



## Cabinet

12 October 2016

Item  
**8(i)**

<b>Report of</b>	<b>Assistant Chief Executive</b>	<b>Author</b>	<b>Sean Plummer</b> ☎ 282347
<b>Title</b>	<b>2017/18 Revenue Budget</b>		
<b>Wards affected</b>	Not applicable		

**This report provides Cabinet with an update on the 2017/18 Revenue Budget forecast**

### 1. Decisions Required

1.1 Cabinet is requested to consider the following items:

- i) To agree the use of £200k shown in section 5 and to note that a further detailed report will be submitted to Cabinet.
- ii) To note that officers are working towards delivering a balanced budget and that progress has been made to identify savings to assist with the delivery of the budget strategy and that the budget gap currently stands at £325k.
- iii) To agree that the cost pressures and growth items should be included in the 2017/18 budget forecast.
- iv) To agree that the provisional savings should be included in the 2017/18 budget forecast.
- v) To note the main 2017/18 budget forecast variables and risks set out in Section 11
- vi) To note that Colchester will remain in the Essex business rates pool in 2017/18.

### 2. Reasons for Decisions

2.1 The Council is required to approve a budget strategy and timetable in respect of the year. This report relates to the budget update and business rate pooling.

### 3. Alternative Options

3.1 There are different options that could be considered and as the budget progresses changes and further proposals will be made and considered by Cabinet and in turn Full Council.

### 4. Background

4.1 The timetable for the 2017/18 budget process (see Appendix A) was agreed at Cabinet on 13 July 2016.

4.2 At this stage in the budget process it is important to consider progress on the budget and any in year issues. Detailed budgets are currently being produced with the aim to complete this task by December. Work is currently progressing well and is in line with the budget timetable.

## 5. Current Year Budget / Use of balances

5.1. In the Budget report to Cabinet it was reported that following the 2015/16 outturn including review of detailed allocations in balances and proposals for allocation to projects in 2016/17, uncommitted or unallocated balances are currently at almost £2.7m, which is £0.8m above the recommended level of £1.9m.

5.2. It was reported that consideration would be given to any emerging issues alongside an assessment of the 2017/18 budget position.

5.3. Think Global, Act Local - the Council has made a commitment to reflect some key international priorities set in 2015 by the United Nations to reduce inequalities. It is therefore proposed that £200k is allocated to support a campaign to reduce the inequalities which exist in some of our communities. A further report will be presented to Cabinet

## 6. Summary of 2017/18 Budget Forecast

6.1. Should Cabinet approve the items detailed in this report the current 2017/18 budget forecast shows a reduced gap from £625k of £325k. This reflects changes in respect of anticipated savings. The following table sets out the overall position:-

	Reported in September *	Updated Position
	2017/18	2017/18
	£'000	£'000
<b>Base Budget</b>	23,959	23,959
Adjustment for one off items	(548)	(548)
Cost Pressures	1,116	1,116
Growth Items	292	252
Savings	(1,300)	(1,600)
<b>Forecast Base Budget</b>	<b>23,519</b>	<b>23,179</b>
<i>Funded By:</i>		
Revenue Support Grant	(920)	(920)
Business Rates Baseline	(4,038)	(4,038)
<i>Settlement funding</i>	<i>(4,958)</i>	<i>(4,958)</i>
Increase in NNDR / taxbase above baseline	(900)	(900)
New Homes Bonus	(5,754)	(5,714)
<b>Total Gov't grants</b>	<b>(11,612)</b>	<b>(11,572)</b>
Council Tax	(11,010)	(11,010)
Use of Reserves	(272)	(272)
<b>Total Funding</b>	<b>(22,894)</b>	<b>(22,854)</b>
<b>Budget gap</b>	<b>625</b>	<b>325</b>

\* Individual cost pressures and growth items have been adjusted to show one-off items separately

6.2. As indicated later in this report, further work is ongoing to fully assess options to balance the budget including completion of remaining budget reviews and developing delivery plans for all savings, completion of detailed budgets and the ongoing assessment of risk areas.

## 7. Cost Pressures

7.1. The following cost pressures expected in 2017/18 have been previously identified through the Medium Term Financial Forecast (MTFF) process either as specific pressures or as risks areas. The table sets out estimated pressures for next year some of which are indicative provisions which will be revised as more detail becomes known.

