

24 February 2016		ITEM: 11
Council		
General Fund Budget Proposals		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor John Kent, Leader of the Council		
Accountable Head of Service: Sean Clark, Director of Finance and IT		
Accountable Director: Lyn Carpenter, Chief Executive		
This report is Public		

Executive Summary

There have been a number of reports considered by Cabinet throughout the municipal year on the projected financial positions for 2015/16, 2016/17 and the medium term.

The report considered by Cabinet on 10 February 2016 reported a balanced budget for 2016/17 but continuing budget pressures for the period 2017/18 – 2019/20. In the absence of a Council Tax freeze grant going forward, this report recommends that the Council increases Council Tax by:

2% towards the cost of Adult Social Care; and

1.99% towards the cost of all services provided by the Council.

The report also sets out the proposals for the Capital Programme for 2016/17.

1. Recommendation(s):

That the Council:

- 1.1 Considers and acknowledges the Section 151 Officer's (Director of Finance and IT's) report on the robustness of the proposed budget, the adequacy of the Council's reserves and the Reserves Strategy as set out in Appendix 1, including the conditions upon which the following recommendations are made;**
- 1.2 Following the recommendations of Corporate Overview and Scrutiny and the Cabinet, agree to a 2% Council Tax increase in respect of Adult Social Care;**

- 1.3 Following the recommendations of Corporate Overview and Scrutiny and the Cabinet, agree to a 1.99% Council Tax increase in support of the general budget;**
- 1.4 Approve a General Fund net revenue budget for 2016/17 of £110,289,954 allocated to services as set out in paragraph 5.3;**
- 1.5 That Cabinet recommend to Council that delegation be granted to the Director of Finance and IT, in consultation with the Chief Executive and Leader of the Council, the authority to make the relevant submissions to government to secure the four year settlement and freedom to use capital receipts for transformation purposes if considered to be in the Council's best interest;**
- 1.6 Approve the Dedicated Schools Grant as set out in section 7 and Appendix 4;**
- 1.7 Approve the new General Fund capital schemes as set out in section 9 and Appendix 5;**
- 1.8 Delegate to Cabinet:**
 - 1.8.1 The approval of any expenditure, including loan and equity advances, related to Gloriana Thurrock Ltd developments and these be deemed as part of the capital programme;**
 - 1.8.2 The ability to agree schemes where it can be evidenced that there is a spend to save opportunity and these be deemed as part of the capital programme; and**
 - 1.8.3 The ability to agree schemes that use any unbudgeted contributions from third parties, including those by way of grants or developers' contributions, and these be deemed as part of the capital programme.**

Statutory Council Tax Resolution

(Members should note that these recommendations are a result of the previous recommendations above and can be agreed as written or as amended by any changes agreed to those above).

- 1.9 Calculate that the Council Tax requirement for the Council's own purposes for 2016/17 is £57,135,138 as set out in the table at paragraph 5.3 of this report.**
- 1.10 That the following amounts be calculated for the year 2016/17 in accordance with Sections 31 to 36 of the Act:**

- (a) £390,012,962 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
- (b) £332,877,824 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £57,135,138 being the amount by which the aggregate at 1.10(a) above exceeds the aggregate at 1.10(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
- (d) £1,169.46 being the amount at 1.10(c) above (Item R), all divided by Item T (Council Tax Base of 48,856), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
- (e) £0 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
- (f) £1,169.46 being the amount at (d) above less the result given by dividing the amount at (e) above by Item T, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

1.11 To note that the County Council, the Police Authority and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the tables below.

1.12 That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2016/17 for each part of its area and for each of the categories of dwellings.

