

Strategy & Resources - Meeting 7 February 2014

Item 4: Budget-Setting Report (BSR) 2014/15

4(a) EXECUTIVE AMENDMENT

Background

This report details amendments to the Budget-Setting Report as recommended to Council by the Executive at its meeting on 23 January 2014.

These amendments reflect new or updated information that has been received since that meeting, and the consequent changes required.

Unless otherwise stated, any references in the recommendations to sections, pages and appendices relate to Version 1 of the Budget Setting Report (BSR).

New / Updated Information

[A] Iceland Bank Investments [BSR page 71]

Since the meeting of the Executive the Council has received information from the competitive auction of priority claims which the Council had agreed to participate in. As a result, the wording contained in Section 7 of the BSR under the 'Future Issues and Prospects' heading (item d)), is recommended to be amended as follows:

- d) ***Icelandic Bank Investments*** - the Council is basing its financial planning on the latest information provided by the LGA, respective administrators and on the advice issued by CIPFA's Local Authority Accounting Panel. The September 2010 MFR made provision for the projected shortfall in the capital sum which can be recovered, and this has been subsequently updated to take account of latest announcements. At the 14 October 2013 meeting of Strategy & Resources Scrutiny Committee it was agreed in principle that the Council should participate in the competitive auction of priority claims against the insolvent estate of LBI, subject to a reserve price ***which was set following careful consideration by the Leader and Strategy & Resources Scrutiny Committee. The auction took place on 30 January 2014, however the Council's claims did not sell because our reserve price was not met.*** Developments and updates continue to be carefully monitored, and Members will be updated in the case of any significant changes.

This reproduces the full revised wording for the item, with changes shown as bold and italicised text.

There are no immediate financial changes to the BSR document.

[B] Pension Fund – Triennial Revaluation Outcome [BSR pages 40-41]

At the point of publication of Version 1 of the BSR financial projections had to be based on the initial indications available from the Pension Fund actuaries with regard to the level of future employer's contribution levels. At that time an increase in the rate of 2.0% each year for the 3 years from 2014/15 to 2016/17, inclusive, was anticipated and budget provision was made accordingly.

As a result of updated information from the actuaries it is recommended that the wording contained in Section 4 under the heading 'Pension Fund – Triennial Revaluation Outcome' is updated as follows:

Pension Fund – Triennial Revaluation Outcome

The latest triennial revaluation of the Pension Fund is currently being undertaken by the Fund Actuary based on the position as at 31 March 2013, and their report is expected shortly.

As part of the Budget-Setting report in February 2010 it was deemed prudent to provide for a further 0.75% increase in the contribution rate each year to cover the 6 year period 2011/12 to 2016/17. The amounts above the level of the base contribution required by the Fund (18.6%) have been set-aside in an earmarked fund (as detailed in Section 3), and will be paid into the Pension Fund in April 2014.

Initial indications from the actuaries were that the report would recommend increases in the Council's base contribution rate of 18.6% by 2% in each of the three years from 2014/15 to 2016/17 inclusive, with no increase in 2017/18. Provision to cover the financial implications of this were included in Version 1 of the BSR.

Subsequently the actuaries confirmed the final employer's contributions that were to be incorporated into the final report, enabling final adjustments to be included in Version 2 of the BSR for the meeting of Strategy & Resources scrutiny committee on 7 February 2014.

The update confirmed that from 2014/15 the basis would change from a single percentage contribution rate to be applied to all pensionable pay in a particular year to that of a percentage to reflect the ongoing costs to the fund together with a cash lump sum each year which is designed to reflect recovery of sums associated with past service.

The following table shows the employer's contribution rates:

Employer's Contribution	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Base contribution	17.4%	17.4%	17.4%	17.4%
Annual lump sum contribution	£769,000	£1,303,000	£1,881,000	£1,881,000

The financial implications for the BSR, in terms of under / (over) provision are as follows:

	2014/15 £	2015/16 £	2016/17 £	2017/18 £
General Fund	(310,000)	(150,000)	(195,000)	(195,000)
Housing Revenue Account	(129,000)	(46,000)	51,500	51,500
Total	(439,000)	(196,000)	143,500	143,500

The level of provision made by the Council since 2011/12 in anticipation of these increases has meant that only £195k of the £350k originally provided in Version 1 of the BSR is now required.

