

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Delivering a Sustainable Budget 2016/17	
Report No:	PAS/FH/15/025	
Report to and date/s:	Performance and Audit Scrutiny Committee	24 September 2015
	Cabinet	27 October 2015
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Purpose of report:	The purpose of this report is to update members on progress made towards delivering a balanced budget for 2016/17.	
Recommendation:	<p>It is <u>RECOMMENDED</u> that members:</p> <ol style="list-style-type: none"> 1) Note the budget assumptions and timetable, along with the progress made to date on delivering a balanced budget for 2016-2017. 2) Recommend to Cabinet the inclusion of the proposals, as detailed in Section 5 and Table 2 at Paragraph 5.1 of this report. 	
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

Consultation:		<ul style="list-style-type: none"> PAS/FH/14/008 - Delivering a sustainable Budget 2015-2016 and Budget Consultation Results 	
Alternative option(s):		<ul style="list-style-type: none"> Not applicable 	
Implications:			
Are there any financial implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> As detailed in the body of this report	
Are there any staffing implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> As detailed in the body of this report	
Are there any ICT implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any legal and/or policy implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> The Local Government Finance Act 1988 (Sc 114) - requires the chief finance officer to report to councillors if there is or is likely to be an unbalanced budget.	
Are there any equality implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> To be considered as part of implementation of service changes	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Savings projections are not achieved resulting in budget deficit.	Medium	Budgetary control, including reporting of variances to members. Use of general fund reserves to cover budget deficits.	Low
The business rate retention scheme underachieving the yield assumed in the MTFS which impacts on the budget gap requirement.	High	Work with the Anglia Revenues Partnership team to monitor the position and deliver a realistic forecast.	Medium
Adverse Changes in the assumptions, i.e provisional formula grant settlement, used in the MTFS resulting in a larger budget gap.	Medium	The assumptions are regularly monitored and updated. Use of general fund reserves to cover budget deficits.	Low
Ward(s) affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		COU/FH/15/004 Budget and Council Tax Setting 2015/16 CAB/FH/15/038 West Suffolk Strategic Plan and Medium Term Financial Strategy 2016-2020	
Documents attached:		Appendix A – Budget Assumptions 2015/16 and across the MTFS	

1. Key issues and reasons for recommendation(s)

- 1.1 The interaction between the West Suffolk Strategic Plan and West Suffolk Medium Term Financial Strategy (MTFS) is becoming increasingly important in the setting of budgets, as the council's priorities will need to be used to inform real choices about the allocation of our limited resources.
- 1.2 Our MTFS document also sets out the approach that Forest Heath District Council will take to the sound management of its finances over the next four years 2016-2020.

2. Future budget pressure and challenges

- 2.1 Forest Heath continues to face considerable financial challenges as a result of increased cost and demand pressures and constraints on public sector spending. In this context, and like many other councils, we have to make difficult financial decisions
- 2.2 The MTFS 2014-2016, approved at Full Council on 27 February 2015 (Report COU/FH/15/004), sets out the current and future financial pressures and challenges facing Forest Heath.
- 2.3 Since February's Budget and Council Tax setting meeting, there have been a couple of significant budget pressures totalling approximately £370,000 that are expected to impact the Council for 2016/17, detailed below:
 - An additional £183,500 budget impact (based on our share of £560,000 for West Suffolk) item around our waste services, in respect of;
 - Organic waste (brown bins) reduction in recycling credits from Suffolk County Council and increased tipping charges following contract changes - £162,500
 - Recycling tipping charges (blue bins) following contract changes - £21,000
 - An additional £45,500 budget pressure item in respect of loss of building control income (based on our share of £130,000 for West Suffolk), recognising loss in market share – expected to resolve itself for 2017/18
 - An additional £100,000 budget pressure in respect of loss of VAT shelter income through the VAT sharing arrangement with Flagship. This is due to changes in contract delivery by Flagship to an in-house provision where VAT is not due and therefore not recovered and shared
 - An additional £41,000 budget pressure linked to the timing of the Sam Alper development in Newmarket. It was assumed in the February MTFS projections that units would be available for rent during 2016/17, it's now likely to be 2017/18.

3. Budget gap and budget assumptions

- 3.1 Taking these budget pressures into account, the total savings target for 2016/17 currently stands at £1.06 million.

