

Open Report on behalf of Pete Moore, Executive Director, Finance and Community Safety

Report to:	Value for Money Scrutiny Committee
Date:	17 January 2017
Subject:	Revenue and Capital Budget Proposals 2017/18

Summary:

This report describes the budget proposals arising from the Provisional Local Government Settlement, announced on 17 December 2016 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 7 February 2017.

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 7 February 2017.

1. Background

- 1.1 The Executive are currently consulting on a one year financial plan for revenue and capital budgets. For the third 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, waste disposal and the Council's responsibility to pay staff and contractors the National Living Wage. These pressures mean the Council does not consider it practicable, 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 2017/18. 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 20 December the Executive agreed proposals for the Council's revenue and capital budgets, and Council Tax level for 2017/18 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 strategies 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 Policy 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	8,116
Pay Inflation	64
Cost Pressures	1,100
Savings	-238
Proposed Budget 2016/17	9,042
Percentage Change	11.4%

1.10 The above proposals include a 1.0% allocation for pay inflation (£0.064m) for next year. There is also a reduction in the employers pension contribution rate from 19.8% to 16.4%, removing costs from service budgets (£0.128m). This reduction in rate has been offset by an increase in the monetary sum payment made annually by the Council into the pension fund.

1.11 In **Budget and Policy Framework – Finance and Audit** a saving of £0.010m is proposed in 2017/18 (or 0.21% of the 2016/17 budget). This is the second year of savings generated from the finance element of the SERCO contract.

1.12 In **Decision Making, including Democratic Processes** a saving of £0.100m is proposed in 2017/18 (or 4.48% of the 2016/17 budget). These savings reflect the Boundary Commission recommendations to reduce the size of the Council from 77 councillors to 70 from May 2017.

1.13 A cost pressure of £1.100m is proposed to fund the cost of running the County Council elections in May 2017. This is a one off cost pressure that occurs once every four years.

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	35,764
Pay Inflation	204
Cost Pressures	1,695
Savings	-2,554
Proposed Budget 2016/17	35,109
Percentage Change	-1.8%

- 1.15 The above proposals include a 1.0% allocation for pay inflation (£0.204m) for next year. There is also a reduction in the employers pension contribution rate from 19.8% to 16.4%, removing costs from service budgets (£0.541m). This reduction in rate has been offset by an increase in the monetary sum payment made annually by the Council into the pension fund.
- 1.16 In **Information Management and Technology Strategy and Support** it is proposed to fund cost pressures totalling £1.614m in 2017/18 (or an increase of 17.02% of the 2016/17 budget). £1.400m is proposed for the annual licence costs for the Microsoft Enterprise Agreement.
- 1.17 It is proposed that costs in this area will be driven down by the support services contract 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 also leverage the best value for the Council, as should rationalisation of IT systems. The delay in delivering some of these proposed changes has caused the savings thought to be achievable to be pushed back into future years. This has caused a cost pressure of £0.214m in 2017/18 due to the timing of the savings delivery.
- 1.18 In **Property Strategy and Support** a saving of £0.216m is proposed in 2017/18 (or 2.62% of the 2016/17 budget). £0.141m of these savings would be delivered through continued rationalisation of the Council's property portfolio, a reduction in the general maintenance budget for Council owned travellers sites, removal of the exit costs budget for facilities management and a reduction to the Council's dilapidations budget. £0.075m is proposed to come from additional rental income generated by the County Farms Estate.
- 1.19 **People Management** activity is proposing to make savings of £0.133m (or 3.44% of the 2016/17 budget) in 2017/18. The proposed budget reductions relate to the 2016/17 budget decisions to end the 2 year graduate programme for new entrants (savings have been profiled), and the full year effect of savings from ceasing of the leadership management development programme. A permanent cost pressure of £0.032m has been identified for the provision of asbestos medicals for Fire-fighters.

1.20 In **Commissioning** a saving of £0.161m is proposed in 2017/18 (or 4.80% of the 2016/17 budget). Proposed savings in this area will be achieved by removal of the budget for a fixed term post which ends in March 2017.

1.21 In **Business Support** a saving of £1.233m is proposed in 2017/18 (or by 11.58% of the 2016/17 budget). The budget for business support is predominately a staffing budget, with the exception of a small number of corporate budgets, such as, postage and off site storage. As a support service the reshaping of this service will follow changes to other 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 deliver its savings from this process.

1.22 In **Strategic Communications** a saving of £0.202m is proposed in 2017/18 (or by 19.77% of the 2016/17 budget). The saving is proposed to be delivered by the removal of vacant posts from the Strategic Communications team and a reduction to three editions a year of County News which will reduce publishing and delivery costs.

Capital Programme

1.23 The proposed capital programme matches the revenue budget and runs until 2017/18, 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). The gross programme is set at £332.816m from 2017/18 onwards, with grants and contributions of £181.313m giving a net programme of £151.503m to be funded by the County Council.

Enablers and Support to Council's Outcomes

1.24 The proposed additions to the net programme in 2017/18 for this commissioning strategy is:

- £3.200m for the maintenance of existing property assets and essential property works linked to Asbestos, work place regulations and disabled access; and
- £0.600m for the ICT infrastructure and IT refresh programme.

Other Consultations

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

- All other Council Scrutiny Committees will have the opportunity to scrutinise budget proposals in detail during January;
- Budget proposals have been publicised on the Council's website together with the opportunity for the public to comment; and

- A consultation meeting with local business representatives, trade unions and other partners will take place on 27 January 2017.

1.26 Consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 7 February 2017.

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 2017/18 by 1.95%, plus 2.00% for the Adult Care precept. 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

a) Have Risks and Impact Analysis been carried out??

No

b) Risks and Impact Analysis

An Equality Impact Assessment will be complete for the proposed increase in Council Tax. This will be reported to the Executive at its meeting on 7 February 2017.

Further Risk and Impact Assessments will need to be undertaken on a service by service basis.

4. Background Papers

Document title	Where the document can be viewed
Council Budget 2017/18 - Executive Report 20 December 2016	Committee Services, Count Offices, Newland, Lincoln

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