

REPORT FROM: FINANCIAL SERVICES MANAGER

TO: NELSON AREA COMMITTEE

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GENERAL FUND REVENUE BUDGET 2017/18

PURPOSE OF REPORT

The purpose of this report is for the Committee to examine and consider its base budget for 2017/18 (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 2017/18 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 2017/18.

ISSUE

Provisional Local Government Finance Settlement

Provisional Settlement for 2017/18

1. Details of the provisional Local Government Financial Settlement (LGFS) for 2017/18 were not available at the time the budget report to the Executive was published for the meeting held on 8th December 2016. A copy of the report considered by the Executive can be viewed [here](#).
2. The Council's core revenue funding received from Central Government consists of Revenue Support Grant, Retained Business Rates and New Homes Bonus. The table below summarises the projected receipt of this funding over the next 3 years based on the Council's medium-term financial plan (MTFP):

Table 1: Estimate of Funding for 2016/17 to 2019/20

	Estimated Funding 2016/17 £000	Estimated Funding 2017/18 £000	Estimated Funding 2018/19 £000	Estimated Funding 2019/20 £000
Estimate of Retained Business Rates	3,595	3,476	3,578	3,693
Add Revenue Support Grant	3,013	2,210	1,707	1,145
Total	6,608	5,686	5,285	4,838
less Council Tax Support Grant	(1,236)	(1,236)	(1,236)	(1,236)
less Homelessness Grant	(97)	(97)	(97)	(97)
'Formula Grant' (equivalent)	5,275	4,353	3,952	3,505
Add New Homes Bonus <i>(note 1)</i>	1,089	1,104	693	665
Estimate of Funding	6,364	5,457	4,645	4,170
Cumulative change in funding since 2010/11	-52%	-59%	-65%	-68%

Note 1: New Homes Bonus allocations subject to change following publication of provisional local government finance settlement in December. 2017/18 allocation now £995k with further reductions in 2018/19 and 2019/20 following changes to the New Homes Bonus regime – table above does not reflect these reductions.

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

Budget 2017/18 and Medium Term Financial Plan 2017/20

- Copies of the current version of the Council's draft budget book for 2017/18 are available to all Councillors upon request to the Financial Services Manager.
- The report to the Executive in December identifies the issues for Councillors to consider. The Council's current medium-term financial plan covers the period 2017/20 and reflects the funding scenarios set out above. For 2017/18, there is a projected deficit estimated at £1.017m on current assumptions. Over the three year plan period it is projected that the Council must achieve savings of £4.4m.
- For the purposes of financial planning only, the MTFP assumes that council tax will increase by £5 in 2017/18. The same level of increase is assumed for each year of the plan period (an increase of 1.99% or £5 being the maximum permitted increase for district councils). However, no decision on the actual level of council tax will be made until the Council meeting in February.
- Work has been underway on potential options to help meet the savings required over the plan period. The aim is to provide Councillors with options that span the 3 year plan period rather than one year in isolation (i.e. 2017/18). The initial savings proposals were considered by the Executive 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 develops.

This Committee's Budget

- Appendix A** to this report provides an analysis of the Area Committee's proposed budget for 2017/18 (with information on the Revised Budget for 2016/17 also provided) whilst a summary is provided in Table 2 below:-

Table 2: Base Budget 2017/18

	Approved Budget 2016/17 £	Revised Estimate 2016/17 £	Base Budget 2017/18 £
Net Revenue Budget	99,770	86,650	119,840
Change from Approved Budget (£)		(13,120)	20,070
Change from Approved Budget (%)		(13%)	20%

10. The Base Budget for 2017/18 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 net reduction from Approved Budget to Revised Estimate is mainly due to increased Cemeteries income (-£5.5k), a reduction in Market rates payable to reflect actual charges received in year (-£9k), budget reductions identified as part of the annual base budget review (-£3.5k) and net income loss resulting from the transfer of community centres (+£5k).

11. The increase in the base budget for 2017/18 of £20k when compared with the approved budget for 2016/17 results from the following factors:

<i>Cost reductions:</i>	£'000
- additional income from Cemeteries	(13)
- lower business rates – Nelson market	(9)
- fall-out of non-recurring expenditure items	(18)
- savings resulting from the base budget review	<u>(5)</u>
	(45)
<i>Cost increases:</i>	
- reduced income from rents (Goitside car park and Community centres)	<u>65</u>
Net increase	20

12. 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 will be considered by the Executive at their meeting in February 2017.

Outline Budget Timetable

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

Table 3: Forward Timetable for the development of the Budget 2017/18

Date	Action	Status
May 2016	Update of Medium Term Financial Plan to Executive	Completed
June-Dec 2016	Development of Budget Strategy Options – Budget Working Group	On-going
June-Nov 2016	Review of local scheme of council tax support	Completed
Nov 2016	Refine Medium Term Financial Plan 2019/20	Completed
Nov 2016	Early drafting of Budget for 2017/18	Completed
Dec 2016	Executive considers initial budget submission	Completed

Date	Action	Status
Dec 2016	Provisional Local Government Finance Settlement 2017/18	Published 15/12/16
Dec-Jan 2017	Development of draft budget 2017/18 completed	In Progress
Jan/Feb 2017	Final Local Government Finance Settlement 2017/18	
Feb 2017	Executive recommends Budget and Council Tax to Council	
Feb 2017	Council sets Budget and Council Tax for 2017/18	
Mar/Apr 2017	Service Plans completed and aligned with the 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 2017/18 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 may 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 Chief Finance Officer, 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 2017.

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. 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, presents a real risk to basic levels of service currently provided.

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.

Climate Change

As with health and safety implications, there are no climate change 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 formed Appendix G within the budget report presented to the Executive on 8th December 2016.

APPENDICES

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

LIST OF BACKGROUND PAPERS

None.