

POLICY, FINANCE AND ADMINISTRATION COMMITTEE

26 JANUARY 2016

REPORT OF HEAD OF CENTRAL SERVICES

REVENUE AND CAPITAL BUDGET PROPOSALS 2016/17

1.0 PURPOSE OF REPORT

- 1.1 To outline the key budget issues that will be going forward to the Council's budget setting meeting on 10th February 2016 and provide the opportunity for Members to comment on these in advance of the meeting.

2.0 RECOMMENDATION

- 2.1 **That Members provide any comments on the revenue and capital budget proposals for submission to the Council meeting on 10th February 2016.**
- 2.2 **That the establishment be varied to include the extension of the 0.5 FTE GIS Technician post to the 31st March 2019.**

3.0 KEY ISSUES

3.1 Background

- 3.1.1 A Strategic Planning Away Day was held on the 13th January 2016 for all Members to discuss the Council's financial position with regard to general and special expenses including proposals for growth and savings and capital programme submissions alongside available funding for 2016/17. The future outlook for the council's finances was also discussed. Guidance was provided to officers on the proposals that members were likely to support in order to prepare the relevant reports for both this committee meeting and the Council meeting to be held on 10th February 2016.

3.2 Finance Settlement

- 3.2.1 The provisional local government finance settlement was announced on 17th December 2015. The settlement is subject to consultation which closed on 15th January 2016. Following the consultation final figures are provided to councils. A verbal update will be provided at the meeting should the final figures be received in time although it is likely that these will not be available until February 2016.
- 3.2.2 The finance settlement sets out the centrally allocated resources for all councils which are allocated within the context of the spending review. A Settlement Funding Assessment is awarded which consists of a Revenue Support Grant (fixed grant) and a Baseline Funding Level which is used to calculate the level of business rates that can be retained from that estimated to be collected locally. Figures were announced for the period 2016/17 to 2019/20 with the announcement that where council's desired the certainty of a guaranteed four year budget this would be available with the submission of an efficiency statement. No further information of what the alternative option is nor what the efficiency statement should consist of have been made available and therefore the figures announced for later years must therefore be provisional. The provisional sums announced for Melton are set out in the following table with the 2015/16 adjusted figure for comparison purposes:

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Settlement Funding Assessment	2,191	1,791	1,489	1,328	1,316
-Revenue support Grant	986	576	250	52	0
-Baseline Funding Level	1,205	1,215	1,239	1,276	1,316
Business Rates Adjustment	0	0	0	0	-169
Rural Services Delivery Grant	35	45	79	112	146

- 3.2.3 As can be seen from the table the Council is set to incur an overall loss of grant of £933k between the current financial year 2015/16 and 2019/20 representing a 42% reduction. This is in addition to the previous reductions of £1,859k or 57% over the period 2010/11 to 2015/16. It can also be seen that once Revenue Support Grant no longer exists an adjustment is made to the business rates retained in order to continue with the reductions to funding. A consultation document relating to the 100% retention of business rates is also awaited but it is clear that there will be a redistribution mechanism across the country.
- 3.2.4 What is disappointing is that the Revenue Support Grant for 2015/16 includes funding of £117k in respect of previous years council tax freeze grants. On the basis of the figures announced this appear to reduce and then be removed from the system meaning that those councils such as Melton that followed government policy are penalised for not having raised council tax like some councils may have done. This point was highlighted in the council's response to the consultation. In addition funding for the Local Council Tax Support Scheme was originally provided at 90% of the cost as part of the Revenue Support Grant.
- 3.2.5 In addition to the core funding there is a live consultation regarding New Homes Bonus (NHB) which could see further losses in funding of up to £825k over the next 4 years based on the previous assumptions within the MTFs. There are a number of potential options being explored as part of the consultation around how the government may approach this with the main emphasis being on reducing the number of years calculated for the NHB from 6 to 4. The Council will be fully engaging and responding to the consultation document.
- 3.2.6 The settlement announcement also confirmed the referendum limit for council tax would remain at 2%. No further council tax freeze grants are being offered.
- 3.2.7 The settlement provides the necessary information to enable estimates to be made with regard to retained business rates. Councils in business rates pools have 28 days from the date of the settlement to withdraw from the pool should the figures suggest the pool is not viable. Should any council withdraw the whole pool would then be dissolved. Due to the timing of this decision this committee granted delegated authority to the Head of Central Services in consultation with the Chief Executive, the Chair of this committee and Councillor Holmes being the political groups' nominated consultee for the Policy Finance and Administration Committee, to withdraw from the Leicestershire pool for business rates should the modelling demonstrate there is no longer a financial benefit to the Council. In summary the pooling agreement, allows for increases in business rates that would otherwise have been paid over to central government in the form of a levy to be retained within the pool area. Monies retained above an approved contingency will be available to support priority economic projects within the whole Leicestershire/Leicester area and

