

CABINET - 13 JANUARY 2016

THE OVERVIEW & SCRUTINY COMMITTEE - 18 JANUARY 2016

GENERAL FUND BUDGET CONSULTATION UPDATE

REPORT OF CHIEF FINANCE OFFICER

CONTACT OFFICER: DARREN KENNEDY TEL NO: 01962 848464

EMAIL: dkennedy@winchester.gov.uk

RECENT REFERENCES:

CAB2739: General Fund Budget 2016/17 – Capital and Revenue, 7 December 2015

CAB2741: Draft Portfolio Plans 2016/17, 7 December 2015

CAB2732: Medium Term Financial Strategy 2016/17 to 2020/21, 21 October 2015

EXECUTIVE SUMMARY:

This report provides an update on the General Fund Revenue Budget. Consultations have been carried out with The Overview & Scrutiny Committee, parish and town councils, and the business community. The draft Portfolio Plans were considered at December Cabinet (CAB2741 refers) and will also be considered by Council on 6 January 2016 (Report CL119 contains the latest version of the Plans, following consultation).

The final budget and council tax proposals, to achieve a balanced budget for next year, will be considered by Cabinet, The Overview and Scrutiny Committee and Council in February.

RECOMMENDATIONS:That Cabinet:

That Cabinet notes this update following budget consultation.

That The Overview & Scrutiny Committee:

Considers any further comments it wishes to make to Cabinet on the Budget.

CABINET - 13 JANUARY 2016

THE OVERVIEW & SCRUTINY COMMITTEE - 18 JANUARY 2016

GENERAL FUND BUDGET CONSULTATION UPDATE

REPORT OF CHIEF FINANCE OFFICER

1. Introduction

- 1.1. Report CAB2739 (December 2015) identified a number of factors affecting the Council's future revenue budgets. During December, consultation has been carried out with The Overview & Scrutiny Committee, parish and town councils and the business community. Participants are thanked for their contributions which will be considered in the finalisation of the Budget.
- 1.2. The draft Portfolio Plans for 2016/17 were considered at December Cabinet (Report CAB2741 refers) and have been referred to Council on 6 January, for approval subject to finalisation of the budget. Report CL119 contains the latest version of the Plans, following consultation.
- 1.3. The provisional Local Government Finance Settlement 2016-17 was announced on 17 December 2015. This included an offer of a 4 year funding settlement to 2019-20 for "any council that wishes to take it up and if they have a published efficiency plan". Consultation on the provisional grant settlement will end on Friday 15 January 2016, following which the Government will seek Parliamentary approval for the final 2016-17 settlement in February.

2. Budget Consultation

- 2.1. At the December Cabinet Meeting clarification was sought on when further details will be known about the Government's announcements in relation to council's retaining 100% of business rates. The Chairman responded that there remained a significant number of uncertainties relating to the medium to long term budget forecasts, including the Government's proposals in relation to business rates and the impact of devolution.
- 2.2. At The Overview and Scrutiny Committee on 7 December the Leader outlined the various plans for the next financial year which would be reviewed when the final settlement from the Treasury became available. He advised that there were, at that point, no proposals to raise Council Tax or car parking charges for 2016/17. It was anticipated that meeting the budget gap would be manageable for the next financial year. However, work would continue over the next few months to look at opportunities to contribute towards bridging the budget gaps the Council would face in coming years. This would include consideration of future methods of working and the impact of the Devolution proposals. In response to concerns regarding the accuracy of the

impact of financial risk projections, the Chief Finance Officer explained that forecasts had been based on the available facts at the time the Report was prepared as the risks had not yet occurred. Therefore, the best reasonable estimates had been made and measured based on the spending review.

