarked reserves. This level of general reserves is close to a best practice benchmark of 5% of current net spending which has served well in less challenging times. A review of the level of balances has taken place and it is recommended that the level of general reserves is maintained and that consideration is given to increasing them if risks grow in the forward years of the plan, particularly risks associated with NNDR and the safety net mechanism.

3.44 Revenue Support Account (£12.348m)

This reserve has a key role in supporting the council's transformation programme and in facilitating a smooth transition to a future with a lower level of resource. There is planned use of £3.664m in 2014/15, and £6.743m over the plan period. This leaves a balance of £1.941m by the end of the plan period. The main uses are:

- Support to major infrastructure procurement exercises (BSF, Waste)
- Funding of community grant aid
- Funding for the Children's Literary Trust
- Funding of the capital programme
- Service transformation costs (including redundancies), and
- Use of reserves to fund a temporary shortfall while saving initiatives are implemented. The financial plan presented here assumes use for this purpose in 2015/16 and there is sufficient resource to do the same in 2016/17 as necessary.

3.45 Collection Fund Reserve

This reserve holds the council's share of any surplus or deficit on the Collection Fund through which the council collects the council tax and business rates. A surplus of £0.8m is forecast for 2014/15 which has been applied in the 2015/16 budget. In setting the council tax base for 2015/16 a prudent view was taken regarding growth and it is now anticipated that a further surplus of £0.5m will be achieved in 2015/16 which has been applied in the budget plan in 2016/17.

3.46 Other Earmarked Reserves

The council keeps a number of other reserves for particular purposes. As part of the budget exercise the call against each of these reserves has been reassessed to ensure that the balances held are sufficient but not excessive.

a. Insurance fund reserve (£1.173m)

These reserves are to cover any significant uninsurable costs that the Council may incur. The level is partly dependant on the council's risk management strategy but is also subject to judgement. The minimum balance judged to be adequate for this reserve is £1m, which equates to the current excess on the council's flood and storm damage policy.

b. The **Property Trading Account (0.073m)** carries forward any surplus income earned above the budgeted income target from the council's commercial property portfolio. It can be used to cover the operational costs of the Trading Account in future years. The full balance is required to cover a shortfall in income in 2014/15.

c. The **Safety Camera Partnership (£0.902m)** represents funding set aside for the Safer Roads Humber partnership. From 2015/16 the partnership will work to a self-funding model using the accumulated reserves and councils will no longer be required to make an annual financial contribution.

d. The **Scunthorpe Special Expense Reserve (£0.210m)** carries forward under and overspends against the special expense. This is the equivalent charge in Scunthorpe to parish and town council precepts elsewhere in North Lincolnshire. The reserve is available to fund parks, playgrounds and community centre initiatives in Scunthorpe and a commitment has been made to apply up to £80k as part of a programme of improvements to the Healey Road Playing Field.

There are other earmarked reserves only available for specific purposes such as the carry forward reserve allocated by council to specific initiatives in 2014/15 (£0.736m); Pumping station maintenance; and a reserve to resolve litigation on land charges.

Unavailable reserves

3.47 School balances (£3.095m)

These are the combined balances for all maintained schools in North Lincolnshire. How they are applied is a matter for individual schools. There are a number of drivers affecting these balances over the period of the plan:

- Each school decides on its level of balances within best practice guidelines and guidance from the council. It is free to set funding aside for spending in a later year and to draw on balances according to need.
- The effective cash freeze on grant funding per pupil which will continue in the 2015/19 period
- The transfer of schools to Academy status: where the transfer is voluntary, schools take any surplus or deficit with them; the council is reimbursed by central government for deficits. Should a school which is failing be required to transfer, the liability for any deficit may lie with the council.

Collectively twelve schools have set in-year deficit budgets in 2014/15 and contribute to a forecast use of £0.5m school reserves in 2014/15 and £0.8m in 2015/16. At this stage school balances are forecast to level out in the later years of the plan.

3.48 Dedicated Schools Grant reserve (£2.255m)

This reserve can only be used for school-related and early years spending. There is planned use of £1.05m in 2014/15 to cover funding pressures.

3.49 **Revenue grant carry forward reserve (£12.816m)**

This reserve holds revenue grants received that have yet to be applied; and which have no unfulfilled conditions which would require repayment of the grant, such as not meeting the terms on which the grant was awarded. Most of this grant funding is earmarked for particular purposes and will be applied over the plan period, leaving £3.162m outstanding by 2018/19. It includes:

- A range of social care grants such as the Better Care Fund, troubled families and adoption reform grants
- Grants for use on housing and regeneration projects
- Funding allocated for flood relief to businesses
- Grants for adult community learning, community transport and Sport England initiatives.

There are also funds to be retained over the longer term such as Section 106 funds from developer contributions for grounds maintenance, air quality and other purposes. The overall balance on the earmarked grants reserve reduces to £9.18m by 2018/19.

3.50 Following the strategy outlined above useable reserves in the Revenue Support Account Reserve fall from £12.3m at 31 March 2014 to £1.9m at 31 March 2019. General reserves of £6.9m are maintained at current levels. On the basis of this strategy I consider that at this point council reserves provide adequate cover for current and projected risks, although the Council may need to reconsider their planned use in future years if any significant reduction to NNDR income takes place.

f) An appreciation of the implications of spending decisions for service outcomes

Impact on services

3.51 The common thread in budget proposals is to deliver more efficient and effective services through changes in how they are delivered, managed and targeted. The strategy aims to focus on delivering better outcomes for customers, even with a reduction in resources. Each service has a set of unique challenges to overcome and these are being dealt with in different ways (see Appendix B2 proposals listed by directorate and service area). Key elements of each directorate's proposed strategy are considered in the following paragraphs.

Policy and Resources

3.52 This is the corporate core which provides strategic support to the Council and operational support to the front-line services provided by the People and Places Directorates; and to its own front-line services including Local Taxation and Benefits. These services include IT systems and support; management of human resources; financial and risk management; payroll, payment and income collection services; information management; legal support; and support to members in fulfilling their democratic role through Council, cabinet and committee and other decision-making mechanisms. Taken together these services are key to good governance in the organisation and fulfil a range of statutory responsibilities.

- 3.53 In the current economic climate it is essential that councils continue to seek and deliver efficiencies to maximise resources for the delivery of front-line services. The council's central services have already implemented a significant programme of operational efficiencies and now need to look elsewhere for sustainable, achievable and transformational efficiencies.
- 3.54 The proposed solution is shared services. A decision was taken by Cabinet in July 2014 to endorse the setting up of a 'shared back office hub' with North East Lincolnshire Council covering ICT, Finance, Human Resources and Legal, with the possibility of expansion into other areas. This has recently been confirmed at North Lincolnshire Council's cabinet meeting with the North East Lincolnshire decision to come on 18 February. Shared services will provide the transformational platform for achieving necessary further efficiencies as well as enabling the sharing of skills and knowledge, facilitating the creation of centres of expertise, increasing resilience and enabling future expansion or commercial development.
- 3.55 Together the two councils successfully bid for DCLG 'Transformation Challenge Award' (TCA) funding of £1.9m to support implementation of the proposed shared back office services. It is envisaged that the implementation of this shared services programme will achieve combined savings of £12.6m over a 10 year period, enabling both councils to protect essential front-line services
- 3.56 There are a wide range of transformational proposals for reshaping services ahead of the proposed Shared Service planned for 1 April 2016. These include:
- Service restructures which reduce staffing and management costs
 - Stream-lining services by re-engineering business processes to take out unnecessary work and to redesign information processes
 - Better use of IT to support self-service across the organisation, and
 - In general to rebalance the work done by reducing time spent on data processing and increasing time available for added value activity in support of council and directorate transformation programmes.

People Directorate

- 3.57 The budget incorporates the anticipated increase in costs within Adult Services, associated with the implementation of the Care Act from April 2015. A new grant to be distributed from the Department for Communities and Local Government for the Care Act has also been accounted for. The assessment of the cost implications have been informed from the use of a care act modelling tool. The impact for future years is less certain and this has been highlighted in the section on risk. Within Children's services, the strategy for an increase in family based care continues, through the recruitment and retention of in house foster carers. The introduction of the Staying Put guidance means that more young people will continue to be cared for by the local authority until the age of 21; this has been factored in to the budget plans.
- 3.58 The Directorate's transformation plan aims to ensure that those people with the greatest need receive the right services, in the right place at the right time. The directorate have organised services around levels of need; universal, targeted and specialist with a clear focus on early help and early intervention. Services and interventions are identified through effective assessment.