[C] Final Local Government Settlement 2014/15 [BSR pages 16-18]

The Final Settlement was announced on 4 February 2014, with the following implications for the Council when compared to Version 1 of the BSR:

Government Funding	2014/15 £	2015/16 £
December 2013 Provisional Settlement		
Start-Up Funding Assessment	8,114,164	6,901,322
February 2014 Final Settlement		
Start-Up Funding Assessment	8,115,278	6,901,322
Change – Increase / (Decrease)	1,114	0

Relevant wording in this section of the BSR will be updated for the Council version of the BSR to reflect the updated information as appropriate.

[D] New Homes Bonus [BSR pages 23-24]

The final allocation of NHB for 2014/15 was announced on 5 February 2014. This served to confirm the provisional figures, upon which Version 1 of the BSR had been based. Consequently, no amendment to the projections in the BSR is required. A final version of the NHB projections table will be added to Appendix H for the Council version of the BSR.

[E] Council Tax Level [BSR pages 35-36]

This element of Section 3 of the BSR noted that the Government had not yet published details of referendum threshold or arrangements relating to 2014/15, and continued the MFR assumption of a Council Tax increase for 2014/15 of just under 2.0%, with the intention of reviewing this in light of the announcement.

On February 4 2014 the Government published, alongside the Final Settlement, information on council tax referendum limits for 2014/15. This confirmed that whilst the Government expected most councils would wish to freeze council tax, and authority setting an increase of 2.0% or more would need to hold a referendum.

The arrangements also included levies from bodies such as transport authorities or internal drainage boards within billing authority limits for the first time. It also indicated that there may be changes to the treatment of parish precepts from 2015/16, although no change is proposed for 2014/15. These measures do not have any implications for the City Council for 2014/15.

On the basis of this announcement, no changes are proposed to the plans for Council tax in 2014/15.

Overall Impact

The overall impact of the changes above are:

Revenue	2014/15 £	2015/16 £	2016/17 £	Amendment
Pension Contributions increased from 2013/14 revaluation	(310,000)	(150,000)	(195,000)	Amend Appendix C(b): NCL 3487
Government Settlement change to threshold / Grant	(1,120)	0	0	Amend Appendix D(b)
Net increase / (decrease) in Net Revenue Spending	(311,120)	(150,000)	(195,000)	Ongoing

[F] General Fund Reserves [BSR pages 65-68]

Version 1 of the BSR noted that the effect of requests for re-phasing of spending in the Capital and Revenues Project Plan between 2013/14 and 2014/15 would be approximately £730k.

The final effect from requested variances has now been confirmed as £728k, and this will be reflected in the Council version of the BSR. The effect is to increase the level of General Reserves at the end of 2013/14 by £728k, although this amount will be used during 2014/15 in the form of additional DRF leaving no change in Reserves at the end of 2014/15.

In the context of all of the changes detailed above, [A] to [F], a number of amendments to the spending plans outlined in Version 1 of the BSR are also recommended. These are:

(a) Local Centres Improvement Programme

A new 6 year programme is recommended to be added to the Council's Capital and Revenue Projects Plan to undertake schemes to improve the quality of the public realm at Local Centres, aiming to lift pride in the environment for residents and traders and to encourage parallel investment in private businesses. It is expected that once the Programme is established it will deliver at least three schemes with likely capital expenditure (including project officer costs) of between £200k - £340k per scheme. Each scheme will be subject to full public consultation and will deliver environmental and public realm improvements. The programme will be supplemented, where possible, with other funding such as developer contributions. The first priority will be a scheme for Mitcham's Corner with subsequent schemes to be identified following an audit of Local Centres.

The new Programme will be funded through increases in Direct Revenue Funding (DRF), as follows:

2014/15 £50k Urban Design and Project Management Work
2015/16 £195k Capital Expenditure (including project delivery costs) - ongoing for five years

The programme will be based on the remit attached as Annex A, and will be reviewed in the year prior to the scheduled end of the 5 year programme.

(b) Additional Investment in Commercial Property [BSR pages 41-42]

Version 1 of the BSR incorporated recommendations to commit £1.1m of the additional retained local business rates resulting from growth to additional investment in the Council's Commercial Property Portfolio.

The changes outlined above provide the opportunity to use the net balance of £216,120 (after the recommended spend in ((a), above) to further increase this investment. This will be achieved through a net increase in DFR across the

years 2014/15 and 2015/16 of £216,120, with the anticipated spend in the Revenue and capital projects Plan being increased by this amount in 2014/15.

This will serve to generate additional rental income to the Council, with the amounts already included as NCL3488 being increased by £7k in 2014/15 and £14k in 2015/16 and subsequent years.