- 2.3. A minute extract from Winchester Town Forum, 18 November 2015 and from The Overview and Scrutiny Committee, 7 December 2015 is provided in Appendix 2.
 - 2.4. Local Businesses were consulted on the Cabinet's budget proposals at The Future of Winchester – Economic Conference, held on 3 December. There was general discussion around Devolution and Business Rates. The Leader also confirmed that there would be no proposals for increases in car parking charges for 2016/17.
 - 2.5. A meeting with parish and town council representatives was held on 8 December when the budget position was explained and there was general discussion on various issues. The Leader confirmed that despite significant ongoing reductions in government grant funding the Council Tax Support Grant to Parishes totalling circa £154,000 would continue in 2016/17. This was welcomed by Parish Councils whilst it was recognised that this may not be sustainable in future years.
 - 2.6. In response to questions, the Leader also confirmed that the Council was not only planning to support the creative arts in the Enterprise Centre, it would also be supporting other businesses in the Winnall business estate and providing support through the Winchester Business Improvement District. Job mentoring was considered to be important, with 28 people being assisted to gain employment. At Bury Farm in Whiteley existing businesses were being assisted to find new premises to locate to as part of the North of Whiteley Development.
 - 2.7. Recognising the importance of market towns, the Market Towns Development Officer had recently been made a permanent post by the Council to assist market towns, for example with the organisation of festivals.
 - 2.8. The Council works closely with the South Downs National Park Authority to identify opportunity sites for businesses to move into with the aim of assisting businesses to remain local as they grow in size. Suggestions from Parishes were invited on further ways that the Council could assist in this area.
3. Winchester Town Forum

At its meeting in November the Winchester Town Forum agreed that *“should Cabinet be minded to increase Council Tax for 2016/17, the Town Forum would support an increase of 2% in the collection of the Town precept for 2016/17”*. (This was based on an assumption that 2% would be the maximum Council Tax increase permitted without requiring a referendum – but see para 4.3 below).

4. Provisional Local Government Finance Settlement 2016/17

4.1. The provisional settlement figures are provided below:

	2016-17	2017-18	2018-19	2019-20
Settlement Funding Assessment	£3.04m	£2.46m	£2.15m	£1.80m
<u>Comprising:</u>				
Revenue Support Grant	£1.00m	£0.38m	£0.01m	nil
Baseline Funding Level	£2.04m	£2.08m	£2.14m	£2.21m
Tariff adjustment				(£0.41m)

Revenue Support Grant

4.2. In 2015-16 Revenue Support Grant (RSG) is £1.728m; making the year on year reduction in 2016-17 42% (£728,000). This is a greater reduction than was expected.

4.3. The provisional RSG figures are therefore lower than was assumed in the financial projections for the budget consultation in December, by a total of £884,000 over the 4 year period (2016-17 -£269,000; 2017-18 -£290,000; 2018-19 -£325,000). Furthermore there is a forecast detrimental "Tariff adjustment" of £410,000 in 2019-20.

Business Rates

4.4. The Government has also announced that by the end of the Parliament local government will retain 100% of business rate revenues to fund local services. However, the system of top ups and tariffs which redistributes revenues between local authorities will be retained. The Uniform Business Rate will be abolished and any local area will be able to cut business rates as much as they like. Consultation on the implementation of the 100% business rates retention scheme is planned for the summer (2016). No assumptions in relation to this are therefore being made in this year's budget projections.

4.5. The financial forecasts for Business Rates are in the process of being updated and will reflect the updated Baseline Funding Level assumptions, as well as the updated forecast for 2015-16, and 2016-17 per the "NNDR1" form forecasts which is due for completion by 31 January.

Capital Receipts

4.6. The Government proposals for future reforms also include new financial flexibility to use the receipts from the sale of land and buildings to help pay

for the upfront investment in the transformation of local services for the financial years 2016, 2017 and 2018. This effectively would allow councils to utilise capital receipts for non-recurring revenue purposes, in certain circumstances. This would not be of benefit this Council, based on the current spending plans and reserves position.

5. New Homes Bonus

- 5.1. The provisional allocations for New Homes Bonus have been announced alongside the Local Government Finance Settlement and can be found at: <https://www.gov.uk/government/collections/new-homes-bonus-provisionalallocations-for-2016-to-2017-and-consultation-on-reforming-the-bonus>
- 5.2. The consultation on refining the New Homes Bonus that was announced in the Spending Review has now been issued and responses are required by 10 March. This will affect allocations of New Homes Bonus from 2017-18 onwards; 2016/17 allocations are unaffected. The Council's response to this consultation will be considered by Cabinet in February.
- 5.3. The New Homes Bonus provisional allocation for the Council for year 6 will total £453,450 including an affordable homes premium of £37,520. This will make the total receivable in 2016-17 £3,283,606.
- 5.4. The financial projections presented at December Cabinet had started at £2.8m in 2016/17 and reducing each year to £0.8m by 2020/21. The Settlement projections below maintain the full existing scheme in 2016/17 (the sixth year of the scheme).
- 5.5. The Settlement projections of "Core Spending Power" for the Council are shown in the Table below.

