

Scrutiny of the Administration's Budget Proposals 2017/18

INVITATION AND AGENDA TO ALL MEMBERS

Members of the Scrutiny Commission

Cllr. Geoff Welsh
Cllr. David Jennings
Cllr. Bill Wright
Cllr. Shabbir Aslam
Cllr. Marian Broomhead
Cllr. Cheryl Cashmore

Cllr. Adrian Clifford
Cllr. Stuart Coar
Cllr. Lindsey Dracup
Cllr. Tony Greenwood
Cllr. Graham Huss
Cllr. Mark Jackson

Cllr. Trevor Matthews
Cllr. Sam Maxwell
Cllr. Antony Moseley
Cllr. Les Phillimore
Cllr. Louise Richardson
Cllr. Deanne Woods

Dear Councillor,

A meeting of the **SCRUTINY OF THE ADMINISTRATION'S BUDGET PROPOSALS 2017/18** will be held in the Council Chamber - Council Offices, Narborough on **WEDNESDAY, 11 JANUARY 2017 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. 2017-18 Budget Proposals - Context Setting and Overview (Pages 3 - 16)

To consider the report of the Director of People and Performance followed by discussion in preparation for the Budget Portfolio Holder sessions outlined below:

1st Portfolio Session 18 January 2017	Leader Portfolio	Cllr Terry Richardson
	Finance, Efficiency & Assets	Cllr Maggie Wright
	Partnerships & Corporate Services	Cllr David Freer
	Neighbourhood & Regulatory Services	Cllr Guy Jackson

2nd Portfolio Session 25 January 2017	Health Improvement & Leisure Services	Cllr Sheila Scott
	Community Services	Cllr Iain Hewson
	Planning, Economic Dev & Housing Strategy	Cllr Lee Breckon

**Blaby District Council
Scrutiny Commission**

Date of Meeting 11 January 2017
Title of Report **Budget Context Setting and Overview**
Report Author Director of People & Finance

1. What is this report about?

- 1.1 This is an information report which gives Members an overview of draft budget proposals for the 2017/18 Financial Year.

2. Recommendation(s) to Scrutiny Commission

- 2.1 That Scrutiny Commission considers the information contained in the report and comments on the budget process and arrangements for scrutiny of draft budget proposals.

3. Reason for Decision(s) Recommended

- 3.1 To inform and seek Scrutiny Commission comments on the proposals.

4. Matters to consider

4.1 Background

The purpose of the budget overview session is to provide Members with a view of:

- the net budget requirement for the Authority for the 2017/18 financial year
- the sources of funding to meet this budget requirement
- any gaps arising
- options open to the Council to meet the funding gap
- the context within which the budget has been formulated and any high level assumptions
- a summary of key points from the Settlement of December 2016
- a draft of the revised Medium Term Financial Strategy (MTFS) financial summary

4.2 Proposal(s)

Information will inform Scrutiny in order to understand and scrutinise draft

budget proposals leading up to Council considering the budget at February Council.

It is important to note that the budget is in draft format and may change prior to the February meeting should additional information become available. It is not however, expected that any alterations would be substantial.

4.3 Relevant Consultations

Officers from Finance and all services have worked closely together to compile the draft budget and appendices.

5. What will it cost and are there opportunities for savings?

5.1 Detailed budgets will be presented to Scrutiny during the portfolio budget sessions in January 2017 which will demonstrate where savings have been made or additional costs incurred.

6. What are the risks and how can they be reduced?

6.1

Current Risk	Actions to reduce the risks
Reductions in the Government Grant Settlement over and above that which has been built into the MTFS.	The Council has taken a prudent approach in forecasting its core grant funding for the MTFS and have included figures provided in the 4 year settlement. General Fund balances remain healthy and can be used to support the budget in the short to medium term.
Withdrawal of external funding.	External funding has only been built into the base budget to the extent that it has been confirmed by partner organisations. Officers continue to work with the Council's partners to minimise the impact of funding cuts on services.