3.59 The transformation plan is being delivered under the following themes:

- Organisational excellence
- Operational fitness
- One Council, and
- Partnerships and integration

3.60 A number of approaches are being taken to deliver efficiencies and savings:

- Efficiencies through a review of business processes
- Efficiency savings through re-procurement
- Developing a graduated approach to school improvement
- Increasing family based care
- Proportionate assessment and resource allocation for unmet need
- Reduced reliance on institutionalised based care.

3.61 The continued partnership work with the Schools Forum allows combined resources to be used more effectively and effectively to improve education

Places Directorate

3.62 The Directorate provides a wide range of front-line services with high visibility to the public. This includes highway maintenance; waste collection and disposal; transport for school pupils, social care, subsidised bus services and the council's vehicle fleet; catering, mainly in schools, and cleaning; libraries, sport and leisure, and adult community learning; environmental health, trading standards, housing and community safety; planning and regeneration and management of the council's operational buildings and commercial properties.

3.63 Local residents have high expectations of these services and the challenge is to deliver the same or better outcomes with fewer resources. The Directorate proposes to do this in a number of ways:

- New ways of working
- Maximising commercial income from services including fleet, catering and cleaning and neighbourhood services.
- Integration and streamlining of services
- Channel shift from face to face or telephone to digital contact services
- Delivering public health benefits through leisure.
- Rationalisation from various establishment reviews.
- Recommissioning of services and shared services

Impact on Workforce

3.64 Council services are staff intensive whether in the provision of personal services such as social care, in environmental services such as waste collection and street scene, or support functions such as local link offices, the corporate call centre or the Taxation and Benefits

Shared Service. Typically two thirds of council spending is on employee related costs. This means that the scale of transformation needed to deliver year on year reductions in funding inevitably has an impact on the workforce.

- 3.65 It remains a key council objective to minimise job losses, and in particular to enhance front-line services. As far as possible reductions are achieved through normal staff turnover, early retirement, voluntary redundancy and redeployment. In 2014/15 the reduction in staffing is expected to be 54.8 fte posts across the council, through redundancy & retirement 13.8fte's (mainly voluntary), the deletion of vacant posts 36fte's and redeployment 5fte's.
- 3.66 Many of the proposals to reshape services over the next four years will require further reductions in the workforce. Through the phasing of change programmes it is hoped that most of this reduction can be achieved through normal turnover and voluntary means. However it may not be possible to avoid some compulsory redundancies. Projected reductions in post numbers are 70 in 2015/16, 51 in 2016/17, 11 in 2017/18 and 12 in 2018/19. In total this equates to 112.01 fte posts.
- 3.67 Consequently prudent provision has been made for redundancies including £0.5m in contingency each year over the period of the plan.

Summary

- 3.68 **The overall conclusion is that the financial plan presented here provides sufficient saving options to address the budgetary challenge. The scale of budget cuts is substantial despite growth in local resources. The Council will need to consider corrective action should the size and rate of growth in local resources assumed in the plan not be met. Directorates will need specific contingency plans as to how they will deliver compensating savings to meet an increase in demand, a fall in income or delay in implementing agreed savings, so that they keep strictly within their cash limited budget. This could include bringing forward proposals from later years of the plan. Any divergence from plan needs to be addressed promptly and in full to ensure the financial plan remains on track.**

4. ANALYSIS OF OPTIONS

- 4.1 It is for the council to decide its spending priorities within the resources it has available. The investment in different services is at its discretion. The issues to be considered when determining the budget are discussed in Section 3. Council will also wish to take account of feedback from public consultation at paragraphs 7.1 and 7.2.
- 4.2 **The council is invited to consider the proposals listed at Appendix B2, and any alternative proposals, and to decide which it wishes to pursue. They include the revenue implications of the capital investment programme which is covered by a separate paper on this agenda. It is important to keep in mind the legal requirement to set a balanced budget so that in each year spending does not exceed the resources available. Reserves can be used to facilitate change, but unless earmarked for a one-off purpose, these need to be replenished at a later date.**
- 4.3 The legal requirement to set a balanced budget and council tax applies to 2015/16. The regulatory framework for proper financial management expects to see robust long-term financial planning. The proposals in this paper therefore cover the four years 2015/19.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

Financial

5.1 These are covered in the body of the report and in the appendices.

Staffing, Property and IT

5.2 The workforce impact is summarised in section 3. There are specific proposals for the use of Property and IT in the plan.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 The budget process requires an assessment of each saving proposal. Where a proposal requires a change of policy an Integrated Impact Assessment is required across a number of dimensions: statutory (including health and safety, finance and other risks); economic (including impact on business, learning and employment); environmental (including transport, natural habitat, built environment) and not least customer and community (recognition of impact on diverse groups, participation and human rights). Not all categories apply in every case.
- 6.2 The budget and council tax decision itself must meet a number of statutory requirements. These are summarized here and provide the basis for the report's recommendations.
- 6.3 When setting the budget for 2015/16 the council has the power to decide the level of the revenue budget and the necessary council tax to support it. Under the Local Government Act, 1988 this must be a **balanced budget**. That is the council must not run a deficit.
- 6.4 Additionally, under the Local Government Act 2003, the Chief Financial Officer must report to the council when it is considering its budget and council tax on
- The **robustness of the budget estimates** being considered (Part 2 Section 25 (1)(a) of the Act);and
 - The **adequacy of reserves** allowed for in the budget proposals. The council has to ensure that its budget makes allowances for reserves at least equal to the statutory minimum (Part 2 Section 25 (1) (b) of the Act).
- 6.5 The Director of Policy and Resources is the council's Chief Financial Officer under Section 151 of the Local Government Act, 1972. His advice is contained in **Section 3 and Appendix A1**. The Act at Part 1, Section 25 (2) requires that members of the council take account of these factors in making their decisions.
- 6.6 Sections 31 to 52 of the Local Government Finance Act 1992 define what the council needs to determine as part of its budget and council tax decision, as modified by the Local Government Finance Act 2012 and the Localism Act 2011.
- 6.7 As the billing authority for the North Lincolnshire area the Council incorporates in its resolution the precept requirements of the Police and Crime Commissioner for Humberside, the Humberside Fire Authority and local town and parish councils. It also includes the Scunthorpe Special Expense, which forms part of the Council's own council tax allocation. As such to secure council tax freeze grant this element of council tax too must be frozen.

- 6.8 Precepts which have been set are shown at **Appendix C**; any outstanding precepts will be available on the day of Council.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 Consultation on the council's budget strategy took place in November/December 2013 and covered two years, 2014/16, to match the funding settlement given by government for the same period. It took a more proactive approach to increase the number of responses and to make it as representative of local community opinion as possible. It was fully reported in the council budget papers in February 2014.
- 7.2 Key conclusions from this survey were:
- The priority given to services by respondents is similar to previously, with Care of the Elderly first and Care of people with disabilities second, with Children's Care services falling in priority
 - All the cost reduction and value for money options proposed in the survey are supported by respondents, with the exception of increasing fees and charges for services. Overall more options are supported this time than previously
 - Over two thirds of respondents are satisfied with their local area as a place to live, and with how North Lincolnshire runs its services.
 - More respondents are satisfied than not satisfied regarding how the council keeps the public informed about services and benefits it provides
 - Taxpayer priorities show keeping the council tax low as their first priority, a change from the previous survey where improving the quality and VFM of services were the higher priorities.

