

REPORT FROM: FINANCIAL SERVICES
FINANCIAL SERVICES MANAGER

TO: COLNE AND DISTRICT COMMITTEE

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GENERAL FUND REVENUE BUDGET 2016/17

PURPOSE OF REPORT

The purpose of this report is for the Committee to examine and consider its base budget for 2016/17 (which reflects the cost of continuing existing services), identify any options for budget reductions, and pass on any comments to the Executive.

RECOMMENDATIONS

The Committee is asked to consider its base budget for 2016/17 and, in the context of the Council's overall financial position as set out in the report, identify any options for budget reductions for consideration by the Council's Executive.

REASONS FOR RECOMMENDATIONS

To continue with the implementation of the Council's Financial Strategy and to inform the development of the Council's budget for 2016/17.

ISSUE

Provisional Local Government Finance Settlement

Provisional Settlement for 2016/17

1. Details of the provisional Local Government Financial Settlement (LGFS) for 2016/17 were not available at the time the report to the Executive on the draft revenue budget was published for their meeting held on 10th December 2015. A copy of the report considered by the Executive can be viewed here: <http://www.pendle.gov.uk/meetings/meeting/2104/executive>.

- The Council's core revenue funding received from Central Government consists of Revenue Support Grant, Retained Business Rates, Efficiency Support Grant and New Homes Bonus (NHB). The table below summarises the projected receipt of this funding over the next 3 years:

Table 1: Estimate of Funding for 2015/16 to 2018/19

	Actual Funding 2015/16 £000	Estimated Funding 2016/17 £000	Estimated Funding 2017/18 £000	Estimated Funding 2018/19 £000
Estimate of Retained Business Rates	3,670	3,668	3,773	3,900
Add Revenue Support Grant	3,904	2,866	1,955	1,190
Total	7,574	6,534	5,768	5,090
less Council Tax Support Grant	(1,236)	(1,236)	(1,236)	(1,236)
less Homelessness Grant	(97)	(97)	(97)	(97)
'Formula Grant' (equivalent)	6,241	5,201	4,435	3,757
Add Efficiency Support Grant & NHB	993	1,062	1,011	969
Estimate of Funding	7,234	6,263	5,446	4,726
Cumulative change in funding since 2010/11	-45%	-52%	-59%	-64%

- As the table indicates, the Council's funding is expected to reduce significantly over the medium term financial plan period primarily due to the on-going reduction in Revenue Support Grant.

Budget 2016/17 and Medium Term Financial Plan 2016/19

- Details of the Council's budgetary position were reported to the Executive on 10th December 2015. Copies of the current version of the Council's draft budget book for 2016/17 are available to all Councillors upon request from the Financial Services Manager.
- The report identifies the issues for Councillors to consider. The Council's Medium Term Financial Plan (MTFP) for 2016/19 has been updated reflecting the funding scenarios set out above. For 2016/17, the MTFP projects a significant deficit estimated at £1.07m on current assumptions whilst over the three year plan period it is projected that the Council must achieve savings of £4.7m. Whilst no decision on the actual level of council tax will be made until the Council meeting in February, at this stage, for financial planning purposes, the MTFP includes an assumed increase of 1.99% per annum from 2016/17.
- Given the level of savings required, work has been underway on proposals to help meet the savings required over the plan period. The aim is to provide Councillors with proposals that span the 3 year plan period rather than focus on one year in isolation (i.e. 2016/17). The initial proposals were considered by the Executive at its meeting in December.
- Further work is required to review the Council's budget and establish a basis on which the Council can set a balanced budget for the next financial year. It should be noted, therefore, that the budgets presented here are subject to change following closer scrutiny by the Executive as the budget process progresses.

This Committee's Budget

- [Appendix A](#) to this report provides an analysis of the Area Committee's proposed budget for 2016/17 (with information on the Revised Budget for 2015/16 also provided) whilst a summary is provided in Table 2 below:-

Table 2: Base Budget 2016/17

	Approved Budget 2015/16 £	Revised Estimate 2015/16 £	Base Budget 2016/17 £
Net Revenue Budget	159,900	183,970	186,480
Change from Approved Budget (£)		24,070	26,580
Change from Approved Budget (%)		15.1%	16.6%

9. The Base Budget for 2016/17 reflects the estimated cost of delivering the present level of service and takes into account matters such as inflation, anticipated changes in service volumes and any increases in fees and charges already approved by the Council. The increase of £24k from Approved Budget to Revised Estimate relates to costs associated with Social and Community Centres (£9k) and a transfer date to Town and Parish Councils beyond that originally assumed combined with reduced income from Market rents (£14k). The base budget increase of £26k relates mainly to reduced income from Market rents (£14k) and increased Market related staffing and overhead costs (£10k).
10. In view of the current budget shortfall, Members of the Committee are requested to critically review the Committee's budgets and identify any areas where they consider budget reductions could be made. Any such proposals would be considered by the Executive at their meeting in February 2016.

