

Policy Group – 1 February 2017

Draft Revenue Budget 2017/18

1. Purpose of report

To recommend to Council the level of council tax and the General Fund Revenue Budget for 2017/18.

2. Summary

- 2.1 The Council submitted an efficiency plan to Government to achieve certainty around the next three years' Government funding. As a consequence, the provisional financial settlement has been received and is in line with that anticipated, confirming a further reduction of £300k in Revenue Support Grant.
- 2.2 Disappointingly, having signed up for a deal to gain certainty around the next three years' Government funding cuts, the Government then made a late announcement with the provisional financial settlement to reduce New Homes Bonus following consultation earlier in the year. The loss of revenue from the bonus is being used by the Government to provide additional funding to upper tier authorities to support social care.
- 2.3 The Budget Summary is attached as **Appendix 1** and shows the draft budget is currently in surplus by £20k.
- 2.4 The draft budget has been prepared on the basis of the budget assumptions agreed by Council in September 2016, aimed at broadly continuing current service levels. It has been assumed, as part of the budget preparations that Council will agree:
- the fees and charges supported by Policy Group in November;
 - the draft capital programme supported by Policy Group in November; and
 - the Treasury Management Strategy supported by the Audit and Governance Committee in December.
- 2.5 The draft budget assumptions included Council increasing council tax by £5, which is an increase of 10 pence per week for a Band D property.
- 2.6 The draft budget is in surplus by £20k, which would allow the Council to approve a growth item of £20k which would be combined with the apprenticeship levy of £15k, already included in the base budget, to help fund apprentice posts. New regulations require the Council to employ three apprentices.
- 2.7 Approval is also sought for a further growth item for one-off costs to complete works identified in the Asset Management Plan for Westport House at a value of £11,500. As a one-off cost, this would be funded from reserves and so would not impact on the revenue budget's bottom line.
- 2.8 Additional planning charges have been proposed for recommendation to Council and these are attached as **Appendix 2**.

- 2.9 The Chief Financial Officer has reviewed the budget and considers it to be robust and accurate basis on which to set the council tax. The level of balances and reserves remain acceptable and in line with the Council's Financial Strategy.
- 2.10 It should be noted that when the budget report is considered by Council in February it cannot be subject to the call-in arrangements as council tax billing will need to commence the following day.
- 2.11 Policy Group is asked to recommend to Council the following:

3. Recommendation

A detailed report be submitted to Council recommending:

- a) increasing the council tax by £5 from an annual Band D council tax of £177.41 to £182.41;
- b) approval of the growth item of £20,000 to fund future apprentice posts in conjunction with use of the apprenticeship levy;
- c) approval of the growth item to fund £11,500 of one-off costs identified in the Council's Asset Management Plan for Westport House, to be funded from reserves;
- d) approval of the draft General Fund Revenue Budget, based on the assumptions included within this report;
- e) approval of the fees and charges included in this report and those already considered by Policy Group in November 2016; and
- f) approval of the Capital Programme for 2016/17 – 2020/21 considered by Policy Group in November 2016, updated for any Council approvals and timing information.

4. Policy issues

4.1 How will this affect the environment, social issues and the local economy?

The budget has implications for the achievement of all of the Council's policy issues.

4.2 Implications

4.2.1 Resources

The costs are as detailed in the report.

4.2.2 Equalities

There are no policy or significant service reductions proposed by the report and therefore no equality impact assessments have been necessary.

