
Revenue Budget 2016/17

Committee considering report:	Special Executive on 25 February 2016 Council on 1 March 2016
Portfolio Member:	Councillor Roger Croft
Date Portfolio Member agreed report:	18 February 2016
Report Author:	Andy Walker
Forward Plan Ref:	C2979

1. Purpose of the Report

- 1.1 To consider and recommend to Council the 2016/17 Revenue Budget. This report highlights that for West Berkshire residents there will be a Council Tax requirement of £82.28m requiring a Council Tax increase of 1.99% in 2016/17 and a 2% ring-fenced precept for adult social care. The Council has had to find savings of £14m in 2016/17, the highest in the Council's history.
- 1.2 Given the scale of task to arrive at a balanced budget for next year a number of significant saving proposals have been made including reductions to libraries, children centres, home to school transport, public transport subsidy, highway maintenance, provision of care services and many others.
- 1.3 The proposed savings will have significant implications for staff. Subject to the outcome of public consultations, 127 employees will be at risk of redundancy and associated exit costs are estimated to be in the region of £2m.
- 1.4 The report also proposes the Fees and Charges for 2016/17 as set out in Appendix H and the Special Expenses as set out in Appendix I.

2. Recommendations

- 2.1 That the Executive recommends to Council:
 - (1) That the responses received to each of the 47 public facing savings proposals in relation to Phase 1 of the public consultation exercise undertaken on the 2016/17 budget be noted.
 - (2) That Council consider the use of the 2016/17 transitional grant as a means of mitigating the impact of some of the Phase 1 proposals and where this is not used, the recommendations set out in the Overview and Recommendations template be approved.
 - (3) That it be a recommendation to Council that those public health grant funded services (marked as "to be progressed") in the Overview and Recommendations template totalling £114,000 be progressed.
 - (4) That the 2016/17 revenue budget requirement for Council Tax setting purposes of £82.28 million requiring a Council Tax increase of 1.99% be approved.

- (5) That the 2% ring-fenced adult social care precept be applied.
- (6) That the Fees and Charges be approved as set out in Appendix H and the appropriate statutory notices be placed where required.
- (7) That the Special Expenses be approved as set out in Appendix I.
- (8) That the Efficiency Strategy for Use of Capital Receipts be approved as set out in Appendix O.
- (9) That the Executive, on 24 March 2016, be given delegated authority to adjust the Council's budget plans, should the responses to Phase 2 of the public consultation require it to do so.
- (10) That the Executive, on 24 March 2016, propose where the transitional grant funding of £1.39m will be used.

3. Implications

3.1 Financial:

These are contained in further detail within the report. The key implication is the proposed 1.99% Council Tax increase and a ring-fenced 2% adult social care precept, which leads to a significant savings programme of £14m in 2016/17, the highest level of savings required in any one year in the Council's history, which in turn will present some additional risks surrounding their implementation and which will be closely monitored during the year.

The proposed savings will have significant implications for staff. Subject to the outcome of the Phase 2 public consultations, 127 employees will be at risk of redundancy (96 FTE) and associated exit costs are estimated to be in the region of £2m. The Government has recognised that councils will be challenged to fund these costs given the level of organisational change being proposed and is now allowing the Council to use capital receipts expected during next year to fund these costs provided that the conditions covering their use in this way are met. This will help the Council protect its level of General Fund reserves at what is considered to be a minimum prudent level of £6m.

3.2 Policy:

Because of the scale of the funding reductions required for 2016/17 it will be necessary to undertake a review of the Council Strategy to ensure that the priorities and projects are still appropriate, affordable and achievable.

3.3 Personnel:

There will be significant implications for staff. Subject to the outcome of the Phase 2 public consultations, 127 employees will be at risk of redundancy (96 FTE); and in addition 27 FTE vacant posts will be deleted. The trade unions have been consulted and the reductions in staffing will be handled in accordance with the Organisational Change Procedure.

