

To Members of the Scrutiny of the Administration's Budget Proposals 2016/17

Cllr. Shabbir Aslam
Cllr. Lee Breckon
Cllr. Cheryl Cashmore
Cllr. Stuart Coar
Cllr. Sharon Coe
Cllr. Lindsey Dracup
Cllr. David Findlay

Cllr. Iain Hewson
Cllr. Graham Huss
Cllr. Mark Jackson
Cllr. David Jennings
Cllr. Trevor Matthews
Cllr. Sam Maxwell
Cllr. Antony Moseley

Cllr. Les Phillimore
Cllr. Louise Richardson
Cllr. Alan Tanner
Cllr. Ben Taylor
Cllr. Geoff Welsh
Cllr. Deanne Woods
Cllr. Bill Wright

Dear Councillor,

A meeting of the **SCRUTINY OF THE ADMINISTRATION'S BUDGET PROPOSALS 2016/17** will be held in the Council Chamber - Council Offices, Narborough on **WEDNESDAY, 13 JANUARY 2016 at 5.30 p.m.** Please find attached a number of supplemental items that are required for the meeting and are in addition to the agenda and report pack that has already been circulated.

Yours faithfully



Colin Jones
Corporate Services Group Manager

SUPPLEMENTAL ITEMS

2. Budget Context Setting and Overview (Pages 3 - 16)

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Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document.

The MTFS forms part of the '**Blaby Plan**' which brings together the Council's Community Plan, the Corporate Plan, the MTFS and the People Strategy.

The current MTFS document contains a five year financial forecast which is to be updated each year to reflect the changes to funding and to enable the Council to understand future financial resources.

The Council has only received notification of the settlement for 2016/17.

The future funding envelope has therefore been based on information received from external sources taking into account the National picture and applying that to give an estimate of Blaby's future funding position until 2019/20.

Whilst the future funding levels are uncertain it is not unrealistic to assume there will continue to be funding reductions or higher demand placed upon the Authority. With this in mind it is important that the Authority understands the potential future funding gaps so it is best placed to make decisions at an early stage.

Delivery of these savings or generation of additional income can then be planned in a structured manner so as to minimise disruption to our customers.

Appendix C

The priorities have now been identified to form the Blaby Plan as follows:

- A vibrant local economy and job market.
- Residents are healthy, fulfilled and confident for their future
- Safe, strong and happy local communities

These fit with the manner in which the Council currently approaches its role to provide services within the district and therefore the financial implications of delivering these objectives do not require any dramatic change in direction or cause any additional financial requirements.

As such the provisional budget for 2016/17 has therefore been used as the base expenditure to roll forward to establish the budget requirement for future years.

Forecast Revenue Budget 2016/17 to 2019/20

		2016/17 £	2017/18 £	2018/19 £	2019/20 £
Net Direct Expenditure	1	9,885,053	9,841,226	9,452,759	9,095,352
Minimum Revenue Provision	2	784,269	834,187	918,625	918,625
Council Tax Support Grant - Parishes	3	194,741	194,741	194,741	194,741
Appropriations & Accounting Adjustments	4	95,812	29,384	(22,724)	(24,378)
Contribution to/(from) Earmarked Reserves	5	(1,016,241)	(641,544)	(210,000)	(210,000)
Net Total Expenditure	S/T	9,943,634	10,257,994	10,333,401	9,974,340
Contribution to/(from) General Fund Balances	6				
Identified Transformational Savings/Income	7				
Additional Savings/additional revenue requirement	8	(79,916)	(793,838)	(1,339,058)	(957,952)
Net Revenue Expenditure	9	9,863,718	9,464,156	8,994,343	9,016,388

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		2016/17 £	2017/18 £	2018/19 £	2019/20 £
Revenue Support Grant	10	952,284	467,159	167,114	0
Redistributed NNDR	11	2,041,077	2,081,222	2,142,620	2,211,102
New Homes Bonus Grant	12	2,057,132	1,950,290	1,563,475	1,524,192
NNDR Growth	13	200,000	200,000	200,000	200,000
	14	5,250,493	4,698,671	4,073,209	3,935,294
Council Tax Surplus	15	-811	0	0	0
Council Tax	16	4,614,036	4,765,485	4,921,134	5,081,094
Funding Envelope	17	9,863,718	9,464,156	8,994,343	9,016,388

Forecast Assumptions

Set out below is a commentary relating to the key assumptions that have been made in drafting the future financial forecast. The numbering relates to the lines of the Forecast Revenue Budget table.

