

**Open Report on behalf of Pete Moore Executive Director Finance and Public Protection**

Report to:	<b>County Council</b>
Date:	<b>20 February 2015</b>
Subject:	<b>Council Budget 2015/16 and Capital Programme Change for 2014/15</b>

**Summary:**

Council Budget 2015/16

The appended Budget Book - "Council Budget 2015/16" describes the budget and council tax proposals recommended to the full Council by the Executive.

Capital Programme Change 2014/15

Changes to the 2014/15 capital programme with net effect of adding £0.160m additional spending and borrowing to the capital programme in that year.

**Recommendation(s):**

It is recommended that the Council:

1. considers the responses to consultation on the Council's budget proposals as contained in the appended Budget Book (Appendix D "Budget Consultation");
2. considers the Section 151 Officer's Statement on the Robustness of the Budget and the Adequacy of Reserves as set out in the appended Budget Book (Section 10 - "Section 151 Officer's Statement on the Robustness of the Budget and Adequacy of Reserves");
3. considers the Impact Analysis relating to increasing the Council Tax by 1.9% in 2015/16 set out in the appended 'Budget Book' (Appendix C - Impact Analysis relating to increasing the Council Tax by 1.9% in 2015/16)
4. approves:
  - 4.1 the service revenue budgets for 2015/16 contained in the appended Budget Book, (Table 2 "Net Service Revenue Budget 2015/16 and change over previous year");

4.2 the capital programme and its funding contained in the appended Budget Book (Section 7 “Capital Programme”) and (Appendix M “Capital Programme”);

4.3 the County Council element of the council tax for a Band D property at £1,085.94 for 2015/16 contained in the appended Budget Book (Appendix B “County Precept 2015/16”);

as together being the Council's Budget.

5. approves the Council's Financial Strategy contained in the appended Budget Book (Appendix E “Financial Strategy”);

6. approves the prudential targets for capital finance and notes the prudential indicators contained in the appended Budget Book (Appendix L “Prudential Indicators”);

7. approves that the minimum revenue provision (MRP) be based on the asset life method and made in equal instalments over the estimated life of the assets acquired through borrowing as set out in the appended Budget Book (Section 9 “Minimum Revenue Provision”).

8. approves the changes to the 2014/15 capital programme as detailed at para 1.20 to 1.21 of this Report.

## **1. Background**

1.1 The Provisional Local Government Finance Settlement, issued on 18 December 2014, provided the Council with levels of funding for 2015/16. These figures have now been updated in the final Local Government Finance Settlement announced on 3 February 2015. There has been one amendment to the original figures; this is an additional £0.918m added into the final settlement.

1.2 The recommended budget is based on a one year financial plan, as opposed to the three-year plan normally adopted. This is due to the uncertainty associated with local government funding beyond 2016/17. There is a lack of clarity regarding Government funding in the medium term, although general trends indicate further significant reductions in funding. This will be determined by a comprehensive spending review anticipated for the second half of 2015, after the next general election. There will be a further review of service priorities and related spending needs prior to setting a budget for 2016/17 and beyond.

1.3 The Council is recommended to set a Council Tax increase of 1.9%.

### Consultation

1.4 The Executive put forward a budget for consultation at its meeting on 6 January 2015. Since that time comments have been received from Overview and Scrutiny

Committees, Businesses, Public Organisations, Trade Unions and individual Council Tax payers.

1.5 A summary of these comments is included within **APPENDIX D** of the appended 'Budget Book' and have been taken into account whilst finalising the budget proposals. The majority of the comments are supportive of the budget.

### Legal Issues

1.6 There are a number of issues that the Council must have regard to in determining the budget to include:

- The need for consultation
- The Public Sector Equality Duty under section 149 of the Equality Act 2010
- The Child Poverty Strategy
- The Joint Strategic Needs Assessment
- The Joint Health and Wellbeing Strategy

1.7 In terms of consultation, a consultation has been conducted and members are referred to **APPENDIX D** of the appended 'Budget Book'.

1.8 In addition to this budget consultation, certain service changes that may be necessary to meet budget savings targets may themselves require consultation. This will be kept under review on a case by case basis and where consultation is required by law, that consultation will be conducted before changes are carried out.

1.9 The Council must be mindful of its obligations under the Equality Act 2010 and the special duties the Council owes to persons who have a protected characteristic as the duty cannot be delegated and must be discharged by the decision maker. The duty is for the Council, in the exercise of its functions, to have due (that is proportionate) regard to the need to:

1. Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
2. Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
3. Foster good relations between persons who share a relevant protected characteristic and persons who do not share it: Equality Act 2010 s 149(1).

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation: s 149(7).

1.10 Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- a. Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- b. Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- c. Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

1.11 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

1.12 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

1.13 Compliance with the duties in this section may involve treating some persons more favourably than others.

1.14 A reference to conduct that is prohibited by or under this Act includes a reference to:

- i. A breach of an equality clause or rule
- ii. A breach of a non-discrimination rule.

1.15 These equality considerations do not preclude changes in services being made, but do require that these be fully appreciated. It is clear that the current and future financial challenges facing local authorities and the need for budget savings will result in changes to service provision and to some reduction in Council services. These will apply to services accessed by all people in Lincolnshire as well as services provided to specific groups. It is possible that there may be an adverse impact on some people and communities including those with a protected characteristic.

