

**NORTH LINCOLNSHIRE COUNCIL**

**COUNCIL**

**FINANCIAL STRATEGY 2014/18**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 This paper's main object is to provide an analysis of relevant factors for the council's **financial strategy**.
- 1.2 It aims to do this taking account of:
- i. The public finances
  - ii. The council's resources
  - iii. Feedback from the public and other stakeholders on what they see as service and spending priorities.
- 1.3 The paper provides financial analysis and consultation feedback. It sets the context for the financial decisions the council will take for the start of the next financial year in April 2014 and for the years ahead.

**2. BACKGROUND INFORMATION**

**Strategy and Priorities**

- 2.1 The council's four agreed priorities set out a vision and strategic direction for the council. They define how the council will operate and the outcomes it is committed to achieve for the people who live and work in the area. In essence it commits the council to be dynamic, high performing and customer focussed; giving the best possible value for money and changing outcomes for all people living and working in the area. They help to shape the council's decision-making including its financial plan.
- 2.2 There are **four key themes** to the strategy:
- 1) To give excellent service to customers
  - 2) To provide value for taxpayers' money
  - 3) To make communities safer and stronger
  - 4) To regenerate the area and increase prosperity

## Financial strategy

- 2.3 The financial strategy is made up of a number of elements. The following paragraphs explain them.
- 2.4 There is a legal requirement to set a **revenue budget** each year. 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.
- 2.5 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 be two local taxes to support council spending, the **local share of business rates and council tax**.
- 2.6 **The Settlement Funding Assessment** determines the government’s 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.
- 2.7 **Specific grants** These are grants for specific purposes and are paid separately. Many of these have been rolled into the Settlement Funding Assessment. Others are ring-fenced for particular purposes. The largest is Dedicated Schools Grant which can only be spent in schools or on defined support services for schools. 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 resources.
- 2.8 The aim of reforms to local government finance is to make as many councils as possible self-financing; and to strengthen local accountability rather than accountability to government. The government still has some tools of financial influence. The Localism Act 2011 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 2014/15 this is 2%. The government has offered a further **council tax freeze grant** for the next two years, equivalent to 1% on the council taxbase, to those authorities which hold or reduce the council tax compared to 2013/14.

- 2.9 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 revenue.
- 2.10 The **Prudential Code** governs borrowing decisions. The council must ensure that borrowing to support investment is affordable and prudent over the long-term.
- 2.11 The Council has also adopted the CIPFA Code of Practice for **Treasury Management**, the standard of best practice. This was revised in the light of the Icelandic banking crisis and the impact it had on local government investments. The Code requires the council to set a strategy for the investment of cash surpluses, the management of its debt portfolio, and define how and in what circumstances it will borrow.

### 3. **OPTIONS FOR CONSIDERATION**

- 3.1 The council has a statutory obligation to deliver a range of services, such as the safeguarding of children, social care and waste collection and disposal; it can deliver a range of other services at its discretion such as leisure and cultural facilities. The choices it makes about what it does and how are shaped by the needs and aspirations of the local community
- 3.2 This paper provides context for those choices. It provides information on
- **The public finances**
  - **Council resources**
  - **The outcomes of consultation**
- 3.3 Each of these has implications for how we frame our financial plans:
- The state of the public finances mean that publicly funded organisations need to plan for reducing resources over an extended period
  - Our finances set a limit on the resource we can deploy in providing services to the public
  - The feedback from the public, business and other stakeholders gives us a valuable insight into what expectations there are of the council.

## 4. ANALYSIS OF OPTIONS

### PUBLIC FINANCES

4.1 In the Autumn Statement 2013 the Chancellor of the Exchequer was able to project an improving picture of the state of the economy.

	2012	2013	2014	2015	2016	2017
	%	%	%	%	%	%
Growth in GDP	0.1	1.4	2.4	2.2	2.6	2.7
CPI inflation	2.8	2.6	2.3	2.1	2.0	2.0
Net debt as % of GDP	73.9	75.5	78.3	80.0	79.9	78.4
Claimant count (millions)	1.57	1.37	1.26	1.22	1.17	1.12

- Economic growth has begun to accelerate
- Inflation is falling and reached the target (2%) in December 2013
- Public sector debt is expected to peak in 2015/16
- The number of those claiming out of work benefits is falling.