2016/17 COUNCIL TAX FOR THURROCK PURPOSES EXCLUDING ESSEX FIRE AUTHORITY AND ESSEX POLICE AUTHORITY

Amounts for the Valuation Bands for 2016/17							
A £	B £	C £	D £	E £	F £	G £	H £
779.64	909.58	1,039.52	1,169.46	1,429.34	1,689.22	1,949.10	2,338.92

- 1.13 That it be noted that for the year 2016/17 Essex Police Authority has stated the following amounts in precept issued to the Council for each of the categories of dwellings as follows:

Amounts for the Valuation Bands for 2016/17							
A £	B £	C £	D £	E £	F £	G £	H £
101.40	118.30	135.20	152.10	185.90	219.70	253.50	304.20

- 1.14 That it be noted that for the year 2016/17 Essex Fire Authority has stated the following amounts in precept issued to the Council for each of the categories of dwellings as follows:

Amounts for the Valuation Bands for 2016/17							
A £	B £	C £	D £	E £	F £	G £	H £
45.12	52.64	60.16	67.68	82.72	97.76	112.80	135.36

2016/17 COUNCIL TAX (INCLUDING FIRE AND POLICE AUTHORITY PRECEPTS)

Amounts for the Valuation Bands for 2016/17							
A £	B £	C £	D £	E £	F £	G £	H £
926.16	1,080.52	1,234.88	1,389.24	1,697.96	2,006.68	2,315.40	2,778.48

2 Introduction and Background

The Process for Agreeing the Council's Budgets

- 2.1 The Council must set its annual revenue budget and associated Council Tax by 11 March of the preceding financial year. If, for whatever reason, the Council cannot agree a budget and Council Tax at its meeting on 24 February 2016, Members should be aware that it is unlikely that the Council Tax bills could be sent out in time for April instalments (taking into account the necessary notice period and the time required to print the bills and accompanying information).
- 2.2 It is also good practice to approve the capital programme at the same time because there is an interdependency between the budget streams. Fees and Charges were approved by Cabinet on 10 February 2016.
- 2.3 The Housing Revenue Account (HRA) budget needs to be agreed in a timely manner to ensure that rent increases can be reflected from 1 April of each year. A separate report on this agenda deals with Housing Rents and Charges for 2016/17.

- 2.4 This report presents the proposed 2016/17 General Fund revenue and capital budgets, as per the recommendations of the Cabinet that have been formed through budget reports presented to each Cabinet over recent months.
- 2.5 The Director of Finance and IT's statutory statement on the robustness of the estimates and adequacy of reserves under s25 of the Local Government Act 2003 is included at Appendix 1. This must be considered by Council before approving the budget and Council Tax.

Revenue

The 2015/16 Budget Position

- 2.6 Cabinet has received a number of reports throughout the year identifying pressures in both Environment (reversal of the decision to charge for green bins) and Children's Services. The gross pressures were estimated at £6.1m.
- 2.7 In addition, the contracted obligation to reimburse Serco for its surplus in the Essex Pension Fund has been estimated at £2.5m.
- 2.8 Officers reported various mitigating actions that brought the budget back into balance but recognised a number of the pressures as ongoing and made provision in the Medium Term Financial Strategy (MTFS) for 2016/17.
- 2.9 The most recent analysis has identified that the pressures within Children's Services are increasing for three main reasons:
- a) Unaccompanied Asylum Seekers (UASC), including recognising assumed levels of reimbursement from government for the 2014/15 financial year;
 - b) The cost of placements; and
 - c) The cost of interim staff over and above establishment to meet acceptable social worker to child ratios.
- 2.10 These will be further considered by Cabinet in March 2016 and mitigating action taken to minimise any further impact in 2016/17.

Financial Self Sustainability and Government Grants

- 2.11 Government announced the Comprehensive Spending Review (CSR) in November 2015 and this provides the financial framework and direction that public services will have to work within over the life of this parliament.
- 2.12 Key messages from the CSR were as follows:
- a) Confirmation that the Revenue Support Grant (RSG) will be abolished over the life of this parliament through a continuation of year on year reductions, in addition to the £29m lost between 2010/11 and 2015/16;

- b) That, as a result of the abolition of RSG, Council's will be reliant on raising necessary funding locally through Council Tax, Business Rates and other Income Generation;
- c) That Local Government will retain all Business Rates collected in any one area from 2019/20 but will still be subject to tariffs and top ups – in other words, for Thurrock Council, the Council will still have to pay a significant proportion of the Business Rates it collects to central government for redistribution. (Thurrock Council currently retains approximately 30% of what it collects); and
- d) That, as a result of more Business Rates being available to councils nationally, there will be added obligations for councils to meet. These new duties have not yet been announced and will be subject to consultation over the coming months but it is likely that any increased funding will be absorbed by these new requirements.