7. Other options considered

7.1 None

8. Other significant issues

8.1 In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities, and Climate Local and there are no areas of concern.

9. Appendices

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Appendix A

2016/17 Budget Overview 11th January 2017

Impact of the Settlement December 2016

Councillors will be aware that the distribution of the Settlement figures in mid December and in particular changes to the treatment of New Homes Bonus were key to the Authority understanding its future financial position.

Whilst there is still substantial uncertainty surrounding how Business Rates will be distributed this will have an impact in later years rather than the budget of 2017/18.

The Council submitted an efficiency plan to the Department for Communities and Local Government (DCLG) in October 2016 and accepted the offer of the 4 Year Settlement, which spanned years 2016/17 to 2019/20. The Council was informed in mid November that the application had been accepted and Blaby was therefore on the Multi-year Settlement. 97% of authorities across the country accepted the multi-year settlement offer with 10 authorities not accepting.

Throughout this document reference is made to the Settlement within the relevant section to provide information to Members.

Total Budget Requirement

The proposed General Fund Revenue Account net budget requirement for 2017/18 is **£9.55m**. The comparable net budget requirement for 2016/17 was **£9.21m** including £10k funded from General Fund Balances.

This figure compares favourably by **£391k** against the forecast budget gap of £713k within the MTFs resulting in a budget gap of **£322k**. It illustrates the efforts officers have made to reflect increased income and to reduce costs within the budget process and the financial impact the growth and development of the district is having.

Funding the Budget

Sources of funding for the proposed 2017/18 budget requirement of £9.555m are as follows:-

Formula Grant	£2,020m (Rev. Supp Grant & Redist. NNDR)
New Homes Bonus Grant	£2.330m
Precept – Council Tax	£4.883m (at current levels/ no increase)
Total Funding	£9.233m

This reflects a £485k reduction in Revenue Support grant funding from that received in 2016/17 and is reflective of that forecast within the MTFS.

New Homes Bonus (NHB) Grant has risen by £272k. This is £380k higher than that forecast within the MTFS. A total amount of £2.14m of NHB is utilised to support the budget with an additional £186k distributed to Parishes should the scheme of distribution remain unaltered.

The above figures assume the following:

- £400k is released from reserves to support the budget as per the MTFS
- £200k is released from growth in NNDR

Budget Gap

You will note from the above that there is currently a gap between the budget requirement (£9.555m) and the funding window (£9.233m) of **£322k**.

The following scenarios illustrate options open to the Council to close some of this gap:

1. Removal of New Homes Bonus Distributed to Parish Councils £135k

Currently Blaby District Council distributes 20% of the first year of New Homes Bonus (NHB) to those parishes where growth has occurred to generate the NHB. Parishes also benefit from growth through an increase in tax base and increased Council Tax precept.

Whilst the Council do communicate an increased tax base to parishes to enable them to budget effectively for the next year, no such figures are communicated to parishes in relation to NHB.

N.B. £50k would continue to be distributed to those Parishes that benefitted in the first year of the distribution as the Council committed to providing this funding for the full 6 years.

2. Removal/Reduction of Council Tax Support Grant to Parishes £196k

Since the introduction of the Council Tax Support, which replaced Council Tax Benefit, the Council has received the grant for Council Tax Support which relates to Parishes. This was within the core grant figure and we have been unable to separately identify it.

Given that the core grant is reducing to zero by 2019/20 we can assume that the grant is much reduced and will no longer be provided to the Council through core funding in future.

The Council Tax Base for each Parish is reduced to reflect the number of residents in the Parish that receive a reduction of their Council Tax (Council Tax Support). Blaby compensates each parish for the reduction in tax base through payment of this grant.

The Council has no obligation to pass this grant to Parishes although direction has been given by central government that an appropriate amount should be passed over.

Whilst this is an option that is open to Councillors, Parishes build the receipt of this grant into their own budget workings. It would be recommended therefore that Members consider this as an option that would become effective from 2018/19 to enable sufficient notice to be given to Parishes. When considering this, Members should note that there has been growing pressure to legislate to ensure this grant is passed over and building this saving into the budget may only be a short term solution to the funding gap. This said, Blaby has continued to pass over this grant and the legislative changes have not been forthcoming.

