

SUBJECT:	BUDGET 2015/16 & LATER YEARS
REPORT OF:	Leader of the Council
RESPONSIBLE OFFICER	Director of Resources
REPORT AUTHOR	Jim Burness,01895 837217,Jim.Burness@southbucks.gov.uk
WARD(s) AFFECTED	All

1. Purpose of Report

- 1.1. The report provides members with information on a number of factors that will influence the 2015/16 budget and the financial strategy for future years. The report will seek to establish a draft budget for consultation through the PAG and Overview & Scrutiny processes.

2. Recommendation

The Cabinet is recommended to note the report.

3. Executive Summary

- 3.1 It is the responsibility of the Cabinet to prepare a revenue budget for approval by the Council which will form the basis of setting the council tax. This report sets out the main factors behind the draft budget that will be reviewed in detail by the PAGs. It also outlines the main issues affecting the Council's future financial position, as it is prudent to consider not just a single financial year in isolation.

4. Reason for Recommendation

The Cabinet is not required to make any decisions at this stage of the budget process.

5. Information

2013/14 Outturn & Current 2014/15 Position

- 5.1 The revenue budget outturn for 2013/14 is summarised in Appendix A. The key points of note from the outturn are:
 - The overall outturn came in £11k under budget. The Council had planned to apply £140k of reserves in support of the budget, but this reduced to £129k.
 - Investment income was significantly down on previous years, and this lower level of income is reflected going forward.

- Income from business rates is less than the Government had forecast when establishing the new business rates retention scheme. This is as a result of much higher level of successful appeals reducing the rate income base than had been assumed. This resulted in the authority having its losses of business rate income limited to the £72k set within the parameters of the scheme.

- 5.2 At the end of the year the Council's General Fund reserve stood at £1,729m¹. In addition the Council has earmarked reserves of £400k for changes in government grant/business rate income, and £347k for costs of transformation.
- 5.3 In the current year there are no significant in year budget issues identified in the first half of the year. The budget assumes that £140k will be added to the General Reserve. Business rate income is likely to again be below the Government's forecast level due to the level of appeals, so the Council's loss of income will again be limited to £72k and this shortfall will be covered by drawing on the earmarked reserve for funding changes.

2015/16 Draft Budget

- 5.4 The draft revenue expenditure budget has been prepared and initially reviewed by senior officers. The draft budget contains the following assumptions about cost increases.
- Pay from April 2015 of 1%
 - Contracts inflation 2% (unless different rate specified within contract)
 - Business rates 2.3%
 - Utilities: Gas -10% (saving on new contract), Electricity 12% and Water 5%
 - Other expenditure 0%
 - Income 2%.
- 5.5 In regard to the resourcing expenditure budget no change will be assumed in investment income at this stage. The position will be reviewed when the Treasury Management Strategy is considered by members before February.
- 5.6 The draft budget is summarised in the following table. These figures will be the basis of the more detailed expenditure budgets to be reviewed by the PAGs over the next two months. The draft budget has a working assumption of a nil increase in council tax. Based on the draft budgets at this stage, the budget is in balance, but this will change as the budget is finalised.

Draft Revenue Budget 2015/16

	2015/16 £k
Communities	654
Health & Housing	664
Environment	1,614
Sustainable Development	758
Resources	4,345
Total PAG Budgets	8,035
Capital Charges etc	290
Investment Income	-550

¹ This excludes £779k accounting adjustment for business rate appeals that will be reversed in 2014/15.

Use of Earmarked Reserves	
- LDD	-136
- District Elections May 2015	-70
- Transformation	-62
- Government Funding Change	-74
- Change to General Reserves	-
Budget Requirement	7,433

- 5.7 At this stage the figures for Government Grant are those contained in the Local Government Finance Settlement for 2014/15. The Provisional Settlement for 2015/16 is not expected until just before Christmas. In respect of business rate income the strong likelihood is that income will continue to be below the Government's assumption due to the impact of appeals. Any shortfall, up to the safety net level will be met from the Government Funding Change reserve.
- 5.8 The council tax base for 2015/16 has been determined as 31,752 Band D equivalents, a 0.4% increase on the previous year.
- 5.9 There is a specific issue that will need to be considered in respect of the 2015/16 budget. This is in respect of the impact of a number of major externally generated infrastructure projects that will impact on the District, including:
- The outcome of the Government's Aviation Review
 - The proposed Western Rail access to Heathrow
 - The impact of HS2, including potential depot facilities in the Langley area.

At this stage how these issues may impact on the authority and what the resource implications would be in financial and officer time is uncertain. In terms of the budget consideration could be given to earmarking some of the General Reserve or the New Homes grant funding to provide a contingency to respond to these issues. The New Homes grant allocation will be announced as part of the Provisional Financial settlement.