4.2 In this context longer term fiscal planning will continue to target the public sector deficit. The need to reduce public spending commitments is expected to continue to 2020 with resources falling year on year. The government's ambition is that the outcome will be a smaller state which operates at a permanently reduced level of funding as a proportion of the country's Gross Domestic Product (GDP). The strategy includes a cap on the welfare budget, with further reductions in working age benefits; a public sector pay policy to cap the total budget for pay instead of annual increases; and an expectation that state pension retirement ages will increase sooner than previously forecast.

4.3 The Audit Commission published 'Tough Times 2013' in November 2013 on how this downward pressure on resources is affecting the local authority sector. It is the third report to examine the financial health of councils since 2010. Its conclusion is that councils have demonstrated a high degree of financial resilience to date in the face of the reduction in funding since 2010, although three in ten had to take unplanned actions during 2012/13 to deliver on the budget. Looking ahead the Commission has concerns that up to a third of councils may face financial difficulties over the medium term.

## **NORTH LINCOLNSHIRE COUNCIL RESOURCES**

### **Government Funding**

- 4.4 Core Settlement Funding for 2014/15 and 2015/16 is close to the forecast in the council's draft medium term financial plan. Substantial reductions are made in the Settlement Funding Assessment of **£7.5m (10%) in 2014/15** and **£9.6m (15%) in 2015/16**.
- 4.5 There are changes in other funding streams the net effect of which is positive:
- a) The 1% freeze grant offered for 2014/15 and 2015/16 if the council does not increase its council tax will continue as base funding in future years
  - b) The New Homes Bonus will not be top-sliced for the LEP from 2015/16 ; the full entitlement will now come to the council
  - c) Government will compensate for a 2% cap on business rates in 2014/15 and small business and retail relief giving a neutral impact
  - d) Pooled revenue funding for health and social care, now termed the Better Care Fund, increases from the current £2.7m to £3.5m in 2014/15 and to £11m in 2015/16 in line with expectations.
  - e) Welfare funding for community support and crisis grants of £0.5m is to be withdrawn in 2015/16.
  - f) Education Support Grant of nearly £2m in 2014/15 is in line with expectations; but this will reduce as schools transfer to Academy status and a further top-slice of 25% from 2015/16 for transfer to school budgets is confirmed.
- 4.6 All of these grant changes are now factored into the financial plan. No changes have been made to grant assumptions for the last two years of the plan. The figures for later years should only be taken as provisional. The Chancellor has announced plans for a further £25bn of savings in the first years of the next Parliament and this is likely to have implications for local government funding.

### **Increase in Local Resources**

- 4.7 The new system of local government finance introduced in 2013/14 rebalances the previous system. It aims to provide incentives for councils to work to grow their local economy. It does this in two main ways:
- a) It shares the growth in business rates between government and council
  - b) It provides New Homes Bonus, which matches the extra council tax with extra grant for a rolling period of six years

- 4.8 For these reasons the North Lincolnshire medium term financial plan can factor in the benefits of planned growth. The prospects are significant, but also carry risks. The approval to the **Able UK development of the South Humber Bank** brings substantial growth in **business rates**. Business rates within the Enterprise Zone are designated for use by the Humber LEP; neighbouring development benefits the council directly. In a similar way the council retains 100% of new renewable energy schemes. All of these have been factored into the budget forecast giving an additional local tax take of **£4.4m** by 2017/18.
- 4.9 At the same time growth is factored into the **council tax** base from **the Lincolnshire Lakes development** assuming a start from 2015/16. The decision not to top-slice the New Homes Bonus increases the benefit of each new property. In the current financial plan this additional funding of **£3.8m** is used to support council core spending.

