

Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection

Report to:	Value for Money Scrutiny Committee
Date:	26 January 2016
Subject:	Revenue and Capital Budget Proposals 2016/17

Summary:

This report describes the budget proposals arising from the Provisional Local Government Settlement, announced on 17 December 2015 and the implications for the following Commissioning Strategies:

- How We Do Our Business; and
- Enablers and Support to Council's Outcomes.

The budget proposals are now open to consultation. Members of this Committee have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 2 February 2016.

Actions Required:

The Value for Money Scrutiny Committee is asked to consider this report about the budget changes proposed for the Commissioning Strategies - How We Do Our Business and Enablers and Support to Council Services.

Members of the Committee are invited to make comments on the budget proposals. These will be considered by the Executive at its meeting on 2 February 2016.

1. Background

1.1 The Executive are currently consulting on a one year financial plan for revenue and capital budgets. For the second year running the Council is only able to set a one year budget. This is due to the continued significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care and the Council's responsibility from 2016/17 to pay staff and contractors the National Living Wage. These pressures mean the Council has been unable, at present, to develop sustainable long term financial plans beyond the next twelve months.

1.2 In developing its financial plan the Council has considered all areas of current spending, levels of income and council tax and use of one off funding (including use of reserves and capital receipts) to set a balanced budget. The budget proposals take a mixed approach to meeting the current challenges of reduced levels of local government funding. Savings identified from service and corporate budgets, plus a proposed increase in Council Tax, the use of reserves and the use capital receipts to fund the cost of transformation will be used to set a balanced budget for 2016/17. During the next twelve months the Council will need to explore further opportunities to bridge the gap between the funding available and levels of expenditure.

1.3 At its meeting on 5 January the Executive agreed proposals for the Council's revenue and capital budgets, and Council Tax level for 2016/17 to be put forward as a basis for consultation.

1.4 The Commissioning Strategies reporting to the Value for Money Scrutiny Committee and their associated activities are:

How We Do Our Business:

1.5 The How We Do Our Business strategy provides the corporate governance, risk and standards framework and the democratic machinery for the whole Council. The budget and policy strategies/frameworks and the Council's constitution provide the context for this and the way that the Council works. It also encompasses the corporate, statutory roles of the Head of Paid Service, Monitoring Officer and the Section 151 Officer as part of the framework.

1.6 The service budgets are:

- Budget and Police Framework (Finance and Audit)
- Precept – Eastern Inshore Fisheries and Conservation Authority
- Corporate Standards (including Chief Executive's Office)
- Decision-making, including the Democratic Process (including Members Allowances)

Enablers and Support to Council's Outcomes

1.7 The Enablers and Support to the Council's Outcomes cover the budgets and activities that support the Council both as a corporate organisation and facilitate the work to achieve the Council's main commissioning outcomes.

1.8 The service budgets are:

- ICT Strategy and Support
- Property Strategy and Support (including County Farms)
- People Strategy and Support
- Legal Services
- Commissioning
- Business Support
- Strategic Communication

Revenue Budget Proposals

How We Do Our Business

1.9 Table A below sets out the revenue budget proposals for the next financial year:

Table A – Proposed Revenue Budget – How We Do Our Business

Change of Previous Year	£'000
Revised Original Budget	8,333
Pay Inflation	61
Cost Pressures	116
Savings	-676
Proposed Budget 2016/17	7,834
Percentage Change	-6.0%

How we do our Business

1.10 The above proposals include an allocation for pay inflation of £0.061m and £0.116m to meet the Council's obligation of increased employers national insurance contributions from April 2016.

1.11 In **Budget and Policy Framework – Finance and Audit** a saving of £0.631m is proposed in 2016/17 (or 12.18% of the £5.181m 2015/16 budget). Both the Finance and Internal Audit functions restructured part way through 2015/16, budget savings in 2016/17 represent a full year effect from these restructurings. The effect of these reductions include: reduced support to budget holders and projects within the finance area and within the Internal Audit area a reduction to routine school internal audits, counter fraud activity and corporate risk management support. Further savings will be generated through the new contract with SERCO which is volume linked and from income generation.

1.12 There are no proposed budget savings in **Fisheries Precept – Inshore Fisheries and Conservation Authority (IFCA)** (£0.490m). The Council is precepted directly by the IFCA and has no direct control over this cost.

1.13 In **Decision Making, including Democratic Processes** a saving of £0.045m is proposed in 2016/17 (or 2.02% of the £2.223m 2015/16 budget). It is proposed that these would be delivered by a small reduction in Democratic Services support in 2016/17. In 2017/18 Boundary Commission changes will reduce the size of the Council by 10%, this should generate budget savings from this date.

Enablers and Support to Council's Outcomes

1.14 Table B below sets out the revenue budget proposals for the next financial year:

Table B – Proposed Revenue Budget – Enablers and Support to Council's Outcomes

Change of Previous Year	£'000
Revised Original Budget	38,945
Pay Inflation	217
Cost Pressures	418
Savings	-3370
Proposed Budget 2016/17	36,210
Percentage Change	-7.0%

1.15 The above proposals include an allocation for pay inflation of £0.217m and £0.411m to meet the Council's obligation of increased employers national insurance contributions from April 2016. £0.007m has also been allocated for off-site storage.