2.13 Simply, the cost of paying for the majority of the services that the Council is responsible for will have to be met from income raised directly: Council Tax; Business Rates, and; fees, charges and recharges. It is in this context that this report makes its recommendations on increases to Council Tax for just the second time since 2010 as a direct response to the government direction in the Autumn Statement.

2.14 Based on the proposals within this report, the following table demonstrates the direction of travel for the financing of local government:

	2010/11 %	2015/16 %	2016/17 %
Government Grant	54.2	22.7	15.9
Business Rates (Retained)		26.7	29.7
Council Tax	44.3	47.6	51.1
Fees, Charges and Other Income	1.5	3.0	3.3

2.15 The Council also receives a number of grants for specific purposes. In line with the overall direction of less government support, the reductions in these grants have been factored into the Medium Term Financial Strategy (MTFS). However, two areas in particular are a cause of particular concern.

2.16 Public Health Grant. As part of the reforms contained within the Health and Social Care Act 2012, responsibility for commissioning certain public health functions moved from the NHS to Local Authorities. In 2013 a ring fenced Public Health Grant was provided to all top tier local authorities in order to commission mandated and discretionary Public Health services.

- 2.17 During 2015/16, the Chancellor announced in-year cuts to the grant of 6.2% amounting to an in-year reduction of £655k. A further cut of up to 3.9% was announced in the 2015 Autumn Statement and this has increased the annual reduction to £924k in 2016/17.
- 2.18 The Better Care Fund. This is a joint budget between the Council and the Clinical Commissioning Group (CCG). The government has committed to increasing the amount available for Adult Social Care over the life of this parliament but, although the Council is still waiting for details regarding 2016/17, no increase is expected despite the increases in the cost of care brought about by the increase in the minimum wage (£1.5m) or the increased demand, especially in areas such as dementia and autism (£1m).

3 Council Tax Proposals

- 3.1 The Localism Act 2011 introduced the concept of a referendum where a proposed Council Tax increase exceeds its excessiveness principles either by the billing authority (Thurrock Council) or one of its major preceptors. Simply, a referendum would be required if the Council resolved to increase Council Tax by a higher percentage than the government guidelines. This report does not propose increases that would call for a referendum.
- 3.2 The Autumn Statement confirmed that there would no longer be a freeze grant offered to councils. As the MTFs had assumed a grant would be available, the Council's estimated financial deficit for 2016/17 was increased by £600k.
- 3.3 Other national changes have also increased liabilities on the Council through the Minimum Wage (£1.5m on Adult Social Care contract) and the National Insurance and Apprentice Levy changes (£0.5m).
- 3.4 The government's spending power calculation for all councils with adult social care responsibility assumes increases of 2.00% per annum over the life of the settlement to offer a form of protection to adult social care budgets.
- 3.5 The government's spending power calculation included a further increase of 1.75% per annum in line with the average Consumer Price Index (CPI) over the next four years.
- 3.6 These published increases are a reversal of previous policy where a Council Tax freeze was recommended.
- 3.7 When considering Council Tax increases, Members should consider Thurrock Council's position nationally in terms of the funding available to it to provide the wide range of services, including the need to manage increases in demand for both Children's and Adults' Social Care.
- 3.8 Of the 55 Unitary Authorities, Thurrock Council has the third lowest Council Tax Band D and:
- a) Is able to raise the third lowest amount of Council Tax;

- b) Receives the third lowest level of Revenue Support Grant (RSG);
- c) Has the third lowest net budget; and
- d) Has the fifth lowest net budget per head of population.

