

Budget Proposals report for Administration and Finance Groups 2016/17

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REASON FOR ITEM

To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund revenue budget, Housing Revenue Account budget and Capital Programme for 2016/17, this report sets out the draft revenue budget and Capital Programme of the Administration and Finance Groups for 2016/17, along with indicative projections for the following four years. Following consideration by Cabinet on 17 December 2015, these proposals are now under consultation, and the proposals for each Group are being discussed at the January cycle of Policy Overview Committees.

Cabinet will next consider the budget proposals on 18 February 2016, and the report will include comments received from Policy Overview Committees. At the meeting on 18 February 2016 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2016/17, who will meet to agree the budgets and Council Tax for 2016/17 on 25 February 2016.

The Committee needs to consider the budget proposals as they relate to the Administration and Finance Groups, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

OPTIONS AVAILABLE TO THE COMMITTEE

It is recommended that the Committee notes the budget projections contained in the report, and comments as appropriate on the combined budget proposals put forward by the Administration and Finance Groups, within the context of the corporate budgetary position.

INFORMATION

Background

1. The Council continues to operate within the constraints of Government's deficit reduction programme, which has seen a reduction of 56% (£67m) in central government funding since 2010/11 and all indications are that funding will continue to decline. There remains significant uncertainty around funding forecasts for the remainder of the MTF period, with November's Autumn Statement reaffirming the direction of travel of local government funding.
2. The draft budget presented to Cabinet in December does not include the impact of funding outlined within the recent Spending Review or Provisional Local Government

Finance Settlement. However, the expectation is that the overall funding position for the next 4 years may have improved slightly from previous forecasts although the position in 2016/17 could well be worse than assumed because local government savings have been front loaded.

3. In order to provide a firm basis from which to respond to on-going funding reductions, there has been significant work undertaken to review and confirm the baseline position of demand-led service areas, with Looked After Children placements and the new permanent establishment for Children & Young People's Services being two examples. Alongside this work on demand-led budgets, monitoring of progress in the successful delivery of the 2015/16 savings programme has fed into development of the 2016/17 budget to ensure that the Council is not carrying forward issues into the new financial year.
4. Against this baseline position, groups have been developing savings proposals sufficient to meet the externally driven budget gap and respond to increases in cost pressures. In addition to this work across directorates, a comprehensive review of the corporate elements of the budget has been undertaken since February, capturing funding, inflation and capital financing. During the early summer and again in the autumn, a series of challenge sessions were held to affirm the budget position. Each session followed a similar format reviewing:
 - The 2014/15 outturn, particularly any on-going issues arising.
 - The current position in 2015/16 - both monitoring and savings delivery.
 - Existing and emerging pressures which need to be addressed in the 2016/17 budget and forecasts for future years.
 - Progress on the development of savings proposals for 2016/17.
 - Identification of any potential growth or invest-to-save bids.
 - Capital programme requirements.
5. The consultation budget collated the outputs from these sessions, with sufficient savings proposals having been developed to bridge the budget gap in 2016/17 while freezing Council Tax for all residents for an eighth successive year and funding the freeze for older persons into a twelfth year in 2018/19. A surplus of £1,251k is retained at this stage in the budget setting process in order to manage the risk of further reductions in funding once 2016/17 grant awards have been confirmed.

The Budget and Policy Framework Procedure Rules

6. The consultation on the budget proposals commenced on 18 December 2015 following decisions taken by Cabinet on 17 December 2015.
7. There will be a further consideration by Cabinet of the budget proposals on 18 February 2016, including comments from Policy Overview Committees. These will be collated and reported back to Cabinet by the Corporate Services and Partnerships Policy Overview

Committee. Council will be requested to approve the Cabinet's proposals on 25 February 2016, and if approved without further amendment they will be effective immediately.

Corporate Summary

8. While the focus of the discussion for the Policy Overview Committee should be the specific services within its remit, it is important that this discussion is conducted in the context of the overall corporate financial position.
9. The budget proposals included in this report represent Cabinet's budget strategy for 2016/17 and beyond. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2016/17 whilst maintaining balances and reserves at well above the minimum recommended level. The final funding settlement for 2016/17 will not be available until February and so the budget has therefore been drafted on the latest estimated position.
10. The principal challenge in delivering a balanced budget for 2016/17 is the development of significant savings, with the savings requirement for 2016/17 originally being estimated at £20,276k. This was revised in the wake of the March 2015 Budget to £21,247k, with a planned £4,000k drawdown from balances to smooth the impact of front-loaded funding cuts reducing the outstanding budget gap to £17,247k. Following the reduction in funding cuts for 2016/17 signalled by the July 2015 budget and latest intelligence on core government funding, the budget gap stood at £14,079k.
11. The budget proposals presented to Cabinet in December are analysed below, with a £5,950k projected reduction in Government Grants being off-set by increased Council Tax and Business Rates receipts to reduce the budget requirement by £1,012k. Inflationary pressures and growth in demand continue to drive up the savings requirement, with savings proposals of £12,144k presented in this draft budget sufficient to generate a £1,251k surplus.

