

## **Budget Update 2017/18 to 2020/21**

**01 February 2017**

### **Report of Cabinet**

#### **PURPOSE OF REPORT**

To update Council and gain its feedback on the latest position regarding the development of the budget and policy framework for 2017/18 to 2020/21 and in that context, to seek approval of the level of council tax increase for 2017/18 together with targets for subsequent years, subject to local referendum thresholds.

**This report is public.**

#### **RECOMMENDATIONS:**

- (1) **That Council considers the information provided at Annexes A and B in respect of the budget and:**
- **approves the 2016/17 Revised Budget, with the net overspending of £39K reducing the in-year contribution to Balances from £56K to £17K.**
  - **approves a City Council tax increase of £5 for 2017/18, together with a year on year target of £5 for future years, subject to local referendum thresholds;**
  - **provides any other feedback as appropriate, to inform Cabinet's final budget proposals.**

#### **1 INTRODUCTION**

- 1.1 Under the Constitution, Cabinet has responsibility for making proposals to Council each year in respect of the Budget and Policy Framework. In recent months much work has been done to progress this, in what are very challenging times.
- 1.2 Whilst this report seeks final decisions on council tax increases and this year's Revised Budget, Cabinet's detailed supporting proposals in respect of 2017/18 onwards are presented for initial consideration only. This is so that Council can feed its views and suggestions on budget matters back to Cabinet. Final proposals will be presented to Budget Council on 01 March.

- 1.3 To assist Council in its deliberations, the following are attached:
- The General Fund Budget update report as considered by Cabinet at its January meeting is attached in full at **Annex A**.
  - Extracts from the relevant resolutions arising from that Cabinet meeting are included at **Annex B**.
- 1.4 It should be noted from the attachments that various budget figures for 2017/18 onwards are still provisional. In particular, the Local Government Finance Settlement has not been finalised, nor has the review of Provisions, Reserves and Balances been completed.
- 1.5 At its meeting in January Cabinet also determined its budget proposals for the provision of council housing (as accounted for in the Housing Revenue Account or HRA). In line with the Welfare Reform and Work Act 2016, in general terms most council housing rents must reduce by 1% year on year and whilst that is good for tenants, it does not help the longer term financial viability of the service. A fuller update will be provided at Budget Council.

## 2 **DETAILS OF CONSULTATION**

- 2.1 Cabinet's General Fund budget proposals are to be considered by Budget and Performance Panel at its open meeting on 24 January. Any feedback will be fed into Council and Cabinet.

## 3 **OPTIONS AND OPTIONS ANALYSIS**

- 3.1 Options are very much dependent on Council's views regarding spending priorities balanced against council tax levels and what is affordable.
- Regarding the current year's budget (see section 2 of the report at Annex A), the recommendation reflects the culmination of work done to date, and so no alternative options are put forward.
  - Regarding council tax, the main options are set out at section 6 of the report at Annex A.
  - Regarding Cabinet's other budget proposals as reflected throughout Annex B, Council is requested to give feedback at this stage. No final decisions are sought. As such, Council may indicate general support or otherwise for the proposals, and/or request Cabinet to consider other specific proposals or alternatives, having regard to preferred council tax levels, affordability, prudence, financial sustainability and what is actually deliverable.
- 3.2 Depending on the nature of any alternative proposals put forward, Officers may need additional time to assess them fully prior to detailed consideration by Members. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision-making.