1. **Net Direct Expenditure** has been compiled by rolling forward the 2016/17 draft budget numbers and applying inflationary factors where appropriate to the elements. Key areas of note are:
 - Establishment Costs – An increase of 2% has been allowed for year on year in relation to all employee costs
 - Other Costs – Where contractual arrangements exist any contractual uplift has been allowed for and where applicable an inflationary rate of 2% has been included year on year.
 - Income – In this draft estimate no additional uplift has been included on top of the current income levels of 2015/16. Should any substantial income be generated from any new initiatives these will be reflected in the Transformational Savings/Income line 7.
2. **Minimum Revenue Provision (MRP)** is based upon the current level of capital expenditure that results in a MRP charge. The bulk of this charge is related to the purchase of fleet vehicles but Disabled Facility Grants also contribute to this charge. The success of the 'Light Bulb Project' and the future direction of changes to Refuse and Recycling which are being considered in the future by Leicestershire County Council may cause this figure to alter.
3. **Council Tax Support Grant - Parishes** is based on the current level of grant transferred to Parishes. This is based on the actual amount of Council Tax Support specifically awarded within the parish and the impact it has on the parish tax base. This may fluctuate given the caseload.
4. **Appropriations and Accounting Adjustments** represents the New Homes Bonus transferred to Parishes net of the savings anticipated from retirement of the Chief Executive and the resulting Senior Management Restructure.
5. **Contributions to/(from) Earmarked Reserves** represents the release of reserves to support the budget requirement. In 2016/17 a release of £400k is included and a release of £200k for the remaining 3 years. This general release is in addition to more specific reserve releases the main one being £232k per year from the Pickles grant supporting weekly collections.

6. **Contributions to/(from) General Fund Balance** currently shows the gap for 2015/16. Options to close this gap are currently being explored and it is not expected this gap to remain at this level when the MTF5 is presented to Council in February.
7. **Identified Transformational Savings/Income** Work continues to identify and put in place initiatives to generate savings or additional income. Only those that have reached the stage that the financial implications can be estimated will be included within this figure. Those currently not yet reflected in the budget or savings are those resulting from Channel Shift, the Bubble Project nor any commercial activity currently being explored.
8. **Additional Savings/Additional Revenue Requirement** Illustrates the level of savings to be found to meet the forecast reduction in funding. The figure in each year is calculated on the basis that that gap is filled within the year in which the shortfall occurs.
9. **Net Revenue Expenditure** is the resulting expenditure figure to match the available funding.
- 10/11. **Revenue Support Grant/Redistributed NNDR** Together these form the Council's core grant funding. Only figures for 2016/17 have been provided in the settlement notification. Only 'indicative' figures have been provided by Department for Communities and Local Government (DCLG) for future years. The Council, along with the other Leicestershire Districts, receive advice from Consultants working with CIPFA who have provided a detailed forecast of potential future funding. It is this forecast that has been used to inform any estimate of future funding alongside the indicative figures.
12. **New Homes Bonus Grant (NHB)** This is the total grant forecast to be received based on the current mechanism and distribution of NHB. It assumes that in later years a constant of £300k will be generated from the increase in new homes in the area. The consultation paper that has been released on NHB suggests an option being considered by DCLG is to reduce the NHB being paid down to 4 years from 2017/18, with a transitional 5th year payment in 2017/18. This has been

modelled within the MTFS and as such has produced further reductions in funding compared to the current MTFS of £252k in 2017/18, £687k in 2018/19 and £652k in 2019/20, so increasing the potential gap.

13. **National Non Domestic Rates (NDR) Growth** An amount of £200k has been identified to be released on an ongoing basis throughout the forecast from growth in Business Rates. Whilst the uncertainty of appeals continues to impact on the growth it is felt prudent not to uplift this further. Should significant economic growth reach a point of certainty then further growth will be fed into the forecast.
15. **Council Tax Surplus** represents the amount of Council Tax Collected above the anticipated collection rate.
16. **Council Tax** represents the expected revenue received from Council Tax billed. An increase has been included of 1.99% for each of the forecast years as per the current MTFS. An uplift in taxbase has also been included year on year to reflect the continued development of housing in the district.

