

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
9 February 2016

Subject: REVENUE BUDGET 2016/17

All Wards
Portfolio Holder for Finance and Economic Development: Councillor P R Wilkinson

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of the report is to present at a strategic level the revenue budget proposals for the next financial year 2016/17.
- 1.2 The summary estimates in this report are shown at Annex 'A' and present the 2014/15 Actual; 2015/16 Original budget; 2015/16 latest Approved and 2016/17 Estimate budget. Commentary on the budget proposal is also contained in Annex 'A'. Theme budgets are shown at Annex 'B'.

2.0 BUDGET 2016/17:

- 2.1 The original estimate for 2016/17 shows a net budget of £7,811,370. This is £893,090 more than the budget set in 2014/15 which was £6,918,280.
- 2.2 The increase in the budget relates to two specific areas - the income earned from the loan to Broadacres Housing Association has been re-profiled so will be less in 2016/17 and the income to be realised from the Waste Strategy is reduced due to the change in the waste market prices.
- 2.3 Considering the financial climate that the Council is currently operating in with cost pressures facing Local Government and a tighter funding position from a reduction of Government grants, this is a satisfactory budget position. The Council continues to provide efficient and effective services for the community.

3.0 FINANCIAL STRATEGY:

- 3.1 The revenue budget estimate for 2016/17 is within the financial constraints of the Financial Strategy included previously on this Cabinet agenda.
- 3.2 The Financial Strategy makes a number of assumptions around the level of grant support to be received by the Council, the Business Rate Retention scheme and the level of Council Tax to be collected. These assumptions and the revenue budget provide a balance position for 2016/17.

4.0 LINK TO COUNCIL PRIORITIES:

- 4.1 The budget has been prepared in accordance with the Council's priorities reflected in the Council Plan.

5.0 RISK ASSESSMENT:

5.1 The key financial risks and associated implications for the Revenue Budget 2016/17 are detailed below, a score of high, medium or low has been given to the likelihood of each risk occurring and the impact of risk on the Financial Strategy should it occur:-

Risk	Implication	Prob*	Imp*	Total	Preventative action
Under the Business Rate Retention scheme failure to meet the target for Business Rate collection set by Government represents a cost to the Council. Also, under this scheme the Government has transferred the risk of Business Rate no payment to the Council.	Loss of income	3	5	15	Monitor business growth and reduction through collection rates. Act as an enabler with partners on economic development initiatives.
A forecast low Bank Base Rate of 0.5% impacts on the Council's ability to generate investment income from balances.	Loss of income	5	3	15	Look for other investment opportunities
Broadacres Housing Association does not draw upon the offered loan according to the profile in 2016/17.	Loss of Income	4	3	12	This would result in a timing difference in interest received and reserves would be used and then replaced at a later date to support the budget.

6.0 FINANCIAL IMPLICATIONS:

6.1 The financial implications are dealt with in the body of the report.

7.0 LEGAL IMPLICATIONS:

7.1 It is a legal requirement under the Local Government Finance Act 1992 to set a balance budget and monitor the financial position throughout the year.

8.0 EQUALITY/DIVERSITY ISSUES:

8.1 There are no specific equality implications to this report.

9.0 RECOMMENDATIONS:

9.1 It is recommended that Cabinet approves and recommends to Council the Revenue Budget for 2016/17 at £7,811,370.

JUSTIN IVES

Background papers: Budget setting papers 2016/17
Financial Strategy 2016/17

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REVENUE BUDGET – ESTIMATES 2016/17**1.0 ESTIMATES 2016/17**

1.1 The table below details the revenue budget for 2016/17 at a strategic level.

	2014/15 Actual £	2015/16 Original £	2015/16 Latest £	2016/17 Estimate £
Customer and Leisure	1,468,893	1,618,760	1,647,540	1,679,690
Environmental and Planning Services	4,142,480	4,301,520	4,160,880	4,835,750
Support Services	1,524,597	888,170	1,900,550	1,186,100
Internal Drainage Boards	99,832	109,830	105,380	109,830
Net Budget	7,235,802	6,918,280	7,814,350	7,811,370

1.2 The budget has been prepared in accordance with the Council's priorities reflected in the Council Plan.

1.3 A detailed schedule of service's budgets that constitute the total budget in each Department is shown at Annex 'B'.

2.0 FINANCIAL STRATEGY:

2.1 The Council's latest Financial Strategy has been included previously on this Cabinet agenda. The revenue budget for 2016/17 is within the financial constraints set by the Financial Strategy.