5. Further information

5.1 Local Government Finance Settlement

- 5.1.1 In 2015 the Government announced a four-year settlement forecast, effective from 2016/17. In 2016/17 the settlement reduced Revenue Support Grant (RSG) by £386k to £420k, with a further drop of £300k to £120k anticipated in 2017/18.
- 5.1.2 During 2016, the Government indicated that it would honour the three-year projections shown in the 2016/17 financial settlement for local authorities that submitted an efficiency plan to Government. In order to provide the Council with more certainty in relation to Government resource allocations, especially RSG, the baseline for business rates and transitional relief, an efficiency plan was agreed by Council in October 2016, as part of the revised Financial Strategy. Government subsequently accepted the Council's efficiency plan. In total, 97% of councils signed up for the offer.
- 5.1.3 As a result, the provisional 2017/18 settlement announced on 15th December confirmed the 2016/17 forecast figures for RSG and business rates. RSG has therefore reduced by the anticipated £300k down to £120k.
- 5.1.4 During 2016 the Government proposed to sharpen the incentive for NHB, which was likely to involve paying it for a shorter period and the consultation was based on a reduction from six to four years. This reduction has now been confirmed as part of the provisional settlement, but is being introduced over two years. This means that the grant in 2017/18, will be reduced from six years to five, not the four anticipated.
- 5.1.5 Nationally, this has reduced the funding available for New Homes Bonus by £241m, which is being used to help Social Care authorities. The additional social care funding included in the settlement is not therefore new money but a redistribution of funding previously promised to other councils. Moreover, in two tier areas, such as Dorset, this is a transfer of funding from district planning authorities to county adult social care authorities.
- 5.1.6 The Council's Financial Strategy had modelled NHB on the worst case scenario and assumed that benefit from the grant would be reduced from six years to four. This resulted in a year on year estimated reduction in NHB of £149k. Phasing in the reduction means that although the grant has dropped it has not dropped as much as forecast, as the benefit received will only be reduced from six to five years.
- 5.1.7 This change in the NHB scheme should have resulted in £100k more grant than expected. However, the Government has decided to only pay NHB for new houses over a minimum threshold of 0.4%, which was unexpected as consultation was about 0.25%. This means the Government expects all councils to increase their housing stock by a minimum of 0.4%, which for this Council is currently 88 houses, and will only provide an incentive for housing above this level. As a result the Council will receive £35k for housing delivery in the 12 months up to October 2016, rather than the £100k we could have expected. The Government will continue to provide an incentive for affordable housing over the threshold. The net effect of all of these changes is that NHB for the coming financial year is about £50k higher than forecast in the Financial Strategy for 2017/18 but will be less than forecast in future years.

- 5.1.8 The Council continues to make refunds of backdated business rates following successful appeals against the 2010 valuation list. During 2016/17, this included a substantial refund of £4.7m to Perenco. Due to this continuing need to refund backdated business rates, the Council will continue to be on the business rates safety net for 2017/18, as anticipated in the Financial Strategy.
- 5.1.9 As the Council is on the business rates safety net it has not been directly affected by the 2017 revaluation. The Local Government Association (LGA) continues to work with the Government to find a better way to deal with the impact of business rate appeals on local authorities. The Government has also announced further national reliefs including rural and small business rate relief, for which Government will continue to fully compensate councils for the loss of income.
- 5.1.10 In 2016/17 the Government announced a two-year transitional grant to help those councils suffering the greatest reductions in central Government funding. As a result this Council will receive £32k in both 2016/17 and 2017/18.
- 5.1.11 Rural Services Delivery Grant is also a four-year grant which was £50k in 2016/17 but will reduce to £41k in 2017/18, with a further reduction to £31k in 2018/19 but increasing to £41k in 2019/20.

5.2 Council Tax

- 5.2.1 The referendum threshold for district councils is set at £5 or 2% whichever is the greater for each of the four years from 2016/17. The Government assumes that all councils increase council tax by the maximum allowed because the funding cuts are based on a council's spending power, which now includes council taxes.
- 5.2.2 In line with the Financial Strategy, the budget assumptions approved by Council in September and the Government's funding assumptions, the draft budget assumes an increase in a Band D council tax bill of £5, which is an increase of 10p a week. This will generate £70k additional income for 2017/18 and will remain in the base every year thereafter. Increasing the council tax protects the on-going value of council tax income and will help balance the 2018/19 and future budgets.
- 5.2.3 Policy Group is asked to recommend to Council an increase of £5 in the level of council tax for 2017/18.

5.3 Tax Base

- 5.3.1 Government assumes that nationally the council tax base will continue to grow at the same rate as it did from 2013/14 to 2016/17, which would give an average increase of 2.1% per annum to 2019/20. The LGA believes this figure is very optimistic. If tax bases do not rise by this percentage then councils will not receive their full core spending power.
- 5.3.2 Historically, this Council's tax base has increased at a steady 0.5% per annum, which is well below the assumed national average. However, the tax base for 2017/18 has increased by 2%, which is much closer to the national average. This is due to a number of factors, an increase in the number of new properties built, changes in the number and level of discounts and changes in the number of empty properties.
- 5.3.3 The increase in the tax base of 2% has generated an additional £95k. Together with the £70k additional income from increasing the council tax by £5, this gives a total increase in council tax collections for 2017/18 of £165k.

5.3.4 The council tax surplus from 2015/16 is being distributed in 2017/18 and has increased the income from council tax by £33k, which is shown in the budget forecast under Accounting Adjustments as a distribution from the Collection Fund.

