



AGENDA ITEM:

SUMMARY

Report for:	Joint Overview & Scrutiny Committee
Date of meeting:	2 February 2016
PART:	1
If Part II, reason:	

Title of report:	Draft Budget 2016/17
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 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:	Overview & Scrutiny Committees; Budget Review Group; Portfolio Holders; Corporate Management Team; Group Managers.
Background Papers:	Medium Term Financial Strategy, Cabinet , July 2015 Budget 2016/17, Joint Overview & Scrutiny Committee, December 2015
Key Terms, Definitions & Acronyms	AFM – Alternative Financial Model GF – General Fund HRA – Housing Revenue Account MTFS – Medium Term Financial Strategy OSC – Overview and Scrutiny Committee

Introduction

1. The purpose of this report is to present for scrutiny and review the final draft budget proposals for 2016/17. The report has the following appendices:

Corporate view

- Appendix A – General Fund Budget Summary 2016/17
- Appendix B1 – Budget Change Analysis 2015/16 – 2016/17
- Appendix B2 – Summary by Committee

Finance & Resources

- Appendix C1 – Finance & Resources Budgets Summary 2016/17
- Appendix C2 – Finance & Resources Budgets Detail 2016/17
- Appendix C3 – Finance and Resources Fees and Charges 2016/17

Housing & Community

- Appendix D1 – Housing and Community Budgets Summary 2016/17
- Appendix D2 – Housing and Community GF Budgets Detail 2016/17
- Appendix D3 – Housing and Community Fees and Charges 2016/17

Strategic Planning & Environment

- Appendix E1 – Strategic Planning & Environment Budgets Summary 2016/17
- Appendix E2 – Strategic Planning & Environment Budgets Detail 2016/17
- Appendix E3 – Strategic Planning & Environment Fees and Charges 2016/17

Housing Revenue Account

- Appendix F – Housing Revenue Account Budget 2016/17
- Appendix G – Housing Revenue Account Movements 2015/16 -2016/17

Capital Programme

- Appendix H – Capital Programme: Summary of new and amended projects
- Appendix I – Capital Programme 2015/16 - 2020/21, by OSC

Reserves

- Appendix J – Statement of Earmarked Reserves

Changes since December Joint Overview & Scrutiny Committee meeting

2. There have been some changes to the draft budgets since the meeting of Joint OSC on 8 December 2015. All of the changes are within the General Fund, and are summarised in Table 1, below (detailed commentary on the major changes is provided in paragraphs 4 - 9). The table highlights:
 - The Council's additional savings requirement arising from the reduced government funding announced in the Finance Settlement on 17 December
 - Minor additional pressures identified through ongoing work on draft budgets
 - Additional income/savings identified which enable the Council to offset the additional savings requirement and balance the budget for 2016/17

Table 1

	£'000	
Position at Joint OSC, December 2015: Net use of General Fund Reserves		10
Changes following Finance Settlement		
Reduction in Settlement Funding Assessment above the amount forecast	500	
Confirmation of Business Rates Retained	20	
Increase in New Homes Bonus grant	(60)	
Transfer of New Homes Bonus to capital as per current strategy	60	
Net impact of Finance Settlement		520
Amended savings target after Settlement changes		530
Additional budget pressures identified since December OSC		
Adjustment to Project Analyst Post (draft correction)	20	
Accounting adjustment relating to Benefits	10	
Total of new budget pressures identified		30
Amended savings target after additional pressures identified		560

Met from:

Additional income/savings identified since December OSC		
Alternative Financial Model - HCC confirmed in January no reduction for 2016/17	(250)	
Council Tax - adjusted tax base and surplus approved by Cabinet, December 2015	(100)	
Elms Hostel Income - not previously included in base budget	(70)	
Recharges adjustments	(60)	
Phase 1 of Waste Services savings following consultant review in December	(60)	
Council Tax increased yield based on 1.99% rather than 1.8%	(20)	
Total additional income/savings identified since December OSC		(560)
Position at Joint OSC, February 2016: Net use of General Fund Reserves		0

Changes within Finance & Resources OSC

3. Government Funding (General Fund)

As a result of December's Local Government Finance Settlement, the Council's Settlement Funding Assessment (core government grant) was reduced by £500k more than had been forecast. In total, DBC funding reduces by £1.1m – from £4.8m in 2015/16 to £3.7m in 2016/17. This equates to a year-on-year reduction of 22.5%.

Funding reductions across the sector were higher than forecast due to Government's adoption of a new method for calculating grant reductions for 2016/17, i.e. based on *Core Spending Power*. Rather than simply applying the same percentage grant reduction to all authorities, Core Spending Power takes into account the amount that a council can raise through Council Tax when determining the size of its grant reduction.

At 22.5%, Dacorum's reduction is significantly higher than the national average for district councils of 17%. This is because Dacorum is one of the largest districts in the country, with the 15th highest Council Tax income of the 200

district councils in England (£10.1m compared to the average £6.3m). This means that Dacorum can generate more income locally than most district councils and therefore, within the rationale of Core Spending Power, can absorb a greater reduction in government grant than most district councils.

