

Budgets for 2016/17

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Head of Finance

Reason for Report: There is a statutory requirement for Scrutiny to consider the draft budget prior to its final recommendation by the Cabinet.

RECOMMENDATIONS: That Scrutiny review the draft 2016/17 budget and make any necessary comments/recommendations to the Cabinet to be considered at its meeting on the 11 February 2016.

Relationship to Corporate Plan: This budget is driven by the key priorities contained within the Corporate Plan, which seeks to deliver a wide range of cost effective services. All budget decisions have taken account of these priorities and pledges.

Financial Implications: Sound financial management underpins the entire report.

Legal Implications: It is a legal requirement to set a balanced budget under the Local Government Act 2003 and for a scrutiny process to be conducted prior to the final recommendation by Cabinet to Full Council.

Risk Assessment: The production of the budget has taken full account of prior year figures, current year budget monitoring information, changes in legislation, adequacy/levels of reserves, business risk and assumptions in the Medium Term Financial Plan.

1.0 Introduction

1.1 Attached to this report is the generic draft budget report that was considered by all three of the PDG meetings and the Cabinet in November and December. In addition, the draft Housing Revenue Account (HRA) considered at the Decent & Affordable Homes PDG is also attached. These reports were compiled in the absence of finalised information with regard to Formula Grant, the Council Tax Freeze and housing benefit limits relating to rent increases.

2.0 January PDGs and Cabinet – Budget Update

- 2.1 Due to the late timing of this key information a verbal update of the draft budget position will be tabled at PDG and Cabinet meetings in January and a final draft HRA budget will be discussed at the Decent & Affordable Homes PDG on the 26 January 2016. In order for the Scrutiny Committee to have a formal position on the draft budget at its most current position Appendix 7 has been included which provides the information being verbally updated to the PDGs.

3.0 Conclusion

- 3.1 Budget scrutiny is an important part of a robust budget setting process and feedback from this meeting will be considered at the final draft budget Cabinet meeting on the 11 February 2016, prior to recommendation to Full Council.

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Background Papers: None

File Reference: None

Circulation of the Report: Management Team

Cabinet 19 November 2015

Budget 2016/17

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Head of Finance

Reason for the report: To consider options available in order for the Council to set a balanced budget for 2016/17 and agree a future strategy for further budget reductions for 2017/18 onwards.

RECOMMENDATION: To consider the draft budget proposals for 2016/17 and start to plan for additional savings as identified in the Medium Term Financial Plan.

Relationship to the Corporate Plan: To deliver our Corporate Plan's priorities within existing financial resources.

Financial Implications: Looking forward the current Government maintains its pledge to continue the austerity programme, with most public sector commentators estimating further cuts of between 25-40% over the life of the current Parliament. Once this is factored in to the Council's Medium Term Financial Plan we have predicted a funding deficit of circa £1.25m on our General Fund by 2019/20. Note the £1.25m includes savings targets of £467k from increased income from our Leisure Centres, £130k additional income from car parking and £130k from IT savings with a North Devon District Council partnership. This highlights the need to take steps to plan for further reductions to our ongoing expenditure levels.

It is a statutory requirement for the Local Authority to set a balanced budget each year.

Risk Assessment: Service Managers and Finance staff have assessed volatility in income and large contractor budgets, taking account of current and estimated future demand patterns. In addition prudent levels of reserves will also continue to be maintained.

1.0 Introduction

- 1.1 The press have recently reported that the Treasury have reached agreement with four government departments, including the Department for Communities and Local Government, for an *average* of 30% cut in government funding over the next four years.
- 1.2 There is no question that our formula grant will be cut and it is now likely that the Revenue Support Grant of £1.7m will disappear entirely by 2019/20.
- 1.3 It is worth reflecting that our budgets are affected in three principal ways:
 - a) The formula grant received from central government
 - b) Devon County Council's budget being cut leads to them cutting funding to us, and others, in a variety of ways

- c) Government departments such as Department of Work and Pensions and Department for Communities and Local Government also have lower budgets and reduce grants.
- 1.4 Although the priority is to balance next year's budget, strategic decisions will need to be made to accommodate this reduced funding going forward.
- 1.5 The summer savings exercise, that was first undertaken in the summer of 2010, which included Service Managers, Heads of Service, Accountants, the Head of Finance and the Chief Executive challenges all services to look at reducing costs/increasing income, but still deliver the same level of service (especially the front-line services).
- 1.6 This exercise didn't just focus on balancing the next financial year, it also looked at where savings could be delivered over a rolling three year period. Although this year's exercise has been successful in identifying £1,066k of savings for 2016/17 (see Appendix 3), there has been very little proposed for subsequent financial years (only £565k). We can no longer expect service managers to continue to reduce cost and still expect "business as usual". It is now clear that this "salami slicing" strategy for ongoing budget reductions will no longer be viable.
- 1.7 The proposed savings shown in Appendix 3 of £1,066k will need to be agreed by Members, as every proposed saving that is rejected will need to be matched by a suggestion of where a similar saving could be made. Members will be aware that the budget is an evolving process. We have already made a range of assumptions relating to: pay awards, inflation, fees/charges, demand for services, property increases, etc. More information may well change/alter our assumptions in the months leading up to February, when the budget has to be finalised. So the current budget gap of £827k will be revised over the next few months, but it is based on the most current information, in conjunction with professional guidance, that is available.
- 1.8 An updated Medium Term Financial Plan was presented to the Cabinet at its October meeting, which further explored the challenging financial position that the Council is facing over the next 4 years. However, it should be stressed that the Council has placed itself in a very strong position to deal with the situation and continues to look into opportunities to further reduce operational costs without immediately reducing service levels. But it remains a real possibility moving forward that some difficult decisions will have to be made relating to what the Council can and can't afford to deliver/support in the future. This is further evidenced by the low level of service savings estimated from 2017/18 onwards.

2.0 The Draft 2016/17 Budget

- 2.1 The first detailed draft budget figures have now been returned from all Service Managers. In compiling the draft 2016/17 budget, Service Managers and Finance Staff were acutely aware of the worsening financial environment that the Council was now going to have to operate within. A provisional Formula Grant cut of £597k has been estimated.

- 2.2 The initial aggregation of all service budgets (which also includes assumptions surrounding predictions of interest receipts, contributions to our capital programme, transfers from/to reserves and Council Tax levels) currently indicates a GFund budget gap of £827k (see Appendix 1).
- 2.3 At this point it is worth summarising how we have arrived at this deficit. The table shown below shows the main budget variances affecting the 2016/17 draft budget, which has included nearly all of the savings identified at Appendix 3.

Table 1 – Reconciliation of Major 2016/17 Budget Variances

Variances	Amount £000
<i>External items outside of our control</i>	
Reduced formula grant settlement	597
Increased pension contributions - auto enrolment	110
NIC rebate removed from contracted out pensions	180
NNDR GP surgery appeals	100
Pay award circa	100
Falling commodity prices for recycling	125
<i>Subtotal</i>	1,212
<i>Other changes</i>	
Deficit on our 2015/16 budget taken from reserves	187
Increase in sinking funds for asset replacement	132
Increased interest payable	78
Decrease in Collection Fund surplus	32
Income from garden waste scheme	(250)
Increased leisure income	(155)
Increased income from investments	(102)
Contributions from town and parish councils	(100)
Increase Council tax income	(95)
Other net savings	(112)
Draft budget gap for 2016/17	827

- 2.4 The above table clearly demonstrates how a budget gap of £827k has been arrived at and without the hard work undertaken by Service Managers to propose further savings during the summer months we would now be facing a budget deficit of £1,893k for 2016/17 (i.e. £827k + £1,066k). Appendix 3 shows those potential savings which were identified earlier in the year, amounting to £1,066k.
- 2.5 In compiling the 2016/17 draft budget we have also examined budget performance during 2015/16 and then made any relevant budget corrections for staffing changes, levels of income, changes in legislation, increases in inflation, etc. In some areas cost pressures have emerged since the summer meetings and these are now reflected in the draft budget figures, which is why the shortfall has increased.
- 2.6 Due to the need to get budget information to all of the PDG and Cabinet meetings during November and early December there are still a few key issues that have not been resolved or are still to be fully evaluated. These

issues may either improve or worsen the summary budget position currently reported.

