

SUBJECT:	Draft Revenue Budget 2016/17
REPORT OF:	Leader of the Council
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1. Purpose of Report

- 1.1 To present the draft revenue expenditure budget for 2016/17 and update on the Government plans for local authorities to 2020.

RECOMMENDATIONS

- Cabinet note the draft revenue service budget for 2016/17.
- Cabinet agrees to close the Government Grant Funding Changes reserve and transfer the earmarked funding, £400,000 to the earmarked LDD reserve.

2. Executive Summary

- 2.1 It is the responsibility of the Cabinet to prepare a revenue budget for approval by the Council, which will form the basis of setting council tax. This report starts to build up an expenditure budget based on:
- The financial outturn for 2014/15 and information from the current year's budget monitoring.
 - The draft base budget built up using assumptions described in the report and which has been subject to discussion in PAGs
- 2.2 In line with the previous report to Cabinet on the budget in October, the 2016/17 budget will aim for a council tax increase towards the ceiling of what may be achieved without triggering a referendum, and to increase reserves. At the time of producing the report, the detail of South Bucks' funding from Government for 2016/17 is not known.
- 2.3 The medium term financial forecast for the Council has consistently shown the need to continue to identify saving to bridge forecast funding gaps and to build up reserves. Appended to the report is the summary of the work undertaken by Overview & Scrutiny commenting on potential savings options that the Cabinet can consider.
- 2.4 The report comments on the major issues arising from the Autumn Statement/Spending Review 2015, as they particularly relate to district councils, and how these may impact on the Medium Term Financial Strategy.

3. Reason for Recommendations

- 3.1 Members need to consider the service expenditure part of the budget, and what additional savings measures to include, before finalising the overall budget in February, once Government funding is known.
- 3.2 There is a requirement following decisions to prepare a joint Local Plan to put in place adequate funding for the anticipated work over the next three years, and it is proposed to reallocate funds within the existing earmarked reserves to achieve this.

4. 2014/15 Outturn & Current 2015/16 Position

- 4.1 The revenue budget outturn for 2014/15 is summarised in Appendix A. The key points to note from the outturn are:
- The overall outturn came in £721k over budget. This is largely down to a timing adjustment made for business rates income.
 - Investment income was, again, down on previous years.
 - Development Management income was significantly higher than expected. Additional income has been built into the budget going forwards.
- 4.2 At the end of the year, the Council's General Fund reserve stood at £1.862m. In addition, the Council has earmarked reserves of £2.427m including £400k for changes in government grant/business rate income, and £302k for the costs of transformation.
- 4.3 In the current year there are no significant in-year budget issues identified within the first half of the year. Business rate income is expected to be higher than originally forecast as previous year's timing adjustment is realised.

5. Draft Revenue Budget 2016/17

- 5.1 The budgets have been prepared in accordance with the following inflation assumptions:
- Salaries inflation from April 2016 of 1%
 - Contracts inflation 1.9% (unless different rate specified within contract)
 - Business rates 1.9%
 - Gas 1.8%
 - Electricity 9%
 - Insurance 3.5%
 - Other expenditure heads 0%
 - Income 0%.
- 5.2 Investment income has been budgeted to reduce by £150,000 to £430,000 to reflect lower returns achieved in previous years and the draft Treasury Management Strategy considered by the Resources PAG. This estimate will be finalised when the Treasury Management Strategy is considered by the Cabinet in February.
- 5.3 The draft budget, based on the information presented to PAGs, is summarised in the following table. The draft budgets only reflect savings from business cases approved by the Joint Committee up to July 2015. The draft budget has a working assumption of a 1.99% increase in Council Tax based on estimates of Government funding, and a Council Tax Base figure of 31,988 (which is a 0.74% increase on the council tax base for 2015/16).

	2016/17 £k
Environment Portfolio	2,323
Healthy Communities Portfolio	1,481
Resources Portfolio	3,784
Sustainable Development Portfolio	907
Total PAG Budgets	8,495
Capital Charges etc	-76
Investment Income	-430
Use of Earmarked Reserves	
- LDD	-163
- Transformation	-18
Revenue funding of capital programme	131
Budget Requirement	7,939

- 5.4 The draft budget makes a limited addition to reserves, which leads to the need to consider further options to reduce net expenditure in order to increase financial resilience. Appendix B (Part II) contains the detail of savings options reviewed and commented upon by Overview & Scrutiny. The estimated financial impact of the proposals supported for consideration now (excluding those related to service reviews or mobile working) are summarised below.