Bringing all funding sources together gives the resource forecast shown in the table below:

<b>RESOURCE FORECAST</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Settlement Funding Assessment</b>	<b>65,727</b>	<b>56,131</b>	<b>51,700</b>	<b>48,081</b>
Council Tax 0%, 1.75%,1.9%,1.9%	57,072	58,352	59,757	61,196
Freeze Grant 2014/15	677	677	677	677
Business Rate Tariff & Levies	10,297	11,205	12,019	12,803
Share of Business Rate growth	2,447	3,298	3,889	3,889
NNDR Section 31 Grant	1,539	0	0	0
New Homes Bonus	2,374	3,051	3,691	3,691
Education Services Grant	1,878	1,290	1,190	1,090
Other Un-ring Fenced Grants	104	0	0	0
<b>Local Funding</b>	<b>76,388</b>	<b>77,873</b>	<b>81,223</b>	<b>83,346</b>
Council Tax	0	704	1,419	2,146
Business Rates	0	1,571	2,822	4,359
New Homes Bonus	0	414	966	1,640
<b>New Developments</b>	<b>0</b>	<b>2,689</b>	<b>5,207</b>	<b>8,145</b>
Use of Reserves	2,536	1,596	222	276
<b>Total Funding</b>	<b>144,651</b>	<b>138,289</b>	<b>138,352</b>	<b>139,848</b>

## OUTCOMES OF PUBLIC CONSULTATION

- 4.10 Each year the council consults with the public, business and other stakeholders including parish councils on its financial plans and on the strategy which underpins them. This year the aim was to increase public engagement, working harder to reach groups who might otherwise not have the opportunity to contribute their views. It also covered the two years for which Settlement Funding had been announced, 2014/16. A detailed analysis of the consultation and public response is attached at Appendix 1.
- 4.11 Consultation took place between 4 November and 16 December 2013 using a variety of approaches:
- a) An online questionnaire on the Council's website
  - b) The same questionnaire in pamphlet form at council buildings which the public use; local links, libraries etc
  - c) Face to face interviews via a voluntary and community sector provider
  - d) Face to face interviews by the Stronger Communities Team at council events such as the Youth Council.
- 4.12 Face to face interviews helped to increase the number of participants, combined with promotion of the on-line consultation through social media. In total there were 302 responses to the consultation compared to 196 last year.
- 4.13 The consultation focused on the same four themes as last year to allow for comparability of the results. These were:
- a) The Council's service priorities
  - b) Its cost saving strategies
  - c) Satisfaction with the Council and the area
  - d) The relative priority of low council tax, better value for money and quality of services.
- 4.14 In summary, the feedback was that:
- Council priorities of social care, education, and economic growth together with reducing crime and the fear of crime, roads and waste collection, were supported
  - All the value for money tools which the council has used attracted majority support , except raising fees and charges to recover costs
  - Satisfaction with the council has increased
  - The policy of freezing council tax was endorsed by the majority.
- 4.15 There were additional opportunities to consult directly with other stakeholders:

- Council representatives attended the meeting of the Chamber of Commerce, North Lincolnshire branch on 28 January.
- A parish council liaison meeting on 20 February.

4.16 A presentation on the financial strategy was given to business and parish representatives. It explored the same four themes and provided an opportunity for discussion.

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

5.1 This paper provides information on the state of the public finances and the council's financial position. It is in this context that council sets its financial strategy, its budget and council tax for 2014/15.

5.2 Feedback from the public, business and other stakeholders tells the council how well its priorities meet aspirations. These should be taken into account in the allocation of resources through the budget.

## **6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

6.1 Not applicable as this is a report for information.

## **7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

7.1 See section four and Appendix 1 for consultation outcomes.

7.2 Not applicable as this is a report for information.

## **8. RECOMMENDATIONS**

8.1 That in determining resource allocation in the 2014/18 financial plan council notes

- i. The state of public finances
- ii. The council's financial position
- iii. The feedback from local residents, business and other stakeholders.

THE DIRECTOR OF POLICY AND RESOURCES

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**Background Papers used in the preparation of this report:**

The Autumn Statement 2013 at  
<https://www.gov.uk/government/publications/autumn-statement-2013-documents>

The Local Government Settlement at  
<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2014-to-2015>

The Local Government Finance Act 2012

## **Budget consultation with local residents**

## **APPENDIX 1**

This budget consultation 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.