3.0 The Future

- 3.1 It is clear that a lot of work has already been undertaken in order to deliver a draft budget gap of £827k. We now are set with two tasks: firstly, to deliver a balanced GFund budget by February 2016 in order to formally set the Council Tax and secondly, and of equal importance, begin to plan how our future spending plans can be financed. Work with town and parish councils will continue and a review of the success of the new waste service will be undertaken. The MTFP tabled at the October Cabinet meeting shows the challenge of balancing our ongoing revenue commitments with our available funding. The summary figures from the MTFP highlighted a £1.25m budget gap over the next 4 years assuming a continued reduction in Government funding year on year. (See table 2 below) This further assumes that all of the £1,066k saving proposals suggested by Service Managers are accepted by Members.
- 3.2 Due to the future uncertainty over the exact level of Formula Grant reduction going forward it is imperative that Management Team, Service Managers and Members give consideration to matching future service provision to likely levels of financial resources. Table 2 below summarises the projected shortfall over the next four years.

Table 2 – MTFP General Fund Summary

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Total Gross Expenditure	35,865	36,286	36,387	36,601	36,992
Total Income	(27,832)	(28,777)	(29,042)	(29,396)	(29,746)
Net Cost of Services	8,033	7,509	7,345	7,205	7,246
Interest Payable	68	147	146	144	143
Interest Receivable	(134)	(171)	(178)	(154)	(191)
Capital Financing	375	361	354	353	430
New Homes Bonus	0	(1,613)	(1,810)	(2,055)	(2,114)
Net transfers to Earmarked reserves	424	2,396	2,592	2,837	2,896
Loan principal adjustment	0	0	0	0	28
Total Budget Requirement	8,766	8,629	8,449	8,330	8,438
<i>Funded by:</i>					
Revenue Support Grant	(1,705)	(1,108)	(665)	(332)	0
Non Domestic Rates	(2,062)	(1,962)	(1,962)	(1,962)	(1,962)
Council Tax Freeze Grant	(50)	0	0	0	0
Collection Fund Surplus	(43)	(40)	(40)	(40)	(40)
Council Tax	(4,971)	(5,066)	(5,116)	(5,172)	(5,223)
Reduction in CTR grant to TC/PCs	65	55	47	40	34
Total Funding	(8,766)	(8,121)	(7,736)	(7,466)	(7,191)
Cumulative Surplus)/Deficit	0	508	713	864	1,247

(1) Formula Grant in 2015/16 includes £50k of Council Tax Freeze grant awarded in respect of 2014/15.

3.3 In addition to this revenue funding pressure, is our ongoing commitment to future capital programmes, not helped by the current low levels of capital receipts. Even greater pressure may be placed on future programmes if additional borrowing was made to fund new Council Houses, Depots, Sport Centre enhancements, Town Centre enhancement works, vehicle replacements, etc.

3.4 The draft Capital Programme for 2016/17 is attached at Appendix 6. The size of our current and future capital programmes has substantially reduced, due to the reductions in funding and level of sale receipts and now only includes projects that are essential maintenance, or asset replacement or income generating/cost reducing.

4.0 The November/December PDGs and Cabinet meetings

4.1 The first round of draft budget meetings will allow discussions with Members, Senior Management, Service Managers and Finance Officers in order to review the proposed draft 2016/17 budget – see Appendix 2. This will include scrutinising and challenging the initial position (and confirming acceptance of all proposed savings put forward) and discussing any other budget areas that Members would like to see additional savings from.

4.2 Before the next round of PDGs and Cabinet in January the Council will receive formal confirmation regarding its; Formula Grant (n.b. active rural lobby on-going), Council Tax Freeze Grant, other emerging legislative changes, more information regarding the 2015/16 budget performance, etc. At this point if any of the initial assumptions/estimates significantly worsen, then we will need to bring further savings options forward for consideration.

5.0 Public Consultation

5.1 Earlier year's consultations have consistently highlighted the three most valued services:

- REFUSE COLLECTION & RECYCLING - First
- PARKS, OPEN SPACES & PLAY AREAS - Second
- ENVIRONMENTAL HEALTH - Third

The three services valued the lowest comprised:

- COMMUNITY GRANTS - First
- PUBLIC CONVENIENCES - Equal second
- COMMUNITY SAFETY - Equal second

5.2 With the Council having to make more challenging decisions with regard to service prioritisation these views and our Corporate Plan should be foremost in determining changes to the base budget.

6.0 Statutory, Discretionary Services and the Level of Service Provision

6.1 Whilst the Council has a legal obligation to perform some activities, others are at the discretion of the elected members, subject to funding. Although some undertakings are clearly statutory and others clearly discretionary, there are some service areas that have elements of both.

Finance has attempted to split the General Fund service areas, distinguishing between statutory, discretionary and running costs, both fixed and variable. It is not a definitive document, some elements are subjective and is only meant as a basis for discussion. The total net direct costs of £9.27m are analysed at Appendix 6.

6.2 The main *discretionary* services of the Council comprise:

- Business development (although a corporate priority)
- Community development (includes community group grants)
- Leisure facilities
- Parks and open spaces
- Shops and industrial units

What can we do to balance the budget?

6.3 An activity's net cost could be changed by one or more of these factors:

- a) Changing the frequency
- b) Changing the quality, instead of a "Platinum service" we may be forced to offer a "Silver service"
- c) Increasing fees or start charging for a service
- d) Reducing the overheads
- e) Stopping the activity entirely
- f) Different models of service delivery (including partnership)

6.4 Over the last five years the Authority has concentrated its efforts in maintaining frontline service levels across all sectors by reducing overheads. It is now clear that following those budgetary cuts some service areas are struggling to deliver their service plans, within their existing budgets. Indeed in a few cases external reviews have necessitated increasing the resources in a particular service area to meet our legal obligations.

What options are available if something is *statutory*?

6.5 Although we cannot stop the function, we may be able to approach it differently in terms of frequency or quality.

6.6 Some of our income streams are influenced by external market forces and in setting prices we have to be mindful of the going market rate. Aside from Council tax, the main discretionary income streams are:

- Building control fees
- Burial fees
- Car park charges
- Industrial unit rent

- Leisure centre fees
- Licence fees
- Market tolls
- Shop rents
- Trade waste fees

6.7 Any multi million pound business employing staff and utilising assets needs teams to support them and our frontline services are no different.

6.8 The key components, some statutory, others essential, include:

- Audit
- Accountancy
- Customer First
- Procurement (Buying goods and services)
- Human resources (Includes health and safety)
- IT
- Legal services
- Property services

6.9 For example our waste service has to have vehicles and depots to operate from, both of which need to be maintained. The staff need to be managed, to be paid, and legislation provides for health and safety considerations. Depots and building such as Phoenix House are fixed costs, although even here we have created savings by renting out some space. The “back office” activities are therefore intrinsically linked to the “frontline” and savings from both areas have continued to be made.

7.0 Conclusion

7.1 The feedback from all three budget PDGs and the Cabinet will be reported to the January Cabinet for consideration in order to set a balanced 2016/17 budget and agree a forward plan. Early in the New Year Management Team will meet to establish a strategic plan of how £1.25m of savings in the next four years can be achieved. This process will be based upon giving Members a series of options, some of which may require short term investment, to generate medium or long term savings. The savings options will need to be considered across all Member meetings, based upon the priorities contained within the new corporate plan. Having identified possible savings, there will need to be careful consideration of their potential impact, probable lead times for delivery of that saving and any associated disengagement costs or possible ‘spend to save’ implications that would arise.