Financial Risks

- **New Homes Bonus (NHB)** When the New Homes Bonus commenced it was a non-ring fenced grant introduced to encourage the building of new housing. This, in effect, was top sliced from the existing funding streams for local government and therefore has provided as alternative source of funding as the core grant has been reduced. In the early years Blaby was in the position to support local housing schemes with some of the New Homes Bonus, however in recent years, it has been necessary to include the NHB as a source of funding to underpin the budget requirement.

In 2016/17 **£1.9m** of NHB has been utilised to fund the budget requirement.

The utilisation of the NHB poses a substantial risk to the Council given the potential changes to the distribution of NHB as announced in the Spending Review 2015.

Both the Spending Review and the consultation document released in connection with the NHB changes suggest that NHB will continue but in a different form to reward authorities that drive the development of new homes.

Changes are not expected to be brought in until 2017/18 with a reduction in the number of years for which NHB is earned reducing from 6 years down to 4. This has been reflected in the forecast and has reduced funding significantly. See point 12 for detail.

- **Localisation of Business Rates.** The Autumn Statement 2015 has reiterated that the Localisation of Business Rates scheme will be revised and consultation will be sought. The Spending Review 2015 has given some further detail with regard to how Business Rates will alter in the future so that:

“local government will retain 100% of business rate revenues to fund local services.”

How this will work in reality is not yet known, but there is mention that the system of top-ups and tariffs which redistributes revenues between local authorities will be retained.

The overriding question will be how this redistribution is spread between Districts and County Councils given the financial pressures being experienced by County Councils because of Social Care costs. This said, the figures within the MTFs only take into account a £200k uplift in growth in each year. No allowance has yet been made for any major growth in business rates over the coming years.

The DCLG will shortly consult on changes to the local government finance system to pave the way for the implementation of 100% business rate retention by the end of the parliament. There is also suggestion within the Spending Review that along with the retention of this revenue will come new responsibilities. Funding the administration of Housing Benefit for Pensioners being specifically mentioned as an example.

Whilst there is still lack of certainty as to the impact these changes will have on Blaby, the fact that the authority has an Economic Development Strategy (which will be refreshed in 2016) and works in partnership with local businesses in the district can only suggest the correct approach is being taken to secure funding generated from the future distribution of Business Rates.

- **County Council Funding Reductions.** The County Council has openly illustrated the level of funding cuts that they will be required to make over the coming years. Whilst we can plan to mitigate any obvious impacts of this, some are more subtle and the increased demand that results from this is difficult to quantify financially. This is a considerable risk to which we will put financial values to as and when we are in a position to do so.

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External Funding - Ongoing Services