1.16 In order to meet its obligations equality impact analyses will be carried out in relation to any proposed changes to services on an individual basis. The specific impacts on people with a protected characteristic will be investigated and the potential mitigation if any will be made clear, so that the implications of decisions are fully understood as they affect specific groups and communities. These have been and will continue to be, regularly reported to the Executive as part of the decision making processes.

1.17 In the meantime consideration has been given as to whether there is any element of the current budget proposals that should be the subject of an equality impact analysis at this stage and as a result an analysis (attached at **APPENDIX C**

in the appended budget book) has been carried out on the proposal to increase Council Tax. That assessment identifies the potential for the proposal to impact on people with low income and therefore disproportionately on certain people with a protected characteristics including older and younger people, people with a disability and women with children. Overall, however, the increase is modest and each District Council operates a Council Tax Support Scheme which has been designed following consultation and individual impact analyses to mitigate the effects of Council Tax levels on vulnerable people and people with low incomes.

1.18 Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. Individual proposals will only be implemented after due regard to the legal matters that must be considered including the public sector equality duty, Child Poverty Strategy, Joint Strategic Needs Assessment and Joint Health and Well-being Strategy and where required consultation.

1.19 As part of its decision-making on service changes, the Council will need to consider whether any alternative approaches could alleviate or at least mitigate the impact of the decision such as making reductions in other areas which do not have the same impacts, including particularly equality impacts. The result could be to require additional resources to be used in certain areas than has been budgeted for. In this event the usual budget management processes such as virement would be followed and approval sought at the appropriate levels in accordance with Financial Regulations including full Council where necessary. In particular a contingency has been built into the budget proposals in the form of the Financial Volatility Reserve (the balance is estimated to be £26.437m after use to balance the 2015/16 budget) and the annual Contingency budget of £4.000m for 2015/16, for when additional funding cannot be found by way of virement from other service areas.

### Capital Programme Change 2014/15

1.20 The Executive proposes the following budget change in the capital programme:

- An increase in funding for the A1073 scheme of £4.160m to address the scheme overspend; and
- A reduction in funding to the Residual Waste Treatment Project of £4.000m which has arisen through effective project management, strict budget control and efficient site construction of all facilities.

1.21 The net effect of the above changes is additional spending, and borrowing of £0.160m in the capital programme for 2014/15.

## **2. Conclusion**

2.1 The budget proposals aim to reflect the Council's priorities whilst operating within reduced resources and include funding essential cost pressures of

£30.430m and savings of £30.583m. They are based on a use of reserves of £22.171m and a 1.9% increase in Council Tax.

### **3. Legal Comments:**

#### Council Budget 2015/16

Robust decision making requires that the results of the Council's budget consultation as well as the Section 151 Officer's Statement on the Robustness of the Budget and the Adequacy of the Reserves and the Impact Analysis on the 1.9% increase in Council Tax are taken into account by the County Council in coming to its decision. Compliance with recommendations 1, 2 and 3 ensures that this is done.

With regard to recommendation 4 under the Budget and Policy Framework Procedure Rules it is for the County Council to approve the Budget.

With regard to recommendation 5 approval of the Financial Strategy is within the remit of the Council.

With regard to recommendation 6, Section 3 of the Local Government Act 2003 requires a local authority to determine and keep under review how much money it can afford to borrow. The determination must be made by County Council. The prudential targets include the Council's borrowing limit and must therefore be approved by the County Council.

Regarding recommendation 7, the requirement to make a minimum revenue provision that is prudent is a requirement of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and the statutory guidance that accompanies the regulations. Minimum revenue provision is relevant to the control of the Council's capital expenditure and must be referred to the County Council for approval.

#### Capital Programme Change 2014/15

#### Recommendation 8

The recommendations are lawful, in accordance with the Constitution and within the remit of the County Council

### **4. Resource Comments:**

#### Council Budget 2015/16

The budget proposals are consistent with the Council's Financial Strategy.

The robustness of the budget proposals and the adequacy of the reserves held by the Council are considered in Section 10 of the appended Budget Book.

This concludes that the budget is realistic and that the level of reserves is adequate.

#### Capital Programme Change 2014/15

Virements in excess of £0.500m require the approval of full Council. This report allows the approval to be sought.

### **5. Consultation**

#### **a) Has Local Member Been Consulted?**

n/a

#### **b) Has Executive Councillor Been Consulted?**

Yes

#### **c) Scrutiny Comments**

These are set out in the appended Budget Book (Appendix D - Budget Consultation).

#### **d) Policy Proofing Actions Required**

An equality impact assessment relating to the proposal to increase Council Tax has been carried out and is attached at **APPENDIX C** to the appended 'Budget Book'. Proposed service changes to give effect to the budget will be subject to their own policy proofing considerations.

### **6. Appendices**

These are listed below and attached at the back of the report

Appendix	Attached separate booklet - "Council Budget 2015/16" - the budget book
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### **7. Background Papers**

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Report to the Executive 6 January 2015 "Council Budget 2015/16"	Committee Services
Report to the Executive 3 February 2015 "Council Budget	Committee Services

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