8. RECOMMENDATIONS

- 8.1 To set a revenue budget for **2015/16**
- 8.2 To confirm that all budgets are strictly cash limited to the figures set by the Council, and to require services to ensure tight control of expenditure during the year and to take immediate action to contain cost pressures
- 8.3 To note that at its meeting held on 11 December 2014 the council calculated the following amounts for the year **2015/16**. These are as required by regulations made under Section 33(5) of the Local Government Finance Act 1992:-
- (a) **45,103.1** as its Council Tax Base for the year [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act") (regulation 3)
 - (b) the Council Tax Base for each part of the area as shown in **Appendix C**, column 2 (regulation 6).
- 8.4 To calculate the following amounts for **2015/16**, as required by Sections 31 to 52 of the Local Government Finance Act 1992 as amended.

- (i) The **relevant basic amount of council tax** for 2015/16 (Council Tax requirement for the Council's own purposes excluding Parish precepts)
- (ii) The following amounts for the year 2015/16:
 - (a) £X being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by Parish Councils. **(gross expenditure including parish precepts and special expenses)**
 - (b) £X being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act **(gross income)**
 - (c) £X being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its **Council Tax Requirement** for the year. (Item R in the formula in Section 31B of the Act).
 - (d) £X being the amount at (c) above Item R, divided by Item T (8.3(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts). **(Band D council tax including parish precepts and special expenses)**
 - (e) £X being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix C). **(Total of all Parish Precepts and Special Expenses)**
- 8.5 To note that for the year **2015/16** the major precepting authorities have stated the amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act, 1992 **(police and fire precepts)**
- 8.6 To set the amounts of council tax for the year **2015/16** for each of the categories of dwellings. Having calculated the aggregate in each case of the amounts at 8.4 and 8.5 above in accordance with Section 31B of the Local Government Finance Act, 1992 as amended **(council tax including police, fire and parish precept for each band and each parish)**
- 8.7 To confirm the robustness of the estimates used in setting the level of council tax in accordance with the Local Government Act, 2003 requirements (Part 2 Section 25 (1)(a) of the Act)
- 8.8 To confirm the adequacy of reserves included in the budget in accordance with the Local Government Act, 2003 requirements (Part 2 Section 25 (1) (b) of the Act), and the policy for use of reserves as set out in Section 3 of the report and at **Appendix A2**.
- 8.9 To confirm the grant award to parishes detailed at **Appendix C**
- 8.10 To approve the financial strategy for **2015/19**

8.11 To authorise the Director of Policy and Resources to produce the necessary taxpayer information.

DIRECTOR OF POLICY AND RESOURCES

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Background Papers used in the preparation of this report

The Local Government Settlement at

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2015-to-2016>

Robustness of Estimates

This section considers the assumptions and forecasts made in setting the budget.

Pay and Related Costs

Pay

The Government has extended its plans to continue to apply a 1% pay cap across the public sector in the next Spending Review period. It estimates that this has saved £12bn over the period 2011/15 and will achieve further savings of a similar scale for the period 2015/19. Although local government is not directly subject to this policy, as pay negotiations take place between unions and representatives of local government employers, it is factored into the local government financial settlement. A two year local government pay settlement has been reached for 2014//16 at 2.2%, 1% a year is then projected. This recognises the commitment on all sides to continue with national pay bargaining.

	Increase	
2014/15	2.2%	Over two years
2015/16		
2016/17	1%	
2017/18	1%	
2018/19	1%	

The financial plan 2015/19 envisages £2m of further savings from a review of other terms and conditions of employment over the next two years

National Insurance

It is not anticipated that the employer's contribution rate will change and the budget continues to assume that an average of 7.2% of pay will be sufficient to cover these costs.

Pension Costs

There are significant amendments to public sector pension schemes. Changes made to the Local Government Pension (LGP) scheme took effect in April 2014 with further changes to the Teachers' Pension and NHS Pension schemes in 2015. The main reforms to the LGPS include;

- The linking of the pension age to the state pension age (minimum 65 and rising)
- A change from a final salary scheme to a career average earnings basis for benefit calculation
- The annual accrual rate for apportioning years of pensionable benefits will change from 1/60th of final salary to 1/49th average earnings
- Movement of the revaluation rate from a final salary basis to the Consumer Price Index (CPI)

The LGPS is a funded scheme with contributions being invested in the stock market, property and gilts in order to generate income from which pension entitlements are paid. It is not simply paid into and out of public taxation as is the case for the Teachers' Pension Scheme. The scheme still needs to be affordable to members and employers, a situation which is becoming increasingly difficult due to changing demographics, which are increasing the liability on the pension fund.

The results of triennial valuation of the East Riding Pension Fund at March 2013 showed that the deficit on the funding pool has increased over the three years by £2.8m to £122m. However the funding level within the pool has risen by 4% to 78% of liabilities.

It was understood in 2014/15 that changes in the future pension arrangements would be necessary if the pension deficit from past service costs was to be closed. The actuaries had indicated that the council was likely to be required to make lump sum payments to the fund in addition to the annual contribution rate for current service.

Future arrangements were discussed with the Actuaries (Hymans Robertson) and an agreement reached in March 2014 with regard to contributions payable from 1st April 2014.

- For 2014/15 contributions continue at the 22.3% rate.
- From 2015/16 and 2016/17 the contribution rate would fall to 15.7% but for council staff a lump sum of £3.78m would be payable each year. This is necessary to cover the past service deficit which essentially is remaining at the same level, while membership to the scheme has decreased by 20%.

The impact of these changes has been assessed within the budget plan and a contingency of £0.2m made in 2015/16 to cover a potential shortfall in the existing superannuation budget compared to the estimated cost of the agreed changes. It is anticipated that this will remain sufficient to also cover cost in 2016/17, however for 2017/18 and 2018/19 an additional £0.2m has been included in each year, within the contingency, to cover further potential shortfalls.

Schools are not expected to experience the payroll restrictions or contractions which the rest of the council may experience. Furthermore there are difficulties in obtaining lump sum payments from school budgets. Therefore for those staff covered under the pension scheme working within schools the 22.3% rate will continue in 2015/16 and 2016/17. It is not envisaged that the conversion of schools to academies will affect the rate payable,

At present for teachers the employer's contribution of 14.1% of pensionable pay is set nationally and has been allowed for in the schools budget.

Service Transformation

The impact of the proposed budget savings on workforce will have cost implications for the council. An assessment of potential redeployment, redundancies, turnover and vacancies has been undertaken and has led to a contingency of £0.5m per annum being included within the plan

Non –Pay Inflation

Current inflation rates are well below the target 2% (CPI is 0.5% in December 2014), but the Office for Budget Responsibility (OBR) envisages a reversion to the 2% level in due course. In the short-term there is a possibility of price deflation as the dramatic fall in oil prices reflects a fall off in economic activity in the Eurozone in particular.

The budget therefore continues to apply inflation to a limited number of council contracts based either on the Retail Price Index (RPI) or Consumer Price Index (CPI). Inflation has been applied at 1.2% for CPI and 2.2% for RPI. On other spending budgets services are expected to make efficiency savings year on year and inflation has not been applied.

The fall in oil prices, is tracked by gas prices, and this has an effect across the energy markets. The contingency allowance for an uplift in energy costs of £200k in each financial year has therefore

been removed for 2014/15 and 2015/16. No deduction has been made from service budgets to reflect the current fall in prices for fuel; and no reduction has been made to other energy budgets.