	2015/16	2016/17	Variance	Status	Notes
Community Services					
Children's Support Workers:					
- Contribution from Hinckley & Bosworth Borough Council	£17,130	£0	-£17,130		One of the Children's Worker posts is currently 50% funded by HBBC - shared post.
- Leicestershire County Council	£16,000	£0	-£16,000		
Domestic Abuse:					
- Contribution from Hinckley & Bosworth Borough Council	£3,375	£0	-£3,375		Contribution towards Male Domestic Abuse Worker post.
- Contribution from Hinckley & Bosworth Borough Council	£8,500	£0	-£8,500		Contribution towards Male Domestic Abuse Worker post.
- Leicestershire County Council	£15,834	£0	-£15,834		
Office of the Police & Crime Commissioner:					
- Allocated to Children's Support	£11,250	£0	-£11,250	See below	
- Allocated to Domestic Abuse	£13,450	£0	-£13,450	See below	
- Unallocated	£5,000	£29,700	£24,700	In budget	Funding confirmed. £5,000 yet to be allocated in 2015/16.
Substance Abuse:					
- Alcohol Support Group	£1,500	£0	-£1,500		
Contribution from Three Oaks Homes	£10,000	£0	-£10,000		
Supporting Leicestershire Families Grant	£166,334	£166,334	£0	In budget	Three year funding programme agreed.
Housing Support- Bradgate Mental Health Unit					
- Leicestershire Partnership Trust	£65,710	£0	-£65,710		
- Funding for furniture packs	£18,000	£0	-£18,000		
BB19 Bus:					
- Various contributions towards additional activities	£2,773	£0	-£2,773		
	£354,856	£196,034	-£158,822		
Health Improvement & Leisure Services					
Early Years Service:					
- Contributions from other local authorities	£14,468	£0	-£14,468	Unconfirmed	Funding situation for 2016/17 is yet to be confirmed.
- Leicestershire County Council: Early Years Support	£15,000	£0	-£15,000	Unconfirmed	Funding situation for 2016/17 is yet to be confirmed.
- Leicestershire County Council: Oral Health Promotion	£6,000	£0	-£6,000	Unconfirmed	Funding situation for 2016/17 is yet to be confirmed.
Legacy Maker Programme	£7,887	£0	-£7,887	Unconfirmed	Current post is funded until summer 2016 - Unknown at this stage for post summer 2016
Children's Centre at the Pavilion	£20,803	£20,803	£0	In budget	Contribution from County Council towards cost of reception staff and cleaning of Children's Centre. This is to be withdrawn from 2016/17 as the reception service is no longer being supported.
Sportivate	£11,646	£0	-£11,646	Unconfirmed	Funding situation for 2016/17 is yet to be confirmed.
Sport & Physical Activity Commissioning:					
- Rounders England	£3,650	£0	-£3,650	Unconfirmed	Funding situation for 2016/17 is yet to be confirmed.
- Leicestershire Partnership NHS Trust	£5,080	£0	-£5,080	Unconfirmed	Funding situation for 2016/17 is yet to be confirmed. Now administered by Leicestershire Nutrition & Dietetic Service.
- Leicestershire & Rutland Sport	£4,500	£0	-£4,500	Discontinued	Contribution towards Disability Sports Physical Activity Development Officer. Discontinued for 2016/17.
- Sport & Physical Activity Commissioning Main Funding	£86,870	£0	-£86,870	Unconfirmed	Funding situation for 2016/17 is yet to be confirmed. Likely to be reduced by 25%.
Local Sports Alliance:					
- Sport & Physical Activity Commissioning Main Funding	£5,000	£0	-£5,000	Unconfirmed	Funding situation for 2016/17 is yet to be confirmed.
Corporate Health Improvement:					
- Dementia Action Alliance Contribution	£1,000	£0	-£1,000	Unconfirmed	Funding situation for 2016/17 is yet to be confirmed.
- Community Grant Scheme	£11,738	£0	-£11,738	Unconfirmed	Funding situation for 2016/17 is yet to be confirmed.
Exercise Referral:					
- Leicestershire County Council Training Fund	£1,000	£0	-£1,000	Unconfirmed	Funding situation for 2016/17 is yet to be confirmed.
- Sport & Physical Activity Commissioning Main Funding	£25,738	£0	-£25,738	Unconfirmed	Funding situation for 2016/17 is yet to be confirmed.
Natural England Higher Level Stewardship Scheme	£4,299	£4,299	£0	In budget	£4,299 confirmed until 2022.
Forestry Commission	£3,762	£3,762	£0	In budget	Confirmed funding.
	£228,441	£28,864	-£199,577		
Finance, Efficiency & Assets					
Council Tax Support Administration Grant	£11,378	£0	-£11,378	Awaiting confirmation	Contribution from major preceptors towards administrative costs of monitoring Council Tax Support Scheme.
	£11,378	£0	-£11,378		
Planning, Economic Development & Housing Strategy					
Neighbourhood Planning Grant	£500	£36,000	£35,500	In budget	Receipt of grant linked to meeting key milestones in respect of designated Neighbourhood Planning areas.
	£500	£36,000	£35,500		
Neighbourhood & Environmental Health Services					
Oadby & Wigston Borough Council	£49,800	£0	-£49,800	Confirmed	OWBC have now confirmed that they wish to continue with the existing arrangement covering Fleet Management and Vehicle Maintenance. The income received from OWBC will, as a minimum, cover Blaby's additional salary costs.
	£49,800	£0	-£49,800		
Partnerships & Corporate Services					
Leicestershire County Council - Youth Prevention & Diversion Work	£12,161	£0	-£12,161	Awaiting confirmation	Provisional figure of £9,574 announced by the County Council.
	£12,161	£0	-£12,161		
Grand Total	£657,136	£260,898	-£396,238		

