

REVENUE BUDGET 2017/18

<u>Report of the:</u>	Director of Finance and Resources
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	None
<u>Other available papers</u> (not attached):	Budget Target Report 27 September 2016

REPORT SUMMARY

This report sets out estimates for income and expenditure on services in 2017/18.

RECOMMENDATION (S)

That the Committee recommends the 2017/18 service estimates for approval at the budget meeting of the Full Council on 14 February 2016.

That the Committee agrees not to revise the current discretionary rate relief scheme for 2017/18, which the budget proposals in this report reflect.

Notes

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The Medium Term Financial Strategy and Efficiency Plan aims to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan.
- 1.2 The Service Plan for the Corporate Priority "Managing Resources" includes service targets designed to maintain a balanced budget.

2 Background

- 2.1 Government reductions in revenue support grant, welfare benefit changes and the long term impacts of a weak economy continue to create pressure on Council finances and are likely to do so for the foreseeable future. The Council's budget strategy has been, as far as practical, to make operational and efficiency savings to minimise service reduction affecting residents.

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- 2.2 The recommendation in this report is consistent with the Council's four year Medium Term Financial Strategy and Efficiency Plan for 2016/17 to 2019/20.
- 2.3 The overall Council revenue budget target for 2017/18 was agreed by Strategy & Resources Committee on 27 September 2016 as follows:-
- Estimates are prepared including options to reduce organisational costs organisational costs by £556,000 to minimise the use of working balances and maintain a minimum working balance of £2.5m in accordance with the medium term financial strategy;
 - That at least £200,000 in additional revenue is generated from an increase in discretionary fees and charges, based on minimum overall increase in yield of 3% in 2017/18;
 - That a provision for 2017/18 pay award is made of £180,000 which represents 1% pay increase and 0.6% progression;
 - That further efficiencies be identified to address the budget shortfalls of £220,000 in 17/18, £374,000 in 18/19 and £688,000 in 19/20;
 - That the Capital Member Group seeks to limit schemes included within the capital expenditure programme that enable the retention of agreed minimum level of capital reserves.
- 2.4 The figures in this report are final and are representative of the local government finance settlement. Any changes to the service estimates should either be self-financing or produce a saving within the Committee's overall recommended budget.
- 2.5 The service estimates for this Committee are to be included in the draft Budget Book 2017/18 that will be distributed to all Councillors.

3 Proposals

- 3.1 Estimates have been prepared on the basis that all existing services to residents are maintained.
- 3.2 No general allowance for price inflation has been included for the revenue estimates 2017/18 as price inflation has been at a historic low. However, any price inflation that has to be included in embedded contracts has been allowed.
- 3.3 For pay inflation, a budgeted increase of 1.0% representing £113,000 was allowed for within the Medium Term Financial Strategy as agreed by this Committee on 27 September 2016. Members are advised that there is a separate report on this agenda entitled "Pay Award 2017/18" which proposes a 0.5% higher pay award at 1.5% with a resulting additional cost (above the 1%) of £56,500. Members are advised that the extra £56,500 has been included within the Councils revenue budgets for 2017/18 and is

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funded from compensating efficiency and income savings. However, if the Committee decide not to agree the additional pay award of £56,500 then it will result in a saving of £56,500 to the Council and this would have to be adjusted for and reflected in the final budget report to Council on 14 February 2017.

- 3.4 The Council agreed a target to increase overall income from locally set fees and charges by a minimum of 3%, after making allowance for any further changes in service. Proposals have been included in a separate report on this agenda. Certain charges for Committees are being proposed at above-inflation levels, either to reduce service subsidy levels or to enable the Council to achieve a balanced budget.
- 3.5 To allow the Council to determine the budget and Council Tax in February, the Committee estimates have been presented as follows:-
- The Budget Book contains the service estimates for 2017/18.
 - All unavoidable cost increases and income reductions are reflected in the estimates.
 - All operational savings identified to date are reflected in the base estimates.
 - Recommended increases to fees and charges have been included within the Budget Book and the income estimates.
 - All increases in charges are subject to approval by the Council.

