

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

**REVENUE BUDGET 2016/17**

<u>Report of the:</u>	Director of Finance and Resources
<u>Contact:</u>	Kathryn Beldon/Lee Duffy
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	N/A
<u>Annexes/Appendices (attached):</u>	None
<u>Other available papers (not attached):</u>	Budget Target Report 17 November 2015

**REPORT SUMMARY**

**This report sets out estimates for income and expenditure on services in 2016/17.**

**RECOMMENDATION (S)**

*Notes*

**That the Committee recommends the 2016/17 service estimates for approval at the budget meeting of the Council on 11 February 2016.**

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

- 1.1 The Medium Term Financial Strategy 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 public sector funding, 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.
- 2.2 The recommendation in this report is consistent with the Council's four-year financial plan 2016-2020 and the Medium Term Financial Strategy.

## **STRATEGY AND RESOURCES COMMITTEE**

### **27 JANUARY 2016**

- 2.3 The overall Council revenue budget target for 2016/17 was agreed by Strategy & Resources Committee on 29 September 2015 as follows:-
- Estimates are prepared including options to reduce organisational costs by £650,000 subject to government grant announcement, to minimise the use of working balances and maintain a minimum working balance of £2.5million in accordance with the Medium Term Financial Strategy;
  - That at least £400,000 additional revenue is generated from an increase in discretionary fees and charges, based on an overall increase in yield of 6.0%;
  - That a provision for pay award is made of £230,000 that represents a 1.5% increase;
  - That further savings are identified for inclusion within the medium term financial strategy that will reduce the Council's net operating costs by a minimum of £1,644,000 over the period 2017/18 to 2019/20;
  - 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. A separate Capital report for this Committee is included on this agenda.
- 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 included in the draft Budget Book 2016/17 that has been 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 has been made for price inflation. Where increased costs are unavoidable efficiency savings have been identified to offset the additional costs.
- 3.3 The Council agreed a target to increase overall income from locally set fees and charges by a minimum of 6%, after making allowance for any further changes in service. Proposals have been included in a separate report on this agenda. Certain charges are being proposed at above-inflation levels, either to reduce service subsidy levels or to enable the Council to achieve a balanced budget.
- 3.4 To allow the Council to determine the budget and Council Tax in February, the Committee estimates have been presented as follows:-

## **STRATEGY AND RESOURCES COMMITTEE**

### **27 JANUARY 2016**

- The Budget Book contains the service estimates for 2016/17.
- 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 2015/16**

- 4.1 Before considering estimates for 2016/17 this section provides a summary of the forecast for the current financial year. Variations identified have been taken into account in preparing next year's budget.
- 4.2 The Council's overall expected outturn for 2015/16 anticipates £391,000 use of reserves, this is £162,000 in excess of the budgeted position of £229,000.
- 4.3 Although the latest forecast for 2015/16 is projecting an overspend of £162,000, officers have introduced in year spending reviews and restrictions to remove the overspend. Further in year updates will be reported at Quarter 3 monitoring. Should members wish to allocate such further sums, then further savings/income generation would be required to ensure that the Council does not further exceed the current year's budget.
- 4.4 As can be seen from the table below, this Committee is forecasting only minor variations with the exception of other accounts - £208,000 favourable variation. The main items included here are £175,000 savings from the DMA review and £40,000 saving on Business rates for the Town Hall.
- 4.5 The Committee's probable outturn (estimated net expenditure) for 2015/16 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 based on the quarter two budget monitoring reports issued to all Councillors.

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

4.6 A summary of probable outturn for each service group is as follows:

<b>Service group</b>	<b>Published budget 2015/16  £'000</b>	<b>Current approved budget 2015/16  £'000</b>	<b>Probable outturn 2015/16  £'000</b>	<b>Variation from current budget  £'000</b>
Democratic & Civic	672	672	673	1
Corporate Functions	838	832	816	(16)
Corp Financial Management	149	145	(55)	(200)
Tax Collection & Benefits	1014	1012	1010	(2)
Land Charges	(58)	(68)	(68)	0
Land & Property	(813)	(880)	(880)	0
Economic Dev. & Prosperity	128	118	113	(5)
Community Wellbeing	155	148	140	(8)
Other Accounts	316	258	50	(208)
<b>Total</b>	<b>2,401</b>	<b>2,237</b>	<b>1,800</b>	<b>(437)</b>

4.7 The current approved budget in the table above represents the published budget updated with authorised transfer of funds since the budget was approved in February 2015.