3. Council Tax Increase

Members will be aware that over recent years there has been more of an expectation nationally that Councils will increase Council Tax as a mechanism for closing the financial gap.

The referendum limits are expected to remain at 2% and therefore a **1.99%** increase would fall below the referendum limit. An additional amount of **£96k** would be generated with a 1.99% increase which equates to an increase of £2.95 per annum, £151.27 for a Band D equivalent property.

District Councils may however raise Council Tax by £5 without triggering a referendum.

Should this be approved by The House of Commons a **£5** increase would be an option and could generate an additional **£162k**.

It is important to also note that within the Settlement those Authorities with responsibility for Adult Social Care such as Leicestershire County Council have been given an additional flexibility to increase their current council tax referendum threshold by up to 3% for the next two years to be used entirely for adult social care. They may not however exceed a 6% increase over the next 3 years. The County Council therefore have the option to increase

Council Tax by 5% in total in 2017/18. The Leicestershire County Council proportion of the total Council Tax charge forms approx. 70% of the total charge (based on 2016/17).

The table below illustrates the impact that each option has on the funding gap and the effect of a number of options combined.

Funding Gap	321,801	321,801	321,801	321,801	321,801	321,801
Parish NHB Removed	(135,000)	(135,000)	(135,000)	(135,000)		
Parish Council Tax Support Removed	(196,000)	(196,000)				
Council Tax increase £5	(162,243)		(162,243)		(162,243)	
CT Increase of 1.99%		(95,772)		(95,772)		(95,772)
Remaining GAP / (Surplus)	(171,442)	(104,971)	24,558	91,029	159,558	226,029

Contributions from Reserves

Contributions from General Reserve Fund	£400,000
Contribution from Waste Collection Reserve	£231,544
Contribution from Other Earmarked Reserves	£455,803 (See Schedule)

A table of reserves is provided separately which sets out the overall position on reserves and balances.

Additional Options to Utilise Reserves

As was the case in the formulation of the 2016/17 budget a number of externally funded posts have been identified as being at risk due to the lack of confirmation that funding will continue.

These posts are as follows:

- Sports & Physical Activity Team Leader
- Physical Activity Development Officer (Inactive & Vulnerable People)
- Physical Activity Development Officer (Early Years)
- Exercise Referral Co-ordinator
- Early Years Practitioner
- Early Years Physical Activity Officer
- Domestic Abuse Outreach Worker
- Children's Support Worker x3

Within the Scrutiny meetings of the 18th and 25th January there will be opportunity for Members to explore the impact should these post no longer be funded or whether these posts be supported by utilising the General Fund Reserve.

New Homes Bonus

The Council has continued to improve its performance in terms of generating New Homes Bonus. Since 2013/14 the New Homes Bonus has been used to underpin the budget requirement as government funding is reducing. In 2017/18 an amount of **£2.14m** is being utilised to fund services. This does not include the £186k that may continue to be distributed to Parishes.

The release of the Settlement also gave provisional figures for New Homes Bonus following the government's intention to sharpen the incentive to build new homes.

From 2017/18 payments of NHB have been reduced and are now paid for a period of 5 years rather than 6. This was suggested in the consultation document that the Council responded to early in 2016 and was built into the MTFs. A further reduction to 4 years will be brought in for the year 2018/19. The Council's MTFs has allowed for this further reduction.

In addition a new baseline has been brought in, the baseline being 0.4% growth in housing. No NHB will be paid up to 0.4% growth.

The government is considering withholding NHB payments to local authorities that are not planning effectively. This may involve those authorities without a local plan or those that have refused planning applications that are successful following appeal. Further consultation will be released on these points which may be brought in from 2018/19 onwards.