Medium Term Strategy Issues.

- 5.10 Whilst the 2015/16 budget position is essentially in balance the situation going forward is more challenging. This is due to a number of factors.
- Reduced funding from Government will continue as the programme to tackle the national deficit is stretched out into the next Parliament. The indications are that local government will continue to see significant funding reductions until at least 2019. For South Bucks this will manifest itself with the reduction in its Settlement Funding Assessment (Revenue Support Grant + Retained Business Rates). There is also the risk from 2017/18 of a reduction in the New Homes Grant funding as the first year's (2011/12) funding falls out on the basis funding was only guaranteed for six years on a rolling basis.
 - From April 2016 there will be a 1% increase in employers national insurance contributions, which will increase the Council's costs by up to £50k. In addition

there is the need to keep under review the level of contributions to the pension fund, and whether they continue to be sufficient to reduce as planned, the deficit (£7m at April 2013) over 20 years. The deficit can be reduced by increasing the annual contributions towards its reduction, currently £537k pa, or by making one off payments.

- The continuing need to fund activities related to the Local Development Plan (LDP), specifically its updating and revision in the light of changing information and Government policy. In financial terms this will mean reviewing the level of the earmarked LDP reserve for 2016/17 and subsequent years, and as a result of that review additional funding will probably need to be made available.
- Whilst Government grant will decline in the coming years there is a reasonable likelihood that the council tax base will increase materially from 2017/18 as a result of developments in Taplow and Beaconsfield. The position in respect of business rates is less clear due to uncertainties over the impact of appeals and revaluations on the tax yield.

5.11 These factors combine to re-enforce the need to continue to reduce the net service expenditure of the authority. It also means the implications of continuing to freeze the council tax will need to be carefully considered. Appendix B sets out a forecast based on the above points to illustrate the potential worst case scenario.

Risks

5.12 The overall financial strategy for the medium term will need to recognise the key strategic risks facing South Bucks, and the top two strategic risks currently identified are shown below.

Strategic Risk	Comment
Authorities forced into short term reactive measures to a) reduced Govt funding, b) unavoidable cost increases. Reputational risk from decision that have to be taken. Reduced financial capacity to manage transformation	The continued joint working with Chiltern DC will be part of the response to reduced funding but other opportunities to increase income and increase efficiency will need to be identified. Management capacity will need to be well focused on priorities.
No acceptance of change to ways of working and service delivery by officers and members prevents achievement of council aims. Progress inhibited by capacity issues and lack of finance, and programme losses momentum	The use of programme management, including work around change management with staff one of the keys to delivering change. This will need to be supported by making finance available for transition, pump priming, start-up costs through earmarking of reserves and securing external funding.

5.13 In addition to the strategic risks there are a number of key financial risks to be aware of in the medium term and these are set out in the following table.

Risk	Response
Uncertainty over impact of retention of business rates and the general level of future Government funding	Business rates forecasting difficult whilst there is the current level of outstanding appeals with the Valuation Office. Apply earmarked reserve to cover shortfall, some expectation of business rate growth from Pinewood and Bishop Centre developments. Assess impact of reducing Govt funding from 15/16 Finance Settlement information.
Growing mismatch between the local supply and demand of affordable housing increases pressure on temporary accommodation budgets	Temporary accommodation budgets monitored. Funding made available via s106 agreements and other sources are effectively used. Planning policies seek to narrow the supply and demand gap.
Uncertainty over cost and nature of arrangements for the disposal of waste and recycling material collected could lead to higher costs than necessary, and or poorer service delivery.	Costs will need to be monitored and negotiations undertaken as appropriate with the disposal authority and with the Council's waste collection contractor.
The Pension Fund deficit requires the authority to continue to increase contributions to the Fund.	Monitor performance of the Pension Fund via Pension Fund Consultative Group, and also deficit position annually as part of final accounts process. Assess implications of increasing contribution levels as part of financial planning.

6. Consultation

- 6.1 The draft budget that will be presented to Cabinet in February will be consulted on with Overview & Scrutiny Committee. Views will also be invited from parishes and members of the Local Strategic Partnership.

7. Options

Not applicable for this report.

8. Corporate Implications

- 8.1 The strategic and financial risks facing the authority are set out in the report.
- 8.2 In order to finalise the council tax in February it is necessary for the authority to have an agreed council tax base determined in accordance with the appropriate regulations by the 31st January each year². Calculation of the tax base is prescribed by regulations and approval is a Council function and has been delegated to the Director of Resources to approve.