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Background Papers: Draft 2016/17 Budget Papers
MTFP report - Oct 2015 Cabinet

Circulation of the Report: Management Team, Members and relevant Service Managers

GENERAL FUND REVENUE ACCOUNT DRAFT BUDGET SUMMARY 2016/17

	Notes	Net Direct Costs Budget 2015/16 £	Budget Changes £	Draft Net Direct Costs Budget 2016/17 £
Managing the Environment	4	2,453,770	(418,300)	2,035,470
Decent & Affordable Homes	4	404,150	(5,960)	398,190
Community Well Being	4	2,553,100	303,310	2,856,410
Cabinet	4	3,844,810	133,700	3,978,510
TOTAL NET DIRECT COST OF SERVICES		9,255,830	12,750	9,268,580
Net recharge to HRA	8	(1,223,440)	(24,230)	(1,247,670)
NET COST OF SERVICES		8,032,390	(11,480)	8,020,910
PWLB Bank loan interest payable		37,680	74,350	112,030
Finance Lease interest payable		30,710	3,290	34,000
Provision for the financing of capital spending		375,490	25,230	400,720
Interest from Funding provided for HRA		(69,090)	4,090	(65,000)
Interest Received on Investments	7	(65,000)	(106,000)	(171,000)
Revenue contribution to capital programme		0	0	0
New Homes Bonus			(1,612,720)	(1,612,720)
Transfers into earmarked reserves	5	610,690	1,916,340	2,527,030
Transfers from earmarked reserves	2		(295,780)	(295,780)
Transfers from GF balance		(186,520)	186,520	0
TOTAL BUDGETED EXPENDITURE		8,766,350	183,840	8,950,190
Funded by:-				
Formula Grant (FG)		(3,713,480)	542,700	(3,170,780)
Additional NNDR revenue		(54,000)	20,000	(34,000)
NNDR GP surgery appeals			100,000	100,000
Council Tax freeze - for 2015/16 (Now in FG)		(49,710)	49,710	0
CTS Funding Parishes		65,000	(9,750)	55,250
Collection Fund Surplus		(43,330)	35,100	(8,230)
Council Tax - 27,398 x £184.89	1	(4,970,830)	(94,710)	(5,065,540)
TOTAL FUNDING		(8,766,350)	643,050	(8,123,300)
REQUIREMENT TO BALANCE THE BUDGET		0	826,890	826,890

Current Assumptions :

1. Council Tax has been increased by 1.0% as an illustration and increased property growth.
2. Nil transfer from the General Fund Balance .
3. Most of the savings and cost pressures proposed in the budget review meetings have been included.
4. 2016/17 salary budgets include an increase of 1%.
5. All earmarked reserves have been reviewed and adjustment made based upon existing need.(See appendices 4 and 5 for full details)
6. All income flows have been reviewed and adjusted for changes in demand and unit price.
7. Investment income has been based upon the existing lending criteria now in force.
8. Support services have been inflated in accordance with the pay award.
9. No reductions to grant budgets have been made.
10. Car parking fees are based upon 2015/16 fees and vends.

GENERAL FUND SUMMARY	Budget Net Direct Cost	FTE	Budget Net Direct Cost	+ - %	Cost Pressures	Cost Pressures	Cost Pressures	
	2014/15	2016/17	2015/16		2016/17	2017/18	2018/19	Comments
Cabinet								
Chief Executive	159,080	2.00	163,160	0.0%				
Corporate Fees/Charges	153,110	0.10	161,190	0.0%				
Pension Backfunding	738,310	1.00	788,070	0.0%				
Accountancy Services	400,930	8.49	399,390	0.0%				
Internal Audit	98,870	2.70	97,380	0.0%				
Procurement	51,910	1.61	52,280	0.0%				
Purchase Ledger	45,100	1.54	45,570	0.0%				
Sales Ledger	34,710	1.46	40,280	0.0%				
Human Resources	203,160	4.81	217,990	0.0%				
Mddc Staff Training	119,730	0.00	94,770	0.0%				
Payroll	58,950	2.00	65,280	0.0%				
Learning And Development	39,850	0.81	32,760	0.0%				
It Gazetteer Management	63,810	2.00	64,200	0.0%				
It Information Management	27,450	1.00	28,050	0.0%				
It Information Technology	822,400	12.68	819,140	0.0%				
Electoral Registration	111,040	4.00	159,740	0.0%				
Election Costs	20,000		20,000	0.0%				
Democratic Rep And Management	414,720	2.81	416,620	0.0%				
Legal Services	187,150	5.00	178,940	8.4%	15,000			admin support role - funded by dig strategy?
	3,750,280	54.01	3,844,810	0.4%	15,000	0	0	
Community Well Being PDG								
Community Development	419,900	5.22	411,430	0.0%				
Economic Development	-21,910	1.97	1,810	0.0%				
Customer Services Admin	154,910	3.54	105,440	0.0%				
Customer First	642,450	23.00	714,230	0.0%				
Community Safety - C.C.T.V.	3,100	0.19	2,880	0.0%				
Es Staff Units/Recharges	609,390	14.30	534,120	10.1%	54,000			restructure, je's and extra post
Community Safety	55,440	1.68	55,980	0.0%				
Food Safety	-1,530		1,330	0.0%				
Health And Safety At Work	22,710	1.00	42,350	0.0%				
Licensing	-12,500	2.97	-20,340	-59.0%	12,000			Licensing Enforcement post now f/time+JE regrade
Pest Control	5,500		5,000	0.0%				
Pollution Reduction	2,710		5,340	37.5%	2,000			Local Air Pollution income budget too high, reduce
Building Regulations	11,640	5.00	-5,250	0.0%				
Enforcement	97,800	2.50	97,270	0.0%				
Development Control	75,160	23.17	108,270	0.0%				check budget for new structure and extra costs for Lpl
Local Land Charges	-20,450	1.80	-20,450	0.0%				
Economic Development	-60,360	2.50	62,960	476.5%	100,000	100,000	100,000	Economic development initiatives
Forward Planning	249,310	7.22	183,320	0.0%				
Regional Planning	62,520		76,500	26.1%	20,000			extra prov'n for Lplan
Collection Of Council Tax	275,020	8.76	237,870	0.0%				
Collection Of Business Rates	-58,400	1.00	-76,640	0.0%				
Housing Benefit Admin & Fraud	56,760	13.47	113,890	26.3%	30,000			reduction in Admin grant by 10%
Debt Recovery	38,170	1.49	39,170	0.0%				
Recreation And Sport	141,910	53.91	-123,380	0.0%				
	2,749,250	174.69	2,553,100	16.4%	218,000	100,000	100,000	
Decent and Affordable Housing PDG								
Private Sector Housing Grants	110,460	4.10	129,590	0.0%				
Homelessness Accommodation	206,190	6.54	274,560	0.0%				
	316,650	10.64	404,150	0.0%	0	0	0	
Managing the Environment PDG								
Parking Services	-434,000		-382,970	-5.2%	20,000			Include £20k sinking fund for future car park maintenance
Cemeteries	-39,670	1.10	-16,250	0.0%				
Public Health	2,160		2,260	0.0%				
Open Spaces	156,900	2.20	128,750	0.0%				
Grounds Maintenance	542,680	18.50	471,380	5.3%	25,000			DCC cut in grass cutting
Asset Management	8,750		8,750	0.0%				
Flood Defence And Land Drain	26,430		26,430	0.0%				
Street Naming & Numbering	8,280	0.20	8,450	0.0%				
Administration Buildings	243,500	0.07	241,330	0.0%				
Mddc Depots	58,610		54,260	0.0%				
Public Transport	-17,440		-15,150	0.0%				
Office Building Cleaning	54,930	3.09	55,710	0.0%				
Property Services Staff Unit	256,860	8.87	298,110	0.0%				
Public Conveniences	122,870	1.66	88,760	0.0%				
GF Properties Shops / Flats			-178,200	0.0%				
Street Cleansing	342,880	8.20	340,070	0.0%				
Waste Collection	1,203,760	30.80	729,740	0.0%				
Recycling	623,400	25.80	413,960	0.0%				
Waste Management	230,220	5.31	178,380	0.0%				
	3,391,120	105.80	2,453,770	1.8%	45,000	0	0	
GRAND TOTAL	10,207,300	345.15	9,255,830	5.2%	278,000	100,000	100,000	
Cost Pressures								
Budget shortfall for 2015/16 taken from reserves					186,520			
Employee costs inflation at 1 %					113,406			
Contracted out pension rebate abolished					140,000			
Pension backfunding + auto enrolment					40,000			
Other inflation - 0.75% per annum on supp and serv + utilities					44,511			
Interest Payable					78,610			
Net Market Walk monies transfer to EMR					172,000			
Non domestic rate GP surgery appeals					100,000			
Other savings								
Recharges					-12,234			

Interest Receivable					-36,775
Capital financing					-14,356
Inflation applied to fees and charges					-61,179
2015/16 Monitoring forecast Issues					
Funding Adjustments					
Reduced Formula Grant -15%					646,407
C Tax 1% increase pa					-49,708
C Tax additional properties					-45,000
Reduction in CTR grant to TC/PCs					-9,750
Collection Fund surplus decrease					3,330
Total Budgeted Net Cost Pressures					1,573,782
Total Budget Meeting Savings (See Appendix 3)					-1,065,700
Projected Budget Deficit					508,082
GF Balance B/F					-2,380,180
GF Balance C/F					-1,872,098

