

REPORT FOR DECISION

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| Agenda Item | |
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MEETING: OVERVIEW & SCRUTINY COMMITTEE
CABINET
COUNCIL

DATE: 16 FEBRUARY 2017
22 FEBRUARY 2017
22 FEBRUARY 2017

SUBJECT: BUDGET 2017/18 to 2019/20

REPORT FROM: DEPUTY LEADER OF THE COUNCIL & CABINET
MEMBER FOR FINANCE & HUMAN RESOURCES

CONTACT OFFICER: S Kenyon – Interim Executive Director of
Resources & Regulation

TYPE OF DECISION: COUNCIL

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

SUMMARY: The report provides Members with details of the Capital Programme for 2017/18 to 2019/20 (section A) and the Revenue Budget for 2017/18 to 2019/20 (section B) and outlines the Council's strategy for tackling the financial challenges ahead.

Section A sets out the draft Capital Programme and a forecast of the available resources. In view of what continues to be a very difficult revenue budget situation it recommends that the Programme be limited to those schemes that are fully funded from external sources.

Section B addresses the revenue budget and also outlines;

- the final Local Government Finance Settlement for 2017/18 to 2019/20
- Forecast outturn for 2016/17
- The budget strategy for 2017/18 to 2019/20 and the approach to balancing the budget.

It also examines the robustness of the assumptions behind the budget forecast and it contains an

assessment of the adequacy of the Council's balances.

Members' attention is drawn particularly to the fact that despite the extremely challenging local government finance Settlement, and the resultant savings target, the proposed budget places no long term reliance on one-off savings options.

OPTIONS & RECOMMENDED OPTION

The Overview & Scrutiny Committee is asked to note the report.

The Cabinet is recommended to note the report and request that the Council consider and determine all matters relating to the Budget, the Capital Programme and the level of the Council Tax for 2017/2018, and cuts proposals for the period 2017/18 to 2019/20 at its meeting on 22nd February 2017.

Council is recommended to:

Section A – Capital Programme

1. Approve the Capital Programme for 2017/18 and future years, shown in Appendix 1;
2. Approve the proposed financing of the Capital Programme;

Section B – Revenue Budget

3. Note the details of the Draft Settlement Funding Allocation (SFA) for 2017/18 to 2019/20. In the event that the final Settlement is not confirmed by the Government in time for the Council meeting, then amendments to the budget, and calculations made in line with the Local Government Finance Act 1992, to reflect any changes to the Settlement figures will be delegated to the Chief Executive and Interim Director of Resources & Regulation in consultation with the Leader of the Council, Deputy Leader and Portfolio Holder for Finance & Human Resources and opposition Party Leaders. Any amendments will be reported to Council on 19 April 2017.
4. Note the level of repayment of principal on General Fund debt at the minimum of 2% in line with the current Minimum Revenue Provision policy;
5. Note that under delegated powers the Interim Executive Director of Resources & Regulation has calculated the amount of 52,350 as the Council Tax base for the year 2017/18 in accordance with the Local Government Act 2003 and with regulations made under section 33(5) of the Local Government Finance Act 1992 and the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012;
6. Note the forecast outturn position for 2016/17;
7. Approve that the actual minimum level of balances for 2017/18 be set at £4.25m in view of the

- Council's risk profile;
8. Approve, amend or reject the draft Revenue Budget for 2017/18 to 2019/20 as shown in the report;
 9. Approve the programme of cuts for delivery over the 3 year period 2017/18 to 2019/20 set out at Appendix 5;
 10. Note the recommendations of the Schools' Forum around education funding issues;
 11. Endorse the statements by the Interim Executive Director of Resources & Regulation on the robustness of budget assumptions and on the minimum level of balances;
 12. Determine the level of the Council Tax / Social Care Precept for 2017/18.

IMPLICATIONS:

Corporate Aims/Policy Framework:

Do the proposals accord with Policy Framework? Yes.

Statement by Section 151 Officer:

The financial implications of the budget and the risks associated with the calculations and strategy are set out in the report.

Statement by Interim Executive Director of Resources & Regulation:

The financial implications of the budget and the risks associated with the calculations and strategy are set out in the report.

There will be some staffing, ICT and property issues arising from this report depending on decisions taken in respect of the scale and detail of the Capital Programme and the Revenue Budget.

Health & Safety Implications:

The report does not present any Health & Safety issues. Health & Safety matters will continue to be managed in the same way within the services concerned.

Equality/Diversity implications:

In taking financial decisions, the Council must have "due regard" to its duties under the Equality Act. An Initial Assessment of the financial policies of the Authority has been undertaken to determine whether there is any differential impact upon particular groups and whether the impact is adverse. Members are asked to note that no potentially adverse differential impact on particular groups has been identified. It is intended that if any proposals are identified as carrying any significant risks, further consultation and assessment will be

undertaken if necessary.

Considered by Monitoring Officer:

Yes. The budget is prepared in accordance with statutory provisions and detailed guidance. It is timetabled to ensure that statutory requirements are met.

Are there any legal implications?

The Council has a legal obligation to pass its budget and Council Tax resolutions by March 2017. Legal issues are set out in Appendix 2.

Wards Affected:

All

Scrutiny Interest:

Overview & Scrutiny Committee

TRACKING/PROCESS

INTERIM EXECUTIVE DIRECTOR: Steve Kenyon

| Chief Executive/ Senior Leadership Team | Cabinet Member/Chair | Ward Members | Partners |
|--|--------------------------------------|---------------------|-----------------|
| 23/1/2017 | Deputy Leader / Finance & Housing | | |
| Scrutiny Committee | Cabinet | Committee | Council |
| Overview & Scrutiny 16/2/2017 | 22/2/2017 | Special JCCs | 22/2/2017 |



SECTION A

CAPITAL PROGRAMME

1.0 BACKGROUND

- 1.1 This report outlines the proposed approach in respect of the Capital Programme 2017/18 to 2019/20 and sets out a strategy recommended by the Strategic Leadership Team and endorsed previously by the Cabinet.

2.0 PROGRESS AGAINST THE 2016/17 PROGRAMME

- 2.1 Details of spend against the 2016/17 Programme are set out in the month 9 Corporate Finance and Performance Monitoring Report presented to the Cabinet on 22th February 2017.

3.0 CAPITAL RESOURCES FOR 2017/18

- 3.1 The Capital Programme can be funded from four main sources:
- Borrowing
 - Capital grants from Government Departments / contributions from external agencies / partners
 - Capital receipts from the sale of assets
 - Revenue contributions and reserves
- 3.2 Borrowing to fund the capital programme consists of Unsupported borrowing that is allowed through the workings of the Prudential Code for Capital Finance in Local Authorities. This method permits authorities to undertake borrowing as required as long as certain tests of prudence can be satisfied.
- 3.3 A consequence of any borrowing made is that revenue implications, such as costs to repay principal and interest, will fall wholly on the authority's revenue budget and this should be considered alongside borrow to fund decisions.
- 3.4 The Settlement for 2017/18 allows for capital grants only. This follows the approach adopted by the Coalition Government between 2011/12 and 2015 and continued since by the current Conservative Government to limit borrowing by Local Authorities; encouragement is in this way given to Authorities to structure local needs and circumstances to their Councils' levels of affordability for borrowing.
- 3.5 Furthermore, capital grants and external contributions have all suffered as a consequence of the more recent Government Spending Reviews and the level of overall investment would have to be amended accordingly.
- 3.6 The other main funding source is capital receipts, generated from the sale of Authority's land and property. Whilst property market conditions remain challenging for all of the interested parties, the Council anticipates generating capital receipts from a number of identified surplus sites in the future.

4.0 PROPOSED CAPITAL PROGRAMME 2017/18

- 4.1 In line with last year's Capital Programme, and the Council's Medium Term Financial Strategy, it is recommended that the 2017/18 – 2019/20 Capital Programme is restricted to fully funded schemes / schemes which are self-financing based upon a viable, proven Business Case. The proposed Programme is outlined at Appendix 1.
- 4.2 In the event that Grant allocations change later in the year, the specification of schemes will be reviewed to ensure no under / overspend.
- 4.3 Invest-to-save schemes will continue to be considered in year, and in line with the Council's Golden Rules will be subject to a verifiable business case that clearly demonstrates that schemes will be self-financing – taking into account any associated borrowing costs.
- 4.4 Members are reminded that for budgeting purposes capital receipts can only be committed to schemes when the cash from the sale of assets has been received or there is a high level of certainty that the cash will materialise. The extent to which capital receipts are used will be determined to a large degree by property market conditions. This does not hinder development of future schemes, as preparatory work can commence on projects in advance of capital receipts being generated.