5.3.5 A review of the current year's council tax income has suggested that in 2016/17 more council tax will be collected than anticipated, again due to increased property numbers. An in-year distribution of the surplus from the Collection Fund has been declared which will make £53k available for 2017/18. It is anticipated that when the 2016/17 final accounts are prepared that a further but much smaller surplus will become available for distribution in 2018/19.

5.4 Revenue Budget 2016/17

Overall Position

5.4.1 Officers have been working to reduce costs and identify additional income of around £380k to balance the budget, based on the forecast. The budget is currently showing a surplus of around £20k. The savings already identified have minimal impact on frontline services and have been posted. At this stage the parish precepts are not finalised and so these have been excluded from the 2017/18 Revenue Budget Summary (Appendix 1) to aid comparisons of this Council's financial position year on year. As a consequence of this the Revenue Budget Summary shows that the Net Budget Requirement for 2017/18 has reduced by £135,315 from £4,739,697 to £4,604,382. In addition, the costs of inflation have been absorbed into the budget and financed by savings. Most notably the annual staff pay award has been met from additional staff savings. The table below summaries the main movements.

	£000s	£000s
Net Budget Requirement 2016/17		4,740
Reduction in NHB	125	
Partial review increased costs	83	
Reduction in financing and investment income	25	
Net increase in pension contributions	15	
Apprentership levy	15	
Other net movements	15	
Collection fund surplus from 2015/16 and 2016/17	(86)	
Reduction in reserves contribution to reserves exc. pension	(64)	
Revenues and Benefits additional income	(45)	
Dorset Waste Partnership reduced costs	(40)	
Reduced employee costs	(35)	
No Swanage Local Plan costs	(31)	
Planning fee income	(30)	
Reduction in Parish Support Grant	(22)	
No transfer incentive scheme	(21)	
Reduced grounds maintenance contract costs	(20)	
Reduction in external audit fees	(20)	(136)
Net Budget Requirement 2017/18 (draft)		4,604

5.4.2 It should be noted that there are two key presentational movements to be aware of:

- The decision to transfer the revenues and benefits staff to Weymouth and Portland Borough Council took place after the 2016/17 budget was approved. As a result the year on year comparisons are distorted by the change. In 2017/18 approximately £400k of Revenues and Benefits staffing costs became £360k of contractors costs and £40k IT costs under supplies and services.
- The pension deficit was paid up front for the three-year period from 2014/15 to 2016/17. In order not to damage the base budget the two additional years were funded from reserves and in each of 2015/16 and 2016/17 around £260k was transferred to reserves to repay the advance payment. This meant that the cost was not shown under employees but transfers to and from reserves. From 2017/18, the financial incentive to pay up front has been removed and given the uncertainty around local government re-organisation there is no reason to do this again. As a result, employee costs have been increased by £240k and contributions to reserves reduced by £264k.

5.4.3 There will continue to be late changes to the bottom line but these are not anticipated to be significant. Any remaining surplus or deficit on the revenue budget will be absorbed by adjusting the unallocated savings target, which is currently £108k. Plans are in place to deliver around £40k of this by early 2017/18.

5.4.4 There is no proposal to change the balance. It had been anticipated that this may have been used to balance 2017/18's budget but this was not necessary due to one-off savings from council tax surpluses and NHB not reducing as quickly as anticipated.

5.4.1 Following the triennial actuarial revaluation the employer's contribution for current staff has been increased by 1.5% to 15.8%. This is an increase of approximately £40k. The deficit contribution however has reduced by £25k, leaving a net increase in costs of approximately £15k in 2017/18. The deficit contribution increases over the three-year period to give a net increase of £40k in the third year, based on current staffing levels.

5.4.2 An apprenticeship levy of 0.5% of the pay bill was announced by the Government and £15k has been included in the base budget for this.

5.5 Reserve Movements

5.5.1 There has been a substantial reduction in the net contribution to reserves of £328k. The main reasons are set out in the table below.

Reserve Movements

	£000s
Changes in contributions to reserves	
Financial Strategy annual increase in the contribution	10
No additional contribution	(39)
No pension deficit contribution - under employee costs	(264)
Other movements	(2)
	(295)
Less changes in contributions from reserves	
Partial review increased contribution	(83)
No Swanage Local Plan contribution	31
No transfer incentive scheme contribution	10
Other movements	9
	(33)
Reduction in net contributions to reserves	(328)

5.6 Growth Items

5.6.1 The Council is required to have 2.3% of its workforce as apprentices. It is unclear at this stage exactly how this will work in conjunction with the apprenticeship levy. It is assumed that provision should be made for two apprentices. It is also assumed that these will be funded partly from the levy and partly from the Council's own resources. It is therefore recommended that a growth item of £20k be recommended to Council, which can be funded from the current budget surplus. This should give the Council a pot of £35k to spend on apprentice posts.