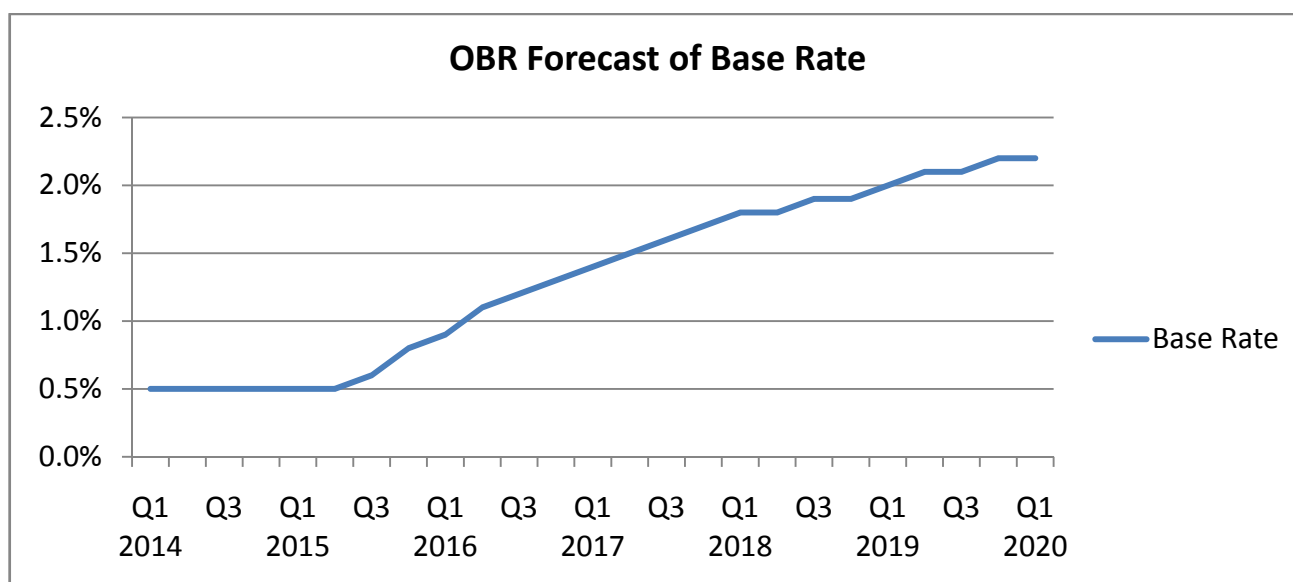
Fees & Charges

The general objective is to keep income budgets in step with cost rises to avoid increasing subsidy to service provision. Fees and charges have been considered on an individual basis. Increases have been made either to reflect the 2.2% pay award, or CPI & RPI inflationary rises or at a level specified by regulation. In some cases no increases are planned, this includes car parking.

Forecast Interest rates

Short-term

The consensus of economists in the City is that the Bank of England will continue with the current exceptionally low bank base rate until late in 2015; followed by a gradual increase to around 2% by 2019. This means low returns on the investment of council cash balances, which began in late 2008 at the time of the world banking crisis, will continue (see chart).



In addition the reforms to the banking sector are likely to bear down further on returns. Under Basel III requirements cash placed with financial institutions for less than 30 days will not count as bank assets and to the extent that banks accept these funds, an equivalent sum will have to be set aside in gilts. At the same time local authorities are specifically excluded from the list of those bodies to be covered by the widening of the deposit protection scheme. To compound this for those councils who may wish to use the Debt Management Office as a safe haven the rate on cash deposits with them, currently 0.25%, could reduce further possibly to zero.

Therefore the council's financial strategy continues to assume short term interest rates will remain at 0.5%. In addition the Treasury Management Strategy paper proposes extending the range of financial instruments to include Certificates of Deposit to provide an alternative investment option.

Long term

Over the last six financial years the council has operated a deferred borrowing policy to reduce the revenue costs of the capital programme. This involves using cash balances to fund capital investment, arising from positive cashflow, the set aside of reserves, or as Minimum Revenue Provision to meet future debt repayments. In view of the council's past level of internally funded

capital expenditure, future debt repayments and the extent of future programme commitments, it is anticipated that the council will not have sufficient cash-flow levels in 2015/16 to continue this practice and will need to borrow to fund the programme.

The council's policy is to borrow only for capital investment or for temporary shortfalls in cash flow. For planning purposes an average interest rate of 4% has been assumed for estimating the cost of long term borrowing over a 20 year period. Future increases in interest rates will have a significant impact on revenue financing costs. Rates are regularly reviewed and an assessment made as to the most advantageous point for borrowing. Further detail on interest rates is included in the Treasury Strategy paper on this agenda

Capital, Maintenance and Major Contract Risk

A review of the council's capital projects has been undertaken to assess the likelihood of cost overruns and risks associated with delays. The same has been done for potential unforeseen costs in maintaining council roads and buildings, cost increases in major contracts and costs arising from contract failure or major incidents such as flooding. The key elements are considered below.

Capital programme

The councils proposed capital programme for 2015/19 is £128.9m.

Funding;

Of this £85.9m is dependent on securing grant and external funding to finance expenditure. Should schemes fail to secure planned funding it is expected that scheme costs and project expectations are reduced or the project discontinued.

The requirement for borrowing to finance the programme is significantly weighted towards 2015/16 where £15.6m is required.

Past experience suggest that there is a low risk of overspend, however, rephasing of the programme can be expected. This has been taken into account in making the budget estimate and the costs of capital financing have been reduced in 2016/17 financial year to allow for an element of rephasing.

Capital receipts from the sale of council land and property are managed through the Property Trading Account (PTA). To meet programme funding requirements £14m of disposals are needed over the planning period. It is anticipated that this is achievable and disposals for the next 4 years of the plan have already been identified within the PTA rolling plan.

Seven Schools within North Lincolnshire have been prioritised for the Education Funding Agency led Priority Schools Building Programme. This is designed to provide investment for schools meeting condition and basic need criteria. Where however the improvements require the addition of a new building, improved road access or infrastructure this would not be funded through the scheme and cost would need to be met by the council. This may represent a significant pressure to the council however at present it is viewed that these are be containable within the existing Schools & Children's Centre Investment programme.

Schemes;

The Council has a number of new developments within its capital programme which are essential to the improvement of services and economic development within the region. The content of the

programme is also mindful of the councils need to generate additional income and to meet the requirements of new legislation.

In particular the Local Enterprise Partnership (LEP) are to partially fund a number of schemes within the capital programme all of which are designed to improve infrastructure within the region and meet local needs. These include;

- **A18 Melton Ross Road Bridge:** The replacement of the Melton Ross railway bridge which is an essential piece of infrastructure on the A18. The bridge also provides a strategic road link between Scunthorpe and the port of Immingham and Grimsby. It is also a primary access route to Humberside airport and is a key asset within the Humber LEP area.
- **Gauge Enhancement;** The South Humber Gateway has the potential to rapidly expand, bringing with it large scale private investment for the region. Ensuring that the region has comprehensive and efficient networks in place for both freight and Business travel is essential. Investment in Gauge Enhancement of the railway infrastructure will improve the volume of container capacity that can be transported by rail to local ports. Width and height restrictions imposed by the bridges, tunnels, platforms and other structures need to be removed to improve the rail line between Doncaster and Immingham.
- **Lincolnshire Lakes Flood Mitigation;** The Lincolnshire Lakes is a strategic regeneration project on the western fringe of the Scunthorpe urban area. The project seeks to bring forward 6,000+ homes, a commercial park, education/community/health facilities, green infrastructure and recreational and functional lakes. This flood defence work will protect both sides of the Humber.
- **Lincolnshire Lakes Blue Offer;** This scheme will deliver the first of five lakes to kick start the transformational Lincolnshire Lakes project. The lake will serve a multifunctional purpose, delivering a stunning waterside setting for housing, recreational opportunities and the surface water management.

The council are also investing £6.43m towards the provision of a Waste Transfer Station at the former Midland Road landfill site. By undertaking the sorting of waste at the site prior to submission for processing it is estimated that approximately 90% of the waste will be recyclable. This will significantly reduce the level of the council's waste being taken to landfill, which is essential if the council is to meet new legislative targets for the reduction of landfill in 2020 and avoid significant financial penalties.

The Council also continues to support programmes of investment within the local community with schemes and funding being made available for Community Capital Grants, Disabled facilities grants; towards community service infrastructure; Westcliffe Regeneration; Housing and Town Centre developments; the development of skate parks and multi games areas etc. These are essential to improve the lives of the residents within the region.

The PTA has commenced a commercial development at Humberside airport for the provision of a training academy for the use of BAE Systems. To finance this development approval has been given for the PTA to borrow, at agreed terms. This is to be financed from the generation of rental income from the project. The ability of the PTA to finance this operation clearly depends on the success of the development over the term of the loan. If successful, allowing the PTA to borrow and remove their dependence on generation of capital receipts for investment, is likely to be used to finance future commercial developments.

Maintenance spending

Past underinvestment in the councils stock of assets, continues to be addressed. The backlog of maintenance on council buildings is gradually being dealt with over time, with a range of investment being used to achieve this. In particular capital programme investment (e.g. schools); funding through the Priority Schools Building programme; the rationalisation of council offices; the demolition of properties no longer fit for purpose or redevelopment of existing sites and the disposal of surplus assets to provide capital receipts for reinvestment.