3.9 This clearly demonstrates the Council has one of the lowest levels of expenditure for services in the country.

3.10 Due to the loss of assumed freeze grant and the Council's low budget base as set out above, **a 3.99% increase is recommended** that will raise some £2.2m in 2016/17 and make some headway towards the more difficult task of balancing 2017/18 and beyond. For Thurrock Council, a referendum would be triggered where Council Tax is increased by 4% or more above the authority's relevant basic amount of Council Tax for 2015/16.

3.11 A 3.99% increase in Council Tax equates to £44.82 for a Band D property in Thurrock. 71% of properties in Thurrock are Bands A-C where the increase ranges from £29.88 - £39.84 per year or £0.57 - £0.77 per week. The table below sets out the impact on the various bands for Thurrock households:

Band	2015/16	Increase	2016/17	Weekly
A	749.76	29.88	779.64	0.57
B	874.72	34.86	909.58	0.67
C	999.68	39.84	1,039.52	0.77
D	1,124.64	44.82	1,169.46	0.86
E	1,374.56	54.78	1,429.34	1.05
F	1,624.48	64.74	1,689.22	1.25
G	1,874.40	74.70	1,949.10	1.44
H	2,249.28	89.64	2,338.92	1.72

3.12 A survey carried out amongst Municipal and Unitary Treasurers in early January 2016 provides some national context to the recommended increase in Council Tax. Two specific questions were asked and these are set out below along with the responses:

- a) Is your Council minded to increase Council Tax by 2% for Adult Social Care?

Yes	76.19%
No	1.59%
Undecided	22.22%

- b) In addition, is your Council minded to increase the general Council Tax element?

No Increase	6.82%
0.00 – 0.99%	4.55%
1.00 – 1.49%	0.00%
1.50 – 2.00%	70.45%
Undecided	18.18%

3.13 The survey results show strong support for Council Tax increases nationally.

3.14 Corporate Overview and Scrutiny Committee hold the responsibility for reviewing the general aspects of the budget. As such, Cabinet asked the committee to discuss the proposed Council Tax increases at their meeting on 2 February 2016:

- a) The committee recognised the direction of travel towards financial self-sustainability and acknowledged that raising the necessary finance was now the Council's responsibility with the phasing out of the Revenue Support Grant; and
- b) There was some discussion as to whether the increase should be limited to 3.75% but, on hearing that this only saved Bands A-C 3-5 pence a week but would cost the Council £137,500, the committee unanimously recommended a 3.99% increase.

3.15 Cabinet considered this response at their meeting on 10 February 2016 and decided to also recommend a 3.99% increase to Council.

4 Changes to the 2016/17 Budget

4.1 Recent years have seen a number of consultations across all services that have proposed a wide range of service reductions and increases to fees and charges.

4.2 At the Council meeting in February 2015, Members considered the MTFs and this set out a projected budget gap for 2016/17 of £9.966m. Appendix 2 sets out the changes that have been made and are recommended to not only bridge that gap but to also create a provision of £0.365m to support the Council in achieving financial self-sustainability. This budget would be used on projects covering, for example:

- a) Increased income through both existing charges and securing additional income streams;
- b) Continuing the work on rationalising the Council's assets to reduce costs and maximise income potential;
- c) Driving efficiencies through better ways of working;

- d) Financing spend to save initiatives;
 - e) Investigating and implementing new delivery models; and
 - f) Financing organisational change where necessary.
- 4.3 Whilst there are no further budget reductions to front line services proposed, this budget includes delivery of previously agreed savings from the 2015/16 budget setting process of £3.391m and the risk to delivery and impact of these proposals cannot be under estimated. It is clear from the table that, if the Council is to balance the budget for 2016/17 without having to make further reductions to services, the Council Tax increases as recommended are essential.
- 4.4 If a 3.99% Council Tax increase is not supported, options will need to be available for the Council to set a balanced budget. Options will focus on:
- a) The removal of the re-instated budget for bus subsidies as this is a previously agreed saving and is not yet contractually committed;
 - b) A reduction to the growth provision for Children's and Adults' social care pressures;
 - c) Reductions in the Environment Service where levels of activity are more easily flexed albeit with a visible impact for residents across the borough; and
 - d) Reductions to other discretionary services such as libraries, arts and leisure services.