Table 1: Budget gap for 2016/17-2018/19

	2016/17	2017/18	2018/19
Original budget gap (a year)	£688,000	£501,000	£314,000
Additional budget pressures	£370,000	-	-
Revised Budget gap (a year)	£1,058,000	£501,000	£314,000
Budget gap (cumulative)	£1,058,000	£1,559,000	£1,873,000

- 3.2 The July 2015 budget announcement and the communications that followed provided the below key messages on the future expected level of public sector finances:
- Unprotected Government departments (Local Government being one) have been asked to model up to 40% of savings within their resource budgets by 2019-20 in real terms.
 - Local Government can expect to see the same levels of reductions in this Autumns comprehensive spending review as that experienced in the last comprehensive spending review period 2012-2016
- 3.3 Unfortunately there are limited details available at this stage on what the 2016/17 onwards settlement will mean to West Suffolk especially as there has been no formal consultation on grant distribution over the Summer.
- 3.4 It is important to note that there are limitations on the degree to which Forest Heath can identify all of the potential changes within its medium term financial projections. It is also important to remember that these financial models have been produced within a financial environment that is constantly changing and that they will be subject to significant change over time.
- 3.5 The medium term financial projections include a number of key budget assumptions as detailed in **Appendix A**. These key budget assumptions continue to be reviewed as more accurate information becomes available.

4.0 Methodology for securing a balanced budget 2016/17

- 4.1 The scale of financial changes that need to be made to ensure that Forest Heath's shared priorities can be delivered in 2016/17 is significant, especially as the projected £1.06 million budget gap for 2016/17 is on top of the savings delivered locally by the district over the years and the £4 million annual shared service savings already delivered across West Suffolk with St Edmundsbury Borough Council.
- 4.2 As a result, a considerable amount of work has already begun on identifying potential savings and income generation ideas in order to secure a balanced budget for 2016/17 and prepare for the medium term up to 2018/19.

- 4.3 In previous years, Forest Heath has addressed the need for financial savings by sharing the burden across all services. As with the 2015/16 budget process, rather than allocating a proportion of the £1.06 million savings to all areas of the council's business, the approach has been that the council's resources for 2016/17 should be allocated according to its strategic priorities. In practice, this will mean prioritising the projects, actions and themes outlined in the West Suffolk Strategic Plan for 2016-20, as well as the essential work that the council needs to do, including statutory functions.
- 4.4 The projects and actions relate to West Suffolk's three priority areas as set out in the Strategic Plan 2016-2020 recommended for approval at Full Council on 22 September (Cabinet Report number CAB/FH/15/038, Appendix A):
- increased opportunities for economic growth;
 - resilient families and communities that are healthy and active; and
 - homes for our communities.
- 4.5 The process of allocating resources according to priorities and essential services has helped to identify areas of the council's work which could either be scaled back or where further opportunities for the generation of income could be pursued. The process then focused on non-priority areas, and challenged whether the council should continue with the activities at all or in their current form, in order to ensure they provided value for money to council taxpayers.
- 4.6 The six themes within our MTFs 2016-2020 recommended for approval at Full Council on 16 September (Cabinet Report number CAB/FH/15/038, Appendix A), relate to areas of the West Suffolk councils' business which will support sustainability in a more financially constrained environment. The themes are:
- aligning resources to both councils' strategic plan and essential services;
 - continuation of the shared service agenda and transformation of service delivery;
 - behaving more commercially;
 - encouraging more use of digital forms of customer access;
 - taking advantage of new forms of local government finance (for example, business rate retention); and
 - considering new funding models (for example, acting as an investor).
- 4.7 A significant number of the proposals outlined in section 5 are relatively straightforward to implement with minimal impact on service delivery as these items fall mainly in the categories of contract, supplies and service efficiencies, further shared service savings and income generation opportunities from making better use of council assets. However, other proposals require more detailed analysis in order to develop options and to provide clarity as to the potential savings/income.

5. Budget proposals for 2016/17

- 5.1 The Performance and Audit Scrutiny Committee is asked to support and recommend to Cabinet the **inclusion of the following proposals**, as detailed in **Table 2** below in order to progress securing a balanced budget for 2016/17.