Over the next four years £22.2m is to be invested in the Local Transport Plan towards road and transport infrastructure; £20.7m of this is to be funded by the Department of Transport. In addition the Council is supplementing this investment through its annual capital programme for the replacement and upgrading of street lighting and flood defence measures, including pumping stations, funded from the council's own resources.

Investment of £4.13m from the councils own resources is also being put in place to upgrade the councils aging vehicle fleet. This is necessary in order to continue the delivery of essential services such as waste disposal; home to school transport; grounds maintenance; highways maintenance and neighbourhood services etc.

Long Term Revenue Contracts

The council has an annual commitment on long term revenue contracts of over £56.3m a year. These include;

<u>Contract</u>	<u>Value</u> <u>£m</u>
Residential and Home Care	34.1
Community and Education Transport	5.3
Waste Disposal	5.6
Foster Care, Adoption, Children and Family Support	3.8
Highways, Neighborhood & Environmental Services	2.2
Information Technology	1.6
Catering & Cleaning	1.6
Leisure & Other Contracts	1.1
Insurance	1.0
Total	<u>56.3</u>

Contract price increases have been included within the budget. Consideration has also been given to the impact and risk of capital investment and major contracts not delivering their intended outcomes, whether due to delayed implementation, underachievement of savings or the cost of re-provision in the event of contract failure.

RESERVES

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
REVENUE RESERVES	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Available Reserves						
General Fund	(6,858)	(6,858)	(6,858)	(6,858)	(6,858)	(6,858)
Schools Balances	(3,095)	(2,595)	(1,795)	(1,795)	(1,795)	(1,795)
	(9,953)	(9,453)	(8,653)	(8,653)	(8,653)	(8,653)
Earmarked Reserves						
Revenue account support	(12,348)	(8,684)	(2,111)	(2,076)	(1,941)	(1,941)
Grant carry forwards	(12,816)	(8,835)	(5,774)	(4,260)	(3,370)	(3,162)
Dedicated Schools Grant	(2,255)	(1,203)	(1,203)	(1,203)	(1,203)	(1,203)
Insurance Reserve	(150)	(266)	(266)	(266)	(266)	(266)
Safety Camera Partnership	(902)	(902)	(902)	(902)	(902)	(902)
Carry Forwards	(736)	0	0	0	0	0
Scunthorpe Special Expenses	(210)	(210)	(130)	(130)	(130)	(130)
Legal Reserve	(172)	(92)	0	0	0	0
Insurance Fund Profit/Loss	(1,173)	(1,173)	(1,173)	(1,173)	(1,173)	(1,173)
NLH Pumping Station	(127)	(127)	(127)	(127)	(127)	(127)
Flood Reserve	(101)	(101)	(101)	(101)	(101)	(101)
BDUK Reserve	(100)	0	0	0	0	0
Corporate Reserve	(90)	(90)	(90)	(90)	(90)	(90)
PTA Revenue Reserve	(73)	0	0	0	0	0
DSG-Delegated	(58)	(58)	(58)	(58)	(58)	(58)
Crematorium enhancement	(35)	0	0	0	0	0
Highways Commuted Sums	(30)	(30)	(30)	(30)	(30)	(30)
	(31,375)	(21,770)	(11,964)	(10,415)	(9,390)	(9,182)
TOTAL RESERVES	(41,328)	(31,223)	(20,617)	(19,068)	(18,043)	(17,835)
Change Year on Year		(10,105)	(10,606)	(1,549)	(1,025)	(208)

Budget 2015-19

Item	Proposed Budget 2015/16 £000's	Proposed Budget 2016/17 £000's	Proposed Budget 2017/18 £000's	Proposed Budget 2018/19 £000's
PEOPLE SERVICES				
Education	5,949	5,447	5,447	5,447
Prevention & Commissioning	9,329	9,094	8,969	8,969
Childrens Services	16,192	16,145	16,045	16,045
Adult Services	30,825	30,373	29,923	29,573
Total People Services	62,295	61,059	60,384	60,034
POLICY & RESOURCES				
Human Resources	1,615	1,463	1,381	1,337
Legal Services	3,114	2,590	2,580	2,580
Financial Services	2,800	2,524	2,494	2,395
Business Support	3,959	3,625	3,542	3,302
Total Policy & Resources	11,488	10,202	9,997	9,614
PLACES				
Customer Services	4,912	4,353	4,163	4,047
Community Services	24,610	24,216	23,980	23,487
Technical and Environmental Services	4,118	3,909	3,886	3,736
Planning & Regeneration	2,986	2,967	2,797	2,672
Special Projects (BSF & Waste)	156	156	156	156
Total Places	36,782	35,601	34,982	34,098
CENTRAL BUDGETS				
Corporate Budgets & Levies	13,871	12,565	13,097	13,421
Capital Financing	13,471	14,286	13,785	13,783
Contingency	700	3,800	5,794	7,796
Public Health	0	0	0	0
Total Central Budgets	28,042	30,651	32,676	35,000
Total Net Budget	138,607	137,513	138,039	138,746
Use of Reserves	1,573	35	135	0
Estimated Funding				
Revenue Support Grant	25,337	19,877	15,509	12,301
Base Line Funding Level (NNDR)	30,107	30,859	31,630	32,421
Carbon Reduction	-123	-123	-123	-123
Rural Grants 2014/15	5	5	5	5
Council tax freeze grant 13/14,	672	672	672	672
Council tax freeze grant 14/15,	672	672	672	672
Other Un-ring Fenced Grants	168	168	168	168
Total Settlement Funding Assessment	56,838	52,130	48,533	46,116
Base Funding Assumptions				
Council Tax: Zero, 1.9%, 1.9%, 1.9%	57,917	59,308	60,736	62,198
Council Tax Surplus	795	500	0	0
Freeze Grant 2015/16	676	676	676	676
New Homes Bonus Returned Funding	99	0	0	0
NNDR	3,298	3,889	3,889	3,889
New Homes Bonus	2,637	2,637	2,848	3,215
Business Rate Retention: Tariff & Levies	11,264	11,380	12,287	12,736
Education Services Grant	1,540	1,440	1,340	1,240
Total Base Funding	78,226	79,830	81,776	83,954
Growth Through New Developments				
Council Tax: Zero, 1.9%, 1.9%, 1.9%	0	1,376	2,605	3,797
NNDR	1,970	2,348	4,411	4,845
New Homes Bonus	0	730	1,047	1,157
Total Growth in Funding	1,970	4,454	8,063	9,799
Total Funding	138,607	136,449	138,507	139,869
Funding Gap (+) / Savings (-)	0	1,064	-468	-1,123