² The Local Authorities (Calculation of Tax Base) Regulations 1992

9. Links to Council Business Plan

9.1 The Council's code of corporate governance highlights the importance of having in place clearly documented processes for policy development, review and implementation, decision making, and monitoring and control. Following from this is the requirement for sound financial management, being able to demonstrate resources are aligned to the corporate priorities of the Council, and that any material risks are assessed. The prudent use of resources is one of the authority's management principles and having a medium term financial strategy is a key element in demonstrating this principle. Establishing a sound and sustainable financial base is important for delivering the Council's objectives.

10. Next Steps

- PAGs consider the budgets for their respective areas.
- Government announces funding details for 2015/16, just prior to Christmas.
- Budget for final consideration by Cabinet in February prepared, and consultation undertaken with Overview & Scrutiny Committee, 26th January, and key local partners.
- Cabinet, 9th February, makes recommendations on revenue budget and council tax level to Council, 24th February.

Background Papers:	None
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APPENDIX A

2013/14 Revenue Budget Outturn Statement

	Original Budget	Latest(1) Budget	Actual Outturn	Variance (ACT-LB)
	£	£	£	£
Portfolio Breakdown				
Community	1,193,550	1,194,250	1,185,890	-8,360
Environment	2,739,530	2,532,530	2,524,863	-7,667
Health & Housing	1,545,930	1,545,930	1,525,887	-20,043
S106 Commuted Sums	0	0	-158,788	-158,788
Resources	2,495,590	2,494,890	2,378,059	-116,831
Resources - Investment Properties	-215,110	-215,110	-223,758	-8,648
Sustainable Development	1,767,860	1,767,860	1,736,637	-31,223
Net Cost of Services	9,527,350	9,320,350	8,968,790	-351,560
Interest & Investment Income	-775,000	-775,000	-578,073	196,927
Notional Interest Payable	275,740	275,740	275,739	-1
Payment to Parishes re change in Taxbase	108,000	108,000	108,000	0
Removal of Depreciation Charges	-1,339,360	-1,132,360	-1,157,034	-24,674
Transfer from LDD Reserve	-48,000	-48,000	-46,000	2,000
Transfer from Transformation Reserve	-33,700	-33,700	-33,700	0
Transfer to S106 reserves	0	0	158,788	158,788
BUDGET REQUIREMENT	7,715,030	7,715,030	7,696,510	-18,520
Parish Council Precept	1,772,436	1,772,436	1,772,436	0
AMOUNTS TO BE FUNDED	9,487,466	9,487,466	9,468,946	-18,520
Council Tax Payers (Precept)	-6,227,934	-6,227,934	-6,227,934	0
RSG	-1,451,899	-1,451,899	-1,451,899	0
Non Domestic Rates (NDR) - Income	-11,477,277	-11,306,474	-10,853,588	452,886
Non Domestic Rates (NDR) - Tariff	10,511,368	10,511,368	10,511,368	0
General Grants - NDR Small Business Relief	0	-170,803	-170,803	0
General Grants - NDR Safety Net Grant	0	0	-380,442	-380,442
	-965,909	-965,909	-893,465	72,444
General Grants - New Homes Bonus	-694,608	-694,608	-702,795	-8,187
General Grants - Council Tax Freeze	-47,000	-47,000	-47,260	-260
General Grants - Council Tax Support	0	0	-30,193	-30,193
General Grants - Com Right to Challenge	0	0	-8,547	-8,547
General Grants - Com Right to Bid	0	0	-7,855	-7,855
General Grants - Transparency	0	0	-2,588	-2,588
General Grants - Capitalisation Redistribution	0	0	-7,655	-7,655
Collection Fund Deficit	39,884	39,884	39,884	0
NET (SURPLUS) / DEFICIT FOR YEAR	140,000	140,000	128,639	-11,361

SOUTH BUCK FINANCIAL FORECAST

	2015/16	2016/17	2017/18	2018/19
	£k	£k	£k	£k
Base Net Service Budget	8,623	8,534	8,734	8,884
Cost Changes	67	200	150	150
Savings	-364	-439	-489	-489
Forecast Base Expenditure	8,325	8,295	8,395	8,545
Funding				
New Homes Grant	1,082	1,082	736	547
Investment Income	550	550	550	550
Use of Earmarked Reserves	268	30	30	30
Government Grant / Net business Rate Income	1,830	1,610	1,417	1,247
Council Tax Freeze Grant	47	-	-	-
Council Tax Income	4,548	4,580	4,610	4,640
Forecast Funding	8,325	7,852	7,343	7,014
Forecast Funding Gap	-	443	1,052	1,531

Assumptions

- No increases in council tax
- No material growth in council tax base
- Continuous reduction in Government grant
- Government phases out New Homes Grant funding