Other Comprehensive Spending Review (CSR) Considerations

- 4.5 There are two specific areas that need further consideration from the CSR:
- a) Four Year Settlement – the provisional settlement issued by the government on 17 December 2015 included forecasts through to 2019/20. Local authorities are invited to 'sign up' to these figures through an efficiency plan to be lodged with the Department for Communities and Local Government (DCLG). However, the message was clear that these could be amended should the government believe that there is a need to and so they would only remain indicative; and
 - b) Capital Receipts – through setting out a transformation plan, Council's would be able to use capital receipts to pay for revenue transformation programmes and activities.
- 4.6 In both cases, the government is yet to issue guidance and even clarity on the detail of these two proposals. As such, it is recommended to delegate the final decision and submissions to the Director of Finance and IT in consultation with the Chief Executive and Leader of the Council.

5 Proposed General Fund Revenue Budget 2016/17

- 5.1 Cabinet has considered detailed reports at each of its meetings in this municipal year following on from the Council budget report in February 2015. These have included recognising pressures in the current financial year and making provision in 2016/17. These are all summarised in the table at Appendix 2.
- 5.2 The impact from 2015/16 is demonstrated in the increased provision for both Children's and Adults' Social Care that reflects both increases in demand and the economic impact of the government's changes to the minimum wage. Provision has been increased from £3m to £4.5m and this will be held centrally and allocated as the pressures materialise.
- 5.3 The proposed net General Fund revenue budget is £110,289,954 and is allocated to services as set out below:

	£000's
Adults, Housing and Health	32,023
Children's Services	27,429
Environment and Place Directorate	32,714
Chief Executive's Office	24,436
Commercial Services	348
Contingency for Demand and Economic Pressures	4,500
Recharges	(5,971)
Specific Grants	(1,572)
Service Budget Total	113,907
Levies	539
Capital Financing	(4,156)
Net Expenditure	110,290
<i>Financed by:</i>	
Revenue Support Grant	(20,673)
NNDR	(30,917)
New Homes Bonus	(3,383)
Collection Fund Balances	1,818
To be funded through Council Tax	(57,135)

6 Medium Term Financial Strategy (MTFS)

- 6.1 The MTFS covering the period 2017/18 through to 2019/20 is attached at Appendix 3 which includes the assumption that there will be a 3.99% Council Tax for each of the following years. This is in line with the government's spending power assumptions.

- 6.2 Even with the proposed Council Tax increases, the deficit of £18.5m is still very challenging. Any reduction to the proposed Council Tax increase in future years will increase the deficit and impact the following financial years.
- 6.3 The budget proposal for 2016/17 includes a provision of £365k to help meet the challenge of the future financial pressures. Broadly, activity will include but not be limited to:
- a) Income generation;
 - b) Asset rationalisation;
 - c) Spend to save initiatives; and
 - d) Service and related employment reductions.

7 Government Funding – Dedicated Schools Grant

- 7.1 The Dedicated Schools Grant (DSG) was introduced in 2006/07 as a 100% specific grant to fund the schools' budget.
- 7.2 Since 2013/14 the Grant has been split into three blocks: these are the Schools Block, the High Needs Block and the Early Year Blocks. Whilst the DSG is ring-fenced the separate blocks are not ring-fenced to each area, however any movement from the Schools block would need to be agreed by the Schools Forum.
- 7.3 The original allocation of the DSG was calculated based on the 2012/13 spend and there has been no inflationary increase since then.
- 7.4 The Schools block and the Early Years block are uplifted, based on a multiple of pupil numbers and unit value, however where there is population growth there is no increase to the High Needs block, which represents 15% of total DSG funding, and is the greatest risk area for the Council.
- 7.5 Within the Schools block, the Local Authority is not permitted to increase the central expenditure, beyond the levels of 2012/13 which relates to prior commitments. All other funding is delegated to schools to manage locally.
- 7.6 The DSG allocation is based on the October pupil count, and allocations are given in December for the Schools and High Needs block with an indicative allocation of the Early Years block which is updated for actual pupil take up during the year.
- 7.7 The basis of the October count has caused some dilution of funding to schools as Thurrock is going through a significant period of pupil growth. This means that we are funding pupils in schools before they are funded in the DSG resulting in a top slice to all schools funding rates to cover the increased numbers.