Business Rates

Since the Localisation of Business Rates in 2013/14 Blaby has been reluctant to release significant provision into the budget from business rate growth. An amount of £200k has been released in 2015/16 and 2016/17. It has been difficult to forecast the growth given the impact of appeals against the rateable values of commercial properties in the District. This is further complicated in 2017/18 by the revaluation exercise which has been completed nationally. This may cause further appeals to be made against rateable values.

Councillors will be aware that the mechanism for the distribution of business rates is to be changed in the future. It is not yet known when the new scheme will be brought in but it is expected to be in 2019/20 or 2020/21.

A number of pilot schemes are due to go live in 2017/18. Those authorities chosen have all signed devolution deals. The distribution of retained business rates within the devolved areas seem to be agreed at a local level and therefore it will be of utmost importance that the 'share' of business rates between the County and District tiers are addressed when devolution deals are being considered.

Councillors will be aware that commercial development in the district is positive and this suggests that Blaby will be in a position to benefit from growth in business rates in the future.

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 was 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.

Impact of Welfare Reform

It is difficult to quantify the financial impact Welfare Reform will have on the Authority however there are aspects that will most certainly drive demand for services provided to our most vulnerable residents.

- The Benefit Cap continues to have an impact and 50 families currently have a cap in place.
- The lack of affordable rented accommodation – homelessness has increased nationally and the authority has an obligation to provide accommodation to prevent homelessness. This obligation now extends to cases where their accommodation has become unaffordable. The introduction of the benefit cap may add to the instances of homelessness.
- Potential removal of Housing Benefit for Supported Housing. Supported Housing is there for cases where there are mental health issues or such conditions such as substance abuse. Given that the government has talked about removing the payment of housing benefit for these cases the housing associations are less inclined to provide supported housing accommodation.

General Assumptions within Budget Requirement

- The establishment budget allows for the following:
 - a 1% pay award equating to an additional cost of £138,940 in line with Government policy
 - Contractual Increments £115,365
 - Apprentice Levy £34,500
 - The payment of the National Living Wage
 - Employers' National Insurance Contributions at 2016/17 rates
 - Pension costs have been included at a rate of 17.17% of pensionable pay with a cash contribution of £300,000 – an increase of £153,865 on 2016/17 costs
- Planning appeals are not included within budget requirement but expenditure will be funded from balances if it is necessary.
- Portfolio figures are shown before any recharges from department to department in order that the spending service is scrutinised rather than the method of apportionment across departments.

- Capital expenditure is as per the draft previously presented to Scrutiny Commission on 21th November 2016.

Fees and Charges

All fees and charges have been individually reviewed by the service to which they apply and will be uplifted where possible. It is important to note that many charges are statutory fees and can not be altered.

Any significant changes will be discussed within the individual service portfolio reviews.

Financial Budget Summary

	Approved 2016/17 £	Revised 2016/17 £	Base 2017/18 £
<u>Net Direct Expenditure by Portfolio</u>			
Community Services	1,950,029	1,852,744	1,791,768
Finance, Efficiency & Assets	1,609,150	1,627,711	1,730,828
Health Improvement & Leisure Services	170,637	213,631	130,900
Leader	1,421,703	1,304,297	1,375,639
Neighbourhood & Environmental Health Services	2,012,755	2,241,277	2,150,408
Partnerships & Corporate Services	2,171,161	2,155,172	2,124,270
Planning, Economic Development & Housing Strategy	919,545	1,229,216	853,026
	10,254,980	10,624,048	10,156,839
Revenue Contributions towards Capital Expenditure	110,000	507,233	0
Minimum Revenue Provision	784,269	665,016	818,210
Council Tax Support Grant paid to Parish Councils	195,096	195,096	196,301
Appropriations & Accounting Adjustments	97,286	243,682	211,343
	11,441,631	12,235,075	11,382,693
Net Total Expenditure			
Contribution to/(from) General Reserve Fund	(541,600)	(570,100)	(400,000)
Contribution to/(from) NNDR Reserve	(740,423)	(740,423)	(740,423)
Contribution to/(from) Waste Collection Reserve	(232,000)	(232,000)	(231,544)
Contribution to/(from) New Homes Bonus Reserve	0	0	0
Contribution to/(from) other Earmarked Reserves	(707,352)	(1,498,438)	(455,803)
Contribution to/(from) General Fund Balances	(10,184)	15,958	0
	9,210,072	9,210,072	9,554,923
Net Budget			
<u>Funding Envelope:</u>			
Redistributed National Non Domestic Rates	(1,197,641)	(1,197,641)	(1,239,312)
Revenue Support Grant	(952,284)	(952,284)	(467,159)
New Homes Bonus Grant	(2,057,132)	(2,057,132)	(2,329,576)
Transition Grant	(11,153)	(11,153)	(11,110)
Other Non Ringfenced Government Grants	(303,013)	(303,013)	(303,013)
Council Tax (Surplus)/Deficit	(7,008)	(7,008)	(70,287)
Demand on Council Tax	(4,681,841)	(4,681,841)	(4,812,665)
	(9,210,072)	(9,210,072)	(9,233,122)
Total Funding Envelope			
Funding Gap 2017/18			321,801