GENERAL FUND SUMMARY	Budget Net Direct Cost	FTE	Budget Net Direct Cost	+ - %	Budget Meeting Savings £k	Target Savings £k	Target Savings £k	
	2014/15	2016/17	2015/16		2016/17	2017/18	2018/19	Comments
Cabinet								
Chief Executive	159,080	2.00	163,160	0.0%				
Corporate Fees/Charges	153,110	0.10	161,190	0.0%	-17			saving on audit fee - see fee letter
Pension Backfunding	738,310	1.00	788,070	0.0%				
Accountancy Services	400,930	8.49	399,390	0.0%				
Internal Audit	98,870	2.70	97,380	0.0%				
Procurement	51,910	1.61	52,280	0.0%				
Purchase Ledger	45,100	1.54	45,570	0.0%				
Sales Ledger	34,710	1.46	40,280	0.0%				
Human Resources	203,160	4.81	217,990	0.0%				
Mddc Staff Training	119,730	0.00	94,770	0.0%				
Payroll	58,950	2.00	65,280	0.0%				
Learning And Development	39,850	0.81	32,760	0.0%				
It Gazetteer Management	63,810	2.00	64,200	0.0%				
It Information Management	27,450	1.00	28,050	0.0%	-5			Esri software and Adept telephone calls
It Information Technology	822,400	12.68	819,140	0.0%		-90	-40	North Devon ICT partnership savings
Electoral Registration	111,040	4.00	159,740	0.0%				
Election Costs	20,000		20,000	0.0%				
Democratic Rep And Management	414,720	2.81	416,620	0.0%				
Legal Services	187,150	5.00	178,940	0.0%				Extra income from review of fees/charges
	3,750,280	54.01	3,844,810	0.0%	-22	-90	-40	
Community Well Being PDG								
Community Development	419,900	5.22	411,430	0.0%	-20			Also see sensitive tab Target reduction on strategic g
Economic Development	-21,910	1.97	1,810	-0.6%	-10			Also see sensitive tab.Target additional Market incom
Customer Services Admin	154,910	3.54	105,440	0.0%	-6			
Customer First	642,450	23.00	714,230	0.0%		-25	-50	Also see sensitive tab. £6k sav from postage & possible income from Comms, AL to come back with figures. Digital strategy savings from 2017/18 onwards
Community Safety - C.C.T.V.	3,100	0.19	2,880	0.0%				
Es Staff Units/Recharges	609,390	14.30	534,120	0.0%				
Community Safety	55,440	1.68	55,980	0.0%				
Food Safety	-1,530		1,330	-0.7%	-9			7k increase in water quality income & reduce food protections budget by 2k.
Health And Safety At Work	22,710	1.00	42,350	0.0%				
Licensing	-12,500	2.97	-20,340	0.1%	-16			Target income - on advice, animal establishments etc
Pest Control	5,500		5,000	0.0%	-1			Look to recharge HRA with 10% of pest control budget
Pollution Reduction	2,710		5,340	-0.1%	-3			Look to get rid of Creditons air monitoring station
Building Regulations	11,640	5.00	-5,250	0.0%				new fee structure + shared manager
Enforcement	97,800	2.50	97,270	0.0%				
Development Control	75,160	23.17	108,270	0.0%	-30			pre app & hist fees
Local Land Charges	-20,450	1.80	-20,450	0.0%				
Economic Development	-60,360	2.50	62,960	0.0%				
Forward Planning	249,310	7.22	183,320	0.0%				
Regional Planning	62,520		76,500	0.0%				
Collection Of Council Tax	275,020	8.76	237,870	0.0%				
Collection Of Business Rates	-58,400	1.00	-76,640	0.0%				
Housing Benefit Admin & Fraud	56,760	13.47	113,890	0.0%				
Debt Recovery	38,170	1.49	39,170	0.0%				
Recreation And Sport	141,910	53.91	-123,380	0.4%	-155.5	-155.5	-155.5	Savings assumed to be on income, although some savings on employment costs may occur
	2,749,250	174.69	2,553,100	0.0%	-250.5	-181	-206	
Decent and Affordable Housing PDG								
Private Sector Housing Grants	110,460	4.10	129,590	0.0%				
Homelessness Accommodation	206,190	6.54	274,560	0.0%				
	316,650	10.64	404,150	0.0%	0	0	0	
Managing the Environment PDG								
Parking Services	-434,000		-382,970	0.0%	-130			48k p&d, 1k permits, 70k maint 2121, 2k overtime reduction, 9k Market Walk parking spaces - See sensitive tab
Cemeteries	-39,670	1.10	-16,250	0.0%				check claire - incr in fees?
Public Health	2,160		2,260	0.0%				
Open Spaces	156,900	2.20	128,750	0.0%				
Grounds Maintenance	542,680	18.50	471,380	0.0%				DCC cut in grass cutting
Asset Management	8,750		8,750	0.0%				
Flood Defence And Land Drain	26,430		26,430	0.0%				
Street Naming & Numbering	8,280	0.20	8,450	0.0%				
Administration Buildings	243,500	0.07	241,330	0.0%				
Mddc Depots	58,610		54,260	0.0%				
Public Transport	-17,440		-15,150	0.0%				
Office Building Cleaning	54,930	3.09	55,710	0.0%				
Property Services Staff Unit	256,860	8.87	298,110	0.0%				
Public Conveniences	122,870	1.66	88,760	0.0%				Update from Claire
GF Properties Shops / Flats			-178,200	0.2%	-373			£10k income from Lowman Green (PC) unit, £363k M
Street Cleansing	342,880	8.20	340,070	0.0%	-17			10k Cull sweeper, £7k mwalk rechrg
Waste Collection	1,203,760	30.80	729,740	0.0%	-273			250k Net saving of new waste scheme. £2k Increase bulky chrgs. 21k TW charges
Recycling	623,400	28.80	413,960	0.0%				
Waste Management	230,220	5.31	178,380	0.0%				See sensitive tab
	3,391,120	108.80	2,453,770	0.0%	-793	0	-49	
GRAND TOTAL	10,207,300	348.15	9,255,830	0.0%	-1,065.7	-271	-295	

Budget 2016/17

Transfers into Earmarked Reserves

Appendix 4

Cost centre	Description	MAINT 16/17 BUDGET	PLANT 16/17 BUDGET	EQUIPMENT 16/17 BUDGET	VEHICLES 16/17 BUDGET	OTHER 16/17	NEW HOMES BONUS	Market Walk /Fore Street Surplus
CP540	PAYING CAR PARKS	20,000.00						
CS500	MESSENGER SERVICES				1,440.00			
CS900	CENTRAL PHOTOCOPYING			8,940.00				
CS902	CENTRAL POSTAGE			2,500.00				
CS910	CUSTOMER SERVICES ADMIN			500.00				
CS932	CUSTOMER FIRST			5,000.00				
ES100	CEMETERIES	25,000.00						
ES450	PARKS & OPEN SPACES				1,200.00			
ES450	PARKS & OPEN SPACES	25,000.00						
ES460	PLAY AREAS	10,000.00						
ES580	POOL CAR RUNNING COSTS				6,480.00			
ES730	ENVIRONMENTAL ENFORCEMENT				5,900.00			
GM960	GROUNDNS MAINTENANCE		14,360.00		47,450.00			
IE435	NEW HOMES BONUS GRANT						1,612,720.00	
IT800	PHOENIX HOUSE PRINTING			9,700.00				
LD201	ELECTION COSTS - DISTRICT					20,000.00		
PS350	PUBLIC CONVENIENCES				1,660.00			
PS980	PROPERTY SERVICES STAFF UNIT				7,200.00			
PS992	GF SHOPS							202,410.00
WS650	STREET CLEANSING				56,750.00			
WS700	REFUSE COLLECTION				232,300.00			
WS710	TRADE WASTE COLLECTION				21,720.00			
WS725	KERBSIDE RECYCLING				168,800.00			
WS725	KERBSIDE RECYCLING			20,000.00				
TOTAL		80,000.00	14,360.00	46,640.00	550,900.00	20,000.00	1,612,720.00	202,410.00
2,527,030								