5.0 FUNDING THE CAPITAL PROGRAMME

- 5.1 The draft programme is proposed to be financed as follows;

| Expenditure per year | 2017/18 £ | 2018/19 £ | 2019/20 £ | Total £ |
|--|----------------------|----------------------|----------------------|--------------------|
| Gross Cost | 16,681,010 | 7,758,123 | 3,234,169 | 27,673,302 |
| Financed by: | | | | |
| Grants / External Funding | 5,733,444 | 7,755,504 | 3,234,169 | 16,723,117 |
| HRA Headroom reserve | 9,990,500 | 0 | 0 | 9,990,500 |
| Earmarked Reserves | 70,600 | 0 | 0 | 70,600 |
| S106 Reserves | 866 | 2,619 | 0 | 3,485 |
| Borrowing (Prudential) | 0 | 0 | 0 | 0 |
| Borrowing (Invest to Save Business Case) | 885,600 | 0 | 0 | 885,600 |
| Total | 16,681,010 | 7,758,123 | 3,234,169 | 27,673,302 |

- 5.2 The table shows a limited programme for 2018/19 and 2019/20; this is due to the absence of funding information on government grants at this stage.

6.0 RISKS

6.1 There are three main risks inherent in the capital strategy:

6.1.1 Capital receipts are not realised.

This risk has been addressed through prudent forecasting, in the light of current market conditions however there are no plans to use receipts to fund the Programme.

6.1.2 Schemes slip from one year to the next.

This is a normal feature of capital schemes and can occur for a large number of reasons. The risk can be mitigated by slipping corresponding resources between years and is not felt to be high.

6.1.3 Scheme costs increase after approval of budget.

Whilst not unusual and unlike slippage, implications are more than just timing issues, therefore cost increases cannot be mitigated without a direct impact on other schemes within the Programme or an impact on future years' resources. The risk can be mitigated by the use of sound costing techniques, effective project management and monitoring the schemes by the use of risk assessment approaches.

6.2 The Programme is monitored throughout the year by the Capital Programme Management Group who meets on a monthly basis and management reports are considered by the Strategic Leadership Team and Overview & Scrutiny Committee on a quarterly basis.

6.3 Should intervention action be required then it will be undertaken immediately and may include a moratorium on scheme starts, the realisation of further capital receipts or the use of additional borrowing (subject to revenue resources being available).

SECTION B
REVENUE BUDGET

1.0 INTRODUCTION

- 1.1 This section of the report examines the position in respect of the Revenue Budget for the current and future years. The position in respect of the Housing Revenue Account is the subject of a separate paper.
- 1.2 The report begins by providing Members with details of the final Local Government Finance Settlement for 2017/18 to 2019/20 and the impact on Bury. It then goes on to provide details of the forecast revenue outturn position for 2016/17 and the draft Revenue Budget for 2017/18 to 2019/20. It provides details of the wide-spread consultation process that was undertaken and summarises responses received. Finally it summarises the options identified for meeting the anticipated shortfall on the draft budget.
- 1.3 Local Government finance is a complex subject and to assist Members a glossary of the main terms and acronyms is attached at Appendix 3.
- 1.4 A draft settlement was announced on 15th December 2016, outlining figures for 2017/18, and indicative allocations for the following 2 years; with caveats. At the time of writing, final settlement figures have not been confirmed for 2017/18.
- 1.5 Setting the budget for 2017/18 to 2019/20 may be a difficult and contentious exercise and so to assist Members the Assistant Director (Legal and Democratic Services) has prepared a note (attached at Appendix 2) setting out in detail Members' individual responsibilities to set a legal budget and how Members should approach the task. It also reminds Members about the rules concerning personal and prejudicial interests and goes on to specify the responsibilities of the Interim Executive Director of Resources & Regulation who fulfils the role of the Council's section 151 Officer. The paper concludes with specific legal advice over aspects of the budget which potentially may give rise to difficulties. **Members are strongly advised to give their best attention to this advice.**
- 1.6 Members should also be aware that the budget proposals have been drawn up after a widespread consultation exercise. Further details are given in section 7.

2.0 FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2017/18 to 2019/20

- 2.1 The Draft Local Government Finance Settlement for 2016/17 (the Settlement) was released on 15th December 2016 and is due to be confirmed in February 2017. The Settlement provides details of the authority's income from Central Government, and incorporates a number of fundamental changes.

Local Retention of Business Rates / Move to 100% Retention

- 2.2 Historically, Local Authorities collected Business Rates and paid them over to a Central Government "pool"; the Government then redistributed rates income using a formula based approach – relative to perceived need.
- 2.3 With effect from April 2013, a new approach was introduced whereby Central and Local Government share Business Rates income as follows;

- Government 50%
- Local Authority 49%
- Fire Authority 1%

2.4 **From April 2017, Greater Manchester Authorities will be piloting a 100% retention scheme.**

2.5 This new approach presents a number of opportunities to the Council;

- Alongside the obvious social / economic benefits, there is now a "budgetary" incentive for the Council to stimulate business growth in the Borough
- The Council is taking this opportunity forward positively under its Growth Strategy, and the wider Greater Manchester Growth Plan

2.6 Equally however, the approach presents risks;

- Losses on Appeals – now have to be funded 100% by the Council
- Reliefs – The Council is also now liable for 100% of the cost of charitable / empty reliefs.
- Impact on Business Cases – the consequences of reduced Business Rates yield now have to be factored in to any Business Cases the Council is developing around its own asset base – e.g. rationalisation of office accommodation
- Economic Conditions – make the new approach more of a challenge as any business failures lead to a potential loss of income to the Council

Pooling

2.7 When a Local Authority's share of Business Rates grows above an upper threshold, a "levy" is applied effectively capping the growth available to Local Authorities.

2.8 Equally, a "safety net" applies where income falls below a lower threshold.

2.9 There is an opportunity for Local Authorities to "pool" business rates income and retain Business Rates Growth at a local level. Alongside this however, is the risk that losses are covered locally.

2.10 The Greater Manchester Authorities have created a pool arrangement along with colleagues from Cheshire East, and Chester & Cheshire West Councils.

2.11 The utilisation of any proceeds from this approach has yet to be finally agreed, and the 2017/18 Budget assumes no additional income at this stage.

Localised Council Tax Benefit Scheme

2.12 Historically the Council paid out around £14m in Council Tax benefits and this was funded by central government grant. With effect from 2013/14, the Council Tax Benefit scheme was "localised" allowing Councils to devise their

own schemes relevant to local circumstances. Alongside this however, there was an average 10% reduction in grant funding.

- 2.13 The local scheme is reviewed annually; the 2017/18 scheme was revised and approved at Council in December 2016 to reflect increasing financial pressure on the scheme.
- 2.14 Whilst fully costed and affordable now, Members are reminded of the volatility of claimant numbers, and the risk of any increases rests with the Council going forward.

Social Care Precept

- 2.15 Last year, the Government announced that for the rest of the current Parliament, Local Authorities responsible for Adult Social Care “will be given an additional 2% flexibility on their current council tax referendum threshold to be used entirely for Adult Social Care”.
- 2.16 In the Chancellor’s 2016 Autumn Statement this was revised further, allowing Councils to raise a precept of 3% per annum for 2017/18, 3% for 2018/19, however 0% for 2019/20.
- 2.17 This report is written on the basis of a 2% Social Care Precept – subject to ratification by Members.
- 2.18 Members should note that the proposed precept has a neutral effect as it can only be used to support Adult Social Care pressures (which greatly exceed the funding raised through the precept).
- 2.19 Similarly, the precept represents no “new” Government funding for these pressures – it is a charge borne by local taxpayers.

Overview of Settlement

- 2.20 Bury’s 2017/18 Draft “Settlement Funding Allocation” (SFA), and indicative allocations for future years are as follows;

| | Retained Business Rates / Top Up £m | RSG £m | Total £m | Change % |
|---------|--|-------------------|---------------------|---------------------|
| 2016/17 | 32.950 | 22.250 | 55.200 | |
| 2017/18 | 33.630 | 15.310 | 48.940 | -11.34% |
| 2018/19 | 34.710 | 10.780 | 45.490 | -7.05% |
| 2019/20 | 35.940 | 6.220 | 42.160 | -7.32% |

- 2.21 The figures above are based upon a 50:50 share of Business Rates; the Government has announced a move to 100% retention by Local Authorities by 2020, and this approach is being piloted by Greater Manchester from 2017/18.