- 7.8 There has been no major change to the Thurrock formula for financing schools this year, with the Schools Forum agreeing that during a time of reducing budgets further turbulence should not be added by changing the method of distribution.
- 7.9 The only change in the formula funding for 2016/17 School budgets is a reduction to the Age Weighted Pupil Unit (AWPU) by 0.6% to allow for the funding of the agreed growth, all other factor have remained constant.
- 7.10 DSG is calculated for all mainstream schools in Thurrock, including Academies, using the Thurrock funding formula. The Education Funding Agency then recoups funding to be distributed to Academies and a net Grant is paid to the Authority to ensure that Academy and maintained schools are funded on the same basis. All figures in this report are gross.
- 7.11 The allocation of funding for special schools and the Pupil Referral Unit is no longer included as schools funding, but is included in the High Needs Block.
- 7.12 The Department for Education will be consulting in late February/ early March on a different allocation methodology and a move to a national funding formula for all Schools and Academies is expected to be introduced for the 2017/18 academic year.
- 7.13 The per pupil rate of Schools block DSG paid to Thurrock is £4,459.07, the early years pupil rate is £3,715.04. The total value of the DSG paid for 2016/17 is £135.597m (Gross before Academy recoupment) made up of:-
- | | | |
|----|-------------------|-------------------|
| a) | Schools Block | £109.506m |
| b) | High Needs Block | £20.466m* (gross) |
| c) | Early Years Block | £8.572m |
| d) | Non Block Funding | £0.036m |

*Net allocation of High Needs block including funding allocated directly to Academies is £17.484m.

- 7.14 At the end of 2015/16 all but one secondary school has converted to Academy status, 25 of the 39 primary schools and 1 of the 2 special Schools. The Pupil Referral Unit, and two primary schools converted to Academy status at the beginning of this Financial year. Currently we have no school confirming they will convert to Academy status over the financial year although we are aware that several are investigating their options with the government agenda stating their intention to move to an all Academy model.

8 Reserves

- 8.1 The Council's total useable reserves as at 1 April 2015 were £53.158m. However, a number of these reserves are for capital, schools and the Housing Revenue Account (HRA). The estimated balance available for GF purposes

as at 1 April 2016 is just the General Fund unearmarked balance of £8m. This balance is in line with the Council's optimum level of reserves as set out in the 2015/16 budget papers.

- 8.2 There is no set formula to determine this balance but it is for the Council's S151 Officer to consider the Council's past financial performance and risk to the budget over the future medium term and to then recommend a balance to the Council. It is, however, for the Council to set this balance considering that recommendation.
- 8.3 The Council has now delivered within budget for each of the financial years 2010/11 through to 2014/15 and expects to do so again in 2015/16 despite the reported pressures in Children's Services and the additional cost of the Serco pension liability. This in itself reduces the risk and would have traditionally given the S151 Officer the opportunity to recommend a lower balance. However, this needs to be measured against the ongoing financial difficulties the Council will face. This report has already stated that delivering savings is becoming increasingly difficult and this will continue through the medium term.
- 8.4 There has been some comment that the £8m General Fund balance could be reduced as the Council's budget becomes smaller. In fact, the opposite could be argued as demand is increasing with less resource available.
- 8.5 Considering the above, the recommendation is to maintain the General Fund balance at £8m for 2016/17.