	Current allowance £'000	Comment
Inflation	640	This includes assumptions in respect of pay, energy and other prices. This provision will be reviewed as part of the detailed budget development.
Pensions – actuarial review impact	250	During 2016 the actuarial review of the pension fund will take place with the outcome of this reported in the autumn. An assumption of an increased cost of £250k is shown for 2017/18 to recognise the potential impact from this review.
Pensions auto-enrolment	200	A further allowance for the impact of pensions 'auto enrolment' which is due in 2017 has been made.
Welfare reform	26	Incremental cost for additional resources agreed by Cabinet in November 2015. Funding in part from allocation from balances.
	<b>1,116</b>	

7.2 Cabinet need to determine whether the cost pressures detailed above should be included within the current 2017/18 budget forecast.

## 8. Growth Items and Investment from New Homes Bonus

8.1. The table below sets out identified growth items.

	Current allowance £'000	Comment
Locality budgets	102	An allowance has been built into the budget forecast to continue the locality budgets of £2,000 for Ward Councillors in 2017/18.
Reduced use of New Homes Bonus in base budget	150	It is proposed that the Council continue to reduce the level of New Homes Bonus supporting the base budget.
	<b>252</b>	

8.2. Previous updates had shown an increase in New Homes Bonus of £40k which was based on the Government's indicative figures. Government proposals for changes to the NHB scheme have still not been announced, however, realistically we expect that the level of NHB will decrease and therefore this has been removed with a balancing adjustment to the grant.

8.3. There will still be NHB funding available to support one-off projects and when the level of grant is known and changes to the methodology for the scheme are confirmed proposals for using this will be presented.

## 9. Savings/Increased Income

9.1. The budget strategy for 17/18 was agreed by Cabinet on 13 July. This included the continued operation of Budget Group to review budget options and specifically :-

- An outturn review
- Confirmation of savings and income from commercial activities and the 'Digital Challenge' programme.
- The second year of the sport and leisure business plan
- A number of budget options for efficiencies, income or reductions

9.2. Progress has been made in identifying budget savings including the review of earlier year outturn position. It is intended that budget proposals will be made to Cabinet in November. The following table summarises the current position.

	£'000	Comment
Outturn review	(500)	A review of last year's outturn position and earlier years alongside progress to date this year has identified the potential to revise certain budgets assumptions. These relate to:- <ul style="list-style-type: none"> <li>• certain income budgets which have been exceeded</li> <li>• a proposal to increase the employee vacancy factor</li> <li>• a general view of underspends that occur in most years</li> </ul>
Sport & leisure Business Plan	(194)	Second year of agreed plan.
Digital Challenge	(640)	Cabinet agreed the digital challenge programme and savings arising from.
Commercial trading Income	(299)	Assumptions regarding additional income identified in business cases such as events and helpline.
Commercial asset	(154)	Additional income arising from activities agreed from the Revolving Investment Fund (RIF).
Parish Grants - LCTS	(13)	Assumed reduction in the grant paid in respect of Local Council Tax Support (LCTS) Scheme in line with reductions in Government funding.
<b>Sub - total</b>	<b>(1,800)</b>	
Risk factor	200	see comment below
<b>Total</b>	<b>(1,600)</b>	

9.3. As shown above a risk factor of £200k is included in the budget forecast. An initial review of the identified savings has concluded that there is a risk to delivery next year in some areas, mainly relating to timing issues. A full review will be carried out alongside detailed budget setting.

## 10. Essex Business Rates Pool

10.1. For 2015/16 and 2016/17 the Council has been part of an Essex business rate "pool". The rationale for this is that the pool provides an opportunity to keep a greater share of NNDR income above the baseline. It was reported to the last Cabinet meeting that based on figures

provided as part of the 2015/16 closure of accounts there is an estimated gain to Colchester of £0.2m.

- 10.2. Whilst it is too early to estimate with any certainty any additional income that we might achieve from the pool arrangement in 2016/17 we still expect to benefit from the pooling arrangement.
- 10.3. No guidance has been issued by Government yet on business rates pooling in 2017/18 and therefore the assumption is that existing arrangements will remain unchanged.
- 10.4. The Essex pool agreement stays in place for 2017/18 unless there are new members who wish to join the pool or there are any existing pool members who wish to leave the pool. Based on views expressed by pool members neither of these are the case and therefore there is no need to submit a new pooling proposal.
- 10.5. All pool members have the opportunity to review their membership for 2017/18 when final settlement figures are announced and business rate projections have been updated. However, if someone decides to leave at this stage it will, not be possible to have a pool for that year.