- 2.22 This will require a “reworking” of settlement figures, however the overall resources available will be unchanged as the Government have given a commitment that the move to 100% will be “fiscally neutral”. Essentially Local Authorities will receive more in business rates, offset by less (or nil) in the way of RSG and other specific grants e.g. Public Health.
- 2.23 Whilst reworked figures have not yet been published, it is expected the 2017/18 position for Bury will be as follows, with the Public Health Grant being “rolled in” and classed as mainstream funding, with no ringfence, offering greater flexibility in terms of its use.

| | 50% Retention £m | 100% Retention £m |
|-------------------------------|-----------------------------|------------------------------|
| Retained Business Rates | 23.48 | 47.43* |
| Top Up | 10.15 | 13.45 |
| RSG | 15.31 | 0 |
| | ----- | ----- |
| Settlement Funding Assessment | 48.94 | 60.88 |
| Public Health Grant | 11.94 | 0 |
| Total | 60.88 | 60.88 |

Note: 23.48 x 49/99 = 47.43; to reflect Fire shares

- 2.24 More significantly, the reductions for Bury are on top of what is already a very low funding base. The amount of Government support (SFA) per head of population is significantly lower than that of all classes of Authority. The table below highlights funding per head, and additional resources that would be available if comparable funding levels were applied;

| | 2016/17 Per Head | 2016/17 Extra | 2017/18 Per Head | 2017/18 Extra |
|----------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | £ | £m | £ | £m |
| Bury | £294.45 | | £260.47 | |
| Greater Manchester Average | £390.99 | £18m | £351.64 | £17.1m |
| CIPFA “Family” Average | £326.37 | £6m | £290.85 | £5.7m |
| England Average | £342.46 | £9m | £303.59 | £8.1m |

Rolled in Grants

- 2.25 Values for grants previously rolled in have been revised in the settlement. The draft budget has been structured in line with the assumptions of the settlement i.e. any increases are passed onto services;

| Grant | 2016/17 £'000 | 2017/18 £'000 | Change £'000 |
|-------------------------------------|--------------------------|--------------------------|-------------------------|
| Homelessness Prevention Grant | 455 | 457 | +2 |
| Learning Disability / Health Reform | 4,508 | 4,600 | +92 |
| Care Act Implementation | 1,073 | 1,281 | +208 |
| Lead Local Flood Authorities | 149 | 152 | +3 |
| Sustainable Drainage Systems | 9 | 9 | 0 |
| | 6,194 | 6,499 | +305 |

- 2.26 Other rolled in grants e.g. Early Intervention Grant have reduced in value (from £4.610m to £4.235m) in the settlement. The budget is structured on the basis that the indicative 2017/18 levels will apply – ie no protection at historic levels.
- 2.27 Funding for the Local Welfare Provision (£0.513m) was removed in the 2016/17 settlement

Other Specific Grants

- 2.28 In addition to the overall Settlement, a number of specific grants are made available. These grants effectively form part of the Council's mainstream budget, and have seen reductions in the 2017/18 Settlement; these grants have been protected at the 2016/17 level in drafting the 2017/18 budget;

| Grant | 2016/17 £'000 | 2017/18 £'000 | Change £'000 |
|--------------------------------------|--------------------------|--------------------------|-------------------------|
| Education Service Grant (LA element) | 2,611 | 790 | -1,821 |
| Housing Benefit Admin Subsidy Grant | 701 | 640 | -61 |
| Council Tax Support Admin Grant | 275 | 261 | -14 |
| | 3,587 | 1,691 | -1,896 |

- 2.29 Allocations for other unprotected specific grants have not been confirmed at the time of writing. By their nature, these specific grants, each have their own terms and conditions and are therefore not available to support the wider Council budget, and any reductions must be absorbed by the service.

Better Care Fund

- 2.30 The Better Care Fund currently stands at approximately £12m (this operates as a pooled budget with Bury CCG).
- 2.31 Indicative figures from the Government suggest that this will be increased by £5.4 million by 2020;
- £300k in 2017/18
 - A further £2.6m in 2018/19
 - A further £2.5m in 2019/20

- 2.31 It should be noted that additional resources for the Better Care Fund have been sourced from reductions to the New Homes Bonus and do not represent “new” Government funding.

3.0 FORECAST OUTTURN 2016/17

- 3.1 The Council operates a delegated cash ceiling scheme and in order to achieve sound financial management and effective budgetary control, budgets are reviewed and revised on an on-going basis within individual services.
- 3.2 However, whilst it is not necessary to undertake a formal revision of the current budget it is essential that a forecast is made of the potential outturn position for the year. Not only is this a matter of good practice but of particular importance is the fact that it also allows a forecast to be made of the likely level of balances.
- 3.3 The table below shows a summary of the forecast outturn based on information available at 31 December 2016 (i.e. month 9):

| Department | Budget £'000 | Forecast £'000 | Variance £'000 |
|----------------------------------|-------------------------|---------------------------|---------------------------|
| Communities & Wellbeing | 69,873 | 72,299 | +2,426 |
| Resources & Regulation | 3,396 | 4,257 | +861 |
| Children, Young People & Culture | 35,323 | 37,894 | +2,571 |
| Non Service Specific | 16,943 | 13,916 | -3,027 |
| TOTAL | 125,535 | 128,366 | +2,831 |

- 3.4 The forecast shows a net overspend of **£2,831,000 (2.25%)** against the current budget. Behind this figure, a number of hot-spots remain within specific service areas, particularly around reduced income for some services in light of the prevailing economic conditions and demand pressures in respect of Looked After Children and Vulnerable Adults.
- 3.5 The overall budget is supported by the continued strong performance of the Council's Treasury Management function.
- 3.6 The Strategic Leadership Team and Cabinet meet regularly and pay close attention to the overspend, and actions been taken. The situation is also closely monitored by the Overview & Scrutiny and Audit Committees.

4.0 DRAFT REVENUE BUDGET 2017/18 – 2019/20

- 4.1 This section of the budget report will examine a number of issues pertinent to the budget preparation process:
- The three year budget forecast
 - “Golden Rules” supporting the budget strategy
 - Assumptions behind the draft budget
 - The potential Council Tax position
 - The draft budget for 2017/18 – 2019/20

4.2 The report then goes on to consider the Schools' position, options for balancing the budget, the consultation process and the robustness of the estimates behind the draft budget.

4.3 This in turn leads to an assessment of the adequacy of the Council's minimum level of balances which is then linked to an evaluation of the financial implications of the risks that are faced by the Council in relation to it delivering on its priorities and in relation to the budget strategy and assumptions.

4.4 Medium Term Budget Forecast

4.4.1 The Council has consistently and successfully taken a medium-term view of its financial position. In doing this it recognises that assumptions and estimates become less reliable further into the future but it is felt that remains a prudent and sensible approach to take.

4.4.2 This report focuses on the 2017/18 to 2019/20 Budget, based upon a 3 year assessment of income, expenditure, pressures, and Government Funding.

4.4.3 There is no information beyond 2020, however Members are warned that further budget cuts will be required to address continuing demand pressures and funding reductions.

4.4.4 The nature of repeated cuts requirements means that each year cuts to services will become more visible, and harder hitting as "efficiency savings" are exhausted.

4.5 Golden Rules

4.5.1 The Council has enshrined certain values into its longer-term approach to its finances by the adoption of four 'Golden Rules'. These were incorporated into the Council's financial policies by Members in February 2007 to underpin the budget setting and management process:

- The level of General Fund balances retained by the Council to meet unexpected changes in the budget or to fund events that cannot be foreseen will be based on an assessment of the risks faced by the Council but they will not be allowed to fall below the higher of £3m or 2.5% of the net budget (excluding schools). This formula is regularly reviewed and justified in relation to the risk strategy adopted each year.
- The level of one-off options used to support the on-going revenue budget has been successively reduced to the point that there is no longer a reliance on one-off options. It is however recognised temporary funding may be required for some initiatives during their implementation.
- Prudential borrowing will only be undertaken on an Invest to Save basis.
- Pressures and savings will be assessed on a 3-year, rather than a one year basis.

- 4.5.2 The Interim Executive Director of Resources & Regulation / section 151 officer reports on progress against the 'Golden Rules' as part of the quarterly Finance and Performance Monitoring report.
- 4.5.3 The Golden Rules are now enshrined in the Council's financial policies and it is clear that they have had a positive influence on the Council's financial standing.

4.6 Assumptions

- 4.6.1 The report outlines a three year budget for 2017/18 to 2019/20. This approach has been taken using funding data released under the Government's "4 Year Offer". Members are asked to note that the Government has heavily caveated the funding allocations going forward.
- 4.6.2 Budget cuts options have been drafted in a similar three year window, recognising that simple expenditure reductions are no longer available, and fundamental service redesign is required to deliver savings. This by its nature is not always achievable in a single financial year, often requiring a significant "lead in" time.