distributed by the LLEP. Following the settlement and subsequent estimates the estimated retained levy within the pool area for 2016/17 is £4.2m with a proportion being held back as a contingency, however the final position will not be known until after the end of the financial year. As such under delegated authority the decision was made to remain within the pool. The financial position of the pool is monitored on a quarterly basis across the area.

3.3 Revenue Budget 2016/17

3.3.1 The key budget proposals arising from the Strategic Planning Away Day are as follows:

- to propose an average increase in council tax across all funds of 1.9%;
- To propose the items of growth set out in Appendix A be approved for funding and included in the budget. This includes £58,670 of on-going funding and £13,000 of non-recurring funding to be funded from the Corporate Priorities Reserve. A full list of the growth proposals is included as Appendix B;
- To approve the savings proposal of £47,980 subject to the approval of the Community and Social affairs Committee of the alternative arrangements in place for the running of the Children's Centres;
- To approve the growth proposal of £10,330 for Special Expenses Melton Mowbray set out in Appendix C which is the only proposal put forward for funding.

3.3.2 These proposals result in a net surplus of £22,154 on the General Fund for 2016/17 to be transferred to the corporate Priorities Reserve which will offset some of the significant reductions in funding arising in 2017/18.

3.3.3 One of the items on the growth list that is not proposed for funding relates to the extension of the temporary GIS Technician post to the end of March 2019. It was indicated at the away day that this could be funded from within the local plan reserve and as such would not need to be funded from within the revenue budget as an additional item. However approval will be required to vary the establishment in order to accommodate this approach.

3.3.4 The net position on special expenses Melton Mowbray arising from these proposals would be a reduction in the contribution to the Special Expenses general reserve. This results in reducing the potential funding for any future capital schemes which this reserve is primarily used for.

3.4 Capital Programme 2016/17

3.4.1 Members considered the allocation of funding to General Expenses and Special Expenses Melton Mowbray at the Strategic Planning Away Day. The schemes proposed for funding and the source of that funding for General Expenses is set out in Appendix D and for Special Expenses Melton Mowbray Appendix E. The proposed capital programme in respect of the Housing Revenue Account is included as Appendix F and is the same as approved by the Community and Social Affairs Committee at its meeting on 18th November 2015.

3.4.2 For information a full list of those schemes put forward in respect of General Expenses is included as Appendix G.

3.4.3 Only one capital project was put forward in respect of special expenses Melton Mowbray as outlined in Appendix E. As referred to in para 3.3.3 if the growth bid outlined in Appendix C is approved this will reduce the predicted balance of the Special Expenses general reserve by £10,330 to £38,255. This would mean there would be insufficient monies available to fund the proposed scheme. It was indicated at the Away Day that the scheme should be value engineered to fit with the reduced level of funding.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 The process followed with regard to the setting of the Council's budget is in line with the Service and Financial Planning timetable. Proposals for enhancements are assessed including their link to the Council's Priorities and Service Plans and other corporate documents.