2.2 A number of assumptions which underpin the Financial Strategy have been applied in setting the 2016/17 revenue budget, these include:-

- The revenue budget assumes that the Bank of England base will remain low at 0.5% throughout 2016/17, with the possibility of a rate rise to 0.75% in Q2 or Q3; this will impact on the ability of the Council to generate investment income from balances;
- All fees & Charges have been reviewed for 2016/17, with an overall increase of 2%. This takes into consideration the nature of the services, the impact on commercial viability and local economic circumstances;
- A provision of 1% has been included for a pay award in 2016/17 in line with the national agreement;
- Contracts and Service Level Agreements have been increased by the appropriate rate of Consumer Price Index where applicable. Energy and vehicle fuel prices continue to be particularly volatile. Prudent provision has therefore been included for continued changes in charges for gas, electricity and vehicle fuel for 2016/17.
- Business Rate Retention Scheme enables the Council to keep a proportion of the business rates collected locally, providing an incentive for Councils to grow their local economy.

- A Council Tax increase of £5 on a Band D equivalent property; this is the first time Council Tax has increased for 5 years and is as a result of Central Government no longer offering a Council Tax Freeze Grant due to the reduction in local government funding.

2.3 Within the Financial Strategy it is estimated that the Council will lose 22.4% of its grant funding from Central Government excluding New Homes Bonus Grant over the 4 year period 2016/17 to 2019/20. Including the collection of business rates, council tax and New Homes Bonus grant, the reduction in total resources to the council over the next 4 years 1.5%.

2.4 These factors have been taken into account to balance the revenue budget and limit the Council's reliance on the Council Tax-Payer Reserve. The assumptions in the Financial Strategy on the level of income generated by these streams are made on a prudent basis.

3.0 RESERVES AND BALANCES:

3.1 As the revenue budget has been set within the constraints of the Financial Strategy, the assumed level of revenue reserves and balances at 31 March 2017 remain consistent with the Financial Strategy.

3.2 A summary of anticipated revenue reserves and balances at 31 March 2017 is set out below:-

Reserve	Balance £
Council Tax-payers	4,138,478
Repairs and Renewals Fund	2,393,790
Computer Fund	594,270
Grants Fund	248,762
One-Off Fund	1,252,912
General Fund Working Balance	2,000,000
Economic Development Fund	331,901
TOTAL	10,960,113

3.3 This reserve position is reliant on the income streams detailed in paragraph 2.3.

4.0 FINANCIAL OUTLOOK:

4.1 Although the revenue budget 2016/17 and Financial Strategy represent a robust position, the Council is not immune to the significant economic and financial challenges facing the whole of the public sector in the UK.

4.2 The changes to the Local Government Finance Settlement have seen a headline cut in spending power of 2.8% in 2016/17. Central Government grant has been reduced and no incentive to freeze council tax has been offered to Local Authorities. The Government continues to pay New Homes Bonus grant in 2016/17 to encourage the building of new homes, although this allocation will be reduced to zero in 2020/2021 where the grant will be redirected to other Local Authorities to support social care.

4.3 The settlement for 2016/17 does favour shire district councils, where 65 shire districts see an increase in spending power; Hambleton sees an increase of 1.5% in 2016/17 due to the increase in New Homes Bonus grant. Excluding the New Homes Bonus grant, Hambleton

see a decrease of 28.8%. Cumulatively over the next 4 years the Council will lose 12.4% of its total grant funding from Central Government. The total loss in resources available to the Council for the period 2016/17 to 2019/20, including Council tax and business rates, is 1.5%.

4.4 These reductions in Government grant support increase the Council's reliance on other revenue income streams such as:

- The consultation on the changes to the new business rates retention system will be issued in the Summer 2016, where Council's will retain 100% business rates locally but will receive increased burdens transferred from central government.
- Increasing Council Tax by £5 on a Band D equivalent property.
- Reviewing Fees and Charges across Council services.
- Investment increase and loan interest.
- Income generated from commercial opportunities.

4.4 In addition to the reduction in grant funding, it is also necessary to consider the volatility of inflation, changes in energy prices, reduced investment interest rates and the Council's ability to generate income.

4.5 The shortfall in funding and increase in costs presents a very challenging financial outlook for the Council. The Council continues to ensure services are provided in a cost effective way enabling the Council to continue to preserve its front-line services for the community.

4.6 Due to the Council's revenue reserve balances it is in a better financial position than most to deal with these financial challenges. It should be noted that as a result of the Local Government Finance Settlement over the 10 year financial strategy the revenue reserve balances have fallen significantly from the position a year ago. Therefore, to maintain the current reserve position efforts must be made in setting future budgets to, where possible, preserve these reserve levels and protect the Council's financial position.