The draft Budget for the coming year has been prepared by rolling forward and re-pricing the current year's budget as follows:

- Adding the effects of contractually binding inflation and other allowable cost increases to the current year's budget;
 - Calculating the resources that will be available in light of the Government's draft funding settlement and regulations in respect of Council Tax.
 - Determining options for addressing the budget deficit, balancing income with expenditure.
- 4.6.3 The forecast is based around a standstill budget, one which reflects the current level of service up-rated for contractually binding inflation and other unavoidable pressures. The Council continues to operate a "cash ceiling" scheme, and as such departments will be required to absorb the impact of demographic, demand and other pressures from within their respective service resources, as well as contributing towards the corporate savings targets set for them.
- 4.6.4 This will be extremely challenging and the risks associated with such a strategy have been reflected in the calculation of the minimum level of balances.
- 4.6.5 In determining the assumptions to be used to underpin the 2017/18 budget the following considerations have been taken into account; subject to approval by Council:

| | Note | 2017/18 |
|---|------|---------|
| Pay | 1 | 1.0% |
| Pensions (increase in employers' contribution rate) | 2 | 0.7% |
| Prices | 3 | 0.0% |

| | | |
|--------------------------------------|---|--------|
| Waste levy | 4 | Actual |
| Transport levy | 5 | Actual |
| Rise in income from fees and charges | 6 | 1.0% |
| Council Tax base (no. of Band Ds) | 7 | 52,350 |
| Assumed Council Tax rate rise | 8 | 1.94% |
| Assumed Social Care Precept | 9 | 2.00% |

Notes:

- 1. Pay** - the current budget forecast makes a 1% provision for pay inflation in 2017/18 – based upon nationally agreed payawards. The impact of the Government's intentions for a Living Wage on the Council's paybill has also been recognised.
- 2. Pensions** – based on the latest 3-year actuarial review of the GM Pension Fund (part of the national Local Government Pension Scheme) the rate at which Bury Council as an employer is required to contribute (as a % of pensionable pay) is forecast to rise from 19.8% to 20.5% for the period 1 April 2017 and 31 March 2020.
- 3. Prices** – Given the Council's overall funding position, no provision for general inflation has been made. Directors have been asked to absorb general inflationary pressures and have been invited to bid for funding towards unavoidable/contractual inflationary cost increases. A provision has also been made to contribute to the additional costs the Council may bear as a result of the Government's Living Wage proposals in respect of bought in / commissioned services
- 4. Waste Levy / Transport Levy**

The GM Waste Disposal Authority (GMWDA) is seeking to mitigate the impact of a forecast large levy increase in 2017/18 by bring forward a savings programme which will see costs of disposing of the waste we generate reduced. Detailed plans are in an advanced stage, but to ensure that savings for future years are maximised an initial upfront investment of upto £77.7m may be needed in day to day (revenue) spend, as well as some longer term (capital) investment. The impact of the extra revenue spending requirement means that a headline average increase of 5.3% is being increased to an average 53.5%.

The original intention was to eliminate that increase at district level by switching resources within the GM Combined Authority, as the intention was to incorporate the GMWDA into GMCA from April 2017. That has now been delayed by 12 months. Working closely with GMCA it is however proposed to reduce the GMCA Transport levy by an equal cash amount for each district, thus delivering on the no local impact plan. Unfortunately that means that the 53.5% waste levy increase is shown alongside a 46.8% reduction in the Transport Levy. Those resources will then be switched back from GMWDA savings to GMCA Transport levy from 2018/19 to 2020/21.

5. **Income** - this is a further general assumption and Directors are free to decide how to meet the requirement depending on their individual circumstances, and the market sensitivity of prices.
6. **Council Tax Base** - acting under delegated powers, the Interim Executive Director of Resources & Regulation has calculated the amount of **52,350** Band D equivalent properties as the Council Tax base for the year 2017/18 in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992. This compares to 51,900 in 2016/17.
7. **Council Tax rate** – this report is drafted on the basis of an assumed 1.94% Council Tax rise, plus a further 2% in respect of the Adult Social Care precept; this is an assumption and it should be stressed that the actual level of Council Tax will be determined by Council.

Members must be mindful of the fiduciary duty of the Council to the Council Tax payers of the borough and the need to consider the consequences to Council Tax payers of the level of expenditure set within the budget. In future years they will also be advised to consider carefully the increase in the tax rate in the light of any possible capping criteria and in the light of legislation to allow a community challenge to the proposed increase.

For 2017/18, the Government has again indicated that any Council Tax increase "at or above 2%" would trigger a referendum.

Similarly, Councils are allowed to raise an Adult Social Care Precept of up to 3% (previously 2%) for earmarked spending on Adult Social Care pressures.

- 4.6.6 Borrowing costs/investment income budgets will be up-rated in line with the Annual Treasury Management Strategy and with the borrowing assumptions, however Members attention is drawn to the fact that the low level of interest rates, coupled with the uncertainties in the financial markets, means that the authority's ability to generate investment returns has been weakened considerably.
- 4.6.7 The Council has responded to this challenge through the introduction of its "Investment Strategy" (approved by Cabinet September 2014) which seeks to source additional income through investment in property.
- 4.6.8 Members' attention is also particularly drawn to towards:
 - Ongoing and historical demand led pressures in excess of nominal inflation
 - Bury's high VFM rating and comparatively low costs
 - The level of cuts made (& delivered) - £65 million since 2010
 - The seemingly adverse funding formulae which result in lower funding per head for Bury residents
 - The impact of economic conditions on income levels
 - The endeavours of the Council to allocate resources in line with residents' wishes and Council priorities.

- 4.6.9 The Interim Executive Director of Resources & Regulation has assessed the robustness of these, and other, assumptions as set out in section 8 and Members are asked to give particular attention and endorsement to the Assistant Director's comments.

4.7 The Draft Budget 2017/18

- 4.7.1 This budget reflects the assumptions set out in section 4.6 above, but excludes costs funded by the Dedicated Schools Grant.

- 4.7.2 The table overleaf summarises the initial draft 'standstill' budget for 2017/18:

| | 2017/18 £000 |
|---|-------------------------|
| Opening Budget | 125,535 |
| Add: one-off cuts from previous year | 290 |
| Add: losses on grants now rolled in to settlement | 305 |
| Add: losses on protected specific grants | 1,896 |
| Inflation: | |
| Pay | 743 |
| Contractual Commitments (incl. Living Wage) | 4,499 |
| Energy Costs | 186 |
| Income | -157 |
| Staffing costs: | |
| Increase in employers' pension contribution | 520 |
| Apprenticeship Levy / Cost of Apprentices | 1,000 |
| Increments | 496 |
| Levies: | |
| Combined Authority (Transport) | -6,076 |
| Waste Disposal | 7,182 |
| Adult Social Care: | |
| Adult Social Care Support Grant – Spend | 820 |
| Adult Social Care Support Grant – Grant | -820 |
| Service Pressures | 1,104 |
| Corporate / Technical Items: | |
| Investment Income | -1,000 |
| Provision for Business Rate Appeals | 500 |
| Surplus on Collection Fund | -1,017 |
| Reprofiling of Minimum Revenue Provision | 172 |
| New Homes Bonus | -133 |
| Transition Grant | -30 |
| Estimated Budget | 136,015 |
| Less: | |
| Settlement Funding Assessment | -48,940 |
| Council Tax (assumed 1.94% rise + 2% SCP) | -73,740* |
| Estimated Resources | -122,680 |
| TOTAL CUTS REQUIRED | 13,335 |

**** This estimate is based upon an assumed 1.94% Council Tax increase (plus 2% Social Care Precept); it should be noted that the actual level of Council Tax is determined by Council.***

- 4.7.3 Applying the assumptions used for 2017/18 to 2018/19 and 2019/20 gives the following cuts requirement;

| 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | Total £'000 |
|--------------------------|--------------------------|--------------------------|------------------------|
| 13,335 | 9,454 | 9,087 | 31,876 |

- 4.7.4 Total cuts from 2010 are summarised below;

| 2011/12 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 | 2015/16 £'000 | 2016/17 £'000 | Total £'000 |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| 9,575 | 8,656 | 9,871 | 9,652 | 15,807 | 11,579 | 65,140 |

- 4.7.5 Members are reminded that the Settlement figures remain provisional at this stage.

5.0 SCHOOLS' ISSUES

5.1 Dedicated Schools Grant (DSG)

- 5.1.1 This is a ring-fenced grant provided to local authorities and can only be spent on schools and specified areas.

- 5.1.2 The 2017/18 DSG is split into three sub-blocks:

- Schools
- Early Years
- High Needs

- 5.1.3 Although the DfE provide a funding analysis for each of the three sub-blocks, local authorities can, with the agreement of the Schools Forum, switch resources between each block.

- 5.1.4 Just before Christmas 2016, the Department for Education (DfE) announced the 2017/18 Funding Settlement Analysis, which is based on the re-baselined

exercise that local authorities were required to do in analyzing their 2016/17 spending plans between the three sub-blocks.