4.8 This Committee's probable outturn for 2015/16 is £437,000 less than the current approved budget.

## **5 Budget Proposals 2016/17**

5.1 The service estimates are included in the draft Budget Book 2016/17, circulated to Councillors in January.

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

5.2 A summary of the Committee's revenue estimates for 2016/17 is set out below:

<b>Service group</b>	<b>Published budget 2015/16 £'000</b>	<b>Base position 2016/17 £'000</b>
Democratic & Civic	672	681
Corporate Functions	838	727
Corp Financial Management	149	165
Tax Collection & Benefits	1014	1,230
Land Charges	(58)	(68)
Land & Property	(813)	(789)
Economic Dev. & Prosperity	128	127
Community Wellbeing	155	146
Other Accounts	316	(7)
<b>Total</b>	<b>2,401</b>	<b>2,212</b>

5.3 The following table comprises a summary of the main changes to the Committee's proposed budget 2016/17 compared with the published budget for 2015/16.

<b>STRATEGY AND RESOURCES COMMITTEE</b>	<b>BUDGET £'000</b>
Published Budget 2015/16	2,401
Variation in pay, pension (IAS19) & support service recharges *	(400)
Additional new homes bonus receipt	(217)
Reduction to general contingency provision	(136)
Additional rents and reduced costs - investment properties	(83)
EEBC Election costs removed	(60)
Reductions for business rates and utilities	(48)
Additional court costs receipts	(34)
Other changes	(33)
Reduced costs supplies and services	(29)
Reduction in contract costs charged to services	244
Reduced contribution from business equalisation reserve	279
Additional provision for property maintenance **	150
Additional contribution to corporate project reserve	127

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

<b>STRATEGY AND RESOURCES COMMITTEE</b>	<b>BUDGET £'000</b>
Changes to other government grants	30
Changes to capital charges	21
<b>Base Position 2016/17</b>	<b>2,212</b>

*\* 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.*

*\*\* This additional provision is set aside specifically for critical emergency works.*

- 5.4 Detailed budget changes are shown in the Budget Book pages.
- 5.5 Operational / efficiency savings towards the Medium Term Financial Strategy that were agreed by this Committee on 17 November 2015 have been included within the base position. The base position also includes changes identified by officers to reduce organisation costs.
- 5.6 The fees and charges report on this agenda identifies areas where additional income can be generated.
- 5.7 The following comprises a summary of the impact of the proposed fees and charges for services.

<b>Service</b>	<b>Additional Income £'000</b>
Land charge search fees	18
<b>Total</b>	<b>18</b>

## **6 Budget Reviews**

- 6.1 No specific issues for review were identified for this committee's services at the meeting of this Committee in November.

## **7 Financial and Manpower Implications**

- 7.1 Consultation processes will be progressed should operational changes affect staffing levels or staff duties.
- 7.2 Any questions or queries with the Budget Book 2016/17 should be sent to relevant Officers in advance of this Committee meeting.
- 7.3 **Chief Finance Officer's comments:** *Financial implications are contained within the body of this report.*

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

**8 Legal Implications (including implications for matters relating to equality)**

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

8.2 ***Monitoring Officer's comments:*** No further comment

**9 Sustainability Policy and Community Safety Implications**

9.1 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.

**10 Partnerships**

10.1 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.

**11 Risk Assessment**

11.1 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.

<b>Service</b>	<b>Risk</b>	<b>Budget Estimate 2016/17 £'000</b>	<b>Risk Management</b>
Employee costs	<b>Medium :</b> Not achieving budgeted staff savings to meet the vacancy provision	11,116	Recruitment management Salaries monitoring
Treasury management – income from interest on balances	<b>Medium:</b> Achievement of budgeted return	178	Prudent budgeting Treasury Management Policy including use of specialist external advisers and fund managers Use of Interest Equalisation Reserve

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

<b>Service</b>	<b>Risk</b>	<b>Budget Estimate 2016/17 £'000</b>	<b>Risk Management</b>
Land and property	<b>Medium :</b> Loss of tenants and commercial rentals	1,334	Asset Management Plan – property and rent reviews

**12 Conclusion and Recommendations**

12.1 The Committee is asked to agree the service revenue estimates as set out in the draft Budget Book 2016/17

12.2 The Council will consider the budget at its meeting on 11 February 2016.

**WARD(S) AFFECTED: All**