

BODY: CABINET

DATE: 9th December 2015

SUBJECT: Draft Budget Proposals 2016/17

REPORT OF: Chief Finance Officer

Ward(s): All

Purpose: To summarise the main elements of the emerging 2016/17 revenue budget that has arisen from the corporate and service financial planning process to date.

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Recommendations: Members are asked to:

- i) Agree the draft budget proposals for consultation.
- ii) Agree the approach to dealing with changes in the expected resources available for the 2016/17 budget as detailed in 5.3.
- iii) Agree that subject to there being no material change in the government settlement that Cabinet is minded to propose a council tax rise of 1.9% for 2016/17 to make a Band D charge £228.45 for Council services.

1.0 Introduction

- 1.1 Each year the Council consults with a range of stakeholders on its detailed draft budget proposals for the following financial year. This follows consultation on the corporate plan and Medium Term Financial Strategy (MTFS), which is carried out over the summer and autumn. The results of the corporate plan consultation are reported elsewhere on this agenda.
- 1.2 The Cabinet will consider initial responses to the consultations at this meeting and finally on 3 February 2016 in order to recommend a final budget for 2015/16 and amended capital programme to the Council on 17th February 2016.
- 1.3 The process of service and financial planning is an integral part of the corporate planning cycle that looks over a medium term horizon. The corporate change programmes under the DRIVE transformation programme pick up the challenge set by the MTFS.
- 1.4 The MTFS agreed in July 2015 modelled the overall reduction in Government support by 30 to 40% over the life of the current parliament (2015/20) The incoming Government's "stability budget" in July appeared to confirm this

subject to the Comprehensive Spending Review taking place this autumn covering the period to 2020.

1.5 At the time of writing this report neither the Chancellors autumn statement nor the resulting local government settlement is available, However there has been a ministerial announcement that an overall 30% reduction in Government funding for the Department of Communities and Local Government (DCLG) has been agreed.

1.6 DCLG will have to convert its overall spending control total into a settlement for local government to cover:

- Revenue Support Grant (general grant)
- Business Rates Retention (general reward based retention)
- New Homes Bonus (general reward allocation based on new homes)
- Specific grants (e.g. Housing Benefit Administration Grant)

In addition there is support specific to upper tier authorities such as the dedicated schools grant (DSG) and recognition of services devolved as part of the Government's devolution programme.

1.7 The Council is with other East Sussex authorities part of a single business rates "pool" which allows the Council to increase its business rates retention over and above the national scheme (worth approximately £100k in 2015/16 and projected at £200k per annum thereafter) The additional retention supports growth initiatives in the Council's capital programme.

2.0 Integrated corporate planning process

2.1 In July 2015, the Council adopted its latest MTFs that set the platform for the service and financial planning process during the summer and autumn. The strategy set out a further 4 year rolling programme with savings targets of £2.7m recurring by 2019/20 (in addition to over £5m of recurring savings achieved in setting the 2011-2016 budgets)

2.2 The overarching DRIVE programme forms the basis of Councils efficiency agenda and the sustainable service delivery strategy (SSDS) is a major component of the programme, which will deliver savings over the life of the current MTFs. The Council's move towards shared services and integration with Lewes District Council is set to contribute a further £1m of savings over the next four years. Together with savings from procurement and channel shift provide the main emphasis of the current SSDS. Performance against targets is reported frequently via Cabinet.

2.3 The Service and financial planning process is a rolling three year period to reflect the MTFs, which as well as providing £500,000 per annum to reflect growth in the capital programme is well developed to meet the overall target of £2.7m over the current cycle.

2.4 Consultation on the financial plans is underway and includes Scrutiny, unions and staff as well as partner organisations and the public. A separate report is included on the agenda on the corporate plan consultation and place survey.

2.5 Once the budget proposals have been adopted in February, service plans will be updated and resource allocations reviewed in the light of any changes required by corporate plan priorities or the budget. The performance management systems will be used to monitor progress with quarterly reports to Cabinet.

3.0 Background to the Budget Proposals

3.1 The MTFS set out the principles for the budget of the following four years and models the financial impact of the strategy.

3.2 The main backdrop to the MTFS is the requirement to set a balanced budget and dealing with the effects on the Councils finances of the current economic downturn.

