



Council	Thursday, 18 February 2016	Matter for Decision
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Title: **Budget Proposals 2016/17**

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1. Introduction

1.1. This report covers two areas of budget determination for 2016/17. It presents the proposals for the budget as recommended by the Policy, Finance and Development Committee at its meeting on 2 February 2016 and also the Service Delivery Committee at its meeting on 19 January 2016. It also contains the Chief Financial Officer's report on the robustness of the budget proposals and the adequacy of reserves. The report needs to be read in conjunction with the report on Council Tax setting elsewhere on tonight's agenda, which is informed by the attached budget proposals.

2. Recommendations

- 2.1.** That the General Fund net revenue budget estimates for 2016/17 totalling £6,414,876 be approved (Appendix 1).
- 2.2.** That the capital programme for 2016/17 amounting to £6,323,764 be approved (Appendix 2).
- 2.3.** That the Housing Revenue Account draft estimates for 2016/17 be approved (Appendix 3).
- 2.4.** That the Chief Financial Officer be authorised to arrange the financing of the capital programme as necessary.
- 2.5.** That Council approve a decrease of 1.00% in housing rents (Appendix 3 Paragraph 4.2) and increases in other charges as set out in Appendix 3 Paragraph 2.
- 2.6.** That Council approve the list of reserves and balances as described in Appendix 5.
- 2.7.** That, as set out in the Chief Financial Officer's statement at Appendix 6, Council approves the policy of:-
 - Holding an absolute minimum level of General Fund reserves of 5% of annual net expenditure throughout the period between 2016/17 to 2019/20;
 - Holding an absolute minimum level of General Fund reserves of 5% of annual net Holding an optimal level of reserves of between 5% and 10% of annual net expenditure over the period 2016/17 to 2019/20 to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances;
 - Holding a maximum recommended level of reserves of 10% of annual

net expenditure for the period 2016/17 to 2019/20 to provide additional resilience to implement the Medium Term Financial Plan;

- Adopting a Reserves Strategy to maintain the recommended optimal level of reserves within the relevant period (2016/17 to 2019/20); and
- In relation to the Housing Revenue Account (HRA) maintaining reserves at a minimum of £300,000.

2.8. That Council note the risks and sensitivities surrounding the budget set out in Appendix 7.

3. The Council's Policy Context

3.1. The budget proposals for 2016/17 set out in this report are informed by and support the Council's corporate priorities:

- Protect and continue to deliver the good quality, consistent, value for money front line services provided to residents, particularly weekly refuse and recycling collections.
- Enhance the green environment of the Borough so that residents are able to take full advantage of it.
- Revitalise the town centres through development and by retaining free parking for shoppers.
- Work with the police to create a safer borough where people feel comfortable and at ease.
- Improve community engagement including listening to and delegating more to the three town forums.
- Work with others to improve the health and wellbeing of the residents of the borough.
- Work smarter to deliver the efficiency savings required to meet continuing budget cuts.

The Council continues to deliver on all of these commitments, with the focus on achieving efficiency savings to produce a balanced budget given the current challenging financial climate.

In drafting the budget for 2016/17 the Council has had regard to the aims that guide strategic planning and the medium-term financial strategy:

- More active asset management.
- Service review and redesign placing residents at the heart of the process.
- 'Invest to save' schemes, where one-off expenditure achieves continuing revenue savings or additional income.
- Never adopting any schemes, projects or services that are not first demonstrated to be at least cost neutral and therefore will not be an additional burden to local Council Tax payers.
- Commitment to building more houses.

4. Information

4.1. Budget Setting Process

Further to the meetings of the Service Delivery Committee and the Policy, Finance and Development Committee on 19 January 2016 and 2 February 2016 respectively, this report includes proposals for the budget and level of Council Tax for 2016/17. These proposals support the aims of the Council, ensuring that resources follow priorities and continue to support quality, value for money services for the residents of the borough.

Most of the Council's budget, including proposals for revenue growth and savings and capital investment, has already been considered in detail by the two Committees, as well as the Council's financial position and risks to its medium-term financial strategy given the continued reductions in government grant announced in the Autumn Statement and Spending Review.

4.2. Autumn Statement and Spending Review

Whilst much attention and headlines immediately after delivery of the Spending Review focussed on the cancellation of expected changes to tax credits and reduction in police funding, there were a range of announcements significant to the Council. In particular, radical changes to local government funding will affect the delivery of local authority services. The most significant news for local authorities was the Chancellor's announcement that the local government revenue support grant will be phased out by the end of this Parliament. This is expected to be balanced by access to income from business rates.

Local authorities will retain 100% of business rate revenues and the uniform business rate will be abolished, giving local authorities control over the level of business rates for their area. The Chancellor made it clear in the Spending Review that the Government sees the abolition of the uniform business rate as an opportunity for local authorities to cut business rates to attract business but with business rates taking on greater significance to the overall funding of local government, local authorities may increasingly see a need for high business rates. The Chancellor said that this will give local government control of £13 billion of additional local tax revenues and £26 billion in total business rate revenues.

In practice this could mean big differences between local areas, with those with a high concentration of businesses able to generate significantly more for local authority services than those areas which have fewer businesses but no fewer people in need of public services. Even those local authorities with the potential to attract businesses will have difficult decisions to make about setting business rates.

