



<b>Council</b>	<b>Thursday, 23 February 2017</b>	<b>Matter for Decision</b>
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**Title:** **Budget Proposals 2017/18**

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## **1. Introduction**

This report covers two areas of budget determination for 2017/18. It presents the proposals for the budget as recommended by the Policy, Finance and Development Committee at its meeting on 31 January 2017 and also the Service Delivery Committee at its meeting on 17 January 2017. 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 2017/18 totalling £6,601,700 be approved (Appendix 1).
- 2.2. That the capital programme for 2017/18 amounting to £3,691,000 be approved (Appendix 2).
- 2.3. That the Housing Revenue Account draft estimates for 2017/18 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 4.
- 2.7. That, as set out in the Chief Financial Officer's statement at Appendix 5, Council approves the policy of:-
  - Holding an absolute minimum level of General Fund reserves of 5% of annual net expenditure throughout the period between 2017/18 to 2020/21;
  - 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 2017/18 to 2020/21 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 2017/18 to 2020/21 to provide additional resilience to implement the Medium Term Financial Plan;
  - Adopts a Reserves Strategy to maintain the recommended optimal level of reserves within the relevant period (2017/18 to 2020/21); 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 6.
- 2.9. That delegated authority be given to the Chief Financial Officer to amend the estimates to account for any changes to the final Formula Funding amount over the provisional figure by adjusting the contribution to/from the Budget Equilibrium Reserve as appropriate

### **3. The Council's Policy Context**

The budget proposals for 2017/18 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 October 2016 the Council submitted its four-year efficiency plan to the DCLG. This was in response to the invitation from the Secretary of State in March 2016 for local authorities to engage with Government to secure a multi-year settlement for Revenue Support Grant, thus helping to strengthen the Council's financial management.

The provisional financial settlement for 2017/18 was announced by the Secretary of State on 15 December 2016 and as anticipated the Council's plan had been accepted and therefore the levels of Revenue Support Grant for the next four years are known which aids medium-term financial planning and target setting.

The features of the Council's efficiency plan are:

- Active asset management.
- Service review and redesign.
- 'Invest to save' schemes – capital 'one-off' spending to achieve continuing savings in day-to-day running costs or increased income.
- Not adopting any scheme, project or services that are not first demonstrated to be at least cost neutral.
- Commitment to building more houses.

The draft budget for 2017/18 and the updated Medium Term Financial Strategy

anticipates significant savings from these efficiencies.

## 4. Information

### 4.1. Budget Setting Process

Further to the meetings of the Service Delivery Committee and the Policy, Finance and Development Committee on 17 January 2017 and 31 January 2017 respectively, this report includes proposals for the budget and level of Council Tax for 2017/18. 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 grant settlement for 2017/18.

### 4.2. Autumn Statement and Grant Settlement

#### Revenue Support Grant

The major reduction in funding to the Council relates to Revenue Support Grant (RSG). In 2016/17 the Council received £718,275 to support the delivery of General Fund services. For 2017/18 RSG has been reduced by £357,897, to £360,378. The Government has previously announced plans to reduce RSG to zero for all local authorities by 2020.

#### Revenue Spending Power

Revenue Spending Power is the Government's estimate of the amount of funding available to each authority to spend on their core services. It comprises Council Tax and Business rate income, Revenue Support Grant and New Homes Bonus plus a number of other specific Government grants. Based on this methodology, the Council's overall spending power has reduced by 3.89% in 2017/18 compared to 2016/17.

The table below details the Government's assessment of Revenue Spending Power for the Council:

<b>Summary</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Change (£)</b>	<b>Change (%)</b>
Council Tax	3,501,180	3,630,690	129,510	3.70%
SFA	2,129,737	1,800,656	(329,081)	(15.45%)
New Homes Bonus	445,097	407,743	(37,354)	(8.39%)
Transition Grant	20,390	20,311	(78)	(0.38%)
<b>Core Spending Power</b>	<b>6,096,404</b>	<b>5,859,401</b>	<b>(237,003)</b>	<b>(3.89%)</b>

### 4.3. Council Tax

In recognition of the funding pressures on district and borough councils the Government has modified the rules limiting the size of Council Tax increases to allow district and borough councils to increase Band D Council Tax by up to the higher of 2% or £5 without the need to have a referendum on the increase. An increase in Council Tax for 2017/18 of £5 at Band D 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 5.

#### **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 28 March 2017.

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 28 March 2017.

#### **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 2017/18 report submitted to the Policy, Finance and Development Committee on 20 September 2016. Proposals from spending committees have been brought together to form the proposed General Fund budget estimates for 2017/18 as set out in Appendix 1. Whilst the budgets for 2017/18 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 2018/19 and beyond.

**As regards the estimates for 2017/18, 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 5).**

#### **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 5, 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 4.

**Given the estimated General Fund balance at 31 March 2017 of £846,962 (13% of net expenditure), 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 31 January 2017
- b. Draft Budgets submitted to the Service Delivery Committee on 17 January 2017
- c. Review of Fees & Charges submitted to the Service Delivery Committee on 11 October 2016 and the Policy, Finance and Development Committee on 1 November 2016
- d. Budget Strategy 2016/17, Policy, Finance and Development Committee 20 September 2016
- e. Local Government Finance Settlement 2017/18
- f. Notification of Precepting Authorities' Precepts and Council Tax levels for 2017/18
- g. Autumn Statement 2016
- 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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<b>Implications</b>	
<b>Financial (MHo)</b>	These are included within the main body of the report
<b>Legal (AC)</b>	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.
<b>Risk (MHo)</b>	The implications are included within Appendix 6 of this report.
<b>Equalities (MHo)</b>	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.
	Equality Assessment:-

	<input type="checkbox"/> Initial Screening	<input type="checkbox"/> Full Assessment	<input checked="" type="checkbox"/> Not Applicable
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