Budget 2015-19

Item	Budget	Proposed	Variance	Budget	Proposed	Variance	Budget	Proposed	Variance	Proposed
	2015/16 £000's	Budget 2015/16 £000's	£000's	2016/17 £000's	Budget 2016/17 £000's	£000's	2017/18 £000's	Budget 2017/18 £000's	£000's	Budget 2018/19 £000's
Base Budget	145,470	145,470	0	139,044	138,607	-437	137,516	137,513	-3	137,928
People										
Education										
1.Pressures and Service Developments										
Schools Improvement Investment (Prior Year Adjustment)			0	-150	-150	0			0	
Establish Children's Literacy Trust (move to external funding)			0	-250	-250	0			0	
	0	0	0	-400	-400	0	0	0	0	0
2.Service Transformation										
Transfer of Music Support Service to trust model	-10	-10	0			0			0	
Integrated Service for Disabled Children	0		0	-100	-100	0	0		0	
	-10	-10	0	-100	-100	0	0	0	0	0
3.Income										
Learning and Development Centre move towards operating as business unit	-100	-50	50			0			0	
Education & School Improvement Services Commercial Income			0	-100		100			0	
Fees & Charges Inflation	-12	-12	0			0			0	
	-112	-62	50	-100	0	100	0	0	0	0
Total	-122	-72	50	-600	-500	100	0	0	0	0
Prevention & Commissioning										
1.Pressures and Service Developments										
Investment in community based activities in Wellbeing Centres prior year adjustment	-100	-100	0			0			0	
	-100	-100	0	0	0	0	0	0	0	0
2.Efficiencies										
Business Process Efficiencies	-50	-50	0	-50	-50	0	-50	-50	0	
Re-procurement of various contracts across the directorate	-100	-42	58	-100	-183	-83	-100	-75	25	
	-150	-92	58	-150	-233	-83	-150	-125	25	0
3.Income										
Fees & Charges Inflation	-4	-4	0			0			0	
	-4	-4	0	0	0	0	0	0	0	0
Total	-254	-196	58	-150	-233	-83	-150	-125	25	0
Children's Services										
1.Pressures and Service Developments										
Staying Put cost of Foster care provision to age 21 care to age 21		90	90		90	90			0	
Professional input to Court Proceedings		30	30			0			0	
CSE Workers (PH funded in 14-15)		80	80			0			0	
Adoption Recruitment (adoption grant ends)		20	20			0			0	
Legal Pressures		100	100							
	0	320	320	0	90	90	0	0	0	0
2.Efficiencies										
Children's Services management savings	-50	-50	0	0		0	0		0	
Social Enterprise for Young People's Accommodation Service	-30	-30	0	-30	-30	0	0		0	
Children in Care Agency Placements	-100		100	-100	-100	0	0	-100	-100	
	-180	-80	100	-130	-130	0	0	-100	-100	0
Total	-180	240	420	-130	-40	90	0	-100	-100	0
Adult Services										
1.Pressures and Service Developments										
Care for our older and disabled residents (linked to Health Funding)	500	0	-500			0	0		0	
Demographic Growth	0	180	180			0	0	0	0	
LD Transitions - New service Users (Adults)	0	306	306			0	0	0	0	
Personal Budget Uplift Allowance (linked to inflation)	180	200	20			0	0	0	0	
Care Fees Uplift (linked to inflation)	87	87	0			0	0	0	0	
Care Act Implications	0	1,229	1,229			0	0		0	
Deprivation of Liberties (Dols)	0	83	83			0	0		0	
	767	2,085	1,318	0	0	0	0	0	0	0
2.Capital Bid Consequences										
Revenue Consequences of Capital Investment	-3	-3	0	0		0	0		0	
	-3	-3	0	0	0	0	0	0	0	0
3.Efficiencies										
Community Support Team staff retirements & rationalisation of service	-125	-125	0	0		0	0		0	
Mental Health Joint Commissioning	-160		160	0		0	0		0	
Adult Service use of external funding	187	27	-160	22	22	0	0		0	
	-98	-98	0	22	22	0	0	0	0	0
4.Service Transformation										
Increase Extra Care Services			0	-350		350	-350	-350	0	-350
Re-organise services that support vulnerable adults to remain independent	-100	-200	-100	-100	-100	0	-100	-100	0	
Reduce Service Management	-125	-125	0			0			0	
Transformation of Residential Care Services	-187	-187	0	-170	-170	0			0	
Transformation of targeted and Specialist Day Service Provision	-129	-129	0			0			0	
Transform transport provision to targeted and specialist day services	-100	-100	0			0			0	

Item	Budget	Proposed	Variance	Budget	Proposed	Variance	Budget	Proposed	Variance	Proposed
	2015/16 £000's	Budget 2015/16 £000's	£000's	2016/17 £000's	Budget 2016/17 £000's	£000's	2017/18 £000's	Budget 2017/18 £000's	£000's	Budget 2018/19 £000's
Transformation of Universal Offer for Day Service Activities	-100	-100	0			0			0	
Transformation of Resource Allocation System	-650	-650	0			0			0	
	-1,391	-1,491	-100	-620	-270	350	-450	-450	0	-350
5.Service Reductions										
Re-organisation of Assessment Service	-200	-200	0	-200	-200	0			0	
	-200	-200	0	-200	-200	0	0	0	0	0
6.Income										
Health Funding	-500	0	500			0			0	
Health Service Grant Funding (BCF)	-2,000	-1,000	1,000	0	-1,000	-1,000			0	
Care Act Grant (final distribution to be confirmed)	0	-900	-900			0			0	
Care Act - BCF	0	-432	-432			0			0	
Section 256 Funding	0	-1,000	-1,000	0	1,000	1,000			0	
	-2,500	-3,332	-832	0	0	0	0	0	0	0
Total	-3,425	-3,039	386	-798	-448	350	-450	-450	0	-350
Total People	-3,981	-3,067	914	-1,678	-1,221	457	-600	-675	-75	-350
Policy & Resources										
Human Resources										
1.Efficiencies										
Human Resources - Service restructures	-182	-182	0	-58	-58	0	-34		34	-34
	-182	-182	0	-58	-58	0	-34	0	34	-34
2.Service Transformation										
Shared Service Savings			0	0	-58	-58	0	-82	-82	
	0	0	0	0	-58	-58	0	-82	-82	0
3.Income										
Commercial Income			0	-34	-34	0	-10		10	-10
Fees & Charges Inflation	-5	-5	0			0			0	
	-5	-5	0	-34	-34	0	-10	0	10	-10
Total	-187	-187	0	-92	-150	-58	-44	-82	-38	-44
Legal Services										
1.Pressures and Service Developments										
Council Elections	0	100	100	0	-100	-100			0	
	0	100	100	0	-100	-100	0	0	0	0
2.Efficiencies										
Democratic Services staffing review (Group Office)			0	-46	-46	0			0	
Review management structure of Legal Service and Commercial Practice, incorporating potential shared service model.	-60	-60	0	-60	-90	-30	0	-10	-10	
Legal & Democratic Services - Staffing Review	-41	-31	10	-28	-45	-17			0	
Stronger Communities Review & Commissioning Model	-89	-79	10	-248	-231	17			0	
Cessation of Contributions to Members Superannuation Scheme	-75	-75	0			0			0	
	-265	-245	20	-382	-412	-30	0	-10	-10	0
3.Income										
Income from Traded Services - legal Services	-20	-20	0	-10	-10	0			0	
	-20	-20	0	-10	-10	0	0	0	0	0
Total	-285	-165	120	-392	-522	-130	0	-10	-10	0
Financial Services										
1.Pressures and Service Developments										
Local Welfare Provision reduced grant	150	50	-100			0			0	
	150	50	-100	0	0	0	0	0	0	0
2.Efficiencies										
Restructure Financial Services	-255	-255	0	-231	-231	0	-99		99	-99
Local Taxation & Benefits, shared service savings on management costs (net)	-55	-55	0	-55	-55	0			0	
Micellaneous other efficiency savings	0	-50	-50		50	50			0	
	-310	-360	-50	-286	-236	50	-99	0	99	-99
3.Service Transformation										
Shared service opportunities.	-20	-20	0	0	-75	-75	0	-30	-30	
	-20	-20	0	0	-75	-75	0	-30	-30	0
4.Income										
Commercial income generation.	-10	-10	0	-12	-12	0			0	
Fees & Charges Inflation	-5	-5	0	0	0	0			0	
Additional General income	0	-50	-50	0	50	50			0	
	-15	-65	-50	-12	38	50	0	0	0	0
Total	-195	-395	-200	-298	-273	25	-99	-30	69	-99
Business Support										
1.Capital Bid Consequences										
Application Rationalisation	-3	0	3			0			0	
	-3	0	3	0	0	0	0	0	0	0
2.Efficiencies										
Restructure of the IT service	-250	-180	70	-15	-20	-5	-130	0	130	-109
Restructure of the Business Improvement, Commercial & Information Governance Teams.	-32	-61	-29	-179	-179	0	-90		90	-131
Reduction in Centralised IT budgets	-50	-86	-36	-15	-10	5			0	