New Homes Bonus	2015-16	2016-17	2017-18	2018-19	2019-20
December Forecast	£2.8m	£2.8m	£2.3m	£1.7m	£1.3m
Settlement Projections	£2.8m	£3.3m	£3.3m	£2.1m	£2.0m
Increase / (Decrease)	£0.0m	£0.5m	£1.0m	£0.4m	£0.7m

- 5.6. The Council's latest financial projections vary from these figures and the financial strategy caps the reliance on this funding stream to support the baseline recurring expenditure at 10% of Net Revenue Expenditure (£2.8m). This strategy will be reviewed in the light of the changes proposed in the Government's consultation and the Council's own forecasts of housing growth.

6. Council Tax

- 6.1. The Council Tax Base for 2016/17 has now been approved. The District tax base has increased from 46,450 for 2015-16 to 46,835 (+385 properties) for 2016-17.
- 6.2. This will generate additional Council Tax income (at current price levels) of c.£49k per annum, which is £14k higher than the previous forecast (December).
- 6.3. Council Tax freeze grant for 2015-16 will be rolled into RSG, as in previous years. There will be no council tax freeze funding offered for 2016/17.
- 6.4. Council Tax Referendum limits have been confirmed at 2% for lower tier authorities (4% for upper tier). However, authorities within the lower quartile of preceptors (such as Winchester) will be able to increase their precept by up to £5 (equivalent to 3.47%). Central Government projections assume that all authorities will increase their precepts by the maximum amount. Some of the possible combinations of increase between the Town and District are shown in the table (attached as Appendix 1):
- 6.5. Council Tax will be determined in the final stages of setting the budget and after all other factors have been considered. The Administration's financial strategy includes the principle of keeping council tax rises to a minimum. However, the cumulative effect of not increasing council tax when there is an emerging gap between income and expenditure will be an essential consideration alongside plans for cost reduction and income growth.

7. South Downs National Park Authority (SDNPA)

The Park Authority has now notified the Council of the proposed payment for the provision of a Development Management service in 2016/17. An amount of £451,730 has been offered for 2016/17 which equates to a reduction of 3% (or £13,970) compared to £465,700 agreed for 2015/16. This is a slightly greater reduction than the 2% (or £9,314) that had been previously forecast.

8. Reserves

- 8.1. As at 1 April 2015 General Fund usable revenue reserves amounted to £18.5m comprising; £16.5m earmarked for specific future spending requirements, and £2m General Fund Balance to cover risk and uncertainty in the underlying budgets.
- 8.2. Earmarked reserves are used towards one-off capital or revenue expenditure (or income reduction) purposes and a significant proportion of these reserves will already be committed as part of existing plans. It is important that the Council plans for the future:
 - to ensure that it is able to maintain its existing assets (such as car parks, IT equipment, office accommodation etc)

- to ensure that one off funding is held towards the purpose it was provided (such as Homelessness Gold Standard Grant)
- to support one-off projects (such as the Local Development Framework)
- to support the Portfolio Plans, specifically where projects may not be self funding and so without existing funds the projects may not be able to be supported

8.3. The General Fund Balance of £2m is available to mitigate against any potential financial risks.

OTHER CONSIDERATIONS:

9. COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

9.1. In order that limited resources are matched most appropriately to the Council's priorities the Council's budget should be considered in the context of the District Community Strategy and the Portfolio Plans.

10. RESOURCE IMPLICATIONS:

10.1. As set out in the report.

11. RISK

11.1. A financial risk assessment was included in Report CAB2739, December 2015, and this will be updated and used for the final consideration of the robustness of reserves when the budget is set in February. There are a number of significant risks that may affect the budget, including the uncertainty in relation to the Silver Hill project (Report CAB2755 elsewhere on this agenda).

