EXTRACT

THE CABINET

MEETING, 17TH FEBRUARY, 2014

Councillor Morris	Executive Cabinet Member
Councillor Mrs Thomas	Executive Cabinet Member
Councillor Peel	Executive Cabinet Member

Cabinet Members

Councillor Adia	Human Resources and Cohesion
Councillor Bashir-Ismail	Public Health
Councillor J. Byrne	Neighbourhood and Community
Councillor D.Burrows	Community Safety and Police
Councillor Peacock	Adults
Councillor A. Connell	Sports, Libraries, Youth and Culture
Councillor McKeon	Schools and Skills
Councillor Murray	Looked After Children ,Safeguarding and Early Years
Councillor Chadwick	Highways and Transport
Councillor Sherrington	Waste ,Recycling and Housing
Councillor Zaman	Economy and Regeneration

<u>Other Members in Attendance</u>

Councillor Donaghy
Councillor Jones
Councillor Greenhalgh
Councillor Morgan
Councillor Mrs Fairclough
Councillor Hayes

Officers

Mr. S. Harriss	Chief Executive
Mr. S. Arnfield	Deputy Chief Executive
Ms. S. Johnson	Borough Treasurer
Mr. K. Davies	Director of Development and Regeneration
Mr. M. Cox	Director of Environmental Services
Ms. M. Asquith	Director of Adults and Children's Services
Mr. J. Rowlands	Assistant Director
Mr. S. Young	Assistant Director
Mr. M. Brady	
Mr. A. Jennings	Democratic Services Manager

Councillor Morris in the Chair.

Apologies for absence were submitted by Councillor Ashcroft.

49. MINUTES

The minutes of the proceedings of the meeting of the Cabinet held on 20th January, 2014 were submitted and signed as a correct record.

51. CAPITAL PROGRAMME 2014/15

Councillor Morgan declared a disclosable pecuniary interest in the following matter and took no part in the meeting.

The Deputy Chief Executive submitted a report that proposed a Capital Programme, a Minimum Revenue Provision (MRP) policy and Capital Prudential Indicators for the next four years.

The Capital Programme only included schemes which had started or would start in 2014/15, together with those annual rolling programmes funded from external resources such as schools. The detailed programme in subsequent years would need to be considered as part of the overall budget process for these years.

Appendix 1 to the report detailed the full capital programme. As part of the appraisal of the capital programme the proposals had been assessed for their anticipated impact on the Council's VAT recovery position.

Full VAT recovery was only permitted where less than 5% of VAT recovered related to activities which were exempt from VAT (largely land transactions, paid for education, markets and cremation). Where the 5% limit was exceeded no VAT recovery on VAT exempt activity was permitted unless the 7 year average was below 5%. Bolton had applied to use the 7 year average because of the investment in Bolton Market.

The detailed calculations were set out in Appendix 2. The 7 year average was 4.12% and was therefore within the HMRC limit.

The Local Authorities (Capital Finance and Accounting) Regulations 2008 required the basis on which the Minimum Revenue Provision (MRP) was calculated for future years to be approved by the Council. This was the amount Councils were required to set aside for debt repayment each year.

The budget had been prepared on the basis of a MRP calculation at 4% of opening debt for non HRA services as required under previous practice.

Resolved – That, subject to the Council's approval –

(i) the Capital Programme for 2014/15 as set out in Appendix 1 to the report be approved;

(ii) the Minimum Revenue Payment policy as set out in section 5 of the report be approved; and
(iii) the Capital Prudential Indicators as set out in Section 6 of the report be approved.

53. 2014/15 TO 2015/16 BUDGET REPORT

The Deputy Chief Executive submitted a report that set out the final details of the 2014/15 Revenue Budget to enable the Cabinet to recommend to the Council the revenue budget and Council Tax for 2014/15.

This report also set out:-

(a) the overall budget for 2014/15 indicating the major variances from the previous year;
(b) the transactions on the collection fund; and
(c) the financial arrangements account for 2014/15.