The overall impact of all of the changes is shown in tables 1 and 2 below:

Table 1: Summary of revenue changes and recommended actions

Revenue	2014/15 £	2015/16 £	2016/17 £	Recommended action:
Pension Contributions increased from 2013/14 revaluation	(310,000)	(150,000)	(195,000)	Amend Appendix C(b): NCL3487
Government Settlement change to threshold / Grant	(1,120)	0	0	Amend Appendix C(b): NCL3494
Local Centres Improvement programme - met from DRF	50,000	195,000	195,000	DRF to fund new capital item (amending NCL3445)
Additional investment in Commercial Property Portfolio – met from DRF	216,120	0	0	DRF to fund amended capital item C3485 (amending NCL3445)
DRF re-phasing to reflect additional spend on Commercial Property Portfolio	45,000	(45,000)	0	(amending NCL3445)
Sub-total	0	0	0	Ongoing
Additional Commercial Property Portfolio Income from additional investments	(7,000)	(14,000)	(14,000)	Amend Appendix C(b): NCL3488
Consequent adjustments to future year inflation provision	0	(8,300)	(17,860)	-
Net increase / (decrease) in Net Savings Targets	(7,000)	(22,300)	(31,860)	

The updated figures for General Reserves and future Net Savings Requirements, based on the above, are detailed in the updated version of Appendix D to the BSR, as attached.

The resulting implications for the Revenues and Capital Plan and associated funding statement (BSR pages 52-53) is as follows:

Table 2: Summary of capital changes and recommended actions

Capital	2014/15 £ 000s	2015/16 £ 000s	2016/17 £ 000s	Recommended action:
BSR Version 1 Net Capital Funding Availability	(246)	(44)	(562)	
Additional DRF -	(311)	(150)	(195)	
Re-phasing of DRF to match spend	45	(45)	0	
Sub-total	(512)	(239)	(757)	
Local Centres Improvement programme	50	195	195	Appendix G(a): Capital I Bids- add new item *
Additional investment in Commercial Property Portfolio	216	0	0	Appendix G(a): Capital I Bids- amend C3485 *
New / changed items funded from DRF	(246)	(44)	(562)	

Recommendations:

To authorise the Section 151 officer to make necessary changes to the Budget Setting Report 2014/15, to be considered by Council at the meeting on 27 February 2014, to reflect the impact of changes for:

- (a) Items included in Table 1 of revenue changes and recommended actions, as indicated in the table including the Local Government Finance Settlement 2014/15 announcement made on 6 February 2014.
- (b) Items included in Table 2 of capital revenue changes and recommended actions, as indicated in the table and also the remit at Annex A for the ***Local Centres Improvement Programme***.

BSR Updated Version:

Version 1 of the BSR, available on the Council's website, will be updated to reflect the changes identified above. The key appendices which have been updated are attached:

- D(a) General Fund Projection
- D(b) General Fund Funding Statement
- D(c) General Fund Reserves Projection

PR037 – Local Centres Improvement Programme

Approved Timescale: 2014/15 to 2019/20

Lead Officer: Andy Preston

Remit: To undertake schemes to improve the quality of the public realm at Local Centres, aiming to lift pride in the environment for residents and traders and to encourage parallel investment in private businesses. At least three schemes will be delivered, subject to full public consultation and will deliver environmental and public realm improvements.

Outcomes: Successful delivery of three Local Schemes of between £200k - £340k per scheme by 2019/20.