4 Revised Estimates 2016/17

- 4.1 Before considering the revenue estimates for 2017/18, this section provides a summary of the forecast outturn for the current financial year. Variations identified with on-going effects have been taken into account in preparing next year's budget.
- 4.2 The Council's probable revenue outturn for all Committees in 2016/17 anticipates an underspend of £96,000. This would effectively mean a contribution to working balances at year end of £96,000, assuming that this level of underspend continues through to the end of the financial year at 31 March 2017. The Council's working balance currently stands at £3,171,000 before any further contribution is made.
- 4.3 The probable outturn specifically for the S&R Committee only for 2016/17 is an underspend of £167,000 and this is highlighted in the table below in paragraph 4.6. The key reasons for the major variances are explained in the paragraphs that follow.

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- 4.4 For Corporate Financial Management an underspend of £229,000 is forecast due to better than expected performance on treasury management income and interest on overall Council balances. This higher than expected income level has been previously reported to the Financial Policy Panel as part of the recent mid-term update.
- 4.5 Land Charges income is projecting an adverse variance of £52,000 due to the general economic downturn and reduction in searches required. It should be noted that a Council provision exists for anticipated drops in income and this will be utilised in 2017/18 to compensate for the loss of income. The Land Charges provision will stand at £65,000 after allowing for this.
- 4.6 There is an adverse variance for Other Accounts of £34,000 and this exists due to an overspend on recruitment and advertising costs due to high turnover of staffing and also some adjustments required to Business Rates for Council owned properties.
- 4.7 As can be seen from the table below, the remaining variances are favourable or minor and relate to general flows and fluctuations of spend with nothing outstanding as a significant concern.
- 4.8 The Committee's probable outturn (estimated net expenditure) for 2016/17 is included in the draft Budget Book on each cost centre page, with a detailed analysis on variations to original budget. The outturn forecasts are all based on the quarter three budget monitoring reports used by all Managers.
- 4.9 A summary of probable outturn for each service group is as follows:

Service group	Published budget 2016/17 £'000	Current approved budget 2016/17 £'000	Probable outturn 2016/17 £'000	Variation from current budget £'000
Democratic & Civic	681	680	684	4
Corporate Functions	726	722	722	0
Corp Financial Management	121	218	(11)	(229)
Tax Collection & Benefits	1229	1201	1179	(22)
Land Charges	(68)	(59)	(7)	52
Land & Property	(788)	(821)	(834)	(13)
Economic Development & Prosperity	128	128	145	17
Community Wellbeing	146	141	131	(10)
Other Accounts	173	192	226	34
Total	2,348	2,402	2,235	(167)

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4.10 The current approved budget in the table above represents the published budget updated with authorised transfers of funds since the budget was approved in February 2016.

4.11 This Committee's probable outturn for 2016/17 is £167,000 less than the current approved budget and contributes to the Council's overall probable outturn of a favourable £96,000 underspend.

5 Budget Proposals 2017/18

5.1 The service estimates are included in the draft Budget Book 2017/18, circulated to Councillors in January.

5.2 A summary of the Committee's revenue estimates for 2017/18 is set out below:

SERVICE GROUP	PUBLISHED BUDGET 2016/17 £'000	BASE POSITION 2017/18 £'000
Democratic & Civic	681	694
Corporate Functions	726	722
Corp Financial Management	121	471
Tax Collection & Benefits	1229	1,298
Land Charges	(68)	(67)
Land & Property	(788)	(1076)
Economic Development & Prosperity	128	135
Community Wellbeing	146	140
Other Accounts	173	86
Total	2,348	2,403

5.3 The following table comprises a summary of the main changes to the Committee's proposed budget 2017/18 compared with the published budget for 2016/17.