The following table compares the three sub-blocks of the 2017/18 DSG with the re-baselined 2016/17 figures.

| | Schools Block (£m) | Early Years Block (£m) | High Needs Block (£m) | TOTAL DSG (£m) |
|----------|--------------------|------------------------|-----------------------|----------------|
| 2016/17 | 114.074 | 8.608 | 27.227 | 150.533 |
| 2017/18 | 116.570 | 12.374 | 27.658 | 156.603 |
| Variance | 2.497 | 3.766 | 0.431 | 6.070 |
| % change | 2.2% | 43.8% | 1.6% | 4.0% |

- ❖ Schools Block – for 2017/18 the Department for Education have included the Retained Duties of the Education Services Grant (ESG) within the Schools Block, which amounts to £449,000.
In 2018/19 and beyond, the ESG will be included in a separate sub-block within the Dedicated Schools Grant as part of the proposed schools' National Funding Formula.
Of the total increase in the Schools sub-block is approx £2 million for the increase in pupil numbers, which will be wholly distributed to schools and academies through the Bury schools' funding formula.
- ❖ Early Years – the introduction of the Early Years National Funding Formula and the re-baselined exercise has seen an almost £2 million increase in funding, 93% of which has to be passed on to providers.
In addition, there is an expansion of the 15 hours per week 'free entitlement' for 3 and 4 year olds up to 30 hours 'free entitlement' for working families, which is scheduled to begin in September 2017. The DfE have provided an extra £1.433 million to meet this additional cost based on the Early Years National Funding Formula values.
As this is a part year cost, there should be a further £1 million added to the 2018/19 Dedicated Schools Grant for the extension of the 'free entitlement'.
- ❖ High Needs – the DfE have made a couple of technical changes to the amounts added and deducted to the high needs block plus the changes

following the re-baselined exercise shows a small increase to the overall total.

5.1.5 Pupil Numbers in Schools and Academies based on the October 2016 census

| Pupil Numbers | 14/15 | 15/16 | 16/17 | 17/18 |
|----------------------|--------|--------|--------|--------|
| Primary schools | 14,929 | 14,568 | 14,595 | 14,828 |
| Secondary schools | 10,687 | 10,742 | 10,801 | 11,014 |
| Academies | 660 | 1,217 | 1,624 | 1,701 |
| Totals | 26,276 | 26,527 | 27,020 | 27,543 |

5.2 School Funding Formula Values

5.2.1 The Schools Forum at their meeting of 17th January 2017 agreed the funding formula factors for 2017/18, with very little change to the 2016/17 values. These funding arrangements will be endorsed by the Council at its budget setting meeting on 22nd February 2017.

5.2.2 The Department for Education have made two amendments to the data components of the schools formula –

- A new set of “income deprivation affecting children index” (IDACI) scores for children were released in 2015, resulted in issues nationally that adversely affected many schools, including several in Bury. Consequently in 2017 new weightings are being introduced which are intended to re-balance any issues encountered in 2016.
- A new national weighting for secondary “low attainment” figures is being introduced which has had an impact on schools. The new weighting is intended to address the impact of greater low attainment numbers at Year 7 due to changes in KS2 assessments on the new more challenging curriculum.

5.2.3 The Authority submitted the 2017/18 Schools Block pro-forma to the DfE by the required deadline of 20th January 2017.

5.2.4 The following table confirms the recommendations to formula unit values to be applied to Bury’s schools/academies budgets for 2017/18:

| Factor | Sector | 2016/17 | 2017/18 |
|---|---------------|---------|---------|
| | | £ | £ |
| Basic Entitlement | Primary | 3,080 | 3,080 |
| | Secondary KS3 | 3,750 | 3,750 |
| | Secondary KS4 | 4,500 | 4,500 |
| Deprivation | Primary | 65 | 65 |
| Free School Meals | Secondary | 5 | 5 |
| Deprivation Income Deprivation Affecting Children Indices (IDACI) | Primary | | |
| | Band 1 | 200 | 200 |
| | Band 2 | 300 | 300 |
| | Band 3 | 400 | 400 |
| | Band 4 | 600 | 600 |
| | Band 5 | 800 | 800 |
| | Band 6 | 1,000 | 1,000 |
| | Secondary | | |
| | Band 1 | 400 | 400 |
| | Band 2 | 500 | 500 |
| | Band 3 | 600 | 600 |
| | Band 4 | 800 | 800 |
| | Band 5 | 1,000 | 1,000 |
| | Band 6 | 1,200 | 1,200 |
| Looked After Children (LAC) | Primary | 0 | 0 |
| | Secondary | 0 | 0 |
| Low Prior Attainment | Primary | 120 | 120 |
| | Secondary | 900 | 900 |
| English as an Additional Language (EAL) | Primary | 65 | 65 |
| | Secondary | 250 | 250 |
| Lump Sum | Primary | 125,000 | 125,000 |
| | Secondary | 125,000 | 125,000 |
| Pupil Mobility | Primary | 500 | 500 |
| | Secondary | 0 | 0 |
| Sparsity | Primary | 0 | 0 |
| | Secondary | 0 | 0 |

5.3 Pupil Premium

5.3.1 The Pupil Premium Grant is additional funding provided by Government and is extra to the Dedicated Schools Grant apart from the Early Years PPG.

5.3.2 The Department for Education have maintained the same amounts per category for 2017/18 as occurred in 2016/17, and these are:

| PPG element | £ |
|--|------------------|
| Free School Meals 'Ever 6' - Primary | 1,320 |
| Free School Meals 'Ever 6' - Secondary | 935 |
| Looked After Children | 1,900 |
| Formerly Looked After Children | 1,900 |
| Children of Service Personnel | 300 |
| Early Years PPG | 300 |
| | (£0.53 per hour) |

5.4 Other Specific Grants

5.4.1 There are a number of grants provided by the Department for Education that are for specific purposes, and these include:

- **School Improvement** – the monitoring and brokering grant was announced in November 2016 and it is estimated that Bury's share in 2017/18 will be approx £147,000, rising to £¼ million in a full year.
- **SEN** - £136,000 for local authorities to make effective plans for the final year of the transition to the new SEND system.
- **SEN Strategic Planning Fund** - £83,000 to carry out a strategic review of the High Needs provision.
- **Universal Infant Free School Meals** – approx £2.2 million. This is based on a meal rate of £2.30 for the 2017/18 academic year, and the DfE will make further details available shortly.
- **Year 7 Catch-up Premium** –this will continue in 2017/18, and the DfE will make further details available shortly.
- **Primary PE and Sport** - this will continue in 2017/18. The DfE will continue to advise schools on sustainable and effective ways to use their funding, and will make further details available shortly.
- **Extended Rights for Home to School Transport** - this will continue in 2017/18, and the DfE will make further details available shortly.
- **Mental Health** – the government will announce shortly a series of steps to ensure children and young people get the support they need.

5.5 National Funding Formulae (NFF)

5.5.1 The Department for Education have recently issued the outcomes of their consultations on the various aspects of introducing a national funding formula for the following areas:

- Early Years
- Schools
- High Needs

We will host a number of seminars to explain in more detail the implications of the government's proposals well before the consultation deadline date.

5.5.2 **Early Years** – this part of the NFF will be introduced in 2017/18 and will include the increase in 'free entitlement' to 30 hours per week for working families.

5.5.3 **Schools** – the detailed aspects of the government's NFF were published prior to Christmas with a deadline date for responses to the proposals of 22nd March.

5.5.4 **High Needs** – the detailed aspects of the government's NFF were published prior to Christmas with a deadline date for responses to the proposals of 22nd March

6.0 **OPTIONS FOR BALANCING THE 2017/18 TO 2019/20 BUDGET**

6.1 The table at 4.7.3 highlights the need to make ongoing cuts to service budgets totalling **£31.879** million over a 3 year period in response to the Council's reduced funding position, and known pressures.

Three year approach

6.2 Given the scale of cuts already made, and further cuts required, options are now much more radical, requiring fundamental service redesign – a process which may not be possible within a single year.

6.3 The Council is therefore approaching this challenge within a 3 year timescale, recognising the longer lead-in time of some options, and accepting that temporary use of balances may be required between financial years.