PS980	Fore Street surplus	Est -	40,000.00
PS981	Market Walk surplus	-	354,000.00
	Interest payable - PWLB		108,136.00
	Capital financing £4.3m/50 years		83,453.00
	Net forecast surplus for the year	-	202,411.00

Budget 2016/17
Transfers into Earmarked Reserves

Appendix 5

Cost Centre	Description	UTILISE New Homes Bonus
CD200	COMMUNITY DEVELOPMENT	- 21,210.00
PR400	BUSINESS DEVELOPMENT	- 42,720.00
CS938	DIGITAL STRATEGY STAFFING	- 102,030.00
PR400	BUSINESS DEVELOPMENT	- 100,000.00
LD600	LEGAL SERVICES	- 18,170.00
HR200	CORPORATE TRAINING	- 11,650.00
TOTAL		- 295,780.00

Service Unit Description	Sum of Statutory	Sum of Discretionary	Sum of Organisation Running Costs - FIXED	Sum of Organisation Running Costs - Discretionary	
SCD01 Community Development		431,810			
SCD02 Economic Development		(3,410)			
SCM01 Chief Executive			-	165,450	
SCM03 Corporate Fees/Charges			149,120		
SCM06 Pension Backfunding			839,250		
SCP01 Parking Services		(475,560)			
SCS20 Customer Services Admin				108,040	
SCS22 Customer First				847,900	
SES01 Emergency Planning					
SES02 Cemeteries	(47,610)				
SES03 Community Safety - C.C.T.V.		3,030			
SES04 Public Health	18,830	3,810			
SES05 Open Spaces		54,800			
SES11 Pool Cars					
SES15 Private Sector Housing Grants	165,720				
SES16 Es Staff Units/Recharges	557,170				
SES17 Community Safety		53,970			
SES18 Food Safety	(4,650)				
SES19 Health And Safety At Work			-		
SES21 Licensing	(12,430)				
SES22 Pest Control	4,000				
SES23 Pollution Reduction	4,230				
SFP01 Accountancy Services				414,750	
SFP02 Internal Audit				100,770	
SFP03 Procurement				75,880	
SFP04 Purchase Ledger				46,360	
SFP05 Sales Ledger				43,200	
SGM01 Grounds Maintenance	281,065	281,065			
SHG03 Homelessness Accommodation	116,235	116,235			
SHG04 Gf Housing Management					
SHR01 Human Resources			48,090	227,820	
SHR02 Mddc Staff Training			19,360	76,040	
SHR03 Payroll				62,690	
SHR04 Learning And Development				45,300	
SIT01 It Gazetteer Management	64,820				
SIT02 It Information Management				-	
SIT03 It Information Technology				779,490	
SLD01 Electoral Registration	180,230				
SLD01A Election Costs	-				
SLD02 Democratic Rep And Management	424,160				
SLD04 Legal Services				215,730	
SPR01 Building Regulations	(5,190)				
SPR02 Enforcement	96,500				
SPR03 Development Control	69,600				
SPR04 Local Land Charges	(18,340)				
SPR06 Economic Development		207,720			
SPR09 Forward Planning	240,760				
SPR11 Regional Planning	92,200				
SPS01 Asset Management					
SPS03 Flood Defence And Land Drain	26,430				
SPS04 Street Naming & Numbering	7,910				
SPS05 Administration Buildings		18,470	242,660		
SPS06 Mddc Depots	28,980	28,980			
SPS07 Public Transport			(15,080)		
SPS08 Office Building Cleaning				59,910	
SPS09 Property Services Staff Unit				339,890	
SPS11 Public Conveniences		49,320			
SPS12 Gf Properties Shops/Flats		(513,910)			
SRB01 Collection Of Council Tax	234,950				
SRB02 Collection Of Business Rates	(74,290)				
SRB03 Housing Benefit Admin & Fraud	113,190				
SRB04 Housing Benefit Subsidy	(75,000)				
SRB06 Debt Recovery	62,910				
SRS01 Recreation And Sport		(78,260)			
SWS01 Street Cleansing		322,770			
SWS02 Waste Collection	531,720				
SWS03 Recycling	615,150				
SWS04 Waste Management	175,870				
TOTAL NET DIRECT COST OF SERVICES	3,875,120	500,840	1,283,400	3,609,220	£ 9,268,580
	Total	£ 4,375,960		£ 4,892,620	
		47.2%		52.8%	

MDDC 2016/17 CAPITAL PROGRAMME

Code	Responsible Officer Job Title	Scheme	Approved Capital Programme 2016/17 £000's
		<u>General Fund Projects</u>	
CA627	Estates Manager	<u>Exe Valley leisure centre</u> EVLC - Pressure set replacement Hot/Cold	50
CA626	Estates Manager	EVLC - Fitness extension - subject to business case *	250
		* Note £500k in 15/16 will be slipped to 16/17	
CA451	Estates Manager	<u>Phoenix House</u> Phoenix House - Ground Floor changes - subject to business case	100
CA505	Estates Manager	<u>Pannier Market</u> Pannier Market -Pedestrian roof cover - subject to business case **	290
		** Note £110k in 15/16 will be slipped to 16/17	
CA709	Estates Manager	<u>MSCP Improvements</u> MSCP improvements (refer to Matrix condition report)	50
CA628	Estates Manager	<u>Play Areas</u> Play area refurbishment district wide	50
CA452	Estates Manager	<u>Other Projects</u> Station Yard re construct shower block welfare	35
CA453	Estates Manager	Land drainage flood defence schemes	50
CA454	Estates Manager	Phoenix Lane - Conversion to homeless shelter	40
CA455	Estates Manager	St Lawrence Green - Demolition and make good	30
CA425	Head of Business Information Services	<u>ICT Projects</u> Server farm expansion/upgrades	20
CA433	Head of Business Information Services	Unified Communications/telephony	25
CA456	Head of Business Information Services	Digital Transformation possible replacement of CRM	50
CA457	Head of Business Information Services	Digital Transformation including Cosmic for Mid Devon	20
CA444	Head of Business Information Services	SQL/Oracles refreshes	50
CA821	Waste and Transport Manager	<u>Replacement Vehicles - Refuse Collection</u> 5 Refuse Vehicles with Food waste capability ***	160
		*** Note £740k in 15/16 will be slipped to 16/17	
			1,270
CG216	Head of HR & Development	<u>Private Sector Housing Grants</u> Private Sector Housing initiatives to be prioritised	104
CG201	Head of HR & Development	Disabled Facilities Grants-Private Sector	468
			572
CA200	Enabling Support Manager	<u>Affordable Housing Projects</u> Grants to Housing Associations to provide units (funded by commuted sum)	222
			222
		Total General Fund Projects	2,064

Code	Responsible Officer Job Title	Scheme	Approved Capital Programme 2016/17 £000's
		HRA Projects	
CA100	Housing Building Manager	Major repairs to Housing Stock	2,805
CA111	Housing Building Manager	Renewable Energy Fund Spend	200
CG200	Housing Building Manager	Disabled Facilities Grants - Council Houses	297
CA120	Head of Housing & Property Services	Burlescombe (6 units) ****	100
		**** Note £700k in 15/16 will be slipped to 16/17	
CA125	Head of Housing & Property Services	Waddeton Park - (75 units)	2,000
CA127	Head of Housing & Property Services	* Stoodleigh - Pending feasibility (4 units)	520
		Total HRA Projects	5,922
		CAPITAL PROGRAMME GRAND TOTAL	7,986

0

Code	Funding Stream	Approved Capital Programme Funding 2016/17 £000
	General Fund Projects	
9801	S106 & Affordable Housing Contributions	222
9990	General Capital Reserve	136
9701	Govt Grant (DCLG)	311
9727	New Homes Bonus (GF)	1,070
9957	Private Sector Housing Grants EMR	165
9990	Contribution from Sinking Funds	160
	Total General Fund Projects	2,064
	HRA Projects	
9980	* Useable Capital Receipts General to be generated in 2016/17	365
	* Contribution from existing Useable Capital Receipts £65k	
	* Balance to be generated in 2016/17 £300k	
9710	MRA Reserve	2,805
9727	New Homes Bonus (HRA)	21
9980	1-4-1 receipts reserve	350
9990	Renewable Energy Fund	200
9990	Housing Maintenance Fund	272
9990	Affordable Rents Surplus	73
9942	PWLB Borrowing	1,836
	Total HRA Projects	5,922
	Grand Total (GF & HRA)	7,986