Item	Budget	Proposed	Variance	Budget	Proposed	Variance	Budget	Proposed	Variance	Proposed
	2015/16	Budget		2016/17	Budget		2017/18	Budget		Budget
	£000's	2015/16	£000's	£000's	2016/17	£000's	£000's	2017/18	£000's	2018/19
Additional Commercial Activity	-68	-123	-55	-118	-127	-9	-10	-10	0	-10
Internalise Design Services - Highways Development			0			0			0	-20
Skip Service			0			0			0	-30
Fees & Charges Inflation	-93	-93	0			0			0	0
	-161	-216	-55	-118	-127	-9	-10	-10	0	-60
Total	-843	-294	549	-864	-389	475	-80	-236	-156	-417
Technical & Environment										
1.Pressures and Service Developments										
Free Car Parking Initiatives	140	330	190			0			0	
Security Centre - One Year Income Pressure	0	148	148	0	-148	-148			0	
	140	478	338	0	-148	-148	0	0	0	0
2.Efficiencies										
Contract Procurement Savings	-50	-50	0			0			0	
Efficiencies Arising From Various Staffing Reviews Etc	-322	-368	-46	-3	-3	0			0	
Efficiency savings by the Calibration Test Centre			0	-6	-6	0			0	
Carbon Reduction Strategy; Savings & Reinvestments	-33	-33	0	0	-20	-20	0	-16	-16	
Vacancy Management Savings	35	-2	-37	0	37	37			0	
	-370	-453	-83	-9	8	17	0	-16	-16	0
3.Service Transformation										
Community volunteer scheme for assisting with upkeep of green spaces, nature reserves and footpaths			0			0	-5	-5	0	
Develop a community tree Warden scheme pilot to assess how the community can support the existing tree service			0			0	-2	-2	0	
Introduce a Selective Licensing Scheme for Private Rented Sector			0		-10	-10			0	0
Explore Opportunities for Shared Services and/or Outsourcing			0			0			0	-50
	0	0	0	0	-10	-10	-7	-7	0	-50
4.Service Reductions										
Environmental Health Communities and Commercial Teams - enforcement changes			0	-56	-56	0			0	
Review air quality monitoring network against priorities	-10	-10	0			0			0	
	-10	-10	0	-56	-56	0	0	0	0	0
5.Income										
Expand Commercial Activity			0			0			0	-50
Develop a New Commercial Offer for Telehealth & Telecare services			0			0			0	-50
Fees & Charges Inflation	-4	-4	0			0			0	
	-4	-4	0	0	0	0	0	0	0	-100
Total	-244	11	255	-65	-206	-141	-7	-23	-16	-150
Planning & Regeneration										
1.Pressures and Service Developments										
Support for GAP	9	9	0			0			0	
North Lincolnshire Enterprise (HPDG)	0	100	100	0	50	50	0	-200	-200	
Development of 'gold service' commercial offer (HPDG)	0	50	50			0	0	-50	-50	
Enforcement/Planning Developments (HPDG)	0	50	50	0	0	0	0	-50	-50	
Trentside Villages Investment (HPDG)	0	50	50	0	-50	-50			0	
	9	259	250	0	0	0	0	-300	-300	0
2.Efficiencies										
Efficiencies Arising From Various Staffing Reviews Etc	-51	-79	-28			0			0	-64
Vacancy Management Savings	35	-2	-37	0	37	37			0	
Building Control / development Control - Cost Reductions	0		0			0			0	-15
	-16	-81	-65	0	37	37	0	0	0	-79
3.Service Transformation										
Further service transformation particularly back office	-10	-10	0	-10	-10	0	-10	-10	0	
Shared Services Opportunities			0			0	-40	-40	0	
Further service transformation – bringing together all policy within the P&R function			0			0	-40	-40	0	
Opportunities for substantial changes to service delivery			0			0	-20	-20	0	
Service improvements and developments (HPDG)	-200	-200	0			0			0	
	-210	-210	0	-10	-10	0	-110	-110	0	0
4.Income										
Charging for requested pre-application advice	-5	0	5			0			0	-10
Expand Commercial Activity	-10	-10	0	-5	-5	0	-60	-60	0	-36
Income from Property Trading Account	-130	-135	-5	-36	-36	0			0	
Income from Earmarked Reserves (HPDG)	250	100	-150			0	0	300	300	
Fees & Charges Inflation	-2	-2	0			0			0	
	103	-47	-150	-41	-41	0	-60	240	300	-46
Total	-114	-79	35	-51	-14	37	-170	-170	0	-125
Special Projects										
1.Pressures and Service Developments										
Continued Secondment of Maintenance Services Manager to BSF & Programme Slippage	-14	-143	-129	-129	0	129			0	
Waste JV Procurement adjustment of one off funding	0	-154	-154	-24	0	24	-54	0	54	
	-14	-297	-283	-153	0	153	-54	0	54	0
2.Service Transformation										
Establishment of permanent Strategic Projects Service	0	150	150			0			0	
	0	150	150	0	0	0	0	0	0	0
Total	-14	-147	-133	-153	0	153	-54	0	54	0

Item	Budget	Proposed	Variance	Budget	Proposed	Variance	Budget	Proposed	Variance	Proposed
	2015/16 £000's	Budget 2015/16 £000's	£000's	2016/17 £000's	Budget 2016/17 £000's	£000's	2017/18 £000's	Budget 2017/18 £000's	£000's	Budget 2018/19 £000's
Total Places	-1,855	-1,163	692	-1,727	-1,166	561	-411	-619	-208	-808
Corporate Services										
Corporate & Miscellaneous										
1.Pressures and Service Developments										
Council Tax Support Scheme	0	-302	-302	-302	0	302			0	
Business Rate; Tariff Payments	289	221	-68	298	101	-197	307	253	-54	258
Business Rate ; Levy	619	746	127	516	15	-501	477	654	177	191
	908	665	-243	512	116	-396	784	907	123	449
2.Capital Bid Consequences										
Electronic Document Management System	-72	0	72	0	-72	-72			0	
Application Rationalisation	-100	0	100	0	-100	-100			0	
	-172	0	172	0	-172	-172	0	0	0	0
3.Efficiencies										
Corporate Efficiency Savings	-215	-62	153	-525	0	525	48	0	-48	
Reduced Staffing & Other Efficiencies	-25	-25	0						0	
Staff terms and conditions	-1,000	-1,000	0	-1,000	-1,000	0			0	
	-1,240	-1,087	153	-1,525	-1,000	525	48	0	-48	0
4.Service Transformation										
Shared Services NLC	-125	0	125	-125	0	125	0	-125	-125	-125
Shared Services Other	-100	0	100	0	0	0	0	0	0	0
Review of Council Wide Administration	0	0	0	0	-250	-250	0	-250	-250	0
	-225	0	225	-125	-250	-125	0	-375	-375	-125
5.Income										
Public Health (additional outcomes fund)	-275	-275	0						0	
	-275	-275	0	0	0	0	0	0	0	0
Total	-1,004	-697	307	-1,138	-1,306	-168	832	532	-300	324
Capital Financing										
1.Pressures and Service Developments										
Rephasing of Existing Programme Changes	1,233	-437	-1,670	615	1,332	717	-421	-519	-98	29
New Proposals	71	0	-71	238	383	145	32	18	-14	4
	1,304	-437	-1,741	853	1,715	862	-389	-501	-112	33
2.Efficiencies										
Use of £5m of balances to reduce debt charges	-900	0	900	0	-900	-900			0	
	-900	0	900	0	-900	-900	0	0	0	0
3.Income										
Investment Income return	-3	-28	-25						0	
	-3	-28	-25	0	0	0	0	0	0	0
Total	401	-465	-866	853	815	-38	-389	-501	-112	33
Contingency										
1.Pressures and Service Developments										
Expenditure inflation			0	1,000	1,000	0	1,000	1,000	0	1,000
Energy Inflation	200	-200	-400	200	200	0	200	200	0	200
Pay Award 2.2% 15mths + lumpsum, 1% 16/17,17/18,18/19	0	0	0	820	727	-93	830	774	-56	782
Minimum Wage Provision	315	-297	-612						0	
Pension Increase	200	200	0	200	0	-200	200	200	0	200
Growth in demand for services	300	0	-300	300	300	0	300	300	0	300
Single State Pension Additional N.I costs			0	1,313	1,313	0			0	
	1,015	-297	-1,312	3,833	3,540	-293	2,530	2,474	-56	2,482
4.Service Transformation										
Transformation		-100	-100	-200	0	200	-300	0	300	0
	0	-100	-100	-200	0	200	-300	0	300	0
6.Income										
Income Inflation			0	-480	-480	0	-480	-480	0	-480
	0	0	0	-480	-480	0	-480	-480	0	-480
Total	1,015	-397	-1,412	3,153	3,060	-93	1,750	1,994	244	2,002
Total Central Services	412	-1,559	-1,971	2,868	2,569	-299	2,193	2,025	-168	2,359
TOTAL BUDGET	139,044	138,607	-437	137,516	137,513	-3	138,315	138,039	-276	138,746
USE of RESERVES										
Additional Use of Revenue Support Account	1,067	563	-504			0			0	
Service Transformation Provision	600	500	-100			0		100	100	0
Local Welfare Provision	302	0	-302			0			0	
Waste JV Procurement	154	60	-94	130	0	-130	76	0	-76	
Establish Children's Literacy Trust	250	250	0			0			0	
Grant Aid for Community Development	200	200	0	35	35	0	35	35	0	
Total Use of Reserves	2,573	1,573	-1,000	165	35	-130	111	135	24	0
FUNDING										
Estimated Funding										
Revenue Support Grant	25,102	25,337	235	19,343	19,877	534	14,869	15,509	640	12,301
Base Line Funding Level (NNDR)	30,357	30,107	-250	31,685	30,859	-826	32,540	31,630	-910	32,421
Carbon Reduction	0	-123	-123	0	-123	-123	0	-123.00	-123	-123
Rural Grants 2014/15	0	5	5	0	5	5	0	5.00	5	5
Council tax freeze grant 13/14	672	672	0	672	672	0	672	672	0	672