STRATEGY AND COMMITTEE	BUDGET £'000
Published Budget 2016/17	2,348
Variation in pay, pension (IAS19) & support service recharges *	(119)
Net change to interest receipts and application	(20)
Additional rents from investment properties	(281)
Additional costs re investment properties : Business rates & Council Tax	24
Net contract changes (tree maintenance (£66), transport £20 Kier £10)	(36)

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Increase in property maintenance provision	50
Change to administration grant Local tax support	25
Bid Business Rates provision	18
Loss of Surrey County Council recycling credits	75
Provision for potential impact of Benefit changes	100
Reduction in contribution to Business Equalisation Reserve	41
Remove proposed change to Discretionary Rate Relief **	22
Increase in contribution to corporate project reserve	133
Other changes	23
Base Position 2017/18	2,403

** Pay and pension costs include all charges for employees, including pension fund liabilities under International Accounting Standard 19, for this Committee. Support service recharges are for the provision of statutory and administrative services carried out by back office departments of the Council.*

*** There are no changes proposed to the discretionary rate relief scheme for 2017/18 and this results in a variation of £22,000 as detailed in the table above. Also there is a recommendation within this report that requires this committee to agree no change in this policy.*

- 5.4 Further information on the detailed budget changes are also shown in the Budget Book pages which will be available for Council Members.
- 5.5 Operational / efficiency savings towards the Medium Term Financial Strategy and Efficiency Plan that were agreed by this Committee on 27 September 2016 have been included within the base position. The base position also includes changes identified by officers to reduce organisation costs.
- 5.6 There is a separate fees and charges report also on this agenda which identifies areas where extra income can be generated for this Committee, however it should be noted that the overall level of fees and charges for this Committee is very limited and there are only minor increases in comparison to the current year.

6 Financial and Manpower Implications

- 6.1 Consultation processes will be progressed should operational changes affect staffing levels or staff duties.
- 6.2 Any questions or queries with the Budget Book 2017/18 should be sent to relevant Officers in advance of this Committee meeting.

6.3 **Chief Finance Officer's comments:** *Financial implications are contained within the body of this report.*

7 Legal Implications (including implications for matters relating to equality)

7.1 The Council will fulfil its statutory obligations and comply with its policy on equalities.

7.2 **Monitoring Officer's comments:** *There are no direct legal implications arising from this report. However, decisions taken about the budget will impact the services which can be delivered. It is important that statutory services are appropriately funded, which the recommended budget seeks to achieve.*

8 Sustainability Policy and Community Safety Implications

8.1 Whilst there are no particular implications for the Sustainability Policy or the Community Safety Strategy arising out of this report, the allocation of resources by the relevant policy committees will be needed to deliver actions in these areas of work.

9 Partnerships

9.1 Many services are provided by the Council without the direct involvement of other agencies. There is, however, an increasing role for partnership working with others to achieve mutually agreed objectives. The benefits and risks need to be assessed in each specific case to ensure that value for money is secured and the Council's priorities are delivered in the most efficient and effective manner.

10 Risk Assessment

10.1 In preparing the revenue budget estimates officers have identified the main risks facing the Committee in delivering services within the budget. These budgets will require careful management during the year.

Service	Risk	Budget Estimate 2017/18 £'000	Risk Management
Employee costs	Medium : Not achieving budgeted staff savings to meet the vacancy provision	5,334	Recruitment management Salaries monitoring

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Service	Risk	Budget Estimate 2017/18 £'000	Risk Management
Treasury management – income from interest on balances	Medium: Achievement of budgeted return	168	Prudent budgeting Treasury Management Policy including use of specialist external advisers and fund managers Use of Interest Equalisation Reserve
Land and property	Medium : Loss of tenants and commercial rentals	1,602	Asset Management Plan – property and rent reviews

11 Conclusion and Recommendations

11.1 The Committee is asked to agree the service revenue estimates as set out in the draft Budget Book 2017/18

11.2 The Council will consider the budget at its meeting on 14 February 2017.

WARD(S) AFFECTED: All