GENERAL FUND REVENUE ACCOUNT DRAFT BUDGET SUMMARY 2016/17

	Notes	Net Direct Costs Budget 2015/16 £	Budget Changes £	Draft Net Direct Costs Budget 2016/17 £
Managing the Environment	4	2,453,770	(529,130)	1,924,640
Decent & Affordable Homes	4	404,150	(5,960)	398,190
Community Well Being	4	2,553,100	196,540	2,749,640
Cabinet	4	3,844,810	150,940	3,995,750
TOTAL NET DIRECT COST OF SERVICES		9,255,830	(187,610)	9,068,220
Net recharge to HRA	8	(1,223,440)	22,030	(1,201,410)
NET COST OF SERVICES		8,032,390	(165,580)	7,866,810
PWLB Bank loan interest payable		37,680	74,350	112,030
Finance Lease interest payable		30,710	3,290	34,000
Provision for the financing of capital spending		375,490	25,230	400,720
Interest from Funding provided for HRA		(69,090)	15,090	(54,000)
Interest Received on Investments	7	(65,000)	(106,000)	(171,000)
Revenue contribution to capital programme		0	0	0
New Homes Bonus			(1,612,720)	(1,612,720)
Transfers into earmarked reserves	5	610,690	1,916,340	2,527,030
Transfers from earmarked reserves	2	(186,520)	(289,260)	(475,780)
TOTAL BUDGETED EXPENDITURE		8,766,350	(139,260)	8,627,090
Funded by:-				
Formula Grant (FG)		(3,713,480)	673,480	(3,040,000)
Rural Services Delivery Grant			(115,230)	(115,230)
Additional NNDR revenue		(54,000)	20,000	(34,000)
NNDR GP surgery appeals			100,000	100,000
Council Tax freeze - for 2015/16 (Now in FG)		(49,710)	49,710	0
CTS Funding Parishes		65,000	(9,750)	55,250
Collection Fund Surplus		(43,330)	35,100	(8,230)
Council Tax - 27,507.03 x £185.78	1	(4,970,830)	(139,430)	(5,110,260)
TOTAL FUNDING		(8,766,350)	613,880	(8,152,470)
BUDGET GAP MET BY NEW HOMES BONUS	9	0	474,620	474,620

Current Assumptions :

1. Council Tax has been increased by 1.99% .
2. Nil transfer from the General Fund Balance .
3. Most of the savings and cost pressures proposed in the budget review meetings have been included.
4. 2016/17 salary budgets include an increase of 1%.
5. All earmarked reserves have been reviewed and adjustment made based upon existing need.
6. All income flows have been reviewed and adjusted for changes in demand and unit price.
7. Investment income has been based upon the existing lending criteria now in force.
8. Support services have been inflated in accordance with the pay award.
9. The budget gap of £474k will be funded by a short term transfer from available New Homes Bonus.

Cabinet & Policy Development Groups

14 January 2016

Budget 2016/17 - Update

Portfolio Holder Responsible Officer	Cllr Peter Hare-Scott Head of Finance
Reason for Report:	To consider options available in order for the Council to move towards a balanced budget for 2016/17.
RECOMMENDATION:	To consider and agree the updated budget proposals for 2016/17 included in Appendix 1.
Relationship to Corporate Plan:	To deliver our Corporate Plan's priorities within existing financial resources.
Financial Implications:	Now the Council has received notification of its Formula Grant Settlement it is imperative that it matches current and ongoing expenditure plans to estimated sources of income/funding.
Legal Implications:	It is a statutory requirement for the Local Authority to set a balanced budget.
Risk Assessment:	Service Managers and Finance staff have assessed volatility in income and large contractor budgets, taking account of current and estimated future demand patterns. This position has been revised based on an additional 2 months of financial monitoring information. In addition prudent levels of reserves will also continue to be maintained.

1.0 Introduction

1.1 On the 17 December 2015 the Council received formal confirmation of its Formula Grant Settlement. Our provisional formula grant award for 2016/17 amounts to **£3.04m**. This is unlikely to change significantly and is approximately £130k lower than what we first estimated.

As a direct consequence this increased the draft 2016/17 General Fund budget deficit but other savings proposals have helped to reduce the deficit to circa **£405k**.

1.2 Despite this it is both prudent and a legal obligation that we set a balanced budget and therefore further savings will be required.

1.3 It is useful that the formula grant announcement gave provisional figures for the three years following up to 2019/20: As we had predicted the Revenue

Support Grant, which currently stands at £1.7m, will completely disappear by 2019/20. The current and provisional future formula grant amounts are:

	15/16	16/17	17/18	18/19	19/20
	£m	£m	£m	£m	£m
Revenue Support Grant	1.7	1.02	0.5	0.18	0.00
Business Rates	2.0	2.02	2.06	2.13	2.19
Total Formula Grant	3.7	3.04	2.56	2.31	2.19

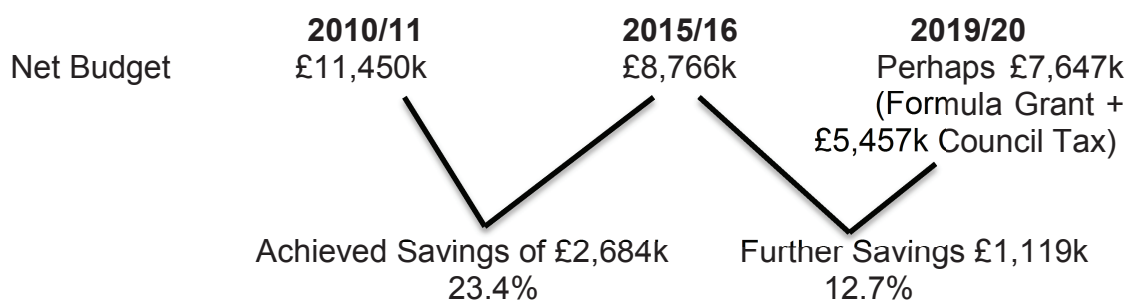
Slotting the provisional Business Rate Retention and Revenue Support Grant figures into the Medium Term Financial Plan shows that by 2019/20 we will need to find approximately **£1.1m** of savings, close to the amount we previously forecast. At this point we still have no details on the proposed changes allowing Councils' to retain more of the business rate income.

2.0 2016/17 General Fund Budget - Revised Position

- 2.1 Since the first round of PDGs and Cabinet meetings the Finance team and service managers have been revisiting a range of budgets to strive to deliver more savings or increase income levels.
- 2.2 This process has improved the General Fund budget by circa £422k (see **Appendix 1**) and now only leaves a budget gap of **£405k**. This reflects a lot of hard work and constructive negotiation over the past 2 months.

3.0 Conclusion

- 3.1 The Council still has approximately one month until the Cabinet will meet on the 11 February 2016 to formally recommend the overall budget and level of Council Tax for 2016/17 and officers will continue to work towards delivering a balanced budget position.
- 3.2 As has been said, on a number of occasions over the past few years, the Council's financial future is going to become increasingly challenging year on year and it is worth reflecting in terms of past, present and the future.



- 3.3 To date we have used the New Homes Bonus grant to fund economic development projects, help fund our capital programme and to fund certain "one off" revenue projects. Some other local authorities are already using the New Homes Bonus grant to various degrees to help fund their day to day spending (revenue expenditure).
- 3.4 So should we use more of ours in a similar fashion? The concern is one of *sustainability*. We do not know whether this funding will be provided

indefinitely. In fact the Department of Communities and Local Government is currently conducting a consultation where there is a proposal to cut the grant awarded to District Councils for new dwellings from six years to four. On top of this there is also consideration of changing the proportions awarded to district and upper tier authorities. This could result in Mid Devon receiving less and Devon County Council receiving more each year.

In the recent grant settlement we had a provisional forecast of our New Homes Bonus grant for future years:

	15/16	16/17	17/18	18/19	19/20
	£m	£m	£m	£m	£m
New Homes Bonus grant	1.6	1.8	1.8	1.2	1.1

You will notice the decrease after 2017/18 where the sum drops to £1.1m by 2019/20.