4. New Homes Bonus

The additional New Homes Bonus of £60k is offset by a £60k increased contribution to capital funding in accordance with the Council's strategy of using the New Homes Bonus to help fund the capital programme.

5. Council Tax

- Increased Council Tax income of £100k due to higher-than-forecast growth rates in the tax base, i.e. the number of properties within the borough which are liable for Council Tax. In accordance with legislation, the Council Tax Base is formally set by Cabinet in December, and therefore this saving had not been identified at the time of the last Joint OSC in December 2015.
- Increased Council Tax income of £20k resulting from the recommendation of Budget Review Group to implement a Council Tax increase of 1.99% in 2016/17 compared to the 1.8% increase assumed at the time of the December scrutiny.

The additional increase is in response to the higher than anticipated reductions in grant announced in the Finance Settlement. As part of the Core Spending Power method of calculating grant reductions, Government has assumed that councils will, over the next four years, see tax base growth of 2% year-on-year and increase Council Tax by 1.75% year-on-year – a combined increase of 3.75% per year in Council Tax receipts.

In 2015/16, Dacorum achieved its highest annual growth in Council Tax base in the last five years, at 1%, and has forecast growth of 0.5% in 2016/17. When this 1% is added to the recommended 1.99% increase in Council Tax charge it provides a combined total of 2.99%, which is still 0.76% less than the growth in receipts assumed by Government when the DBC grant reduction was calculated. Dacorum cannot increase its Council Tax charge by more than 1.99% without triggering a referendum, for which the estimated costs are around £80k (equivalent to a 0.8% increase).

Strategic Planning & Environment OSC

6. Alternative Financial Model (AFM)

DBC receives annual payments from Hertfordshire County Council, under the terms of the AFM, in order to incentivise recycling rates across the borough, thereby reducing the amount of landfill tax paid by the County, who is responsible for the disposal of all waste in Hertfordshire.

HCC had previously suggested that the amount of funding available to the AFM could be reduced for 2016/17, and this reduction was therefore factored into the draft budgets that came to Joint Scrutiny in December. In January 2016, however, HCC confirmed that AFM payments would not be reduced in 2016/17 and therefore the level of assumed income has been increased.

7. Phase 1 of Waste Services savings plan

These savings were identified following the completion, in late December, of an efficiency review of Waste services. The next phase of savings is subject to further refinement, and will be implemented throughout 2016/17.

Housing & Community OSC

8. Elms Hostel Income

The Council entered into a contract with DENS to manage The Elms homeless hostel from May 2015. The income from this contract had not previously been budgeted, but is now being received on a regular basis and has therefore been included in the 2016/17 budget (£70k).

Explanation of expenditure categories used in appendices

9. Budget Categories Glossary

Employees

This group includes the cost of employee expenses, both direct and indirect, for example:

- Salaries
- Employer's National Insurance and pension contributions
- Agency staff
- Employee allowances (not including travel and subsistence)
- Training
- Advertising
- Severance payments

Premises

This group includes expenses directly related to the running of premises and land:

- Repairs, alterations and maintenance
- Energy costs
- Rent
- Business Rates
- Water
- Fixture and fittings
- Premises insurance
- Cleaning and domestic supplies
- Grounds maintenance

Transport

This group includes all costs associated with the hire or use of transport, including travel allowances:

- Repair and maintenance of vehicles
- Vehicle licensing
- Fuel

- Vehicle hire
- Vehicle insurance
- Employee mileage

Third Party Payments

Third party payments are contracts with external providers for the provision of a specific service. Examples for the Council include the Call Centre, Payroll Services, and Parking Enforcement.

Supplies & Services

This group includes all direct supplies and service expenses to the authority:

- Equipment, furniture and materials
- Catering/Vending
- Clothing and uniforms
- Printing, stationery and general office expenses
- External services (consultancy, professional advisors)
- Communications and computing (eg software maintenance, telephones and postage)
- Members allowances
- Conferences and seminars
- Grants and subscriptions

Capital Charges

These statutory accounting adjustments reflect a notional charge to the service for the use of a Councils asset. An example is Cupid Depot, for which a charge is made to Waste Services, for as long as the service uses the asset. These charges are reversed out centrally and do not impact on Council Tax.

Transfer Payments

This includes the cost of payments to individuals for which no goods or services are received. For the Council this only relates to Housing Benefit payments.

Income

This group includes all income received by the service from external users or by way of charges:

- Rental income
- Sales of goods or services (eg the sale of recyclables and waste sacks)
- Fees and charges (eg Planning, Parking and Burials)

Grants and Contributions

This group includes all income received by the service from external bodies:

- Specific Government grants
- Income for jointly run projects/services
- Reimbursement of costs (eg recovery of legal costs)
- Other contributions (eg recycling credits from Herts County Council)

Recharges

This statutory accounting adjustment charges out the back office functions (such as Finance and Legal) to the front line services. These adjustments are based on timesheet information provided by Group Managers and are subject to changes each year. The recharges overall will come back to zero, with the only impact on Council Tax being the overall charge to the Housing Revenue Account, as shown in Appendix A.