Outline Budget Timetable

11. For Member's information, the timetable going forward will broadly be as follows:-

Table 3: Forward Timetable for the development of the Budget 2016/17

Date	Action	Status
June 2015	Update of Medium Term Financial Plan	Completed
July - Oct 15	Development of Budget Strategy Options - Bud Wkg Grp	On-going
Nov 2015	Refine Medium Term Financial Plan to 2018/19	Completed
Nov 2015	Early drafting of Budget for 2016/17	Completed
Dec 2015	Press Conference - Financial Position	4/12/15
Dec 2015	Exexecutive considers initial budget submission	10/12/15
Dec 2015	Provisional Local Government Finance Settlement 2016/17	Dec 2015
Dec15/Jan16	Development of draft Budget 2016/17 completed	In progress
Jan 2016	Final Local Government Finance Settlement 2016/17	
Feb 2016	Executive recommends Budget and Council Tax to Council	
Feb 2016	Council sets Budget and Council Tax for 2016/17	
Mar / Apr 16	Service Plans completed aligned to approved budget	

IMPLICATIONS

Policy

The Council's General Fund Revenue Budget supports the delivery of services in pursuance of the strategic objectives set out in the Strategic Plan. The position reported for 2016/17 and the forward projections in the report represent a significant challenge to service provision in the longer term. There is a need, therefore, to put in place a strategic approach to future financial planning with a particular focus on a move to a more sustainable budget base over the medium term planning period. The Council will also need to review policies on the delivery of existing services to determine whether the existing policy direction is affordable within the resources available.

Financial

The financial implications are as given in the report.

Legal

In accordance with s32 and s43 of the Local Government Finance Act 1992 (LGFA 1992), annually the Council must calculate and approve its budget requirement for the forthcoming financial year. Section 25 of the Local Government Act 2003 also requires the Financial Services Manager, as the officer having responsibility for the administration of the Council's financial affairs, to report to the Council on the robustness of the budget estimates and adequacy of financial reserves when determining its budget requirement under the LGFA 1992. This report will be submitted for consideration by the Council when it deliberates the budget submission from the Executive in February 2016.

Risk Management

In relation to the potential risks faced by the Council, there needs to be a balance between maintaining and improving key frontline service delivery and the sustainability of the financial standing of the Council.

The Medium Term Financial Plan currently indicates a significant deficit that is unsustainable in the medium term. Even using reserves to smooth the effect of expected reductions in funding, substantial budget savings need to be made to maintain a balanced budget. Using reserves in excess of the amounts referred in the budget strategy proposed would, in the absence of an increase in Government funding, present a real risk to maintaining basic levels of service and require significant savings to be identified in later years of the plan period.

The position on the Council's MTFP is recognised on the Council's Strategic Risk Register as a high risk and as such there is a continual review of the measures required to achieve a balanced budget.

Health and Safety

There are no Health and Safety implications arising directly from the contents of this report. The budget does, however, include provision for ensuring the Council can meet its health and safety obligations as required.

Sustainability

As with health and safety implications, there are no sustainability implications arising directly from this report but the proposed budget includes provision, where necessary, to progress issues of sustainability for the Council.

Community Safety

There are no community safety issues arising directly from the contents of this report.

Equality and Diversity

Where it has been necessary to do so, the Medium Term Financial Plan includes provision to ensure that the Council is able to achieve the appropriate equality standards. For all proposed savings proposals, an initial screening has been undertaken to assess at a high level the equalities impact against the recognised protected characteristics. This is provided for information at Appendix G within the budget report presented to the Executive on 10th December 2015.

APPENDICES

[Appendix A](#) – Area Committee – Detailed Budget

LIST OF BACKGROUND PAPERS

None.