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Non-Recurring Funding (including Funding Brought Forward from Previous Years)

	2015/16	2016/17	Variance	Status	Notes
Community Services					
Children's Support Workers	£53,921	£0	-£53,921	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring.
Domestic Abuse	£8,840	£0	-£8,840	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring.
Office of the Police & Crime Commissioner	£11,722	£0	-£11,722	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring.
Substance Abuse	£1,748	£0	-£1,748	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring.
Housing Support- Leicester Royal Infirmary	£107,840	£0	-£107,840	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring.
Housing Support- Bradgate Mental Health Unit	£5,822	£0	-£5,822	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring.
BB19 Bus	£3,043	£0	-£3,043	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring.
Light Bulb Project:					
- Better Care Funding	£90,515	£0	-£90,515	One year only	Two year project commencing 2015/16. There will be some residual staffing costs occurring in 2017/18 in order to ensure the transition from the pilot project to mainstreamed services. These costs can be met by carrying forward some of the total funding received towards the project.
- Transformational Challenge Award Grant	£1,000,000	£0	-£1,000,000	One year only	
- Leicestershire County Council Adults & Communities	£0	£250,000	£250,000		
Blaby Employment and Training (BEAT):					
- Funding brought forward from 2014/15	£7,321	£0	-£7,321	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring. Estimated underspend of £135,000 to be carried over to 2016/17?
- Melton Borough Council (Lead Authority)	£260,000	£0	-£260,000	One year only	
Private Sector Landlord Scheme:					
- Funding brought forward from 2014/15	£42,534	£0	-£42,534	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring. Secondment ends 31/03/16.
- Contributions from other local authorities	£17,577	£0	-£17,577	One year only	
	£1,610,883	£250,000	-£1,360,883		
Health Improvement & Leisure Services					
Sport & Physical Activity Commissioning	£15,804	£0	-£15,804	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring.
Local Sports Alliance	£6,087	£0	-£6,087	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring.
Corporate Health Improvement	£2,535	£0	-£2,535	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring.
Exercise Referral	£16,101	£0	-£16,101	One year only	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring.
	£40,527	£0	-£40,527		
Planning, Economic Development & Housing Strategy					
DEFRA Inspire Grant - brought forward from 2014/15	£7,731	£0	-£7,731	One year only	One off grant funding in 2014/15 only.
Local Development Framework Site Delivery Fund:					
- Funding brought forward from 2014/15	£21,000	£0	-£21,000	Year 1 of 2	One off grant funding in 2014/15 only. To be spent on Planning Obligations Supplementary Planning Document. One off grant funding in 2015/16 only - see above.
- Communities & Local Government 2015/16	£19,000	£0	-£19,000	Year 2 of 2	
Large Sites Infrastructure Programmes Capacity Fund:					
- Funding brought forward from 2014/15	£80,666	£0	-£80,666	Year 1 of 2	Unused funding from 2014/15 carried forward to support expenditure in 2015/16 - non recurring. To be used to support expenditure required in connection with the Lubbesthorpe development.
- Communities & Local Government 2015/16	£121,000	£0	-£121,000	Year 2 of 2	
	£249,397	£0	-£249,397		
Grand Total	£1,900,807	£250,000	-£1,650,807		

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Schedule of Expenditure funded from Reserves in 2015/16

	2015/16	2016/17	Variance	Status	Notes
Health Improvement & Leisure Services					
Early Years Activity Co-ordinators	£26,000	£0	-£26,000	One year only	Linked to external funding.
Finance, Efficiency & Assets					
Bubble Project	£133,410	£0	-£133,410	One year only	Contribution from General Reserve Fund approved by Cabinet Executive on 21st September 2015.
Partnerships & Corporate Services					
Development of Voluntary Sector Forum	£21,100	£0	-£21,100	One year only	In partnership with the Rural Communities Council. Approved by Cabinet Executive on 16th February 2015.
Temporary Resource in Partnerships Team	£36,695	£4,352	-£32,343	One year only	15 month fixed term contract to end of May 2016. Approved by Cabinet Executive on 16th February 2015.
Grand Total	£217,205	£4,352	-£212,853		

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