- 3.4 **Legal:** Requirement to produce a Revenue Budget under the various Local Government Finance Acts. The savings proposals have been out to public consultation in order to meet the Council's Public Sector Equality Duty and responses considered in setting the budget. Challenges may be made to certain proposals by means of judicial review as well as under employment legislation in respect of staffing reductions. All cases have been assessed in order to reduce risk of challenge regarding the lawfulness of proposals.
- 3.5 **Risk Management:** There is a real inherent risk in achieving the scale of savings required in 2016/17. As part of the 2016/17 financial monitoring, savings proposals will be kept under monthly review to ensure they are deliverable. Appendices F and G set out how the impact of increased volatility in Local Government finance will be managed and consider the impact on levels of reserves.
- 3.6 **Property:** The full property implications will need to be determined and a strategy developed for dealing with the impact where the Council retracts from the whole or part of a property, for example, a library or children's centre. There could be a number of options to be investigated when the decision on the revenue budget have been agreed from; sale of the site, re-development, shared use, mothballing and/or change of use or re-letting for another purpose.
- 3.7 **Other:** In the light of the scale of the funding reductions required for 2016/17 the options available to the Council for making savings were very limited and it is acknowledged that in some cases the Council will be providing the minimum level of service for some of its Statutory Services.

4. Other options considered

- 4.1 The scale of the Local Government Settlement has left West Berkshire Council with limited options. We are proposing to increase Council Tax by 1.99% and apply the adult social care ring-fenced precept of a 2% increase to Council Tax. If these options were not taken, the savings requirement would be £3.2m higher. We have considered all options available to us in order to keep the savings requirement to the level it is. These options include use of capital receipts and transitional grant funding.

5. Executive Summary

- 5.1 Over the last six years, West Berkshire Council has had to find over £36m of revenue savings, which has been achieved through finding efficiencies, staff reductions and transforming services. Over two thirds of the Council's income comes from Council Tax, which has seen no increases in four out of the last six years, with the last increase being in 2013/14. Where there have been increases, these have been kept below 2%.
- 5.2 The provisional settlement figures for the next four years were issued on 17 December 2015 and the settlement for West Berkshire was much worse than expected. In 2016/17 we will receive 44% less in Revenue Support Grant (RSG) than in 2015/16, equating to a loss of £7.6m. This is the third largest cut to RSG of all Unitary Authorities in England. Although we had planned for RSG to be cut by 25% year on year, the cuts to RSG are being applied much faster than expected. A number of grants have been rolled into the RSG and have then been cut. The most significant of these is the freeze grant funding that we received for freezing Council Tax in prior years. For West Berkshire this amounted to £2.8m. This grant has now been rolled into the RSG and will be cut as part of the RSG cuts so that by 2019/20 none of our freeze grant will remain.
- 5.3 Central Government has introduced without warning, a new formula for distribution of council funding. West Berkshire loses from this formula because it is based on assumptions about our ability to raise Council Tax income. Central Government has assumed that local authorities will increase their Band D Council Tax by 1.75% (CPI forecast) and take up the ring-fenced 2% adult social care precept. Based on these assumptions, our grant funding has been reduced accordingly.
- 5.4 From 2013/14, the Council has been exposed to the volatility of our local business rate generation. Of the £89m collected locally the vast majority is paid over to central government leaving the Council with £17m. Whilst councils did not previously bear any risk from successful appeals by businesses to the Valuation Office, they are now liable for half of the cost, including any backdating liability, which in some cases may go back to 2005 or earlier. Appeals have had a significant impact on West Berkshire which has resulted in a loss of nearly £3m from back dated appeals and an ongoing loss of circa £850k per year. The Spending Review included proposals for further major transformation of local government funding, confirming that the Government will move to the retention of 100% of business rates by 2020, but no details have yet been issued on whether this will benefit local authorities.
- 5.5 The Care Act 2014 came into force in April 2015, introducing the most significant changes to social care legislation for 60 years. The most significant financial impact for the Council was the implementation of the new national eligibility criteria. This required the Council, which had previously met service users' "critical" needs only, to expand the number of clients supported, and the scope of packages of care, to meet this new definition of eligibility which is closer to that previously defined as "substantial". Despite the Government stating they would meet the costs of the Care Act in full, the total additional funding received (which has covered other elements of the Care Act, such as services to carers) has left the Council to cover a funding gap of £3m caused by this particular change. The Council (with another LA) judicially reviewed the Department of Health's assessment and decision making process and it agreed a further review of the eligibility criteria based on that