6.4 A priority led model has been used again for the budget and seeks to allocate initial cuts targets between services according to the following factors;

- Link to Council Priorities
- Cost of Doing Business

- Mandatory Provision
- Local Political Priority

6.5 In examining ways of achieving cuts, Cabinet Members and Directors have been asked to question:

- The number of services that they provide
- The quantity of each service
- The quality of each service
- Alternative ways of delivering each service including the use of volunteers
- Options for increasing income

6.7 Directors and Cabinet Members have also been mindful of the Council's strategic "**Vision, Purpose & Values**" policy document in developing budget proposals;

- Change the public's expectations about what the Council can deliver
- Work more closely with individuals and communities to deliver services
- Provide a stronger focus on demand reduction
- Undertake an examination of alternative ways of delivering remaining Council services
- Change the way residents access services

6.8 The total proposed cuts for 2017/18 to 2019/20 are summarised by Department in the table below;

| Department | 2017/18 | 2018/19 | 2019/20 | Total |
|----------------------------------|---------------|--------------|--------------|---------------|
| | £m | £m | £m | £m |
| Communities & Wellbeing | 7.068 | 5.011 | 4.816 | 16.895 |
| Children, Young People & Culture | 3.200 | 2.269 | 2.181 | 7.650 |
| Resources & Regulation | 3.067 | 2.174 | 2.090 | 7.331 |
| Total | 13.335 | 9.454 | 9.087 | 31.876 |

6.9 Further details are included in the "Information Pack" at Appendix 4, which formed the basis of resident / stakeholder consultation.

6.10 The next section of this report expands further upon the approach taken to the consultation process.

7.0 CONSULTATION PROCESS

7.1 A full budget consultation exercise ran from 8th December 2016 to 31st January 2017 as follows;

- Participation via the Council website
- In writing
- By email
- Over the phone
- At township forums meetings
- At staff briefings

- Via meetings with union reps and at JCC meetings
- Discussions with special interest groups e.g. Carers Group

- 7.2 In total, **158** stakeholders engaged with the consultation exercise, generating **114** comments / responses; summarised at Appendix 5.
- 7.3 The Council is proud of its record on consultation and actively seeks to engage with the public and services users. The results of the consultation exercise have been analysed and Members must give the “product” of consultation conscientious consideration when taking a decision.
- 7.4 The council’s ongoing commitment to an open and transparent decision making process and consultation has allowed the council to involve the local community from the very start of the budget setting process and this approach supports the Council’s values of ‘putting residents first’.

8.0 RISK ASSESSMENT/ROBUSTNESS OF ESTIMATES

- 8.1 In line with the provisions of s25 of the Local Government Act 2003, the Interim Executive Director of Resources & Regulation as section 151 officer is required to make a statement about the robustness of the estimates made when setting the Council’s budget.
- 8.2 In doing this, the section 151 officer must consider the risk that is inherent in the budget strategy and the extent to which these risks are mitigated or accommodated by the Council’s planning and control mechanisms. This is done by examining four particular issues:
1. The degree to which the budget (and the Council’s reserves) are linked to the risks facing the Council
 2. The level of risk implicit in the individual elements of the Council’s budget
 3. Risks inherent in the budget strategy itself
 4. The strength of the Council’s internal control framework

8.3 Corporate risks

- 8.3.1 The Council has a robust risk management process that determines, assesses, manages, monitors and reviews risks that are both cross-cutting (corporate) and departmental in nature. For the purposes of corporate budget setting and management it is felt appropriate to utilise the corporate risks, given that there are explicit links between departmental and corporate risks. Departmental risk assessments are used in the management of individual Department’s budgets.
- 8.3.2 A Member-level Corporate Risk Management Group has been established to monitor the corporate risks and to assess the effectiveness of the mitigation action that has been identified. Provision has been made in the draft Budget to address these risks, or allowance has been made within balances to cover possible events that are out with of the Council’s control.

8.4 Risk implicit in specific areas of the budget

- 8.4.1 As far as income to the Council is concerned there are a number of key sources including Settlement Funding Assessment (Revenue Support Grant and locally retained business rates), Specific Grants, Council tax and fees and charges. In respect of Settlement Funding Assessment, the income stream is now known for the coming years; subject to a number of caveats.
- 8.4.2 As far as expenditure is concerned, the areas of greatest risk in the budget are those that are subject to demand fluctuations, and the increasing challenge of implementing "year on year" cuts.
- 8.4.3 The approach to managing the issues faced by the Children's Services and Adult Care Services budget has been strengthened in recent years focussing on the current budgetary position / strategy, and also future developments (Adolescent Support Unit, Extra Care Schemes) that are aimed at reducing costs, managing risks and restructuring services and care packages.
- 8.4.4 However it is clear that pressures in these areas are unlikely to diminish due to increasing demands arising from an ageing population, from increasing client expectations and from transitional cases from Children's Services. In recognition of the problems associated with managing such budgets provision has been made within the minimum balances calculation that is shown in the next section of the report.
- 8.4.5 Turning to income budgets, ring-fenced and other grants are properly allocated and accounted for in accordance with the relevant Government department rules and subject to rigorous external audit checking.
- 8.4.6 Council Tax collection is wholly within the control of the Council. The budgeted level of "in year" collection in 2017/18 is 97.05%, based on past, current and projected performance, and the heightened risk of collecting from empty properties and second homes. Collection rates will continue to be rigorously monitored, with particular emphasis on these areas and the Council Tax Support scheme.
- 8.4.7 Fees and charges (excluding Council House rents) are budgeted to raise over £50m of income in 2017/18 from almost a thousand sources. Of all the funding sources this is the area where there is greatest risk of under achievement. To assess the risk it is necessary to understand how relevant income budgets are constructed, fee levels determined, how the charges are made, income collected and recovery procedures applied.
- 8.4.8 Although the budget, through the operation of the cash ceiling scheme, makes a universal assumption that income generated from fees and charges will increase by 1% compared to the previous income budget, the increase in actual fee charging levels, is more responsive and policy-led. As a result, depending on the current income being achieved, market conditions and the particular activity, fees can be increased by more or less than 1%.
- 8.4.9 This means that individual service managers, who understand their part of the business best, are able to advise Members in respect of charging regimes and, once the fees and charges are agreed, are accountable for their efficient collection. Any under achievement of an income budget has to be managed by the service in question through the operation of the cash ceiling scheme. This

may mean reducing spending in related areas or even in other unrelated areas. All overspends at the end of a financial year are a first call on the following year unless agreed otherwise by Members.

- 8.4.10 It is clear from monitoring that has taken place during 2016/17 that the difficult economic climate continues to have a downward effect on various charging streams such as property services income, car park fees etc. It is important that this is considered by Members and Directors when the budget is set. There is provision within the minimum level of balances calculation to reflect this risk.
- 8.4.11 In terms of general expenditure budgets the single largest area of expenditure is on staff pay. There remains a clear indication from the Government that Local Authorities should continue to exercise pay restraint, and the 2017/18 to 2019/20 proposed budget makes a 1% provision per annum for a pay award. Members should note that there is a £0.8m provision within the Minimum Level of Balances (albeit on a one-off basis) to mitigate the impact in the event of a higher pay award; however the likelihood of this event has been downgraded to low.
- 8.4.12 An allowance has been built into the budget to contribute to the on-going cost of the minimum wage in terms of both the Council's pay bill, and the impact on bought in / commissioned services.
- 8.4.13 Staff account for a majority the Council's expenditure budget and the next significant areas of budget, in descending order of significance are:
- Supplies, services transport and contract payments
 - Housing and Council Tax benefits
 - Debt charges
 - Levies (Transport/Waste/Environment Agency)
- 8.4.14 Supplies and services etc. account for around 33% of the gross budget and the majority of this is subject to contractual provision. These contracts provide for food, oil, building and highway materials, IT equipment, stationery and external residential and supported accommodation for children, the elderly and people with learning and physical disabilities. The draft budget assumes a cash freeze on the individual budgets for such items although provision has been made for unavoidable inflationary costs (e.g. contractual commitments).
- 8.4.15 The Council exercises sound Treasury Management practices in line with professional guidelines. Interest rate predictions are up-dated regularly and action taken to mitigate any negative effects, wherever possible. The present downward trend in interest rates was anticipated and both investments and borrowing have been locked-in long-term (as far as prudence allows) at optimal market rates, so minimising risk. Members should note the increasing difficulty in securing a satisfactory interest yield as the number of institutions the Council can safely invest with is reducing. The Council has responded proactively to this through its Property Investment Strategy where the Council seeks to secure sustainable rental yields from investment in property.
- 8.4.16 For levies the budget has been set at the level recommended by the external bodies concerned.

8.5 Risks inherent in the budget strategy

8.5.1 There are specific risks inherent in the budget strategy relating to the radical overhaul of the system of Local Government Finance as follows;

- Many changes converged simultaneously, and within a very compressed timescale. Interpreting the impact and inter-action of these changes has been a significant challenge.
- The risk of raising and collecting business rates is now borne (100%) by the Council, and the local business rates yield now has a direct budgetary consequence. A prudent approach to the estimated yield has been adopted. The move to 100% Business Rates retention also presents opportunities to the Council if it is able to grow its Business Rates base.
- Similarly, the Council must now stand 100% of the cost of business rate appeals; this applies to appeals already lodged, and any that may be lodged in the future. Clearly the outcome of appeals is unknown, and cannot be estimated. The liability also has the potential to be backdated. Provision has been made within the budget to contribute to the cost of appeals.
- The localisation of Council Tax Support brings significant risks in the event that claimant numbers rise beyond the levels expected. A prudent approach has been taken in revising the Local Council Tax Support scheme – approved by Council in December 2016.