Potential Savings Options

Description	Portfolio	16/17 £k	17/18 £k	18/19 £k	19/20 £k
PCSOs	HC	10	10	10	10
Cemeteries Income	HC		17	22	27
SPMG charges	HC		10	10	10
Review Vol Sector Funding*	HC		65	65	65
Unified Network/Licenses	RES	102	102	102	102
Discretionary Relief - GLL	RES	7	7	7	7
Discretionary Relief Review*	RES		19	19	19
Gerrards Cross Car Park	RES		40	80	80
Car Park Income	RES		30	30	30
Capswood	RES	50	140	140	140
Bath Road	RES	12	12	53	53
Finance Processes	RES		15	15	15
Payroll Administration	RES		15	15	15
Total		181	482	568	573

- 5.5 When finalising the budget in February, one of the issues to consider will be the level of reserves - general and earmarked - should be. Recent decisions regarding preparing a joint Local Plan have made it necessary to review the level of this earmarked reserve in advance of February. The 2016/17 draft budget has assumed that the cost of the planning policy team will be funded from the main revenue budget. However direct plan-making costs will continue to be funded from the LDD reserve.
- 5.6 The estimated balance on the LDD reserve is shown in the following table, based on reports already considered by the Cabinet.

	£	
Balance 1 April 2015	268,398.87	
Estimated use in 2015/16	-50,000.00	
Estimated use in 2016/17	-163,500.00	Half of LDP development costs of £326k
Estimated use in 2017/18	-186,675.00	Half of LDP development costs of £373k
Estimated use in 2018/19	-57,950.00	Half of LDP development costs of £116k
	<u>-189,726.13</u>	

5.7 This shows that the LDD reserve will become exhausted, and there is a need to top this reserve up.

5.8 At present, SBDC has £400,000 in a 'Government Grant Funding Changes' reserve. This reserve was established by Cabinet decision on 3rd July 2012 'to cover the increased volatility of the Council's income and expenditure streams as a result of the localisation of council tax benefit and business rates income.' To date, this reserve has not been called upon, with any fluctuations being managed through the General Reserve and the Collection Fund. Therefore it is proposed to transfer this earmarked funding into the Local Plan Reserve.

6. Autumn Statement & Spending Review 2015

6.1 The statement and announcements by the Government on 25th November and subsequently, need to be seen in the context of the period to 2020. They outline a number of changes that will come into effect over that period, rather than all starting from 2016/17. The Provisional Local Government Finance settlement is expected 17th - 23rd December.

6.2 Appendix C outlines the main points from the Autumn Statement/Spending Review as they affect district councils. The information released as part of the Autumn Statement was lacking in detail in many places so it is difficult to assess the impacts at authority level. The key points are as follows.

- Changes to New Homes Grant from 2016/17, with split between counties and districts possibly changing, and also the duration of the funding which is likely to reduce. Reference to "floor" to limit initial losses indicate potentially significant changes from 2016/17 Consultation as part of Provisional Settlement (Dec 15)
- Consultation on business rate retention scheme to commence early in 2016. Will include possibility of changing split between district and counties to reflect Social Care funding needs. Changes unlikely to come into effect before 2017/18 at the earliest. Will be a significant change, and at present the impact for individual authorities cannot be assessed.
- As part of the retention of business rate changes will be local authorities funding locally more public health expenditure and the administration of housing benefits for pensioners and as yet unspecified further additional duties. These are likely to come into effect from 2017/18 onwards.
- Cost of housing benefits for claimants in social housing to be reduced by capping benefit based on private sector rent levels, not RSL levels from April 2018.
- Council tax limit for Districts to continue at less than 2%.

6.3 In February when the Medium Term Financial Forecast is reviewed, the assumptions around Government resources will be revised in the light of the developing information.

7. Risks

7.1 The 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 development. Assess impact of reducing Govt funding from 16/17 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.

8. Corporate Implications

8.1 This report sets out an initial draft Net Revenue Expenditure Budget for 2016/17, to which Members are invited to consider a number of proposals to reduce net expenditure. The draft budget will then be combined with the information from the Provisional Local Government Finance Settlement to produce a final draft revenue budget in February.

8.2 It is a legal requirement that the revenue budget is balanced, and has been scrutinised by Members. The final draft budget that will be considered by the Cabinet in February will be scrutinised by Overview & Scrutiny Committee at the beginning of February.

8.3 The strategic and financial risks facing the authority are set out in the report.

9. Links to Council Policy Objectives

9.1 The budget is essential to achieving all of the Council's objectives and priorities.

10. Next Steps

10.1 Government announces provisional funding details for 2016/17, just prior to Christmas.

10.2 Government announces final funding details in the latter part of January 2016.

10.3 Budget for final consideration by Cabinet in February prepared and consultation undertaken with Overview & Scrutiny Committee on 1st February 2016.

10.4 Cabinet, 9th February 2016, makes recommendations on revenue budget and council tax level to Council, 23rd February 2016.

Background Papers:	None
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