9 Proposed Additions to the Capital Programme

- 9.1 The majority of the Council's capital programme is funded from grants in terms of both schools and highways and from rents and grants for the HRA.
- 9.2 For the remainder of the General Fund or, indeed, to supplement the above, the following sources are available:
 - a) Capital Receipts – these are the receipts realised from the disposal of capital assets such as land and buildings. Members will be aware that the Council reviews its asset base and there is a programme of disposals being progressed;
 - b) Grants and Contributions – these could be ad hoc grants awarded from government or other funding agencies or contributions from developers and others;
 - c) Prudential Borrowing – the Council is able to increase its borrowing to finance schemes as long as they are considered affordable. The MTFS assumes repayments on £3m of borrowing per annum; and
 - d) Revenue – this approach is not recommended as it has an immediate and costly impact on the General Fund.

- 9.3 Attached at Appendix 5 are the schemes being proposed for the Cabinet's consideration. They have been considered against the following criteria:
- a) Whether they are categorised under Health and Safety, Statutory, Invest to Save or desirable; and
 - b) Through a scoring process against the Council's priorities.
- 9.4 Officers do recognise these are all schemes that address predominantly short-term issues and a more ambitious capital programme needs to be developed to support growth throughout the borough. In addition, the Council must be able to transform itself into a more modern authority that also reflects the changes that are inevitable to achieve financial self-sustainability.
- 9.5 These schemes could include a new theatre, town centre regeneration, support to businesses, further development at High House Production Park, etc. Schemes to also support revenue generating opportunities will also be developed.

10 Capital Programme Overview

- 10.1 Operational Buildings – these schemes have been proposed at a level to ensure that the buildings remain operational and fit for purpose for the short term. These proposals provide funding for various schemes but will only be spent where absolutely necessary. Funding is also requested for Collins House to carry out essential works as well as to fund a feasibility study into whether the building would be best served through a major refurbishment or replacement.
- 10.2 Environment – there are proposals for essential service items such as replacement household bins, vehicles and plant. There are also other schemes for maintaining/enhancing open spaces and for efficiency improvements. Although not included within these proposals, Members should be aware that officers are working on the re-tendering of the waste contracts. The current fleet is approaching the end of its life and consideration will be given during the tender process for replacement vehicles.
- 10.3 IT – now that the service has been brought back in-house, a comprehensive programme is being developed to improve stability, both for normal operational purposes but also for Business Continuity and Disaster Recovery purposes. Bids also include works to major applications, such as Oracle, that will improve efficiency throughout the workforce to compliment the staffing reductions.
- 10.4 Community Environmental Development Fund (CEDF) – Cabinet agreed to propose a new fund, the CEDF. This is for communities to bid against criteria being developed for capital enhancements to their areas. A fund of £250k is proposed.

11 Other Capital Recommendations

- 11.1 There are three areas where the Council has previously given Cabinet delegation to approve additional schemes and this is being recommended again for 2016/17:
- a) Additional Funding – throughout the year, the Council quite often receives additional funding through, for instance, government grants and developers' contributions;
 - b) Invest to Save – these schemes could only be approved where the reduction in ongoing expenditure or increased income exceeds the cost of repaying the prudential borrowing required for the scheme; and
 - c) Gloriana – Members will be aware that there are a number of governance gateways before approval for a scheme is considered by Cabinet. These gateways include discussion within a governance group consisting of the three group leaders, the Chief Executive and the Director of Finance and IT.
- 11.2 The delegation requested is that any approval is deemed to be part of the capital programme and that the necessary prudential indicators set out in the Treasury Management Strategy are amended accordingly.
- 11.3 This approach means that estimated amounts for schemes that may or may not take place are not included in the programme, removing the need for speculative provisions.

12 Key Points from Corporate Overview and Scrutiny Committee (Capital)

- 12.1 Corporate Overview and Scrutiny Committee (2 February 2016) and Cabinet (10 February 2016) considered the capital proposals:
- a) The committee and Cabinet agreed the proposals but recognised that these were all of operational necessity and did not yet reflect the aspirations of the Council. Members supported the need for a more aspirational programme for the future to be brought back in due course; and
 - b) The Overview and Scrutiny committee debated the three areas of delegation to Cabinet and, for 2016/17, have supported these. There was discussion about how these delegations could be capped to ensure that Council was still involved in the more financially significant projects but agreed this should be developed over the coming months as a consideration for future years.