challenge. The local MP also made representation to the Secretary of State and additional funding may become available following the final outcome of all the review processes.

- 5.6 The Dedicated Schools Grant (DSG) does not form part of the Revenue budget as it is received by government and then passed straight out to schools. The funding is split into three blocks – schools, early years and high needs. The DSG settlement for 2016/17 was announced on 17 December 2015 and there will be a shortfall of £1.4m. The shortfall in funding will have a significant impact on all schools, making it harder for schools to balance their own individual budgets.
- 5.7 West Berkshire Council receives a ring-fenced grant to fund Public Health. The Government has announced savings in public health spending averaging annual real terms savings of 3.9% over the next five years and that the grant is to remain ring-fenced for a further two years in 2016/17 and 2017/18. In 2016/17 we will receive £6.2m.
- 5.8 A collection fund deficit of £1.01m has arisen because council tax debits raised have not matched expectations when the taxbase was set in December of the previous year. The taxbase reflects the actual number of properties liable to council tax adjusted for any relevant discounts and exemptions and with a further adjustment for the effect of new build property. In 2015/16 the physical number of new builds has met expectations but the rate of build has been slower, resulting in a lower value of debit. The deficit reduces our funding available by £1.01m.
- 5.9 Each year an increase in budget is required for the Council to perform exactly the same functions. As part of the budget setting process, the Council provides for general inflationary pressures such as salary increases, contractual inflation and increases to National Insurance and pension contributions.
- 5.10 Each year new unavoidable service pressures arise and need to be built into the revenue budget. The unavoidable pressures for 2016/17 amount to £3.89m and include £908k for children's placements, £551k for Ofsted Improvement plans for Children's Services, £600k for the transition of learning disability clients from children to adult placements and £179k for costs associated with Deprivation of Liberty Safeguarding. Full details are given in Appendix D.
- 5.11 Prior to the provisional settlement we had identified a need to find £10.8m savings in 2016/17, but in the light of these grant figures, this increased to £19m. By increasing Council Tax by 1.99% and applying the ring-fenced Adult Social Care precept of 2%, and making some changes to our assumptions around cost pressures and inflation, we have reduced this savings requirement to £14m. However, by choosing not to fund some cost pressures we are exposed to greater risk.
- 5.12 Given the scale of the task to arrive at a balanced budget for next year a number of significant saving proposals have been made including reductions to libraries, children centres, home to school transport, public transport subsidy, highway maintenance, provision of care services and many others.
- 5.13 As a result of these savings plans, 127 employees are at risk of redundancy (96 FTE) and in addition 27 vacant posts will be deleted. The associated exit costs are estimated to be in the region of £2m.