5.6.2 The Council's new Property and Estates Manager has produced an asset management plan for Westport House. Much of the work identified is being funded from current year budgets and underspends, with some work being carried out by the caretaking staff over the coming year. This does however, leave a balance of one-off costs that need to be spent to address the following issues:

- Repointing and repair of external walls.
- Repair and replacement of drain covers.
- Work to certain external parts of the damp proof course membrane.
- Installation of safe walkways in the roof space.
- Repair and replacement of overflow systems on water tanks.
- Replacement of flushes to toilets (this will result in a significant saving on the water bill as the existing ones leak).
- Replacement of the ceiling in the IT server room.

The above works are estimated to cost £11,500. Policy Group is asked to recommend to Council approval of these works which would be funded from reserves and therefore not impact on the revenue budget's bottom line.

5.7 Fees and charges

Fees and charges for the Sports Centre and Tourism website advertising were approved by Council in November. All other fees and charges were considered by Policy Group in November. However, since that time the fees have continued to be reviewed and as a result pre-application charges have been simplified and are now based on an hourly rate. Policy Group is asked to recommend these charges, as shown in Appendix 2, to Council for approval.

5.8 Capital Programme

The draft Capital Programme was presented to Policy Group for consideration in November. This will be amended to update spend profiles and will also include any projects approved by Council since the draft Programme was considered by Policy Group in November.

5.9 2016/17 Budget Update

5.9.1 The Council's current financial position was reported to Audit and Governance Committee in December. The Council's net expenditure at the end of October was £26,000 below budget and is on target to achieve the 2016/17 unallocated savings target of £94,630.

5.9.2 The Council is expected to achieve a small under spend at the year-end.

5.10 Risks within the 2017/18 budget

5.10.1 As the Council is on the safety net, the business rate income for 2017/18, is guaranteed and therefore does not have any risk associated with it.

5.10.2 Fee income has been budgeted to reflect the levels of income being experienced in the current year but there are always risks around these budgets.

5.10.3 The 2016/17 budget is currently forecast to result in a small surplus and so should not have any significant impact on reserves and balances at the year-end.

5.10.4 The Chief Executive, as Chief Financial Officer, has reviewed the draft budget and considers it to be a robust and accurate basis on which to set the council tax and the level of balances and reserves is acceptable, and in line with the Council's Financial Strategy.

Appendices:

1 - Revenue budget summary 2017/18

2 - Additional fees and charges

Background papers:

There are none.

For further information contact:-

Sue Joyce, General Manager - Resources

Revenue Budget Summary 2017/2018

Service related expenditure	Actual 2015/2016	Estimate 2016/2017	Estimate 2017/2018	Variance
Employee related costs	£5,052,594	£4,378,740	£4,183,450	195,290
Premises related costs	£603,814	£775,050	£762,570	12,480
Transport related costs	£137,361	£49,030	£40,500	8,530
Supplies and services costs	£1,976,755	£1,458,740	£1,549,400	(90,660)
Bad debt provision	£53,100	£0	£0	0
Contractor payments	£1,746,724	£1,865,030	£2,230,810	(365,780)
Benefit payments	£13,597,599	£13,850,000	£13,550,000	300,000
Establishment costs and overheads	£3,370,443	£3,343,520	£3,245,490	98,030
Depreciation	£474,144	£466,720	£460,980	5,740
Revenue expenditure funded from capital	£708,457	£494,000	£0	494,000
Total service expenditure	£27,720,991	£26,680,830	£26,023,200	£657,630

Service related income	Actual 2015/2016	Estimate 2016/2017	Estimate 2017/2018	Variance
Fees, charges and sale of goods	(£2,753,016)	(£2,799,060)	(£2,924,560)	125,500
Grants and contributions	(£1,632,228)	(£1,427,170)	(£1,303,379)	(123,791)
Benefits subsidy	(£13,433,481)	(£13,674,380)	(£13,395,000)	(279,380)
Income recharges	(£3,370,443)	(£3,343,520)	(£3,245,490)	(98,030)
Depreciation recovered	(£10,870)	(£10,870)	(£14,650)	3,780
Total service income	(£21,200,038)	(£21,255,000)	(£20,883,079)	(£371,921)

