



Council Fund Revenue Budget 2016/17 Stage One Proposals

Corporate Resources
Overview and Scrutiny
Committee
29 January 2016



Summary of the Report

Corporate Resources
Overview and Scrutiny
Committee



Overview of Report

- Part A – Initial forecasting of the Gap for 2015/16 – 2017/18
- Part B – The Local Government Settlement, a Revised Forecast and the Budget Strategy 2016/17
- Part C – Plans for Closing the Budget
- Part D – Further Work to be completed to Close the Budget
- Part E – Calculation of the Total Revenue Budget and Budget Requirement

Budget Stages

- **Stage One Phase One:** service plan and corporate financing proposals presented to a series of Overview and Scrutiny Committees throughout December with this Committee closing the process with feedback from all five peer committees
- **Stage One Phase Two:** a new set of corporate financing proposals, and Provisional Settlement outcomes, to move closer to closing the ‘gap’
- **Stage Two:** final proposals to close the ‘gap’ for report to Cabinet, prior to Council, in February

List of Tables to the Report

- » Table 1: Service Business Plan Efficiency Proposal Targets 2016/17
- » Table 2: Corporate Financial Stewardship Proposal Targets 2016/17
- » Table 3: Impacts of the Settlement (as announced on 9 December)
- » Table 4: First Stage – Second Phase Proposals to Balance the Budget
- » Table 5: Summary of Proposals to Close the Budget Gap
- » Table 6: New and Emergent Pressures

Recommendations to the Committee

- To consider and comment on the Stage One Phase Two budget proposals contained within the attached report for report back to Cabinet in February
- To note the ongoing work for Stage Two of the budget leading to the recommendation of a final budget to Cabinet and Council in February



'Building Blocks' of the Budget

Corporate Resources Overview
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Initial Budget Forecast

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Initial Forecast for 2016/17

<u>Expenditure</u>	£m
National Pressures	0.4
Local Pressures	2.5
Inflation	4.1
Workforce Pressures	9.4
<u>Income</u>	
Reduction in Revenue Support Grant (3.5%)	6.5
Council Tax Increase (3%)	(2.1)
Projected Gap	20.8



Budget Stage 1 Phase 1

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Budget Strategy Stage 1 Phase 1

1. Impact of Local Government Settlement
2. Service Business Planning Proposals
3. Corporate Financing Stewardship

Impact of Provisional Settlement (Table 3)

- » Full presentation made to the Committee at its January meeting
- » Key points:-
 - » Reinstate Revenue Support Grant as the difference between a forecast 3.5% loss and the actual 1.5% loss in the Provisional Local Government Settlement (£3.370m)
 - » Increase in Council Tax base provision due to the 2015 forecast of qualifying property numbers in the County and due to the outcome of the on-going Single Person Discount Review (£0.400m)

Service Business Planning Proposals (Table 1)

Service Business Plan Efficiency Proposal Targets 2016/17

Portfolio	£M
Planning and Environment	0.413
Streetscene and Transportation	2.158
Social Care	0.838
Education and Youth	0.710
Community and Enterprise	1.509
People and Resources	0.250
Governance	0.535
Organisational Change	1.272
Chief Executive's	0.070
Total	7.755

Corporate Finance Efficiency Proposals 2016/17 (Table 2)

Subject	Proposal	Efficiency/Growth £m
Inflation Management	Part absorption of inflation risk	1.0
Corporate Overheads	Selective reduction in provisions	1.0
Schools Funding Formula	Controlled schools investment	2.5
Local Income	increases in charging	0.5
Totals		5.00

Summary of Revised Gap at Stage One Phase 1

- » Initial budget Gap of £20.8m

- » Less:
 - » Impact of Provisional Settlement (£3.770m)
 - » Service Business Plan Proposals (£7.755m)
 - » Corporate Financing Proposals (£5.000m)

- » Revised Budget Gap of £4.275m



Budget Stage 1 Phase 2

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First Stage Phase Two Proposals

- » **Table 4A**

- » Welsh Independent Living Grant (£0.412m)

- » **Table 4B**

- » Recalculation of School based cost pressures (£0.350m)
- » Reassessment of Social Care Transition cost pressure (£0.451m)
- » Reduction in Employer Superannuation Cost Requirement (£0.460m)