The projected 2013/14 outturn expenditure (excluding schools) was £235.7m and available General Fund balances were expected to be approximately £10.66m at the 31st March 2014. This took into account the commitments to purchase Moor Lane and the Interchange development site from TfGM.

The Revenue Support Grant figures for 2014/15 announced in the settlement were in line with those forecast last February and therefore savings of £21.7m were required to balance the budget. These figures represented an 18% reduction in Revenue Support Grant compared to the current year (2013/14). Savings of £22m were a 13% reduction on the Council’s controllable budget (i.e. excluding schools, precepts and levies and Public Health which was ring fenced) of £170m.

An updated assessment had been made of the likely increased financial demands facing the Council and, taking into account the changes, a summary of the overall budget position for the next 2 years was detailed.

The expenditure forecast was based upon an illustrative 1.94% increase in Council Tax and it was explained that the level of Council Tax would be determined by the Council at its meeting on 26th February, 2014 following a recommendation from this meeting. It was also explained that there was a one-off balance of £1.6m available in 2014/15 to either invest in one-off initiatives or to add to general balances. This had arisen partly because the Education Services Grant had been maintained at a higher level in 2014/15 than expected, although it did reduce by a further £1m in 2015/16. In addition, there had been minor changes in terms of the total Business Rate take and the level of the New Homes Bonus which had again provided one-off resources in 2014/15.

Reductions of £21.7m were required to balance the budget for 2014/15 and these savings were agreed as part of the 2013/14 budget approval process and were being met from the following services:-

	£M
Adults	2.5
Children's	2.7
Development & Regeneration	1.4
Environment (excl. Waste)	3.4
Chief Executive's	3.0
Corporate	8.7
Total	21.7

The Secretary of State had announced that the referendum limit for 2014/15 was 2% and if the Council was to increase its Council Tax by 1.94%, i.e. below the referendum threshold, this would raise £1.6m in income.

The Secretary of State also confirmed that for those Councils that froze their Council Tax in 2014/15 a Council Tax freeze grant would be awarded which would provide funding for both 2014/15 and 2015/16. This would amount to a grant of £1m and if the Council accepted this grant, then the overall resources available to the Council would be £0.6m less than assumed in the forecast above.

Consequently, the Council had two main choices as summarised below:-

	Raises	Less than Forecast	Revised One-off Funds Available
	£m	£m	£m
Set Council Tax below the Referendum Limit, i.e. +1.94%	1.6	0	1.6
Accept Council Tax Freeze Grant and set Council Tax at a 0% increase	1.0	0.6	1.0

Members were reminded that the Council was facing significant financial pressures in 2015/16 which were currently forecast to require savings in the order of £25m. This was considered a significant challenge and, in the light of the £100m savings already made in previous years, any options which were developed were likely to take a significant amount of time to implement. Therefore, it was unlikely that sufficient savings would be able to be delivered by April, 2015 to meet the full £25m in that year. Considerable work needed to be undertaken but an initial assessment suggested that this shortfall could be as high as £10m.

Furthermore, it was intended to undertake a full review of the Council's existing reserves to ascertain if there was any scope to identify additional one-off funding to contribute towards meeting the possible cash flow shortfall in 2015/16.

The Council's strategy involved the capture of any on-going savings that had arisen since April 2013 and hold them as a contribution towards the £25m savings required in 2015/16. As a consequence the benefit of these savings in 2014/15 were available as one-off resources which could be considered for investment in key initiatives or ,alternatively, held to fund the cash flow shortfall in 2015/16.

With regard to the ongoing funding members were reminded that previously, the TfGM had reduced their levy in 2014/15 saving the Council an on-going budget of £1m.

Members had expressed a view previously that they wished to consider the possibility of increasing the pay levels of staff at the lowest end of the pay scales. Improvements had been made in the 2013/14 budget and the saving in the TfGM levy provided the opportunity to consider some further improvements to these pay levels on an on-going basis.

The alternative would be to add some or the entire reduced TfGM levy to the available one-off resources in 2014/15 and allocate some or all of the on-going £1m saving as a contribution towards the £25m saving requirement for 2015/16.