13 Issues, Options and Analysis of Options

- 13.1 The issues and options are set out in the body of this report in the context of the latest MTFs and informed by discussions with the Leader of the Council, Group Leaders and Directors' Board.

14 Reasons for Recommendation

- 14.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out the budget pressures in 2015/16 and 2016/17 along with actions to mitigate these pressures and create a budget to implement changes required to reshape the Council.

15 Consultation (including Overview and Scrutiny, if applicable)

- 15.1 This report has been developed in consultation with the Leader, Portfolio Holders and Directors Board. In addition, Corporate Overview and Scrutiny Committee considered the report on 2 February with their comments set out above. Group Leaders and Deputy Leaders have been involved throughout the budget planning process through the Budget Review Panel. The Director of Finance and IT has attended each political group meeting providing a briefing on the overall financial position.
- 15.2 Budget consultation sessions were held separately with the voluntary sector, Community Forum Chairs and the Business Board in January 2016. This provided an opportunity to set out the Council's overall budget position and consider together areas where further collaboration could be explored in future such as alternative service delivery models.

16 Impact on corporate policies, priorities, performance and community impact

- 16.1 The implementation of previous savings proposals has already reduced service delivery levels and our ability to meet statutory requirements, impacting on the community and staff. There is a risk that some agreed savings may result in increased demand for more costly interventions if needs escalate particularly in social care. The potential impact on the Council's ability to safeguard children and adults will be kept carefully under review and mitigating actions taken where required.
- 16.2 The scale of future budget reductions as set out in this report are such that work is underway to develop a transformational approach to tackling this challenge in future years.

17 Implications

17.1 Financial

Implications verified by: **Sean Clark**
Director of Finance and IT

The financial implications are set out in the body of this report.

Council officers have a legal responsibility to ensure that the Council can contain spend within its available resources. Regular budget monitoring reports will continue to come to Cabinet and be considered by the Directors

Board and management teams in order to maintain effective controls on expenditure during this period of enhanced risk. Austerity measures in place are continually reinforced across the Council in order to reduce ancillary spend and to ensure that everyone is aware of the importance and value of every pound of the taxpayers money that is spent by the Council.

This report does not just set out the actions required to set the budget for 2016/17 but provides a financial framework to facilitate change going forward.

17.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Legal & Governance - Deputy Monitoring Officer

There are no direct legal implications arising from this report.

There are statutory requirements of the Council's Section 151 Officer in relation to setting a balanced budget. The Local Government Finance Act 1988 (Section 114) prescribes that the responsible financial officer "must make a report if he considers that a decision has been made or is about to be made involving expenditure which is unlawful or which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the authority". This includes an unbalanced budget.

17.3 Diversity and Equality

Implications verified by: **Natalie Warren**
Community Development and Equalities Manager

There are no specific diversity and equalities implications as part of this report. A comprehensive Community and Equality Impact Assessment (CEIA) will be completed for any specific savings proposals developed to address future savings requirements and informed by consultation outcomes to feed into final decision making. The cumulative impact will also be closely monitored and reported to Members.

17.4 Other implications (where significant – i.e. Staff, Health, Sustainability, Crime and Disorder)

Any other significant implications will be identified in any individual savings proposal business case to inform the consultation process where applicable and final decision making.

18 Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Budget working papers held in Corporate Finance
- Budget Review Panel papers held in Strategy and Communications

19 Appendices to the report

- Appendix 1 – Report of the Council's Section 151 Officer under Section 25 of the Local Government Act 2003: Robustness of Estimates and Adequacy of Reserves
- Appendix 2 – Summary of MTFS Movements
- Appendix 3 – Medium Term Financial Strategy
- Appendix 4 – Schools' Budget
- Appendix 5 – General Fund Capital Programme Additions

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