Table 1: Headline Budget Movements

	£'000
Funding Sources	
Council Tax Receipts	108,654
Retained Business Rate Receipts	47,435
Central Government Grant	46,851
Total Resources	202,940
Budget Requirement 2015/16	203,952
Inflation	3,439
Corporate Items	(1,890)
Contingency	8,862
New Priority Growth	(530)
Savings	(12,144)

Budget Requirement 2016/17	201,689
Surplus / (Deficit)	1,251

12. The development of savings proposals has continued to concentrate on more efficient service delivery methods, the rolling out of the new Council operating model, focusing on core services and by not creating new pressures by providing services that are no longer funded by Central Government. As previously noted, the Council's Business Improvement Delivery Programme is now well established and able to drive the delivery of these savings - evidenced by £8,172k of the £10,034k 2015/16 savings being either already banked or on track in Month 7 monitoring.
13. The draft General Fund Capital Programme for the period 2016/17 – 2020/21 proposes significant capital investment of around £371,725k - containing funding to deliver a new Theatre, museum and bunker visitor centre in Uxbridge, three new Youth Centres, funding for a new playground renewal programme as well as bolstering investment in existing local infrastructure.

ADMINISTRATION AND FINANCE GROUP BUDGET PROPOSALS

Summary of Key Financial Issues

14. The Administration and Finance Groups have proposed savings totalling £1,934k for 2016/17. The savings are a combination of reviews of staffing structures, service efficiencies and retendering of contracts, therefore ensuring that the level of services provided are not affected. Of the total savings proposals, £574k relate to the full year effect of savings made in 2015/16.
15. A number of the 2016/17 savings relate to restructures within specific service areas and work has been undertaken during 2015/16 to ensure that these savings will provide a full year impact in 2016/17. The outcome of the retendering of the Revenues and Benefits Administration Contract will continue to provide part year savings in 2016/17, with savings in future years up to 2019/20.
16. Administration and Finance Group have consistently provided savings through service efficiencies, including Zero based reviews and will continue to explore ways to improve productivity in order to provide the most effective support to front line services.

Group Revenue Budget 2016/17

17. The movement between the current year's budget and the draft budget for 2016/17 is summarised in Table 2 below. Each of the lines in Table 1 is set out in the following sections and in Appendix A.

Table 2: Group Revenue Budget 2016/17

	Administration £'000	Finance £'000	Total £'000
Operating Budget 2015/16	9,924	14,269	24,193
Inflation	116	211	327
Corporate Items	0	0	0
Contingency	0	0	0
Priority Growth	0	0	0
Savings	-857	-1,077	-1,934
Other Virements	0	50	50
Operating Budget 2016/17	9,183	13,453	22,636

Development and Risk Contingency

18. The Development and Risk Contingency provides for resources within the revenue budget that are unallocated at the beginning of the year but that can be applied to issues as they arise during the year. The contingency is therefore used to budget for items where the probability or value of items is uncertain at the beginning of the year. The current draft Development and Risk Contingency includes items totalling £400k for 2016/17 for the Administration and Finance Groups.

19. This sum, as in previous years, represents a provision of £400k, which is proposed to be provided for the Council's Liability for uninsured claims where the Council has, under its current insurance policy, agreed to fund the excess values which in most cases stand at £100k. The only exception to this relates to Public Liability where the excess stands at £250k.

Savings

20. Savings proposals, focused on increased efficiency and effectiveness with no reduction in service provision, have been developed through the Council's BID Programme and associated workstreams. The savings have been adjusted to take account of rephrasing of 2015/16 proposals so the Council does not carry forward undeliverable savings in the refreshed MTFF. These proposals fall into five broad themes: Zero Based Reviews; Preventing Demand; Service Transformation; Effective Procurement; and Maximising Income.

21. Savings proposals currently developed total £12,144k across the Council for 2016/17 including £2,865k of full year effects of prior year savings. The total savings included in the draft budget for the Administration and Finance Groups total £1,934k and are included in Appendix A.
22. The majority of savings are new proposals for 2016/17 however, there are £574k of savings that are being delivered as the full year effect of savings agreed for the 2015/16 financial year. Within Administration, £34k savings are being delivered as a result of the full year effect of the deletion of the HR Policy and Employment Relations post within Human Services. In Finance, the ongoing savings from the retender of the Revenues and Benefits contracts total £360k, with a further £100k coming from a review of the staffing structure within Revenues and Benefits and £80k for Financial Systems Management.
23. A total of £485k of the £857k total savings within Administration relate to reviews of staffing structures across the services. These reviews look in the first instance, to remove vacant posts from the establishment and absorbing the workload within the existing teams in order to minimise the potential redundancies incurred.
24. A full zero based review of budgets has been undertaken and £83k has been identified from across the Administration Group from a variety of non salaries budgets. In addition, members allowance budgets are proposed to be realigned to reflect current spend levels in light of changes to the pension scheme. In a similar way, the Small grants budget as part of the Voluntary Sector Grants is proposed to be realigned to reflect current commitments.
25. Reviews of staffing structures are proposed across the Finance Group, totalling £595k of the £1,077k total savings proposed, to ensure that teams are robust and efficient to be able to deliver the service requirements to support front line services in the Council.
26. There are savings relating to contract retenders in both Revenues and Benefits for the Housing Benefit and Council tax operations and in Insurance for the externally held Insurance contract, totalling £382k, ensuring that the Council achieves best value for the contracts held. An additional £100k of savings, to be delivered from transformation and zero based reviews, was added late in the cycle for which proposals have yet to be worked up.

Fees and Charges

27. The Council is empowered to seek income from fees and charges to service users across a wide range of activities. Some of these fees and charges are set by the Government or other stakeholders, but many others are set at the discretion of the Council, based on Cabinet's recommendations.
28. Schedules detailing the proposals relating to fees and charges for 2016/17 for Administration and Finance Groups are attached at Appendix B.

SUGGESTED COMMITTEE ACTIVITY

To consider whether there are suggestions or comments the Committee wish to make.

BACKGROUND PAPERS

Medium Term Financial Forecast 2016/17 - 2020/21 – report to Cabinet 17 December 2015