Consultation subsequently took place between 4 November and 16 December 2013 using a variety of approaches:

- An online questionnaire on the Council's website
- The same questionnaire in pamphlet form at council buildings which the public use; local links, libraries etc
- Face to face interviews via a voluntary and community sector provider
- Face to face interviews by the Stronger Communities Team at council events such as the Youth Council.

Participant data was analysed at various points during the consultation by the Stronger Communities Team and a targeted response carried out to try and ensure that the consultation was representative of the people who live and work in North Lincolnshire.

In addition the Communications Team promoted the consultation on the Council's website and through social media at various points during the consultation. This promotion proved successful in increasing the number of participants. In total there were 302 responses to the consultation compared to 196 last year.

### **Objectives**

To maintain consistency with the approach taken in the past two years the consultation was in four parts and asked respondents to

1. Indicate the level of importance they would attach to each service from a list of eighteen council services
2. Express a preference for a number of options the council could consider to reduce costs and improve value for money.
3. Provide an opinion on the level of satisfaction with the local area, the way the council runs things and how well the council keeps residents informed
4. Indicate their preferred trade-off between high-quality services, value for money and the level of council tax

### **Methodology**

The questionnaire invited respondents

- To classify each council service from a list of eighteen as either 'Very Important', 'Important', 'Limited Importance' or 'Not Important'

- To indicate their strength of feeling on a number of cost reduction and value for money proposals, categorised as – ‘strongly agree’, ‘agree’, ‘object’ or ‘strongly object’. This section included questions on changes to service delivery, including more use of the private and voluntary sector, more use of on-line rather than face to face or telephone services, and shared services with other public sector providers
- To provide an opinion on the level of satisfaction with the local area as a place to live, with options ranging from ‘Very satisfied’ to ‘Very dissatisfied’. This was followed by two similar questions asking for opinions on the way North Lincolnshire Council runs things and how well informed the Council keeps residents about the services and benefits it provides
- To consider statements relating to the quality of services, value for money and the level of council tax, ranking them in order of importance
- An opportunity was also provided to feed back further comments on which services the council should prioritise; any they felt the council should spend less on or stop doing completely; and any suggestions on other ways the council could make savings or improve value for money

### **Summary of responses**

A total of 302 responses were received.

### **Consultation outcomes**

#### **1) Service priorities**

A total of 18 service areas were put forward which capture the range of council responsibilities. These are listed in the table:

1. Care of the elderly.	10. Youth services.
2. Care of people with disabilities.	11. Improving people’s health and well-being.
3. Children’s care services: family support, children’s homes, fostering and adoption.	12. Improving road safety.
4. Education – support for schools.	13. Protecting people from flooding.
5. Promoting economic growth and jobs – especially for young people.	14. Indoor and outdoor leisure facilities.
6. Reducing crime, the fear of crime and anti-social behaviour.	15. Supporting public transport.
7. Maintaining roads and footpaths.	16. Libraries and Local Links.
8. Waste collection, recycling and disposal.	17. Cultural services – such as museums.
9. Maintaining public spaces: street cleaning, parks etc.	18. Support to voluntary sector bodies.

## Highest priority services

From this analysis, based on the number of votes and their ranking, the highest priorities were:

- 1) Care of the elderly (1)
- 2) Care of people with disabilities (2)
- 3) Education – support for schools (4)

Followed by

- 4) Promoting economic growth and jobs - especially for young people (5)
- 5) Reducing crime, the fear of crime and anti-social behaviour (6)
- 6) Children's care services: family support, children's homes, fostering and adoption. (3)
- 7) Maintaining roads and footpaths (7)
- 8) Waste collection, recycling and disposal (8)

Each of the above services achieved an average ranking in the range from 'Important' to 'Very Important'.

The bracketed numbers show the comparative ranking last year. The results are very much in line with those from last year. The top 8 priorities remain the same, with only a slight change in the order of priorities. Education, promoting economic growth and reducing crime have each risen in the order of priority, climbing above children's care services.