Net Cost of Services	£6,520,953	£5,425,830.00	£5,140,121.00	£285,709
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	Actual 2015/2016	Estimate 2016/2017	Estimate 2017/2018	Variance
Council wide expenditure and income				
Other operating expenditure	-£134,833	£44,200	£22,100	£22,100
Financing and Investment Income and Expenditure	£621,270	(£65,000)	(£40,000)	(£25,000)
Accounting adjustments	-£3,584,234	(£1,008,920)	(£532,919)	(£476,001)
Transfers to / (from) reserves	£1,902,897	£343,587	£15,080	£328,507
Total Council wide expenditure and income	-£1,194,899	(£686,133)	(£535,739)	(£150,394)
Net Budget Requirement	£5,326,054	£4,739,697	£4,604,382	£135,315

	Actual 2015/2016	Estimate 2016/2017	Estimate 2017/2018	Variance
Net budget requirement funded by:				
Council Tax - Purbeck District Council	(£3,246,819)	(£3,309,839)	(£3,475,294)	£165,455
Revenue Support Grant	(£806,576)	(£418,911)	(£119,164)	(£299,747)
Transition grant	£0	(£32,572)	(£32,449)	(£123)
Business rates	(£1,145,944)	(£978,375)	(£997,618)	£19,243
Capital Grants/Contributions	(£126,715)	£0	£0	£0
Taxation and Non-Specific Grant Income	(£5,326,054)	(£4,739,697)	(£4,624,525)	(£115,172)
Net (Surplus) or Deficit on Provision of Services	(£5,326,054)	(£4,739,697)	(£4,624,525)	(£115,172)
	-£0	£0	(£20,143)	£20,143

Tax Base	18,453	18,656	19,052
Council Tax Band D	£172.41	£177.41	£182.41

Percentage increase in council tax.	1.94%	2.90%	2.82%
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Item 7, Appendix 2
(PG - 01.02.17)

Revised pre-application charges based on an hourly rate	2017/18		
	Ex VAT	VAT	Charge
Pre-application advice - hourly rate	£62.50	£12.50	£75.00
a Householder			
i Alteration or extension to a residential building / demolition, alteration or repair to a listed building that needs planning permission - Basic charge	£250.00	£50.00	£300.00
ii Other minor household works including fences, sheds, decking etc - Basic charge	£125.00	£25.00	£150.00
iii Meeting charge for householder (if needed) - hourly rate	£62.50	£12.50	£75.00
b All other new development - hourly rate For all other development, we charge an hourly rate. We work out bespoke fees for individual projects depending on the number of case officer hours required.	£62.50	£12.50	£75.00
c Community Infrastructure Levy calculation	£62.50	£12.50	£75.00
d Pre-submission check - hourly rate	£33.33	£6.67	£40.00

Pre-application advice charges considered by Policy Group in November	2017/18		
	Ex VAT	VAT	Charge
A			
(i) Pre submission check - householder applications	£26.67	£5.33	£32.00
(ii) Pre submission check - other	£52.50	£10.50	£63.00
B			
i In principle what development options may or may not be possible on a particular site in the general sense Basic charge	£132.50	£26.50	£159.00
ii Householder Application (Enlargement, improvement or other alteration to an existing residential property that needs a planning application and is not a change of use) Basic Charge (nil VAT for disability adaptations)	£132.50	£26.50	£159.00
Listed Building applications (Demolition, alteration or repair to a listed building) Basic Charge (nil VAT for disability adaptations)	£132.50	£26.50	£159.00
iii Small scale residential including change of use Up to 5 new properties in Swanage, Upton or Wareham. Up to 2 new properties anywhere else in the District Basic Charge CIL liability Calculation	£216.67 £54.17	£43.33 £10.83	£260.00 £65.00
iv Medium/ large scale residential including change of use More than 5 new properties in Swanage, Upton or Wareham. More than 2 new properties anywhere else in the District. Basic Charge CIL liability Calculation (price on application)	£316.67	£63.33	£380.00
v Affordable housing (either in principle or more detailed) Rural exception sites or developments providing greater than policy compliant percentage of affordable housing Basic Charge CIL liability Calculation	£0.00 £0.00	£0.00 £0.00	£0.00 £0.00
vi Commercial and agricultural Any new commercial or agricultural development Basic Charge CIL liability Calculation	£132.50 £54.17	£26.50 £10.83	£159.00 £65.00
vii Large scale renewable energy 2 or more wind turbines. Solar farms to generate 50KW or more, or with an area of 0.5ha or more. Basic Charge	£515.00	£103.00	£618.00
viii CIL liability calculation only for small scale residential and retail	£62.50	£12.50	£75.00