

SUBJECT:	BUDGET 2016/17 & LATER YEARS
REPORT OF:	Leader of the Council
RESPONSIBLE OFFICER	Director of Resources
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WARD(s) AFFECTED	All

1. Purpose of Report

- 1.1. The report provides members

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 and to set this in the context of the Council's Medium Term Financial Strategy. This report sets out the financial forecast for the next four years and based on that proposes a number of objectives for the Medium Term Financial Strategy. It also outlines the budget process leading to setting the council tax in February 2016.

4. Reason for Recommendation

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

5. Information

- 5.1 This report is the first of a series of reports between now and next February that will lead up to the setting of the council tax for 2016/17. When setting the council tax the Council does not just look at the issues, financial and non-financial facing it in the coming year, it also takes into account its Medium Term Financial Strategy.
- 5.2 The Medium Term Financial Strategy that was part of the budget agreed in February identified the potential need to reduce net expenditure by over £1m by the end of the decade as a result of the likely continuing effects of the Government's austerity programme. A recent review of the position as part of starting the 2016/17 budget cycle, indicates while it has improved to a degree it has not fundamentally changed (Appendix A).
- 5.3 In addition to closing any forecast financial gap there are a number of issues that may require a material use of reserves, or lead to increased expenditure commitments, e.g.
- Funding in a sustainable way the Capital programme,
 - Meeting the cost of the Local Plan process,

- Addressing the need to continue the reduction of the historic deficit on the Pension Fund. This will be considered in Autumn 2016 when the results of the next revaluation of the Fund are known.

5.4 Therefore there is a need to consider savings that will start to reduce net expenditure. The overall objectives will be:

- to eliminate the future funding gap.
- increase revenue reserves, partly to provide a funding source that could be required to deal with issues such as the Pension Fund or the Local Plan.
- provide increased funding for the Capital programme from the revenue budget on an ongoing basis in order to minimise impact on Council's reserves.

5.5 The draft Portfolio budgets will be reviewed in the PAGs during November and December and these will be brought together for the Cabinet meeting in December at which the Cabinet will consider an overall draft budget for 2016/17.

5.6 In parallel officers will be discussing potential savings options with the Overview & Scrutiny Committee at the end of which the Committee will provide the Cabinet with its views for its meeting in December.

5.7 The Government will make its Autumn Statement announcement on 25th November which will reveal the spending limits for local government for future years and details of the various funding streams such as New Homes Grant. The individual financial settlements for authorities are likely to be released w/c 21st December.

5.8 In December the Resources PAG will consider the Treasury Management Strategy and the level of investment income that could be achieved in 2016/17.

Risks

5.9 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
<p><u>Major Infrastructure Projects Impacts.</u> Detrimental impact on local communities and environment. Costs to authorities in defending local area from worst impacts</p>	<p>There are a number of projects that will impact on the SE part of the District which will require analysis and some actions to seek mitigation of potential impacts.</p>
<p><u>Transformation and Management of Change</u> No acceptance of change to ways of working and service delivery by officers and members prevents achievement of council aims. Progress inhibited by capacity and resources issues, and programme losses momentum</p>	<p>There will be a need for a clear strategic focus that can then be communicated to staff. Transformation work needs to be focused and planned over the life of the Councils. Programme management will be important.</p>

Strategic Risk	Comment
<p><u>Workforce Issues</u> Turnover, morale, lack of succession planning, skills gaps etc affect services. Reduced staffing capacity to manage transformation.</p>	<p>Communication with staff on reasons for change will be key. Also involving staff as far as possible in how changes is undertaken will help manage risks. Important to support staff through periods of change. Will need to cope with short term issues</p>

5.10 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
<p>Growing mismatch between the local supply and demand of affordable housing increases pressure on temporary accommodation budgets</p>	<p>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.</p>
<p>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.</p>	<p>Costs will need to be monitored and negotiations undertaken as appropriate with the disposal authority and with the Council's waste collection contractor.</p>
<p>The Pension Fund deficit requires the authority to continue to increase contributions to the Fund.</p>	<p>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.</p>

6. Consultation

6.1 Over the course of the next three months the revenue budgets for the various Portfolio areas will reviewed in the respective PAGs. The reports to the PAGs will also contain for discussion potential options to savings in the coming years.