## **11. Risks and Variables**

- 11.1. On 13 July 2016 Cabinet considered the budget strategy and MTFF. The MTFF set out the key areas that may impact on budget forecast. These have been reviewed and continue to represent the key variables including areas that may have positive or negative affect on the budget forecast.
- 11.2. Some of the key risk and variables at this stage in the budget process are:-
  - Business rate forecasts.
  - Consideration of any impact on the interest budget of capital financing arrangements and the outlook for interest rates.
  - Completion of detailed budgets (including any impact of changes in costs between the General Fund and HRA)
  - Announcement of New Homes Bonus.
  - Completion of on-going budget reviews and assessment of savings.
  - Review of balances and reserves including consideration of any ongoing use of reserves and an impact on reserves of in year budget position.
  - Provisional taxbase and business rate forecasts.
- 11.3 A review of the risk assessment of the recommended level of balances will be made and reported to the next Cabinet meeting. This will consider any changes to the recommended level of balances and also consideration of all reserves held by the Council.

## **12. Proposals**

- 12.1 It is proposed that:-
  - £200k be allocated from balances as set out in Section 5 with a further detailed report to be presented to a future Cabinet meeting.
  - the budget position should be noted including proposals relating to cost pressures, growth items, savings and risk and variables.
  - Cabinet note that the Council will remain in the Essex Business Rates Pool

### **13. Strategic Plan References**

- 13.1. The 2017/18 budget and the Medium Term Financial Forecast will be underpinned by the Strategic Plan priorities and will seek to preserve and shift resources where needed to these priorities.

### **14. Consultation**

- 14.1. The Council is required to consult on its budget proposals. A consultation exercise took place as part of the production of the Strategic Plan agreed by Council in February 2015.
- 14.2. The budget strategy and timetable aims to ensure that information is available for scrutiny and input from all Members on proposals in the process. The aim is that detailed information will be available prior to the final budget report being submitted to Cabinet and approval by Council in February.
- 14.3. As has been the case in previous years the opportunity remains open for the leader of the opposition to meet with officers to assist with consideration of any alternative budget proposals.
- 14.4. Furthermore, we will continue with the statutory consultation with business ratepayers and will meet with parish councils in respect of grant funding.

### **15. Financial implications**

- 15.1 As set out in the report

### **16. Equality and Diversity Implications**

- 16.1 Consideration will be given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

### **17. Risk Management Implications**

- 17.1. The strategic risks of the authority will be considered in developing the 2017/18 budget and all forecast savings/new income options will be risk assessed as part of the budget process. This report sets out some of the key risks / variables at this stage in the budget process and as stated earlier this will be refined during the year.

### **18. Other Standard References**

- 18.1 There are no specific Publicity, Human Rights, Community Safety or Health and Safety implications at this stage.

### **Background Papers**

Report to Cabinet 13 July 2016 and 7 September 2016

<b>2017/18 Budget Timetable</b>	
<b>Budget Strategy</b>	
<b>March – June (SMT and Budget Group)</b>	Budget Group Meetings Agreed Update MTF / Budget Strategy Review potential cost pressures, growth and risks Consider approach to budget Initial budget reviews started
<b>Cabinet – 13 July 16</b>	<ul style="list-style-type: none"> <li>• Review 15/16 outturn</li> <li>• Report on updated budget strategy / MTF</li> <li>• Timetable approved</li> </ul>
<b>Scrutiny Panel – 19 July 16</b>	Review Cabinet report
<b>Detailed Budget preparation and Budget Setting Consultation</b>	
<b>Budget Group / Leadership Team regular sessions on progress / budget options now - December</b>	Review budget tasks Consider delivery of existing budget savings Complete outturn review
<b>Cabinet – 7 September 16 and /or 12 October 16</b>	<ul style="list-style-type: none"> <li>• Budget Update</li> <li>• Consider “4 year settlement”</li> <li>• Review of capital resources / programme</li> </ul>
<b>Cabinet – 30 November 16</b>	<ul style="list-style-type: none"> <li>• Budget update</li> <li>• Reserves and balances</li> <li>• Agree fees and charges / budget changes</li> <li>• Government Finance settlement (if available)</li> <li>• Review in year budget position</li> </ul>
<b>Scrutiny Panel – 31 January 17</b>	Budget position (Detailed proposals)
<b>Cabinet – 1 February 17</b>	Revenue and Capital budgets recommended to Council
<b>Council – 22 February 17</b>	Budget agreed / capital programme agreed / Council Tax set

*Leadership Team to review budget progress during year.*