BACKGROUND DOCUMENTS:

None

Appendices

Appendix 1 – Council Tax Increases Possible Scenarios

Appendix 2 - Minute extract from Winchester Town Forum, 18 November 2015 and Minute Extract from The Overview and Scrutiny Committee, 7 December 2015

POSSIBLE SCENARIOS –COUNCIL TAX INCREASES IN DISTRICT AND TOWN TAX											
District					Town					Total - District & Town Average	
Annual Increase	Increase	Band D amount	Amount collected	Annual increase in amount collected	Annual Increase	Increase	Band D amount	Amount collected	Annual increase in amount collected	Increase	
0.00%	£0.00	£126.27	£5,913,867	£0	0.00%	£0.00	£61.19	£814,391	£0	0.01%	£0.01
0.00%	£0.00	£126.27	£5,913,867	£0	1.99%	£1.22	£62.41	£830,628	£16,237	0.25%	£0.36
1.99%	£2.51	£128.78	£6,031,423	£117,556	1.99%	£1.22	£62.41	£830,628	£16,237	1.99%	£2.87
3.47%	£4.38	£130.65	£6,119,005	£205,138	3.47%	£2.12	£63.31	£842,607	£28,216	3.47%	£4.99

** As the District and Town are weighted together if the tax base within the Town increases at a higher rate than the District as a whole then there is an increase in the weighted average Tax even if there is no increase in each individually*

Minute extract from Winchester Town Forum 18 November 2015

WINCHESTER TOWN ACCOUNT – DRAFT BUDGET 2016/17

(Report WTF235 refers)

Members noted that the Report had not been made available for publication within the statutory deadline. The Chairman agreed to accept the item onto the agenda as a matter requiring urgent consideration due to the need to consult with the Forum on its content prior to consideration by Cabinet.

The Chief Finance Officer introduced the Report which outlined the Winchester Town Budget for 2016/17, the revenue projections for the Town Account in line with the baseline assumptions and reflected the work carried out by the Informal Budget Review Group, as set out in Appendix 2 of the Report.

The Head of Landscape and Open Spaces advised that cemetery income made up a significant part of the overall income, but details of cemeteries were being looked at in relation to their respective fees and charges. Other neighbouring authorities were to be used as a benchmark to help evaluate the fees for services offered at Magdalen Hill cemetery.

It was reported that charges for Magdalen Hill would be tiered as follows:

- Tier 1 - residents within the Town Forum area who pay a precept which contributes towards the running costs for the cemetery;
- Tier 2 - those outside of the Town Forum area but within the wider Winchester City, including Badgers Farm, Oliver's Battery and Harestock; and
- Tier 3 - those who live outside of these areas.

The fees would be set with those in Tier 2 paying double those in Tier 1. Those in Tier 3 would pay just under triple the cost of those in Tier 1. There would be some exceptions to this pricing strategy such as the burial of children. This new approach to tiered charges would help alleviate the additional costs incurred due to the new extension and would bring Winchester's charges in line with neighbouring authorities. .

One Member made reference to the Town boundaries and indicated that Pitt Manor fell within the St Luke boundary and needed to be included within the Central Town boundary, this was acknowledged by officers who, consequently, agreed to make a change to reflect this.

In response to questions in relation to the collection of Council Tax for 2016/17, officers confirmed that capping had not yet been confirmed but was expected to be in line with previous years at approximately 2% overall.

The Forum noted that the Town Forum precept for Council Tax had not been increased for five years in line with the increases made to Parish Council precepts and recognised that a minimal increase was justified for 2016/17 in order to close the projected deficit gap, as set out within the Report.

It was agreed that, should Cabinet be minded to increase Council Tax for 2016/17, the Town Forum would support an increase of 2% in the collection of the Town precept for 2016/17.

RESOLVED:

1. That Cabinet note the budget issues drawn to their attention by the Town Forum, as set out above; and
2. That Cabinet note the feedback from the Town Forum as part of the consultation on the current budget proposals in relation to the Town Account, as set out above.

Minute Extract from The Overview and Scrutiny Committee 7 December 2015

GENERAL FUND BUDGET 2016/17 – CAPITAL AND REVENUE
CONSIDERATIONS

(Report CAB2739 refers)

Councillor Godfrey outlined the various plans for the next financial year which would be reviewed when the final settlement from the Treasury became available on 17 December. He advised that there were currently no proposals to raise Council Tax or parking charges for 2016/17.

It was anticipated that meeting the budget gap would be manageable for the next financial year. However, work would continue over the next few months to look at opportunities to contribute towards bridging the budget gaps the Council would face in coming years. This would include consideration of future methods of working and the impact of the Devolution proposals.

In response to concerns regarding the accuracy of the impact of financial risk projections, the Chief Finance Officer explained that forecasts had been based on the available facts at the time the Report was prepared as the risks had not yet occurred. Therefore, the best reasonable estimates had been made and measured based on the spending review.

RESOLVED:

That Cabinet have regard to the comments of the Committee, as set out above.