Appendix D (a) *Amended*

General Fund – Revenue Projection 2013/14 to 2017/18

General Fund Projection - 2013/14 to 2017/18					
Description	2013/14 (£'s)	2014/15 (£'s)	2015/16 (£'s)	2016/17 (£'s)	2017/18 (£'s)
Net Service Budgets	21,867,110	20,178,350	20,502,120	20,049,410	19,576,820
Revenue Budget Proposals:	(319,360)	(190,590)	(859,750)	(1,361,650)	(1,642,650)
One-Off Changes from the MTS					
Ongoing Changes from the MTS					
Revised Budget	228,620	0	0	0	0
Savings	(82,400)	(1,170,000)	(1,911,000)	(1,986,200)	(1,986,200)
Bids	0	734,000	575,680	575,680	575,680
Non-Cash Limit Items	(112,000)	(321,100)	94,000	324,000	324,000
PPF Bids	0	100,000	86,000	87,000	79,000
Sub-Total	21,581,970	19,330,660	18,487,050	17,688,240	16,926,650
Future Years PPF Provision	0	0	100,000	100,000	100,000
Sub-Total	21,581,970	19,330,660	18,587,050	17,788,240	17,026,650
Capital Accounting Adjustments	(4,655,840)	(4,655,840)	(4,655,840)	(4,655,840)	(4,655,840)
Capital Expenditure Financed from Revenue	1,008,000	3,695,980	2,779,000	2,457,000	1,075,000
Sub-Total	17,934,130	18,370,800	16,710,210	15,589,400	13,445,810
Contributions to Earmarked Funds:					
Efficiency Fund	0	0	0	0	0
Climate Change Fund	0	0	0	0	0
Project Facilitation Fund	0	0	0	0	0
Vehicle Fleet & Plant Depreciation	775,850	775,850	775,850	775,850	775,850
Keep Cambridge Moving Fund	136,140	1,063,860	0	0	0
Council Tax Income earmarked for Growth	25,880	181,000	355,090	355,090	355,090
New Homes Bonus	0	0	1,006,860	1,146,860	1,240,210
Pension Fund Reserve	492,800	657,000	821,300	985,500	985,500
Sub-Total	19,364,800	21,048,510	19,669,310	18,852,700	16,802,460
Net Savings Requirement	0	0	(1,300,070)	(1,323,590)	(797,580)
Net Spending Requirement	19,364,800	21,048,510	18,369,240	17,529,110	16,004,880

Appendix D (b) *Amended*

General Fund – Funding Statement 2013/14 to 2017/18

General Fund - Funding Statement 2013/14 to 2017/18					
Description	2013/14 (£'s)	2014/15 (£'s)	2015/16 (£'s)	2016/17 (£'s)	2017/18 (£'s)
Net Spending Requirement	19,364,800	21,048,510	18,369,240	17,529,110	16,004,880
less External Support:					
Total Settlement Funding Assessment	(9,341,130)	(8,115,280)	(6,901,320)	(6,004,100)	(5,223,600)
Locally Retained Business Rates - Growth Element	(600,000)	(200,000)	(800,000)	(800,000)	(800,000)
Council Tax Support Implementation	(57,750)	(77,080)	0	0	0
NHB Adjustment Grant	(31,630)	0	0	0	0
Community Right to Bid	(7,850)	(7,850)	0	0	0
Community Right to Challenge	(8,550)	(8,550)	0	0	0
Sub-Total	9,317,890	12,639,750	10,667,920	10,725,010	9,981,280
less New Homes Bonus:					
2011/12 Allocation	(786,650)	(786,650)	(786,650)	(786,650)	0
2012/13 Allocation	(734,900)	(734,900)	(734,900)	(734,900)	(734,900)
2013/14 Provisional Allocation	(563,740)	(563,740)	(563,740)	(563,740)	(563,740)
2014/15 Projection	0	(1,290,690)	(1,290,690)	(1,290,690)	(1,290,690)
Sub-Total	7,232,600	9,263,770	7,291,940	7,349,030	7,391,950
less Appropriation from Earmarked Funds:					
Efficiency Fund	(185,780)	0	0	0	0
Climate Change Fund	(77,000)	0	0	0	0
Project Facilitation Fund	(125,500)	0	0	0	0
Council Tax Income Earmarked for Growth	(164,000)	0	0	0	0
Sub-Total	6,680,320	9,263,770	7,291,940	7,349,030	7,391,950
less Income From Council Tax	(6,393,560)	(6,702,010)	(7,023,740)	(7,349,030)	(7,649,550)
Collection Funds - Net Deficit / (Surplus)	140,240	(4,320)	0	0	0
Contribution (To) / From Reserves	427,000	2,557,440	268,200	0	(257,600)
Memorandum Items:					
Band 'D' Council Tax	£169.90	£173.29	£176.76	£180.30	£183.91
Council Tax Increase	-	2.00%	2.00%	2.00%	2.00%

Appendix D (c) *Amended*

General Fund – Reserves Projection 2013/14 to 2017/18

General Fund - Reserves Projection 2013/14 to 2017/18					
Description	2013/14 (£'s)	2014/15 (£'s)	2015/16 (£'s)	2016/17 (£'s)	2017/18 (£'s)
Balance as at 1 April (b/fwd)	(7,995,040)	(7,568,040)	(5,010,600)	(4,742,400)	(4,742,400)
Contribution (To) / From Reserves	427,000	2,557,440	268,200	0	(257,600)
Balance as at 31 March (c/fwd)	(7,568,040)	(5,010,600)	(4,742,400)	(4,742,400)	(5,000,000)

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