- 3.5 So how much New Homes Bonus grant do we currently hold? **Appendix 2** shows our predicted balance at 31 March 2015 to be £2,969k. We could fund the budget deficit from this grant which would mean that **£801k** of New Homes Bonus would be used to help fund the 2016/17 budget (the shaded area). However if the reserve is utilised in this manner there will be less monies available to fund future capital and economic projects.
- 3.6 Should this level of supported funding continue year on year then it would comprise circa 73% of our expected grant in 2019/20 and leave little available for capital. Clearly this would be a strategy involving considerable risk in the long term, especially if the grant were to be stopped in its entirety, which is a possibility.
- 3.7 It is also worth mentioning that as a district we are comparatively poor in terms of assets with much of the capital programme funded from “Right to Buy” receipts and the New Homes Bonus grant. We do not have a large portfolio of surplus assets which we could sell and use for new capital projects, some of which could reduce our annual running costs.
- 3.8 As the government is now paying central grants much more on a basis of “payment by results” more authorities are seeking financial security by striving to become self-financing. As an authority we too have broadened our approach. The Tiverton Market Walk project is an example where Mid Devon now has additional income from the shop units to help support the revenue budget, but with increased risks if those units are not let. We also have the benefit of the feed-in tariff from the solar panels installed on Phoenix House and other locations. Whilst this income is beneficial and has helped our position, the amounts that we need to balance our budget in the foreseeable future are significantly higher.
- 3.9 Members have now approved a draft Corporate plan with key defined focus areas, the question is how those aspirations can be met with a *sustainable* budget base, ideally with as much as possible under our own control. Going forward difficult and challenging decisions on the scope and extent of service delivery will be required to meet this objective.

Contact for more information: Andrew Jarrett – Head of Finance
Background Papers: Draft 2016/17 Budget Papers
Grant Settlement Email
File Reference:
Circulation of the Report: Management Team, Members & Relevant Service
Managers

GENERAL FUND REVENUE ACCOUNT DRAFT BUDGET SUMMARY 2016/17

	Notes	Net Direct Costs Budget 2015/16 £	Budget Changes £	Draft Net Direct Costs Budget 2016/17 £
Managing the Environment	4	2,453,770	(418,300)	2,035,470
Decent & Affordable Homes	4	404,150	(5,960)	398,190
Community Well Being	4	2,553,100	303,310	2,856,410
Cabinet	4	3,844,810	133,700	3,978,510
New proposed savings				(552,000)
TOTAL NET DIRECT COST OF SERVICES		9,255,830	12,750	8,716,580
Net recharge to HRA	8	(1,223,440)	(24,230)	(1,247,670)
NET COST OF SERVICES		8,032,390	(11,480)	7,468,910
PWLB Bank loan interest payable		37,680	74,350	112,030
Finance Lease interest payable		30,710	3,290	34,000
Provision for the financing of capital spending		375,490	25,230	400,720
Interest from Funding provided for HRA		(69,090)	4,090	(65,000)
Interest Received on Investments	7	(65,000)	(106,000)	(171,000)
Revenue contribution to capital programme		0	0	0
New Homes Bonus			(1,612,720)	(1,612,720)
Transfers into earmarked reserves	5	610,690	1,916,340	2,527,030
Transfers from earmarked reserves	2		(295,780)	(295,780)
Transfers from GF balance		(186,520)	186,520	0
TOTAL BUDGETED EXPENDITURE		8,766,350	183,840	8,398,190
Funded by:-				
Formula Grant (FG)		(3,713,480)	673,480	(3,040,000)
Additional NNDR revenue		(54,000)	20,000	(34,000)
NNDR GP surgery appeals			100,000	100,000
Council Tax freeze - for 2015/16 (Now in FG)		(49,710)	49,710	0
CTS Funding Parishes		65,000	(9,750)	55,250
Collection Fund Surplus		(43,330)	35,100	(8,230)
Council Tax - 27,398 x £184.89	1	(4,970,830)	(94,710)	(5,065,540)
TOTAL FUNDING		(8,766,350)	773,830	(7,992,520)
REQUIREMENT TO BALANCE THE BUDGET		0	957,670	405,670

Current Assumptions :

1. Council Tax has been increased by 1.0% as an illustration and increased property growth.
2. Nil transfer from the General Fund Balance .
3. Most of the savings and cost pressures proposed in the budget review meetings have been included.
4. 2016/17 salary budgets include an increase of 1%.
5. All earmarked reserves have been reviewed and adjustment made based upon existing need.(See appendices 4 and 5 for full details)
6. All income flows have been reviewed and adjusted for changes in demand and unit price.
7. Investment income has been based upon the existing lending criteria now in force.
8. Support services have been inflated in accordance with the pay award.
9. No reductions to grant budgets have been made.
10. Car parking fees are based upon 2015/16 fees and vends.

Appendix 2**New Homes Bonus (NHB) Summary**

	£k
Balance at 31/3/15	(1,887)
2015/16 award	(1,613)
Estimated use of NHB to fund 15/16 capital programme	531
Projected balance at 31/3/16	(2,969)
2016/17 provisional award	(1,800)
	(4,769)

Monies Committed in 2016/17 General Fund Budget

Community Development	21
Business Development	43
Digital Strategy Staffing	102
Business Development	100
Legal Services	18
Corporate Training	12
Recycling premises move	100
Budget deficit funding	405
	801

**Available for 16/17 Capital Funding / Economic Development
Projects**

	(3,968)
2015/16 capital programme slippage funding	1,766
2016/17 capital programme funding	1,091
Projected balance at 31/3/17	<u><u>(1,111)</u></u>

HRA BUDGET 2016/17

Cabinet Member Cllr Peter Hare-Scott, Cllr Ray Stanley
Responsible Officer Head of Finance, Head of Housing

Reason for Report: This report provides an estimate of the budget required for the operation of the Housing Revenue Account (HRA) in 2016/17. Most of the specifics are now known and the remaining uncertainty is the ongoing effect that welfare reform will have.

RECOMMENDATION: That the members of the PDG agree the budget proposals within this report, along with any amendments that members deem appropriate.

Relationship to Corporate Plan: The financial resources of the Council directly impact on its ability to deliver its Corporate Plan objectives/pledges.

Financial Implications: A balanced and realistic budget must be set for 2016/17 in order that the HRA reserve is not threatened with unplanned expenditure. The budget will need to be carefully managed in order that the 30 year business plan's need for much greater investment in the housing stock is achievable.

Legal Implications: It is a statutory requirement for the Council to set a balanced budget.

Risk Assessment: Service managers and Finance staff have assessed volatility in income and large contractor budgets. In addition, reserves will continue to be maintained at prudent levels and grown in some cases to meet future pressures.

1.0 Introduction

1.1 The Housing Revenue Account (HRA) is a ring fenced account within Mid Devon District Council (MDDC). It sits separately from the General Fund (GF) and accounts for all income and expenditure in relation to the Council's landlord function for social housing.

1.2 Each year, a budget must be set which balances income against expenditure and nets to zero. This report will explain how the proposed budget for 2016/17 has been set and the factors that have affected it.

2.0 Key Issues

2.1 The main factors that have had the most significant effect on proposing a budget for 2016/17 are as follows.

- Formula Rent (FR) reducing by 1% each year for four years
 - Right to buy (RTB) sales increasing
 - Universal Credit
- 2.2 In July's government budget announcement, we learnt that FR will reduce by 1% each year for the next four years, where we'd expected it to increase by CPI +1% each year for the next nine years. Since dwelling rent is the largest number in the HRA, the impact this has is obviously significant.
- 2.3 In recent years, the discounts offered as incentives for tenants to exercise their option through RTB have increased significantly and so it is anticipated that take up will continue to increase as it has done during 2015.
- 2.4 The impact of this is that there are fewer properties within Mid Devon's portfolio and so a lower amount of rent is being generated. The size of this impact on the budget can be seen later in this report.
- 2.5 As Universal Credit is introduced across the region, along with other elements of welfare reform, it is expected that Mid Devon's costs of income collection will increase. This is because a large portion of our rent income is received directly from Housing Benefit and so costs of collection are zero. Under Universal Credit, this amount would be recoverable from the tenants themselves, meaning lots more letters, telephone calls and home visits.

