

Cabinet & Policy Development Groups

5 January 2017

Budget 2017/18 - Update

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| Portfolio Holder | Cllr Peter Hare-Scott |
| Responsible Officer | Director of Finance, Assets and Resources Andrew Jarrett |
| Reason for Report: | To consider options available in order for the Council to move towards a balanced budget for 2017/18. |
| RECOMMENDATION: | To consider and agree the updated budget proposals for 2017/18 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 two months of financial monitoring information. In addition prudent levels of reserves will also continue to be maintained. |

1.0 Introduction

- 1.1 On the 15 December 2016 the Council received formal confirmation of its Formula Grant Settlement. Our provisional formula grant award for 2017/18 amounts to **£2.6m**. This is unlikely to change significantly and is exactly what we first estimated based upon the indicative four year settlement provided last December by Central Government.
- 1.2 As a direct consequence this increased the draft 2017/18 General Fund budget deficit. However it is both prudent and a legal obligation that we set a balanced budget and therefore further savings will be required.

2.0 2017/18 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 deliver more savings or increase income levels.

- 2.2 Further review identified a further **£510k** of cost pressures since November, but the Finance team and service managers have worked very hard to identify a further **£697k** of savings, together with further potential savings for members to consider.
- 2.3 This process has improved the General Fund budget by a net **187k** (see **Appendix 1**) and now only leaves a budget gap of **£231k**. This reflects a lot of hard work and constructive negotiation over the past 2 months. The changes made to the budget are summarised at **Appendix 6**. **Appendices 2, 3 and 4** show the current position for the general fund and the transfers to and from earmarked reserves.
- 2.4 Given the deficit of £231k further budgetary savings are required to balance the budget and further potential savings are outlined at **Appendix 7**.
- 2.5 There are some further considerations, both cost pressures and potential savings which as yet have not been quantified and these are identified at **Appendix 8**.

3.0 Conclusion

- 3.1 The Council still has approximately one month until the Cabinet will meet on the 2 February 2017 to formally recommend the overall budget and level of Council Tax for 2017/18 and officers will continue to work towards delivering a balanced budget position.
- 3.2 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).
- 3.3 Unfortunately in the draft local government settlement the government announced that in future the New Homes Bonus will no longer continue to be awarded for six years, it will gradually taper to five and then four years.

In addition the government have introduced a baseline whereby Councils must build a de minimis number of properties before they become eligible to receive New Homes Bonus, referring to this as a “baseline” set at 0.4% of the property base. The money saved will be used to help fund social care in the higher tier authorities. In our 2017/18 settlement it appears our baseline has been set at 148 properties. As a result our provisional New Homes Bonus award for 2017/18 is **£1.72m**, £110k lower than that received in 2016/17.

- 3.4 We could fund some of the budget deficit from this grant. However if the reserve is utilised in this manner there will be less monies available to fund future capital and economic projects and we will ultimately need to potentially manage with circa £1m less New Homes Bonus funding from 2018/19 onwards.
- 3.5 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.

- 3.6 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.

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| Contact for more information: | Andrew Jarrett – Director of Finance, Assets and Resources |
| Background Papers: | Draft 2017/18 Budget Papers Grant Settlement Email |
| File Reference: | |
| Circulation of the Report: | Management Team, Members & Relevant Service Managers |