- 5.14 Given the scale of the savings requirement for 2016/17, some tough decisions have had to be made. We recognised that a number of the proposals being put forward within the revenue budget would be considered ‘front line’ services that people use and will miss. As a result, from 3 November to 14 December 2015, a public consultation exercise (Phase 1) was undertaken on the need to make £10.8m of savings in 2016/17. £4.6m of these savings affected frontline services. The consultation generated over 2,500 responses and covered 47 individual budget proposals.
- 5.15 Since the consultation closed on 14 December 2015 Members and officers have had the task of reading and assessing all of the comments received. The Revenue Budget papers has included, as Appendix N, the report which went to the Executive on 11 February 2016 which has been amended to reflect the comments made at that meeting including referencing the three petitions and a letter objecting to the proposed funding reductions for short breaks for children and bus route 143. This report also contains links to the verbatim comments, a summary of comments template, an overview and recommendations template and the Equality Impact Assessments templates for each of the 47 savings proposal.
- 5.16 Members are fully aware of the Public Sector Equality Duty which requires “decision makers” to keep the welfare of service users and their families at the forefront of their mind particularly those that are most disadvantaged. This is an important consideration when setting the 2016/17 budget.
- 5.17 In view of the unexpectedly poor Government RSG settlement it has been necessary to undertake a Phase 2 public consultation exercise. This commenced on 15 February 2016 and will conclude on 7 March 2016. There are 16 public facing savings proposals representing £2.1m.
- 5.18 It is proposed that the Council will set its budget on 1 March 2016. However, it is also proposed that the Executive, at its meeting on 24 March 2016, be given delegated authority to adjust these plans afterwards, should it need to. Once the consultation closes on 7 March 2016, the responses to our proposals will be fully considered. The Executive will be able to respond accordingly to any issues raised and will be proposing where the transitional grant funding of £1.39m will be used.
- 5.19 On 8 February 2016, Government announced their response to the consultation of the provisional Local Government Settlement. A transitional grant has been made available to be paid in each of the first two years of the settlement. West Berkshire will receive additional transitional grant funding from central government of £1.39m in 2016/17 and £1.37m in 2017/18. After the Phase 2 consultation on savings is closed, the Executive on 24 March 2016 will be proposing where the transitional grant funding will be used. The full list of savings proposals for 2016/17 are detailed in Appendix E, amounting to £14m.

6. Conclusion

- 6.1 The Council has been left with little room for manoeuvre to deliver a balanced budget for next year and has to propose significant savings to many valued services as detailed in the report.

- 6.2 As a result of these savings plans, 127 employees are at risk of redundancy (96 FTE) and in addition 27 vacant posts will be deleted. The associated exit costs are estimated to be in the region of £2m.
- 6.3 A public consultation exercise (Phase 1) was undertaken on the need to make £10.8m of savings in 2016/17. £4.6m of these savings affected frontline services. In view of the unexpectedly poor Government RSG settlement it has been necessary to undertake a Phase 2 public consultation exercise. This commenced on 15 February 2016 and will conclude on 7 March 2016. There are 16 public facing savings proposals representing £2.1m.
- 6.4 It is proposed that the Council will set its budget on 1 March 2016. However, it is also proposed that the Executive, at its meeting on 24 March 2016, be given delegated authority to adjust these plans afterwards, should it need to. Once the Phase 2 consultation closes on 7 March 2016, the responses to our proposals will be fully considered. The Executive will be able to respond accordingly to any issues raised, and will be proposing where the transitional grant funding of £1.39m will be used.
- 6.5 The Council's 151 officer (the Head of Finance) recommends that General Reserves are a minimum of 5% of the Council's net budget, which in 2016/17 should be £6m.

7. Appendices

- 7.1 Appendix A - Supporting Information
- 7.2 Appendix B – Equalities Impact Assessment
- 7.3 Appendix C – Contract Inflation
- 7.4 Appendix D – Unavoidable Service Pressures
- 7.5 Appendix E – Savings Proposals 2016/17
- 7.6 Appendix F - Reserves statements
- 7.7 Appendix G - Adequacy of reserves and robustness of budget estimates
- 7.8 Appendix H - Fees and charges
- 7.9 Appendix I - Special Expenses
- 7.10 Appendix J - Council Tax Collection Fund
- 7.11 Appendix K - Unison comments – *Council papers only*
- 7.12 Appendix L – Minutes of the Business Panel information meeting held on 22nd February 2016 - *to be tabled*
- 7.13 Appendix M – Council Tax Resolution – *Council papers only*
- 7.14 Appendix N – Budget Consultation
- 7.15 Appendix O – Efficiency Strategy for use of Capital Receipts 2016/17