### **Suggestions were made on other services the council should prioritise –**

- Various social care issues
- Assistance and advice for job seekers
- Housing and homelessness issues

### **Suggestions were made on other services the council should spend less on, or stop doing completely, including –**

- Various leisure and cultural services
- Parking enforcement
- Grounds maintenance

## **2) Cost reduction/value for money options**

The table below shows a ranking of the level of agreement or disagreement, ordered with the strongest level of agreement at the top down to one option at the bottom for which objection outweighed agreement. This uses a weighted average which allows 'Strongly agree' or 'strongly disagree' a double weighting compared to 'agree' and 'object'. For each statement figures in bold show the category which corresponds to the weighted average.

	Strongly agree	Agree	Object	Strongly object
Reduce the number of council buildings and look to share with other organisations where this reduces costs.	41%	<b>50%</b>	6%	3%
Work in partnership with other organisations to provide services.	26%	<b>65%</b>	6%	3%
Share services with other councils or organisations.	30%	<b>55%</b>	12%	3%
Look for income generating opportunities through selling council services.	28%	<b>47%</b>	18%	7%
Negotiate with the private sector to provide services.	26%	<b>50%</b>	16%	8%
Make more use of volunteers.	21%	<b>49%</b>	23%	7%
Make more services available online rather than face-to-face in offices or over the telephone.	24%	<b>40%</b>	28%	8%
Transfer services to other organisations, for example town and parish councils or voluntary groups.	18%	<b>45%</b>	28%	9%
Cease providing some services.	12%	<b>41%</b>	37%	10%
Increase fees and charges for services to recover costs.	12%	33%	<b>41%</b>	14%

The new option of 'Increasing fees and charges for services to recover costs' is objected to by a majority of respondents. All other proposals have majority support including 4 which were objected to by the majority of respondents on last year's survey – 'Make more use of volunteers', 'Transfer services to other organisations, for example town and parish councils or voluntary groups', 'Make more services available online rather than face-to-face or over the telephone' and 'Negotiate with the private sector to provide services'. Other proposals attract a similar distribution of opinion as last year.

**Suggestions were made on other ways the council can make savings or improve value for money –**

- Review of senior management remuneration and staffing structures
- Energy saving initiatives such as turning off street lighting at certain times or making council offices more energy efficient
- Work more efficiently and increase flexibility of staffing arrangements
- Use the unemployed and people doing community service for grounds maintenance/street cleaning tasks

### 3) Satisfaction with the Council and Local Area

	Very satisfied	Fairly satisfied	Neither satisfied nor dissatisfied	Fairly dissatisfied	Very dissatisfied
Overall, how satisfied are you with your local area as a place to live?	22%	<b>51%</b>	14%	8%	5%
Overall, how satisfied are you with the way North Lincolnshire Council runs its services?	15%	<b>52%</b>	19%	10%	4%
How satisfied are you with the way North Lincolnshire Council keeps you informed about services and benefits it provides?	13%	<b>32%</b>	25%	21%	9%

- Satisfaction levels with the local area as a place to live are very similar to last year's results, with a slight fall in those who describe themselves as 'Very Satisfied'.
- 67% of respondents have indicated that they are either satisfied or very satisfied with the way the council runs its services, an increase from the previous year's 61% figure.
- 45% of respondents say they are satisfied with the way the council keeps them informed about its services. The previous year's figure was 64%, but no option was given last year to select 'Neither satisfied nor dissatisfied', whereas this year 25% of respondents have selected this option.

### 4) Taxpayer priorities

Respondents ranked their preferences on quality of service, value for money and council tax in order of importance.

**Keeping council tax low** attracted the most first preferences (**47%**). **Improving the quality of service (27%)** and **value for money (26%)** attracted a similar level of preference. There has been a marked change in responses compared with last year, with a sharp rise in the number of respondents who considered keeping council tax

low their highest priority. Last year this was highest priority for 30% of respondents, lower than both improving the quality of services (38%) and value for money (32%).

## **5) Conclusion**

Key conclusions from this year's survey are:

- The priority given to services by respondents is similar to last year, 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 year 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 last year where improving the quality and VFM of services were the higher priorities.