3.3 The current strategy set out a rolling three year plan to:

- Deal with the anticipated reduction in the Government support of a further 30% from the 2015/16 level.
- Integrate the service and financial planning process with the main change programmes under DRIVE
- Work with clearly defined medium term efficiency targets to the corporate transformation programmes via the SSDS and allow services to put forward savings proposals in addition.
- Deal with unavoidable growth in service demands
- Maintain front line services to the public
- Make further recurring savings of £2.7m per annum by 2019/20
- Maintain at least a minimum level of reserves of £2m
- Use surplus reserves in the medium term for:
 - Invest to save projects
 - Smooth the requirement for savings over the cycle of the MTFS
 - Invest in one off service developments in line with the corporate plan
- Benchmark fees & charges and increase where possible
- Reinvest in the capital programme when headroom is created
- Set council tax rises at the level of target inflation (CPI target 2%)
- Maintain a Strategic Change Fund to finance the DRIVE programme in order to increase efficiency
- Maintain an Economic Regeneration Reserve to finance external interventions that promote economic activity
- Use borrowing to support the capital programme only on a business case basis
- Continue the process of priority based budgeting to target investment and differential levels of savings targets at services according to priority
- Identify new income streams to supplement diminishing resources

3.4 Whilst at the time of writing the settlement in respect of revenue support grant (RSG) and retained business rates for 2016/17 as well as numerous other grant announcements have not yet been made, the following are assumed in the draft budget.

Year	2015/16	2016/17
	£'m	£'m
RSG	(2.8)	(2.4)
Retained Rates/section 31 grants	(4.0)	(4.0)
Council Tax freeze grant	(0.1)	0
New Homes Bonus	(1.1)	(1.3)
Council Tax	(7.3)	(7.6)
TOTAL	(15.3)	(15.3)

4.0 The Emerging Budget Proposals 2016/17

4.1 The service and financial planning process started in July and has culminated in the four service areas presenting their plans to the Cabinet and shadow cabinet in November.

4.2 In response to the challenge set out in the MTFs, the service and financial planning process has identified proposed savings of £0.553m (4% of net spend) shown in **(appendix 1)**

These are categorised as:

	<u>£m</u>
Efficiency savings	(0.485)
Increases in income	(0.068)
Total	(0.553)

4.3 A total of £0.653m of service growth is proposed categorised as follows **(appendix 2)**:

	<u>£m</u>
Corporate inflation	0.440
Reduced income	0.072
Other Growth	0.141
Total	0.653

4.4 The draft budget assumes a rise in Council Tax for 2016/17 of 1.9% consistent with the MTFs. The requirement to hold a referendum may apply if any proposed tax rise were 2% or greater (The Government may announce cap on Council Tax rises as part of settlement)

4.5 The proposal also includes £546,000 of non-recurring service investment to be financed directly from reserves **(Appendix 2)**.

5.0 Summary of Revenue Proposals

5.1 The following is a summary of the effect of the proposed changes.

5.2

	Proposal
	<u>£m</u>
Base Budget 2013/14	15.2
Growth (outlined in 4.3)	0.7
Savings (outlined in 4.2)	(0.6)
Net budget requirement	<u>15.3</u>
Funded By:	
Government Grants/Retained Rates	(7.7)
Council tax	(7.6)
Total Resources	<u>(15.3)</u>

Forecast General Reserve 31.03.16 £4m

5.3 Should the resources assumed by way of retained business rates and RSG differ, the recommended strategy would be to make any additional resources available to the capital programme.

Should the resources available be less than the assumptions then they should first reduce the contingency by up to £100,000 and beyond that, a further review of the service and financial plans will be required to identify additional savings/reduced growth.

6.0 Capital Programme 2016/20

6.1 The Council currently finances its capital programme from capital receipts and grants and contributions. There is currently c£0.5m of internal identifiable capital resources available for the next four years.

6.2 It is intended that any revenue headroom created by the 2016/17 revenue budget will be reinvested in the Capital programme.

6.3 In addition to these resources, borrowing is permitted on a business case basis where savings or new income generated from a scheme can repay the capital costs.

6.4 Additional individual schemes to be added to the capital programme linked to priorities will be developed in December/January and contained in the final budget and capital programme proposals to be agreed by the Full Council in February.

6.5 It should also be noted that unlike the Council Tax, the capital programme can be varied at any time and that there are duties under certain schemes to consult with those affected before schemes are commenced. As well as schemes financed from internal resources, the corporate plan will include schemes financed from external resources.

7.0 Consultation

- 7.1 As outlined in sections 1 & 2, consultation is planned both internally and externally to supplement the comprehensive consultation programme to date which is reported elsewhere on the agenda.

8.0 Conclusions

- 8.1 The Council is well placed to deal with the lasting effects of the current economic climate and subsequent reduction in support by The Government. Clearly however this has restricted choice in respect of any new services requiring recurring investment.
- 8.2 Should the budget proposals remain materially intact following consultation and further announcements, The Council will have continued to move its financial position towards longer term sustainability as outlined in the MTFS.

Alan Osborne
Chief Finance Officer

Background Papers:

The Background Papers used in compiling this report were as follows:

Budget 2014-15

Cabinet Reports: – Finance Matters Each Cabinet Meeting

- Budget Setting February 2015.

- MTFS July 2015.

Audit Committee- Final Accounts- September 2015.

To inspect or obtain copies of background papers please refer to the contact officer listed above.