



## AGENDA ITEM:

### SUMMARY

<b>Report for:</b>	<b>Joint Overview &amp; Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>8 December 2015</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Budget Preparation 2016/17</b>
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance & Resources James Deane, Corporate Director (Finance & Operations)
Purpose of report:	To provide Members with an overview of the draft budget and to provide the opportunity to scrutinise and provide feedback to Cabinet.
Recommendations	That Scrutiny Committees review and scrutinise the draft budget proposals for 2016/17 and provide feedback, to be considered by Cabinet, for each Committee's specific area of responsibility.
Corporate Objectives:	Setting a balanced budget to support the Council's corporate objectives.
Implications:	The financial and value for money implications are set out in the body of the report.
Risk Implications	The Council is required to set a balanced budget and scrutiny of the overall budget proposals will assist in the challenge process required.
Equalities Implications	Equality Impact Assessments are carried out in service areas when preparing individual budgets.

Health And Safety Implications	None.
Consultees:	Budget Review Group; Portfolio Holders; Corporate Management Team; Group Managers.
Background Papers:	Medium Term Financial Strategy 2015/16 to 2019/20
Glossary of acronyms and any other abbreviations used in this report:	CPI – Consumer Prices Index GF – General Fund HRA – Housing Revenue Account MTFS – Medium Term Financial Strategy OSC – Overview and Scrutiny Committee RPI – Retail Prices Index

### Introduction

1. The purpose of this report is to present for scrutiny and review the draft budget proposals for 2016/17.
2. Budget detail for every area of the Council has been made available to all Members. **With the exception of the Finance & Resources committee, which scrutinises all budgets, individual Overview and Scrutiny Committees should focus only on those appendices and that portion of the Capital Programme that relate directly to their remit.** A senior Finance Officer will be present in each of the committees to support the Chair.
3. The following appendices are attached:
  - Appendix A – General Fund (GF) Budget Summary 2016/17
  - Appendix B – General Fund Budget Change Analysis 2015/16 - 2016/17
  - Appendix C – Finance & Resources Committee GF Budgets 2016/17
  - Appendix D – Housing & Community Committee GF Budgets 2016/17
  - Appendix E – Strat. Planning & Environment Committee GF Budgets 2016/17
  - Appendix F – Housing Revenue Account Budget Summary 2016/17
  - Appendix G – Summary of Major Movements HRA Budget 2015/16 - 2016/17
  - Appendix H – Summary of New & Amended Capital Bids 2015/16 - 2020/21
  - Appendix I – Capital Programme 2015/16 – 2020/21 by OSC
  - Appendix J – Statement of Earmarked Reserves

### Medium Term Financial Strategy (MTFS)

4. The current MTFS was approved by Council in September 2015 and contained the following key decisions which have informed the budget-setting process for 2016/17:
  - A General Fund savings target of £1.4m for 2016/17
  - A General Fund savings target of £3.1m over the duration of the MTFS period
  - A General Fund balance of between 5% and 15% of Net Service Expenditure
  - A minimum HRA working balance of 5% of turnover

5. Council has delegated authority to the S151 Officer to revise the MTFS if material changes to forecasts are required as a result of future government announcements, e.g. the Local Government Finance Settlement in December 2015.
6. Prior to seeking Member approval for the budget in February 2016, further consultation and communication will be undertaken, including the following:
  - Briefings to Town and Parish Clerks and Parish Councillors
  - Use of the Council's web site
  - Social Network Media
  - Citizen Forum events

#### **Key assumptions included in the draft General Fund budget**

7. The following assumptions are incorporated within the draft budget:
  - 1.8% increase in Council Tax (as per MTFS)
  - 1% pay settlement
8. The draft budget for 2016/17 assumes that the level of government funding will remain as modelled within the MTFS approved by Council in September 2015. This will be updated following publication of the local Government Finance Settlement, scheduled for 18 December 2015, and incorporated within the second draft budget brought for Members' scrutiny in February 2016.

#### **Key General Fund budget savings since last year**

9. Detailed budget reductions between 2015/16 and 2016/17 are shown in Appendix B. Key items include:
  - £350k total staff efficiency savings
  - £613k efficiency reductions in expenditure on Supplies & Services
  - £160k reduction in contract costs
  - £450k increase in income generated

#### **Key General Fund budget growth since last year**

10. Detailed ongoing growth areas (i.e. not one-off items of expenditure to be funded from reserves) are shown in Appendix B. Key items include:
  - £640k relating to Employee costs, of which £380k has arisen due to a change in National Insurance legislation which means that the Council is no longer entitled to a rebate for having a pension scheme that is contracted out of the State Second Pension scheme.
  - £160k relating to Supplies & Services, which has arisen due to the re-categorisation of expenditure on ICT licences from capital to revenue. There has been an offsetting reduction within the capital budget.
  - £240k relating to Grants, Reimbursements and Contributions, arising from a forecast reduction of £150k in the recycling incentive grant (Alternative

Financial Model) paid by Hertfordshire County Council, and reduction of £90k in the Benefits Admin Grant paid by Central Government.

11. In order to assist Members in their scrutiny, the draft budget is set out at a detailed Service level in appendices C - E.

### **Housing Revenue Account**

12. The draft HRA Budget for 2016/17 is attached at Appendix F, with explanations of major movements between the Original Budget 2015/16 and Draft Budget 2016/17 shown in Appendix G.

13. Key assumptions incorporated into the draft budget are:

- Rent reduction of 1% on all properties, in line with new Government legislation
- 1% pay settlement from January 2015

### **Capital Programme**

14. The draft Capital Programme is set out at Appendix I.
15. There have been a number of bids for capital budget from across the Council's services. The financial implications of the new bids are summarised in Appendix H.

### **Reserves**

16. The proposed movements in General Fund reserves are set out in Appendix J.
17. The following reserve movements are proposed for inclusion within the 2016/17 budget, but have not yet received formal Member approval:
  - Release of £900k from the Pensions Reserve to fund the anticipated one-off payment to reduce the pension deficit, arising from the triennial review of the Council's pension scheme scheduled for late 2016/17.
  - Release of £128k from the On Street Car Parking Reserve as a contribution to Capital in order to part finance the costs of the Multi-storey car park in Berkhamsted.
  - Contribution of £360k to the Dacorum Development Reserve in order to fund the likely costs associated with hosting the Tour of Britain in 2017/18 (£120k); and a further £240k to fund the Council's contractual obligation to HCC for the relocation of the library into the Civic Centre and on to The Forum in January 2017.
  - Release of £116k from the Invest to Save Reserve to fund savings initiatives within Planning and Finance.

## **Next Steps**

18. Members of the individual OSCs are asked to review and scrutinise the draft budget proposal for 2016/17, and to provide feedback for Cabinet to consider ahead of the next Joint OSC, in February 2016.