8.5.2 In addition, other more general risks still apply

- The capacity of the Council to respond to the level of savings required whilst maintaining essential services could be compromised. Over 450 staff have left the organisation since 2010. This risk cannot be eliminated, however can be mitigated by the Council's proven track record on performance management.
- Savings targets may not be achieved. This risk is mitigated by rigorous financial control / budget monitoring. The Council has a strong record of delivering a balanced budget and achieving a favourable outturn position. This approach includes the use of Star Chambers which ensure both Portfolio Holders and managers have a clear understanding and ownership of the budget and pressures in their area.
- Budgets may overspend during the year as a result of unforeseen pressures, or demand outstripping the levels originally anticipated. The budgetary control framework will give early warning of this, allowing remedial action to be taken where possible.
- Assumptions may prove to be inaccurate due to external influences, e.g. national economic conditions

8.5.3 Given the Council's strong record of performance and the strength of the budget monitoring process these risks are felt to be controlled for 2017/18. However it is important that this level of risk is mitigated and provision has therefore been made within balances to cover these items.

8.6 System of Internal Control

8.6.1 The Council has adopted a Governance Statement that concluded that there are no weaknesses in the authority's overall control framework and the Audit Commission has commented favourably on the framework. The Governance Statement and the control framework have been regularly reviewed, most recently by the Audit Committee on 25 January 2017, and no major issues have been identified.

8.7 Conclusion

8.7.1 In light of the above the Interim Executive Director of Resources & Regulation has made the following comment on the robustness of the estimates:

8.7.2 There can be no guarantee that expenditure will be contained within each and every budget. The nature of the Council's business means that varying demands will be faced during the year and under and over achievement will occur.

8.7.3 However, the aim should be that the budget in total is sustainable taking into account resources available, assumptions made, delivery of cuts options and the availability of reserves to mitigate "in year" pressures.

8.7.4 Estimates have been based on the best and latest information available and provision has been made within the minimum balances to meet unforeseen eventualities (see section 9 of this report). However the pace and scale of the current and future cuts in public spending is a major concern and this should be recognised in the approach adopted to the budget.

8.7.5 Close monitoring of the budget, together with responsive management action, will be necessary to ensure that income and expenditure remain within budget. However significant improvements have been seen in monitoring processes, particularly around the continued development of the Agresso system.

8.7.6 Service pressures have been identified by Directors and it will be necessary to evidence action that has been taken to mitigate any pressures that have not been funded. It will also be necessary to continue with the sound approach to risk management that the Council has adopted.

8.7.8 Finally, experience of past years has highlighted that a number of budgets face considerable pressure, particularly services reliant upon income generation, services for people with physical and learning Disabilities and out-of borough placements for children. These pressures are highlighted in the forecast outturn for 2016/17. It is essential that Members and management continue to address these pressures and implement the measures that have so far been identified.

8.7.9 Subject to;

- Confirmation of Settlement figures
- Unexpected demand pressures
- The achievement of budget cuts options over the three year period

And, in light of;

- The three year approach being taken to the budget
- The effectiveness of the Council's Internal Control framework
- The risk based provision made in the minimum level of General Fund balances
- The Council's overall reserves position

Then I as the section 151 Officer can state that I believe **the budget for 2017/18 to 2019/20 to be robust.**

This statement is in compliance with s25 of the Local Government Act 2003.

9.0 ADEQUACY OF RESERVES

9.1 Under the terms of Part 2 of the Local Government Act 2003, when setting the Council Tax the authority's s151 officer (Interim Executive Director of Resources & Regulation) is required to report on the adequacy of the authority's financial reserves. The s151 officer must determine a minimum level reserves and then report on the likely balance on that reserve at the end of the year for which the Council Tax is being set and at the end of the preceding financial year.

9.2 Reserves can be described as amounts that are set aside to meet unexpected changes in the budget and to finance occurrences that cannot be predicted. They usually result from events that have allowed sums to be set aside, surpluses to be made, windfall gains or decisions that have caused anticipated expenditure to be postponed. Reserves of this nature can either be spent or earmarked at the discretion of the Council.

9.3 A minimum level of reserves is required to mitigate the effects of such things as:

- Disasters
- Fluctuations in demand
- Changes in inflation
- Unforeseen movements in interest rates

9.4 There is no statutory definition of a minimum level of reserves and it is for this reason that the matter is left to the judgement of the s151 officer. In coming to a judgement on this matter the s151 officer needs to take into account matters such as:

- Risks inherent in the budget strategy
- Risk management policies and strategies
- Past financial performance i.e. does the authority have a history of containing spending within budget?
- Current budget projections
- The robustness of estimates contained within the budget
- The adequacy of financial controls and budget monitoring procedures

| | Risk | £000 |
|--|------|-------|
| Pay inflation Cushion: This represents a sum equivalent to 1%; over and above the level provided for in the 2017/18 draft budget. It should be noted that Pay Awards represent an ongoing cost, whereas use of reserves is only a one-off measure. | L | 700 |
| Non-Pay inflation Cushion: Should inflation suddenly rise after the budget has been set, this contingency assumes a 3.0% increase in inflation on non-discretionary items and that discretionary items will be kept within budget. | M | 900 |
| Interest Cushion: Given the fact that the cost of borrowing budget reflects a baseline position in respect of interest rates, that borrowing has been locked in and that the Capital Programme requires no new borrowing then risk in this area is felt to be on the up-side especially with short-term investment rates at an historic low. | M | 100 |
| Uncertainty of Income Cushion: Adequate provisions are made for bad debts, however, in the past some income budgets have not been achieved and therefore it is prudent to provide a contingency for all non grant income. | H | 400 |
| Business Rate Volatility Cushion: The Council now bears the risk for 100% of any changes in Business Rates yield (either through appeals, reliefs, or economic conditions). Historical analysis highlights the volatility of this income stream, and it is therefore prudent to provide a contingency. | H | 200 |
| Unpredictable and Demand Led Expenditure Cushion: The Council's budgets have had to be kept to a minimum level for a number of years. As a result, the flexibility to compensate for overspends, by reducing spending in other areas is limited. Conversely, significant investment has been made into 'high risk' budgets and this has helped to mitigate this risk. | H | 1,200 |
| Budget Strategy Risk Cushion: There is always likely to be a level of uncertainty around the Authority's ability to achieve savings options; this provision allows for slippage which is beyond the Council's control | H | 1,250 |

| | | |
|--|---|--------------|
| Emergency Expenditure Cushion: Provision must be made for the cost of emergencies that by their very nature cannot be predicted and for any uninsured losses. | L | 190 |
| Contingency for smaller emergencies e.g. highway collapse. | L | 190 |
| TOTAL | | 5,130 |

- 9.5 It is not expected that all of these possibilities would occur at one time and therefore the total can be reduced to reflect risk as shown in the table below:

| | Risk Level | Likelihood | Provision £000 | Max. Impact £000 |
|-----------------------------------|-------------------|-------------------|---------------------------|---------------------------------|
| Pay inflation cushion | L | 60% | 700 | 420 |
| Non-pay inflation cushion | M | 80% | 900 | 720 |
| Interest cushion | M | 80% | 100 | 80 |
| Uncertainty of income | H | 100% | 400 | 400 |
| Business Rate Volatility | H | 100% | 200 | 200 |
| Demand led expenditure cushion | H | 100% | 1,200 | 1,200 |
| Budget strategy cushion – savings | M | 80% | 1,250 | 1,000 |
| Emergency expenditure cushion | L | 60% | 380 | 230 |
| | | | 5,130 | 4,250 |

- 9.6 This would set the minimum balance requirement for 2017/18 at **£4.250m** and it is recommended that Members agree to retain the minimum level of balances at this level (the same as 2016/17), to reflect the risks inherent in the budget strategy, demand pressures, and the increasingly challenging budget reduction targets.
- 9.7 The forecast position on the General Fund balance at 1 April 2017 is shown in the following table:

| | £m |
|--|---------------|
| General Fund Balance 31 March 2016 per Accounts | 10.063 |
| Less : Forecast overspend 2016/17 | -2.831 |
| Less : Minimum balances to be retained in 2016/17 | -4.250 |
| Forecast Available balances at 1 April 2017 | +2.982 |

- 9.8 Members are reminded that whilst reserves above the minimum level can be released to support expenditure or reduce taxation they can only be used once. Reserves are most effective when used to support one-off items of expenditure; they should not be used to support on-going expenditure levels

and if they are, then Members are strongly advised to consider the implications for future years' budgets.