ANALYSIS OF RESERVES - REVISED BUDGET 2016/17 & BASE BUDGET 2017/18

	GL Code	Balance at 31/03/16 £	Movement in 2016/17 £	Estimated 31/03/17 £	Movement in 2017/18 £	Estimated 31/03/18 £
Earmarked Reserves						
Leisure Centre Renewals Fund	0001/VBA	(85,342)	8,978	(76,364)	18,849	(57,515)
Computer Room Environment	0001/VBB	(100,000)	0	(100,000)	0	(100,000)
Licensing Reserve	0001/VBC	(25,485)	0	(25,485)	0	(25,485)
Insurance Reserve Fund	0001/VBD	(100,000)	0	(100,000)	0	(100,000)
Special Schemes Reserve - capital	0001/VBH	(550,000)	221,403	(328,597)	0	(328,597)
Capital Earmarked Reserves		(860,827)	230,381	(630,446)	18,849	(611,597)
Leaseholds Covenant	0001/VBG	(26,600)	26,600	0	0	0
Special Schemes Reserve - revenue	0001/VBJ	(700,000)	72,110	(627,890)	0	(627,890)
General Fund Reserve	0001/VBK	(2,600,000)	625,738	(1,974,262)	400,000	(1,574,262)
Ongoing Projects Reserve	0001/VBM	(1,478,999)	1,052,045	(426,954)	426,954	0
Elections Reserve	0001/VBQ	(145,349)	0	(145,349)	0	(145,349)
Choice Based Lettings Reserve	0001/VBR	(32,952)	10,000	(22,952)	10,000	(12,952)
New Home Bonus	0001/VBT	(64,942)	51,664	(13,278)	0	(13,278)
LAMS Default Reserve	0001/VBW	(161,165)	0	(161,165)	0	(161,165)
Economic Development Reserve	0001/VBX	(50,000)	0	(50,000)	0	(50,000)
Troubled Families Reserve	0001/VBY	(80,000)	0	(80,000)	0	(80,000)
Community Rights Reserve	0001/VCB	(48,724)	0	(48,724)	0	(48,724)
Waste Collection Reserve	0001/VCC	(463,544)	232,000	(231,544)	231,544	0
Council Tax Support Reserve	0001/VCD	(250,000)	0	(250,000)	0	(250,000)
Parish New Homes Bonus Reserve	0001/VCE	(447)	0	(447)	0	(447)
NNDR Income Reserve	0001/VCF	(1,214,801)	740,423	(474,378)	0	(474,378)
Revenue Earmarked Reserves		(7,317,523)	2,810,580	(4,506,943)	1,068,498	(3,438,445)
Total - All Earmarked Reserves		(8,178,350)	3,040,961	(5,137,389)	1,087,347	(4,050,042)
General Fund Balance	9999/ZZA	(2,661,024)	(15,958)	(2,676,982)	321,801	(2,355,181)

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