4.3. Council Tax

Council Tax Freeze Grant will not be available for 2016/17 and beyond, and given the pressures on the Council's finances an increase in Council Tax for 2016/17 of 1.99% is recommended in the Council Tax setting report elsewhere on tonight's agenda. In arriving at this position, the Council has taken care to strike a balance between delivering efficiencies while continuing to provide quality services to the communities we serve, particularly the most vulnerable. Achieving efficiencies and delivering value for money have been key components of the Council's financial strategy for a number

of years. However, the significant and continuing impact of grant reductions means the Council must continue to strive for efficiencies, taking a measured and responsible approach to the challenge, and this is reflected in the reports to the two Committees. The Council is ambitious for the area and it is therefore essential that it continues to be agile in responding not just to new challenges, but also to opportunities that may present themselves. Consequently, the budget proposals retain appropriate levels of reserves to assist in managing future uncertainties and in this regard it is important for Council to have regard to the Interim Chief Financial Officer's report on the robustness of the budget calculation and adequacy of reserves set out in Appendix 6.

4.4 Financial Strategy

Prior to the commencement of each financial year the Council prepares a number of capital and revenue spending plans which set out how it intends to invest in services to achieve its priorities and objectives. The Council also prepares a number of financial strategies which show how it aims to gain maximum value from the resources available to it whilst at the same time not exposing it to unnecessary risk. An update will be presented to the Policy, Finance and Development Committee at its meeting on 29 March 2016.

All of these plans impact on one another. For example, capital investment proposals will have revenue implications either through borrowing costs and/or on-going running expenses. The Council prepares a Treasury Management Strategy to determine the best time to borrow and from whom. The Council prepares Prudential Indicators to highlight the extent to which it is becoming dependent on borrowing and/or when new borrowing will need to be taken out to replace maturing loans. The Council prepares an Investment Strategy to ensure that it gains maximum investment interest on surplus cash, also at the same time protecting this cash from loss or misappropriation. Finally, the Council needs to be fully aware of the longer term impact of its spending proposals by preparing a Medium Term Financial Strategy (MTFS). The next iteration of the MTFS will be presented to the Planning, Finance and Development Committee on 29 March 2016.

4.5. Robustness of Budget Estimates

The budget estimates have been subjected to detailed scrutiny and challenged by officers and Members. Budgets were prepared according to the approved budget strategy for the financial year 2016/17 report submitted to the Policy, Finance and Development Committee on 27 October 2015. Proposals from spending committees have been brought together to form the proposed General Fund budget estimates for 2016/17 as set out in Appendix 1. Whilst the budgets for 2016/17 have balanced, the reductions in grant for future years announced in the Autumn Statement mean that there will be funding gaps for the remaining years of the MTFS and further work will be required to achieve balanced budget for 2017/18 and beyond.

As regards the estimates for 2016/17, the Interim Chief Financial Officer has indicated that in accordance with Section 25 of the Local Government Act 2003 he is satisfied with the robustness of the budget process (see Appendix 6).

4.6. Adequacy of Reserves

Mindful of the range of uncertainties that may have financial consequences for the Council in the coming years and of the advice of the Interim Chief Financial Officer set

out in Appendix 6, It is important to maintain appropriate levels of reserves particularly in the current climate and given the levels of risk involved in financial forecasting. The balances of these reserves will be regularly monitored to ensure that they are appropriate given the levels of risk identified.

In addition, to meet specific items of potential expenditure a number of earmarked reserves are set aside. The Interim Chief Financial Officer has reviewed the necessity and adequacy of these reserves. An overall summary of General Fund and Housing Revenue reserves is set out in Appendix 5.

Given the estimated General Fund balance at 31 March 2016 of £1,013,583, the Interim Chief Financial Officer has indicated that in accordance with Section 25 of the Local Government Act 2003 he is satisfied that the proposed General Fund balance for 2016/17 is adequate.

Background Documents:-

- a. Draft Budgets submitted to the Policy, Finance and Development Committee on 2 February 2016
- b. Draft Budgets submitted to the Service Delivery Committee on 19 January 2016
- c. Review of Fees & Charges submitted to the Service Delivery Committee on 13 October 2015 and the Policy, Finance and Development Committee on 27 October 2015
- d. Budget Strategy 2016/17, Policy, Finance and Development Committee 27 October 2015
- e. Local Government Finance Settlement 2016/17
- f. Notification of Precepting Authorities' Precepts and Council Tax levels for 2016/17
- g. Autumn Statement 2015
- h. Leicestershire Pension Fund Actuarial Valuation
- i. Localism Act 2011 and Associated Regulations
- j. Local Government Finance Act 1992 and Associated Regulations
- k. Local Government Finance Act 2012 and Associated Regulations

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Implications	
Financial	These are included within the main body of the report.
Legal	The law governing the setting of the billing authority's Council Tax requirements and the calculation of its basic amount of Council Tax is found in Sections 31a and 31b respectively of the Local Government Finance Act 1992 as amended by the Localism Act 2011. In addition to the relevant primary legislation, local authorities are also bound by regulations and other secondary legislation including codes of practice.
Risk	The implications are included within Appendix 7 of this report.
Equalities	Managers consider these implications as part of preparing service plans and associated detailed budgets, including any future efficiency savings to be delivered and update / produce service impact assessments where necessary.