Table 2: Budget proposals for 2016/17

Description	2016/17 £'000 Pressure/ (Saving)
Budget gap	1,058
<i>Budget saving proposals</i>	
Income generation - ARP bailiffs and trading company services	(27)
Income generation - Street Cleansing	(4)
Income generation - Further third party occupancy at College Heath Road offices	(10)
Income generation - Waste Services	(53)
Income generation - Internal Audit	(5)
Income generation/efficiencies - Use of Guineas Office Newmarket	(20)
Income generation/efficiencies - Use of Brandon Office	(9)
Budget assumption change - 1% for pay inflation	(30)
Budget assumption change for car parking to reflect current and future volumes in Newmarket	(23)
Business Process Re-Engineering - release of staffing capacity following efficiencies created through process redesign	(88)
Contract efficiencies including ICT supplies and services	(60)
Contract efficiencies through Facilities Management joint venture - part year savings	(8)
Further staffing changes including service changes and vacancy management	(47)
Mitigate Building Control overspend/reduction income through increasing market share, changes in fee levels	(46)
Reduction in Legal professional fees	(4)
Reduction in Leisure Trust Management fee - subject to negotiations with Abbeycroft Leisure	(50)
Review of previously unallocated grant funding	(51)
Supplies and services savings, including around 5% reduction on all supplies and services budgets	(52)
Continue with the Local Council Tax Support Grant level - phasing out by April 2017 (25% for 2016/17) - no financial impact as already budgeted	-
Remaining Budget Gap *	471

* Proposals for the remaining balance will be presented to this Committee in November 2015 as an update report. Meanwhile we believe there is still a considerable amount of work required for the 2016/17 budget to be achievable, as such a number of additional budget saving proposals will be considered as separate reports over the coming months through full council.

Local Council Tax Support Grant

- 5.2 Councillors will recall that back in July 2013 (report COU13/633) Forest Heath DC agreed to continue to support the District's town and parish councils in respect of the Council Tax Support Grant, introduced by the Government to help offset money towns and parishes could lose through council tax benefit changes. The Council Tax Support Grant is included but not ring fenced in the Government's overall funding to borough and district councils who must then decide whether, and how much, to pass on to town and parish councils.
- 5.3 In order to provide certainty to town and parish councils, Forest Heath provided town and parish councils with an agreed 4 year support plan which sees the Council Tax Support Grant, being gradually phased out with no payment from April 2017.
- 5.4 During the summer of 2014, Forest Heath committed to reviewing the level of support from April 2016 when we hoped for more financial information about the grant levels from the Government as well as taking into account other means of support provided by the District Council as part of its overall package of support to local communities.
- 5.5 The Council offers a range of other financial support to local communities within the District. These include the following:
- Locality budgets – Since the review announcement, both West Suffolk authorities have confirmed, as part of their 2015/16 budget setting process, that locality budgets will now form part of its base budget in the medium term. This funding pot equates to £67,500 per annum.
 - Community Chest - A review of the distribution of grant funding led to the creation of a Community Chest for both councils. The funding equates to £185,240 for the District in 2016/17.
- 5.6 Section 3 of this report sets out the local and national financial picture. In the absence of any details of the government's financial plans the only alternative could be that Forest Heath awaits the 2016/17 local finance settlement announcement (likely to be late December following the November Budget announcement) and informs town and parish of their Council Tax Support Grant level for 2016/17 following that announcement. As its unknown what the announcement might contain there is a risk that the reduction in revenue support grant from central government is higher than currently planned.
- 5.7 In order to continue to provide certainty to Town and Parish Councils it is proposed that the current scheme continues so that the 2016/17 Council Tax Support Grant levels can be communicated to Town and Parish Councils as soon as possible so they can confirm that position within their financial plans. Many have commented to say their financial plans already allow for the phasing out of the grant and any increased reductions would have an impact on those plans and therefore certainty of the level is paramount.

6. Budget timetable

- 6.1 The table below outlines the timetable of budget information through the committees and to Full Council.

Table 3: Budget timetable

Task	Date
Performance and Audit Scrutiny Committee – consider 2016/17 budget proposals	24 September 2015
Cabinet to consider recommendations from Performance and Audit Scrutiny Committee – 24 September 2015	27 October 2015
Performance and Audit Scrutiny Committee Further progress report on 'Delivering a Sustainable Budget 2016/17'	25 November 2015
Council approval of the 2015/16 Tax Base including any Council Tax technical changes	9 December 2015
Council approval of Local Council Tax Reduction Scheme and Council Tax technical changes 2015/16	9 December 2015
2016/17 Budget and Council Tax Setting - Cabinet.	10 February 2016
2016/17 Budget and Council Tax Setting - Full Council.	24 February 2016