## 4 CONCLUSION

- 4.1 As concluded in the attached report, the Council's financial challenges continue and in order to protect our future viability, we have no real choice other than to focus on balancing our budget for the medium term.
- 4.2 This aim has been central to Cabinet's two-phased budget strategy. By continuing to make efficiency savings and increase income generation, and by keeping with steady annual increases in council tax, we are in a fortunate position to present balanced budget proposals for 2017/18 – allowing too for some modest growth in connection with predominantly statutory areas, but importantly, creating a reserve in the order of £500K to support economic strategy and growth, with scope to strengthen other reserves to support the development of future budget plans.
- 4.3 This is a favourable position for the Council currently to be in – but as the relentless Government funding cuts continue to bite, our future financial outlook still looks very challenging. By 2020/21, estimated annual savings of £2.1M are currently forecast, but the considerable uncertainties around these projections and the planned reforms of Local Government finance must also be recognised.
- 4.4 Cabinet aims to help tackle these challenges by starting the next phase of its budget strategy early in 2017/18. We need to be clear about what is more important to the Council medium to long term, to help inform investment – and any disinvestment – decisions. Cabinet aims to get that clarity by undertaking a strategic review of the Council's existing priorities and services, including performance, as well as looking at options to innovate and modernise. Through this, we will develop, prioritise and plan a programme of efficiencies, income generation and invest-to-save proposals, as not everything can and should be done at once. That would be imprudent, and we need to recognise and appreciate it as so. It is why prioritisation is so important.
- 4.5 Through the strategic review, we may also identify areas into which we think the Council should divert resources. Cabinet has already identified some potential areas (Appendix 2), but that list is by no means exhaustive. Again though, not everything can be high priority, and we should not expect everything to be affordable. That is not what our current financial outlook says. As much as we may want to save through being more modern and efficient, and through maximising income, there is no guarantee that we can balance our ongoing budget through such means. We may still need to cut back on services – or simply not be able to afford some things that ideally, we would like to do.
- 4.6 Cabinet still needs to work out the details of the strategic planning and budgeting approach outlined above, including how best to engage with other Members and stakeholders. There are many different models, and we need to pick the right one for the City Council, but we do envisage having some external facilitation to help us on our way.
- 4.7 Such a huge, complicated task is not easy and it will need to be re-visited year on year – but next year's progress should be something to build on.
- 4.8 All that said, Cabinet will continue to take easy, straightforward efficiency and income generation decisions in year, but invest-to-save proposals and any budget growth ideas will be considered alongside each other through the

strategic review, to feed into Council's decision-making. This is to make sure we take sensible, informed decisions where we can compare the relative merits of each case. We need to prioritise accordingly, with a keen eye on what is affordable and achievable – focusing first on what has greatest impact.

- 4.9 Through all that, we should not lose sight of the changing landscape of local authority finance. Cabinet will continue to monitor and respond to any changes in financial expectations, as Government's policies and plans for local government become clearer.
- 4.10 In that context, Cabinet is pleased to present its budget proposals to Council and welcomes constructive feedback.

**CONCLUSION OF IMPACT ASSESSMENT  
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

No additional impact identified – any specific issues have been (or will be) considered as part of the relevant aspect of the policy framework or individual budget proposals, etc.

**LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments.

**FINANCIAL IMPLICATIONS**

As referred to in the report.

**OTHER RESOURCE IMPLICATIONS**

**Human Resources / Information Services / Property / Open Spaces:**

Various budget proposals have resource implications and these have been taken account of in Cabinet's consideration of budget options. Their implementation would be in accordance with council policies and procedures, as appropriate.

**SECTION 151 OFFICER'S COMMENTS**

The Local Government Act 2003 placed explicit requirements on the s151 Officer to report on the robustness of the estimates included in the budget and on the adequacy of the Council's reserves. Previous Cabinet reports have already included some relevant details of this advice, together with the risks and assumptions underpinning the budget process so far.

Once full budget proposals are known, full formal advice on these aspects will be provided to Budget Council; this will allow the s151 Officer to consider whether there are any major shifts in the financial risks attached.

In addition, the s151 Officer is responsible for ensuring that when setting and revising Prudential Indicators, including borrowing limits, all matters to be taken into account are reported to Council for consideration. This too will be covered in the report to Budget Council.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer advises that, in accordance with Council Procedure Rule 19.7, (which reflects the legal requirements), a recorded vote should be taken in respect of recommendation 2, as this is a "budget decision" within the terms of the relevant legislation.

**BACKGROUND PAPERS**

None. Any public background information is already available through previous reports or the Government website.

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