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.

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

10.1 The key dates in the budget process for 2016/17 are as follows.

Cabinet considers updated financial forecast and issues and provides strategic direction.	October 2015
Portfolio Holders consider draft budgets for 2016/17 with their PAGs.	November - December 2015
O&S Cmm considers medium term savings proposals	October - November 2015
Government’s Autumn Statement	25 th November 2015
Resources PAG considers Treasury Management Strategy for 2015/16	December 2015
Cabinet proposes draft budget for 2016/17	17 th December 2015
Expected Provisional Finance Settlement	w/c 21 st December 2015
O&S Cmm considers Cabinet’s draft budget and the key financial issues in the budget for 2016/17.	January 2016
Cabinet considers the draft Capital Programme	February 2016
Cabinet makes final recommendations on budget and council tax to Council	February 2016
Council sets council tax for 2016/17	23 rd February 2016

Background Papers:	None
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APPENDIX A

MEDIUM TERM FINANCIAL FORECAST

	2016/17	2017/18	2018/19	2019/20
	£k	£k	£k	£k
Base Net Service Budget	8,104	8,374	8,644	8,914
Savings - Other	-140	-140	-140	-140
Savings - Shared District Services	-80	-160	-160	-160
Cost Changes	270	270	270	270
Net Service Expenditure	8,154	8,344	8,614	8,884
		2.3%	3.2%	3.1%
Funding				
Investment Income	-250	-200	-200	-200
Use of Reserves - General	0	0	0	0
Net Expenditure (Budget Requirement)	7,904	8,144	8,414	8,684
		3.0%	3.3%	3.2%
Revenue Support Grant	-671	-471	-271	0
Retained Business Rates	-1,428	-1,971	-2,180	-2,245
New Homes Grant	-1,330	-984	-795	-636
Council Tax	-4,661	-4,790	-4,920	-5,050
Total Income	-8,090	-8,216	-8,166	-7,931
		1.6%	-0.6%	-2.9%
Funding Surplus (-)/Gap (+)	-186	-22	298	803
Council Tax Base	31,960	32,210	32,460	32,660
Band D Council Tax	£145.85	£148.75	£151.71	£154.73
Percentage Increase	1.99%	1.99%	1.99%	1.99%
Increase £/week	£0.05	£0.06	£0.06	£0.06

Reserves	£k
Revenue - General Fund	1,862
- Earmarked	2,427
Capital Receipts	7,251

Notes

1. Cost increases are estimated only on a number of specific headings where their impact is material enough to take into account, and the largest single heading is employee costs. The majority of budgets do not have any cost change allowance. Overall the effect of cost increases is currently around £270k pa, based on general inflation remaining around 2% to 3%pa, and pay being less than that.
2. Savings are estimated only on items already agreed by members and for joint working only to the end of the phase of service reviews which will conclude in 2016. No assumptions are made regarding further joint working projects or savings.

3. Investment income in the past has been a substantial income stream for the Council but that has declined in recent years as a result of lower interest rates and cash balances. Strategically the Council's approach has been to reduce the dependency, and therefore the risk, on investment income to support the Council tax, and the income budget is planned to reduce in future years.
4. The Government has indicated that as expected the reduction in funding for local authorities will continue to significantly decline through to 2019/20. In the Council's forecasts the RSG element of its funding is anticipated to reduce by around £200k pa so that by 2019/20 it no longer receives any funding from this source. These figures will be reviewed in the light of the Government's Autumn Statement at the end of November when public sector funding allocations will be announced.
5. Another major Government funding source is New Homes Grant, £1.3m in 2015/16. There are financial risks going forward arising from.
 - The rate of new homes growth slowing or ceasing
 - The Government ending or changing the scheme as part of its savings measures

In the context of the projection shown the worst case scenario is used.

6. The business rates system is complicated to predict in detail what its effects will be due to the way in which it works and how it is reflected in the accounts. In the initial two years of the system the implications were clouded by the need to make financial provisions for the effect of property revaluations. The point is now reached where it would not be expected after 2015/16 to make substantial additional provisions therefore there is greater clarity of the potential impact going forward, which is expected to produce above inflation growth. The Government has confirmed its commitment to the localisation of business rates, and the current arrangements will remain in place until at least 2020.