4.2 This process provides for an annual Strategic Planning Away Day to be held. This has enabled all members to have early sight of full budget proposals and to ask questions in order to gain a full understanding of the council's financial position, the priorities against which its financial plans are made and discuss revenue and capital budget proposals. This enables direction to be provided in advance of the Council meeting in terms of the reports presented. Both revenue and capital proposals had already progressed through individual policy committees earlier in the process.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 The finance settlement represents significant losses of funding to the council. The Medium Term Financial Strategy will bring the financial implications together for later years along with the budget and savings proposals providing an indication of the overall additional budget reductions that will be required to balance the budget. The proposals for New Homes Bonus will start to impact in 2017/18 and this will be the first year with particular financial challenges for the council. Any savings that can be made in advance and "banked" for later years will of course be of great benefit to the council.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 There are no direct legal implications of this report.

7.0 COMMUNITY SAFETY

7.1 Individual budgets could have links to community safety issues. These are covered in any associated reports and financial forms that refer to these budgets as they progress through the decision making process. There is a capital item proposed for approval which specifically covers community safety for 2016/17 relating to the CCTV equipment replacement.

8.0 EQUALITIES

8.1 Should it be considered that elements of the budget proposals may have equalities issues then these have been considered by the service area and assessed accordingly. The position is set out in the attached reports to Council.

9.0 RISKS

9.1 The corporate risk relating to the council's finance as contained in the corporate risk register is set out below. In addition to this there are various risk relating to individual aspects of the council's budget. These will be reported on in more detail in the budget report to the Council.

L I K E L I H O O D	A	Very High				
	B	High			1	
	C	Significant			2,5	
	D	Low		3	4	
	E	Very Low				
	F	Almost Impossible				
			Negligible 1	Marginal 2	Critical 3	Catastrophic 4

IMPACT

Risk No	Risk Description
1.	Uncertainty and risks over the future government funding and the resultant impact on the Council's finances including RSG, NHB and business rates
2	Assumptions around demand and usage for Fees and charges income result aren't achieved resulting in reduced income in areas such as car parking (including enforcement) and planning
3	Grant incomes for supporting service delivery are withdrawn or reduced funding is provided in areas such as Wheels to work and sports commissioning
4	Transformation savings aren't achieved
5	Changes to the waste service incomes streams such as the reduction in value of commingled waste, green waste disposal income and dry recycling credits could all change resulting in a reduced income the council

10.0 CLIMATE CHANGE

10.1 Individual budget heads could have climate change issues but these are considered individually as they progress through the approval process.

11.0 CONSULTATION

11.1 The Council's corporate priorities were approved following consideration of national priorities, local intelligence, partner's priorities, community views, internal requirements and future challenges. These have been taken into account as part of the budget setting process.

- 11.2 The Service and Financial Planning Timetable sets out the Council's approach to consultation and its links to the budget setting process. All Heads of Service and Members are involved in the process at various stages.
- 11.3 Union representatives were invited to attend the BSPWG meetings held in November and the Strategic Planning Away Day in order to facilitate communication with staff representatives.
- 11.4 The Town Area Working Committee were consulted on proposals for Special Expenses Melton Mowbray.
- 11.5 Business ratepayers are being consulted on revenue and capital spending plans via the council's website. The outcome of which will be reported to The Council when the budget is considered.
- 11.6 The Strategic Planning Away Day has been held annually for some considerable years. This enables all members to have early sight of full budget proposals and to ask questions in order to gain a full understanding of the council's financial position, the priorities against which its financial plans are made and discuss revenue and capital budget proposals. This enables direction to be provided in advance of the Council meeting in terms of the reports presented.

12.0 **WARDS AFFECTED**

12.1 All wards will be affected

Contact Officer:	Dawn Garton Head of Central Services
Date:	19th January 2016
Appendices:	Appendix A – General expenses growth proposals recommended for funding Appendix B – Full list of General expenses growth proposals Appendix C – special Expenses Melton Mowbray Growth Proposals recommended for funding Appendix D – General expenses capital projects recommended for funding Appendix E – Special Expenses Melton Mowbray capital projects recommended for funding Appendix F – HRA proposed capital programme Appendix G – Full List of general expenses capital projects put forward for funding
Background Papers:	Budget Working Papers Strategic Planning and Budget 'Away Day' notes
Reference:	X: C'tees, Council & Sub-C'tees/PFA/2015-16/26-01-16/DG – Revenue and Capital Budget Proposals 2016-17