1.16 In **Information Management and Technology Strategy and Support** a saving of £0.214m is proposed in 2016/17 (or 2.31% of the £9.251m 2015/16 budget). Costs in this area would be driven down through improved contract management, information governance and the new consumption based charging approach, which will allow operations to be scaled. Continuing to move systems into the cloud should leverage the best value for the Council, as should rationalisation of IT systems. These service changes should deliver savings for the Council in 2016/17 and future financial periods.

1.17 In **Property Strategy and Support** a saving of £1.199m is proposed in 2016/17 (or 10.92% of the £10.976m 2015/16 budget). Savings would be delivered through rationalisation of the Council's property portfolio, including reductions to the number of buildings occupied and the associated costs of using these buildings, and vacating leased properties as leases expires. It is also proposed to further reduce the staffing budgets in this area. Accommodation reviews and portfolio rationalisation will continue to deliver savings for the Council beyond 2016/17.

1.18 Activity will be undertaken by the Property Team to increase future capital receipts from the sale of land and buildings in order to support some revenue budgets under the new flexibility arrangements.

1.19 In **Legal** a saving of £0.060m is proposed in 2016/17 on top of the £0.476m target income budget from 2015/16. Legal Services is a shared service that operates as a trading unit covering costs from the income it recovers. Income is dependent on volumes of business from the County Council Clients, district

partners and external bodies. The proposed saving will come from increased surplus delivered for the forthcoming financial year.

1.20 **People Management** plans to permanently reduce service budgets by £0.167m in 2016/17 (or 4.17% of the £4.009m 2015/16 budget). The proposed budget reductions relate to ending of the graduate programme for new entrants; the ceasing of the leadership management development programme, and available budget following staffing changes made in 2015/16. The largest proportion of the People Management budget (£2.509m) is the SERCO People Management contract.

1.21 In **Commissioning** a saving of £0.431m is proposed in 2016/17 (or 10.52% of the £4.096m 2015/16 budget). Proposed savings in this area would be achieved through reductions in the commissioning support unit through vacancy management and the removal of the transformation fund. In future years further savings are proposed by the removal of funding for a fixed term post in this part of the organisation.

1.22 In **Business Support** a saving of £1.283m is proposed in 2016/17 (or 11.02% of the £11.642m 2015/16 budget) with a further saving of a similar magnitude in 2017/18. The budget for business support is predominately a staffing budget, with the exception of some corporate budgets, such as, postage and other running costs. As a support service the reshaping of this service will follow changes to areas of the Council. The size and shape of this service will be matched to the needs and demands placed on it by other parts of the Council and will be seeking further potential savings from that process.

1.23 In **Strategic Communications** a saving of £0.09m is proposed in 2016/17 (or 0.89% of the £1.007m 2015/16 budget). The £0.09m saving represents a full year effect of staffing reductions from 2015/16. Future savings beyond 2016/17 in this area would include: reductions in the cost of publication and distribution for County News, reshaping involvement in the County Show.

Capital Programme

1.24 The proposed capital programme matches the revenue budget and runs until 2016/17, plus major schemes which stretch into future years (including: a number of highways schemes and the rolling programme of renewal and replacement of fire fleet vehicles).

Enablers and Support to Council's Outcomes

1.25 Table C below sets out the capital programme proposals for the next financial year:

Table C – Proposed Capital Programme – Enablers and Support to Council's Outcomes

Capital Programme	£'000
Infrastructure and Refresh	750
Property	2,950
Property Rationalisation Programme	700
Proposed Capital Programme 2016/17	4,400

1.26 The capital programme for this area includes:

- £0.750m for the ICT infrastructure and IT refresh programme. There has been a reduction in this block budget from £1.100m in 2015/16. Further reductions to this budget will be considered in future years as the size and shape of the Council changes;
- £2.950m for the maintenance of existing property assets (£2.250m), essential property works linked to Asbestos, work place regulations and disabled access (£0.500m) and County Farms (£0.200m). There is a 10% reduction in the property maintenance element of budget from 2015/16. Further reductions of a similar magnitude will be considered in this area in future years; and
- £0.700m for the Property Rationalisation Programme to help reshape the Council's changing property needs.

Other Consultations

1.27 In addition to the review of budget proposals by Scrutiny Committees further scrutiny and consultation includes:

- A consultation meeting with local business representatives, trade unions and other partners will take place on 22 January 2016.
- A series of seven public budget engagement meetings will take place in various locations around the County in January 2016.
- The Council's scrutiny committees will have the opportunity to scrutinise proposals in detail during January.

- The proposals will be publicised on the Council's website together with the opportunity for the public to comment.
- Consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 2 February 2016.

2. Conclusion

2.1 These budget proposals reflect the level of government funding available to the Council and the proposal to increase Council Tax in 2016/17 by 1.95%, and Adult Care Premium of 2.00%. They are based on a thorough and comprehensive review of the Council's services. The budget proposals therefore aim to reflect the Council's priorities whilst operating with the resources available to it.

3. Consultation

Proposals for individual Commissioning Strategy budgets are being considered by each of the Council's scrutiny committees.

Public comments have also been invited through a series of seven public budget engagement meetings and through an online and postal budget survey.

A consultation meeting with businesses, trade unions and partners will be held on 22 January 2016.

The Executive will have the opportunity to consider comments received at its meeting on 2 February 2016.

4. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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