Item	Budget	Proposed	Variance	Budget	Proposed	Variance	Budget	Proposed	Variance	Proposed
	2015/16 £000's	Budget 2015/16 £000's	£000's	2016/17 £000's	Budget 2016/17 £000's	£000's	2017/18 £000's	Budget 2017/18 £000's	£000's	Budget 2018/19 £000's
Council tax freeze grant 14/15	677	672	-5	677	672	-5	677	672	-5	672
Other Un-ring Fenced Grants	104	168	64	104	168	64	104	168	64	168
Total Settlement Funding Assessment	56,912	56,838	-74	52,481	52,130	-351	48,862	48,533	-329	46,116
Base Funding Assumptions										
Council Tax: Zero, 1.9%, 1.9%, 1.9%	58,048	57,917	-131	58,223	59,308	1,085	59,098	60,736	1,638	62,198
Collection Fund Surplus 2014-15, 2015-16	0	795	795	0	500	500	0	0	0	0
Freeze Grant 2015/16	682	676	-6	682	676	-6	682	676	-6	676
New Homes Bonus Returned Funding	0	99	99	0	0	0	0	0	0	0
NNDR	3,298	3,298	0	3,889	3,889	0	3,889	3,889	0	3,889
New Homes Bonus	3,051	2,637	-414	3,691	2,637	-1,054	3,691	2,848	-843	3,215
Business Rate Retention: Tariff & Levies (Net)	11,205	11,264	59	12,019	11,380	-639	12,803	12,287	-516	12,736
Education Services Grant	1,290	1,540	250	1,190	1,440	250	1,090	1,340	250	1,240
Total Base Funding	77,574	78,226	652	79,694	79,830	136	81,253	81,776	523	83,954
Growth Through New Developments										
Council Tax: Zero, 1.9%, 1.9%, 1.9%			0	1,388	1,376	-12	2,090	2,605	515	3,797
NNDR	1,571	1,970	399	2,822	2,348	-474	4,359	4,411	52	4,845
New Homes Bonus	414	0	-414	966	730	-236	1,640	1,047	-593	1,157
Total Growth Through New Developments	1,985	1,970	-15	5,176	4,454	-722	8,089	8,063	-26	9,799
Total Funding	136,471	137,034	563	137,351	136,414	-937	138,204	138,372	168	139,869
Total Funding and Reserves	139,044	138,607	-437	137,516	136,449	-1,067	138,315	138,507	192	139,869
TOTAL NET BALANCE	0	0	0	0	1,064	1,064	0	-468	-468	-1,123

PRECEPTS

Parish or Area	Local Tax Base	Precept	NLC Grant	Total Requirement	Band D
Alkborough	155.1	3,676	324	4,000	23.70
Amcotts	75.3	1,843	216	2,059	24.48
Appleby	218.3	6,098	402	6,500	27.93
Ashby Parkland	169.6	2,979	521	3,500	17.56
Barnetby-le-Wold	491.7	21,463	2,629	24,092	43.65
Barrow-on-Humber	944.9	32,956	1,544	34,500	34.88
Barton-upon-Humber	3,117.6	138,188	22,819	161,007	44.33
Belton	1,051.6	13,688	1,312	15,000	13.02
Bonby	184.0	10,523	857	11,380	57.19
Bottesford	3,481.4	92,052	7,898	99,950	26.44
Brigg	1,556.3	126,602	16,398	143,000	81.35
Broughton	1,603.3	87,531	11,343	98,874	54.59
Burringham	193.4	9,981	2,019	12,000	51.61
Burton-upon-Stather	931.9	41,786	3,303	45,089	44.84
Cadney-cum-Howsham	152.7	7,563	437	8,000	49.53
Crowle	1,450.3	55,847	7,153	63,000	38.51
East Butterwick	42.7	606	144	750	14.19
East Halton	196.3	4,500	266	4,766	22.92
Eastoft	134.0	3,249	451	3,700	24.25
Elsham	159.8	7,683	317	8,000	48.08
Epworth	1,465.3	51,935	5,065	57,000	35.44
Flixborough	510.7	11,312	947	12,259	22.15
Garthorpe & Fockerby	122.4	6,032	968	7,000	49.28
Goxhill	748.5	41,297	4,154	45,451	55.17
Gunness	587.1	27,138	6,862	34,000	46.22
Haxey	1,578.9	37,222	2,778	40,000	23.57
Hibaldstow	713.3	13,146	1,854	15,000	18.43
Holme	39.2	239	11	250	6.10
Horkstow	55.8	1,404	96	1,500	25.16
Keadby with Althorpe	449.5	23,798	5,202	29,000	52.94
Kirmington & Croxton	119.0	7,044	1,586	8,630	59.19
Kirton-in-Lindsey	996.0	87,500	7,166	94,666	87.85
Luddington	111.0	3,413	664	4,077	30.75
Manton	41.4	0	0	0	0.00
Melton Ross	61.4	2,121	379	2,500	34.54
Messingham	1,241.2	46,301	3,699	50,000	37.30
New Holland	224.1	7,993	2,007	10,000	35.67
North Killingholme	81.8	4,406	594	5,000	53.86
Owston Ferry	405.9	12,000	1,507	13,507	29.56
Redbourne	145.0	9,179	821	10,000	63.30
Roxby-cum-Risby	147.3	5,068	432	5,500	34.41
Saxby-all-Saints	87.1	3,466	362	3,828	39.79
Scawby-cum-Sturton	771.5	34,401	2,599	37,000	44.59
Scunthorpe	* 14,007.2				
South Ferriby	199.0	11,263	1,857	13,120	56.60
South Killingholme	268.4	11,360	3,140	14,500	42.32
Thornton Curtis	96.0	2,442	172	2,614	25.44
Ulceby	492.3	10,468	2,032	12,500	21.26
West Butterwick	233.5	0	0	0	0.00
West Halton	111.4	4,592	565	5,157	41.22
Whitton	82.4	2,474	126	2,600	30.02
Winteringham	317.6	11,156	1,344	12,500	35.13
Winterton	1,254.4	104,537	18,453	122,990	83.34
Wootton	171.5	5,147	253	5,400	30.01
Worlaby	186.7	12,683	817	13,500	67.93
Wrawby	499.1	11,360	640	12,000	22.76
Wroot	170.0	9,876	714	10,500	58.09
	45,103.1	1,302,587	160,219	1,462,716	
<u>Other Precepting Authority</u>					
Humberside Police	45,103.1	8,122,166		8,122,166	180.08
Humberside Fire and Rescue Service	45,103.1	3,514,434		3,514,434	77.92

* To be set at Council