3.0 The 2016/17 Budget Proposals Explained

- 3.1 The impact of the 1% rent reduction as well as the reduced number of properties is a budget movement of £210k. The movement would be greater still if it weren't for the newly built social housing properties of the last year.
- 3.2 Since garage tenant numbers have begun to rise slightly recently, it is proposed that rents be frozen at £11.00 per week in order to avoid a fall off in customers. This increase in customers sees the non-dwelling rent budget increase by £21k.
- 3.3 The Community Alarm service has continued to perform well and, therefore, the budget has increased by £56k. The first reason for this is that many more customers than expected opted to keep the service when it changed from free to chargeable. The second reason is that mainstream lifeline customer numbers have continued to grow.
- 3.4 Repairs & Maintenance has seen a large overall increase of £122k. However, this is made up of several small and moderate changes. The largest of which are the introduction of an Adaptations Officer as part of Repairs Management and an additional £50k in the Planned Maintenance budget for asbestos removal. Also, since no vehicles are required to be purchased through the capital programme in 2016/17 (meaning no revenue contribution to capital is required), it is expected that around £30k will be needed in Repairs to purchase the vehicles.

- 3.5 Transfers into the HRA earmarked reserves are made up as follows: overall surplus paid into the Housing Maintenance Fund (HMF) £1,603k; renewable energy surplus £130k; affordable rent surplus £73k; loan premium deficit £486k. This gives us the total of £2,286k seen in Appendix 1.
- 3.6 The £130k in relation to renewable energy transactions is derived from the fact that we anticipate receiving in the region of £150k of income and expect there may be some associated expenditure, for which £20k has been budgeted.

4.0 Recommendation

- 4.1 It is recommended that the members of the PDG review the appendices, which are made up of the following.
- Appendix 1 – HRA Proposed Budget Summary 2016/17
 - Appendix 2 – How the rent changes work out across our properties
 - Appendix 3 – Planned Maintenance Budget Extract
 - Appendix 4 – HRA Fees & Charges
 - Appendix 5 – HRA Detailed Budget Proposals 2016/17
- 4.2 It is further recommended that they agree these proposals, including members' own amendments if appropriate. Since the rent policy is determined by central government, the fees and charges in appendix 4 as well as the Planned Maintenance extract at appendix 3 may be the areas that members choose to debate the most.

5.0 Conclusion

- 5.1 These budget proposals have been prepared through Finance staff working together with Housing staff and in accordance with guidance from senior elected members. The proposals, with any updates, will be brought before this group again in January before going on to Cabinet and then Full Council for approval on the 24th of February 2016.

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Background Papers: None
File Reference: None
Circulation of Report: Management Team



Appendix 1

Code	Best Value Unit	PY Outturn	CY YTD Actuals	CY FY Budget	Movement	Proposed Budget 2015/16
SHO01	Dwelling Rents Inc	(12,422,053)	(6,669,460)	(12,810,600)	210,640	(12,599,960)
SHO04	Non Dwelling Rents Inc	(530,534)	(295,883)	(519,780)	(21,490)	(541,270)
SHO06	Tenant'S Ch For Services	(316,974)	(28,433)	(30,980)	(11,380)	(42,360)
SHO07	Leaseholders' Ch For Serv	(24,782)	(23,535)	(19,840)	(3,700)	(23,540)
SHO08	Contributions Towards Exp	(85,375)	(27,747)	(34,970)	1,250	(33,720)
SHO09	Alarm Income - Non Tenants	(157,529)	(109,345)	(138,170)	(56,490)	(194,660)
SHO10	H.R.A. Investment Income	(48,161)	0	(40,000)	0	(40,000)
SHO11	Miscellaneous Income	(1,644,562)	(32,861)	(19,000)	0	(19,000)
SHO13A	Repairs & Maintenance	3,090,671	1,406,623	3,274,710	122,070	3,396,780
SHO17A	Housing & Tenancy Services	1,199,119	565,249	1,358,850	(4,100)	1,354,750
SHO22	Alarms & L.D. Wardens	313,539	77,575	178,700	(26,500)	152,200
SHO29	Bad Debt Provision	(10,522)	0	25,000	0	25,000
SHO30	Share Of Corp And Dem	196,516	94,637	202,890	(25,490)	177,400
SHO32	H.R.A. Interest Payable	1,330,017	0	1,323,820	(55,790)	1,268,030
SHO34	H.R.A. Transfers between earmarked reserves	2,117,183	0	2,589,500	(298,360)	2,291,140
SHO36	H.R.A. R.C.C.O.	979,106	0	139,000	(139,000)	0
SHO37	Capital Receipts Res Adj	(13,000)	0	(15,600)	(5,200)	(20,800)
SHO38	Major Repairs Allowance	2,495,887	0	1,986,590	813,410	2,800,000
SHO40	Pension Reserve Adj	20,191	0	0	0	0
SHO44	Capital Grant Unapp Cr Hra	1,633,634	0	0	0	0
SHO45	Renewable Energy Transactions	(152,296)	(11,533)	(150,000)	20,000	(130,000)
	TOTAL	(2,029,924)	(5,054,713)	(2,699,880)	519,870	(2,180,010)

5000 RECHARGES
6000 CAPITAL CHARGES

1,223,440	24,230	1,247,670
1,476,440	(544,100)	932,340
0	0	0

6000 CAPITAL CHARGES

Finance lease depreciation	16,030
Capital financing for finance lease	(16,030)
Capital financing for finance lease	16,030
Depreciation	2,000,000
Depreciation reversal	(2,000,000)
PWLB loan MRP	916,310
	932,340

Assumptions

Formula Rents to decrease by 1%, moving the actual average rent to £79.89 per week (over 52 weeks)
Twenty four properties sold during 2015/16
Sixteen properties sold during 2016/17

PLEASE SEE OVER THE PAGE

Average of fifteen properties void at any one time

Eight properties are excluded from rent setting as they are not available for re-let

Affordable Rents to decrease by 1%, moving the actual average rent to £112.39 per week (over 52 weeks)

Garage rents to be frozen at £11.00 per week

Occupancy in HRA retail units to remain at current levels

Community alarm customer numbers to remain at current levels

HRA cash balances to remain high in the short term

Debt repayments of £2,645k to PWLB

Debt interest payments of £1,212k to PWLB and £54k to GF

£1,609k contribution to the Housing Maintenance Fund to be made

Recharges to grow slightly

How the rent changes work out across all of our properties

We propose to move each property's rent to Formula Rent, or the maximum increase where the rent lags too far behind for this to be possible.

Increases would be spread as follows.

Increase	Number of properties affected	Gap to Formula Rent (average, per week)
1.0% reduction	2,942	£0.00
0.0%-0.9% reduction	23	£0.00
0.1%-0.9% increase	21	£0.00
1.0%-1.9% increase	25	£0.00
2.0%-2.9% increase	10	£1.91
3.0-3.2% increase	3	£8.94
TOTAL	3,024	

This will take our average rent to £79.89.



HO130**Planned & Cyclical Maintenance**

Cost centre	Account	Account Description	Proposed Budget 2016/17
HO130	4213	Planned Asbestos Work	100,000
HO130	4215	External Contr - Legionella	3,500
HO130	4216	External Contr - Electrical	100,000
HO130	4230	External Contr -Gas Servicing	368,150
HO130	4231	External Contr -Lift Maint	500
HO130	4232	External Contr - Paint & Reps	440,000
HO130	4236	Air Source Heat Pump Servicing	25,000
HO130	4238	Scaffolding	15,000
HO130	4239	Carbon Monoxide Detectors	33,000
HO130	4522	Solid Fuel Repairs	12,500
HO130	4524	Garage Repairs	30,000
HO130	4526	Cyclical Testing	70,000
HO130	4602	Insulation	10,000
HO130	4666	Door Entry Systems	5,000
		TOTAL	1,212,650



HRA: Proposed Fees and Charges 2016/17

	<u>2015/16</u>	<u>Increase</u>	<u>Increase %</u>	<u>2016/17</u>
<u>Community Alarm Charges per week per property</u> (48 week basis)				
Sheltered & Bronze Scheme Alarm Charge	£2.50	£0.50	20.0%	£3.00
Lifeline Base Unit	£3.76	£0.00	0.0%	£3.76

Garage rents per week (48 week basis) <i>It should be noted that council tenants receive a discount of £2.00 per week on any garage rent.</i>	£11.00	£0.00	0.0%	£11.00
Garage ground rents (Annual charge)	£200	£25	12.5%	£225

<u>N.B.</u>				
MDDC Formula Rent on average (52 weeks)	2015/16: £80.71	2016/17: £79.90		