There were also a range of one-off funds that the Council needed to consider as follows:-

(a) in 2013 the Council received a dividend of £1.6m from the Airport greater than that included in the original budget. The Council had also received a dividend of £0.4m from the Yorkshire Purchasing Organisation.

(b) the Waste Disposal Authority had agreed a one-off distribution from its reserves which provides the Council with an additional £0.8m and the Education Support Grant was higher than anticipated giving a further £1.0m.

(c) the Council would also have some one-off funds available in 2014/15 depending upon whether or not members agreed to accept the Council Tax Freeze Grant or set Council Tax just below the Referendum Limit £1m to 1.6 m.

(d)the saving in the TfGM levy in 2014/15 of £1m as detailed above.

With regards to capital resources the Council had received its proportion of capital receipts from the sale of properties by Bolton at Home amounting to £1m.

It was explained that the Council could consider allocating some or all of the above funds to specific initiatives as it had done in previous years. Alternatively, some or all of the above revenue one-off resources could be used to meet any cash flow shortfall in 2015/16.

The options agreed in February 2013, indicated that over the two years 2013/14 and 2014/15 approximately 486 posts would be deleted. However, the majority of the savings had been delivered during 2013/14 and therefore, as identified in Appendix B, only 121 posts remained to be deleted in 2014/15, and, as there were 85 vacancies, this left approximately 36 posts where there was a potential redeployment/redundancy. However, a number of staff, who had expressed an interest to go as part of the last voluntary severance initiative, were waiting for the outcome of service reviews.

Currently it was estimated that available balances as at the 31st March, 2014 would be £10.66m and the Deputy Chief Executive recommended, as a minimum, balances of £10 m or higher should be maintained based upon his understanding of the risks and financial issues facing the Council over the next 3 years and the proposals around the Budget, as identified in the report.

On the basis of a total budget requirement of £222.819m (i.e. total expenditure less Direct Schools Grant, New Homes Bonus, Public Health funding and use of Reserves) the balance to be raised from Council Tax was £86.835m.

Resolved – That the Cabinet recommend to Council:-

(i) The Revenue Budget as set out in the Budget Report;

(ii) That Council Tax be increased by 1.94% in 2014/15 which for the Council's element of Council Tax represents an increase of less than 31p per week for a Band A property.

(iii) That £0.4m of the on-going saving from the reduced precept from TfGM be earmarked to fund an increase in the pay for those at the lowest end of the Council's pay scales with the balance of £0.6m in 2014/15 being added to the available one-off resources and with the balance of the ongoing saving of £0.6m being held to offset the £25m reductions required in 2015/16

(iv) That the one-off resources be allocated as follows:-

- **£1m additional investment in main highways schemes;**
- **£1m investment in residential roads;**
- **£1m capital investment in facilities for young people;**
- **half a million pounds to create a hardship fund to support those who are in difficulty as a result of the impact of Benefit changes;**
- **half a million pounds to create a fund to provide support for voluntary and community groups who are considering working with the Council to assist in the reduction in demand for Council services; and**
- **£3m be retained as a contribution towards the likely cash flow shortfall in 2015/16 (currently estimated at approximately £10m).**

54. TREASURY MANAGEMENT AND INVESTMENT STRATEGIES 2014/2015 TO 2016/17

The Deputy Chief Executive submitted a report that outlined the Council's prudential indicators for 2014/15 – 2016/17 and set out the expected treasury operations for this period.

The report fulfilled two key legislative requirements:-

(a)the treasury management strategy statement which set out how the Council's treasury service would support the capital programme, the day to day treasury management and the limitations on activity through treasury prudential indicators; and

(b)the investment strategy which set out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy was in accordance with the CLG Investment Guidance.

Resolved – That, subject to the approval of the Council, The Treasury Management Strategy 2014/15 to 2016/17and the treasury limits on activity contained within this report; the Authorised Limit Prudential Indicator and the Investment Strategy 2014/15 contained in the treasury management strategy be approved.