- » **Table 4C**

- » Inflation Provision 2015/16 (£0.350m)
- » Price and Non Standard Inflation (0.654m)

Summary of Proposals Phases 1 and 2

Table 5

Source	Calculation	£M
» MTFS	Original Forecast Gap	-20.800
» Table 1	Service Business Plans Proposals	+7.755
» Table 2	Corporate Financial Stewardship Proposals	+5.000
» Table 3	Impacts of the Settlement	+3.770
» Table 4A	Impacts of Local Government Settlement	+0.412
» Table 4B	Adjustment of Local Pressures	+1.261
» Table 4C	Corporate Financing Risk Management	+1.004
»	Remaining Gap Based on the Initial Forecast:	-1.598

New and Emergent Pressures 1 (Table 6)

Income Related

- » Recycling Income (£0.419m)
- » Single Environment Grant (£0.276m)
- » Animal Health and DEFRA Grant (£0.044m)
- » Leisure Income (£0.070m)
- » Housing Benefit Subsidy (£0.193m)

New and Emergent Pressures 2 (Table 6)

Unachieved Efficiencies 2015/16

- » Workforce Efficiencies (£0.200m)
- » Review of model – Catering Services (£0.050m)
- » Regional approach to Advocacy (£0.048m)
- » Funding to Voluntary Sector (£0.138m)
- » Remittance Advice to Landlords (£0.041m)

New Pressures

- » Procurement (£0.028m)
- » Matrix (£0.050m)
- » Animal Feed Control (£0.022m)

Transitional Funding

- » Adjustment 2015/16 (£0.270m)



Budget Stage 2

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Ongoing Work to Balance the Budget

- » Remaining Gap of up to £3.447m (including all new and emergent pressures) at end of stage one
- » Commitment given to avoid further in-year change to services if achievable
- » Ongoing work a combination of:-
 - » Further Workforce Options
 - » Council Tax Income
 - » Use of Reserves

Ongoing Work to Balance the Budget

- » Workforce cost reduction of up to £1.0M through a limited further voluntary redundancy programme, workforce overhead costs reduction, travel entitlement changes and cost reduction
- » Draw down on the reserves and balances pool (accumulated from the reported review of reserves and balances) to fund the new and emergent pressures which are under review
- » Council Tax rise of between 3.0% and 5.0%



First Revision of the MTFS 2017/18 Forecast

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MTFS Revised Forecast 2017/18

MTFS Part 1	2017/18
<u>Expenditure</u>	£m
National Pressures	0.3
Local Pressures	1.2
Inflation	4.3
Workforce Pressures	3.7
<u>Income</u>	
Reduction in Revenue Support Grant (3.5%)	6.3
Council Tax Increase (3%)	(2.1)
Projected Gap (As per MTFS Part 1)	13.7
Changes affecting 17/18	
RSG (Assume 1.5% Cut based on 16/17 figure)	-3.5
Council Tax (Base increase at 0.75%)	-0.4
Revised Gap after Positive Income Changes	9.8

MTFS Forecast 2017/18

- » Assumption of 1.5% maximum cut in RSG as 2016/17
- » Increase in Council Tax Base only assumed
- » Not yet accounted for:-
 - » Any further funding changes e.g. specific grants
 - » New pressures for 2017/18
 - » Any impact of use of reserve in 2016/17 budget strategy



Decision-making Steps

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Final Report to Cabinet

- » A balanced budget to be recommended
- » Stage One Phase One Proposals + Stage One Phase Two Proposals + Stage Two Proposals to take the Council to a balanced budget position
- » Detailed explanation of the Stage Two Proposals
- » Risk assessment advice on the budget and the implications for managing finance in 2016/17
- » A further update on future year forecasts

Closing Steps and Timescales

- » Education and Youth Overview and Scrutiny (met on 19 January with no new observations) and Corporate Resources Overview and Scrutiny (today)
- » Cabinet – Final Proposals for Recommendation to Council (16 February)
- » County Council – Approval of Budget (16 February)
- » County Council – Council Tax Setting (1 March)