- 9.9 A review of earmarked Council reserves is to be undertaken in 2017/18 to validate the level of reserves held.

10. FUTURE YEARS

- 10.1 Announcements from the Government confirm that the deficit reduction plan will continue for the remainder of the Parliament, and there will be sustained pressure on Public Service budgets, coupled with increasing demand pressures.

- 10.2 Forecasting the potential impact is extremely difficult, and compounded by non-controllable factors such as;

- Business Rate yield
- Business Rate appeals
- Incidence of Council Tax Benefit Claims
- Inflation (Pay & Prices)
- Interest Rates
- Demand led cost pressures

- 10.3 Members are requested to be mindful of the challenges ahead when considering the 2017/18 – 2019/20 Budget, and also to support the three year approach to the budget.

COUNCILLOR JANE LEWIS

DEPUTY LEADER OF THE COUNCIL &

CABINET MEMBER FOR FINANCE & HUMAN RESOURCES

For further information on the contents of this report, please contact:

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ADVICE FROM THE ASSISTANT DIRECTOR OF LEGAL & DEMOCRATIC SERVICES AND INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION

1. INTRODUCTION

This note sets out in some detail Members' individual responsibilities to set a legal budget and how Members should approach the task.

It also reminds Members about the rules concerning personal and prejudicial interests.

The paper concludes with specific legal advice over aspects of the budget which potentially give rise to difficulties.

2. WHEN THE BUDGET MUST BE SET

Under Section 32 of the Local Government Finance Act 1992, budget calculations have to be made before 11th March, but they are not invalid merely because they are made on or after 11th March. The Localism Act 2011 includes amendments to the 1992 Act and requires the Council to calculate a Council Tax Requirement for the year, due to the referendum provisions if the Council Tax is increased above a prescribed level. However, delay in setting the Council Tax will have very serious financial consequences. It will render the Council vulnerable to legal proceedings requiring it to set the tax.

In any event, it is important that the tax is set well in advance of 1st April as no sum is payable for Council Tax until 14 days after the date of posting bills.

Serious financial losses will accrue very soon from a late setting of Council Tax as income is delayed and interest is foregone.

An important feature of Council Tax is that the statutory budget calculation must be followed exactly. If not, the Council Tax resolution will be invalid and void. Detailed advice will therefore be available at the Council meeting.

3. NOTICE

There is a requirement to publish notice of the amount set for Council Tax in at least one local paper within 21 days.

4. COUNCIL TAX REFERENDUM

Under the provisions of the Local Audit & Accountability Act, The Secretary of State has the power to require any billing or precepting Authority which sets an excessive Council Tax increase to hold a public referendum.

Any authority planning an excessive council tax increase will be required to prepare a 'shadow budget' based on the maximum non-excessive council tax increase allowed and they will also be required to inform the Secretary of State by notice.

The legislation requires the authority proposing the excessive increase ('the relevant authority') to prepare supporting factual material setting out the proposed council tax increase and budget, the comparative non-excessive council tax rise and shadow budget, and the estimated cost of holding the referendum. At the same time that bills are sent to council taxpayers, the billing authority will send this information, together with polling cards, to every registered local elector. Local councillors would of course be free to make the case for any excessive increase, but the relevant authority would be prohibited from campaigning on the issue.

If the proposed rise in council tax were rejected, the relevant authority would immediately adopt the shadow budget and transfers from the Collection Fund would be reduced accordingly. It would also be required to inform the Secretary of State by notice. The billing authority would be able to issue new bills immediately, offer refunds at the end of the year or allow credits against liability in the following year. However, consistent with existing legislation, billing authorities will be required to refund (and re-bill) any local resident who requests this.

5. MEMBERS' FIDUCIARY DUTIES

The obligation to set a balanced budget at the start of every year is shared equally by each individual Member. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer.

The budget must not include expenditure on items which would fall outside the Council's powers. Expenditure on lawful items must be prudent, and any forecasts or assumptions such as rates of interest or inflation must themselves be rational. Power to spend money must be exercised bona fide for the purpose for which it is conferred and any ulterior motives risk a finding of illegality. In determining the Council's overall budget requirement, Members are bound to have regard to the level of Council Tax necessary to sustain it. Essentially the interests of the Council Taxpayer must be balanced against those of the various service recipients.

Within this overall framework, there is of course considerable scope for discretion. Members will bear in mind that in making the budget, commitments are being entered which will have an impact on future years. Some such commitments are susceptible to change in future years, such as staff numbers which are capable of upward or downward adjustment at any time. Other commitments however impose upon the Council future obligations which are binding and cannot be adjusted, such as loan charges to pay for capital schemes.

Only relevant and lawful factors may be taken into account and irrelevant factors must be ignored. A Member who votes in accordance with the decision of his or her political group, but who does so after taking into account the relevant factors and professional advice, will be acting within the law.

Party loyalty and party policy are capable of being relevant considerations for the individual Member provided the member does not blindly toe the party line without considering the relevant factors and professional advice and without properly exercising any real discretion.

Under the Code of Conduct, members are required, when reaching decisions, to have regard to relevant advice from the Section 151 Officer and the Monitoring Officer. If the Council should fail to set a budget at all or fail to set a lawful budget, contrary to the advice of these two officers there may be a breach of the Code by individual members if it can be demonstrated that they have not had proper regard to the advice given.

6. ARREARS OF COUNCIL TAX AND VOTING

In accordance with section 106 of the Local Government Finance Act 1992, where a payment of Council Tax that a member is liable to make has been outstanding for two months or more at the time of a meeting, the Member must disclose the fact of their arrears (though they are not required to declare the amount) and cannot vote on any of the following matters if they are the subject of consideration at a meeting:

- (a) Any decision relating to the administration or enforcement of Council Tax.
- (b) Any budget calculation required by the Local Government Finance Act 1992 underlying the setting of the Council Tax.
- (c) Any recommendation, resolution or other decision which might affect the making of the Annual Budget calculation.

Members should note the following points:

- (i) These rules are extremely wide in scope. Virtually any Council decision which has financial implications is one which might affect the making of the budget underlying the Council Tax for next year and thus is caught.
- (ii) The rules do not apply just to full Council meetings but extend to committees and sub-committees of the Council.
- (iii) Members who make a declaration are not entitled to vote on the matter in question but are not prevented by the section from taking part in the discussion. However, where questions of enforcement are under consideration, Members with any arrears of Council Tax are likely to have a prejudicial interest under the Code of Conduct.

In these circumstances Members are disentitled from taking part in discussions as well as from voting, and must declare an interest whether or not their arrears have been outstanding for two months and must leave the room.

- (iv) Members will have a defence under section 106 if they did not know that the section applied to them (i.e., that they were in arrears to the relevant extent) at the time of the meeting. Thus unwitting Members who for example can prove that they did not know and had no reason to suppose at the time of the meeting that their bank has failed to honour a standing order will be protected should any prosecution arise.
- (v) It is not enough to state that a benefit application has been submitted which has not yet been determined, as Members remain liable to pay pending determination.

7. DISCLOSABLE PECUNIARY INTERESTS

Members are reminded that a dispensation was granted to all Members allowing them to participate and vote on setting the Council Tax or precepts under the Local Government Finance Act, notwithstanding that they may have a disclosable pecuniary interest by reason of having any beneficial interest in land within the Borough.

Personal and Prejudicial Interests

Under the Code of Conduct, a member will have a personal interest in an item of business if a decision in relation to that business might reasonably be regarded as affecting his or her well-being or financial position or the wellbeing or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision.

Any member with such an interest will, generally, have to declare that interest at the start of the agenda item. However, if the business of the meeting relates to or is likely to affect any of the following categories of people then you need only disclose to the meeting the existence and nature of that interest if you actually address the meeting on that business:

- i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;
- ii) any body exercising functions of a public nature.

A personal interest will also be a prejudicial interest, if it is one that members of the public, knowing the facts, would reasonably regard as so significant as to be likely to prejudice the Member's judgement of the public interest.

However, under the Code, a member will not have a prejudicial interest if the business under consideration — (a) does not affect your financial position or the financial position of a connected person (listed in paragraph 8 of the Code) nor (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any connected person or body. (There are other specified exemptions relating to school meals, council tenancies, allowances, etc).

If a member does have a prejudicial interest then the Member concerned must withdraw from the meeting and leave the room.

Members should seek early advice to avoid any confusion on the night of the meeting.

Dispensations

Dispensations are available in respect of prejudicial interests under the Code of Conduct but only in very limited circumstance and only from the Standards Committee. The Standards Committee can only meet on 5 clear days notice

and, unless certified as urgent, business can only be transacted if 5 clear days notice of it has been given.

8. RESPONSIBILITIES OF CHIEF FINANCIAL OFFICER AND AUDITORS' POWERS

Section 151 Officer and Monitoring Officer

Section 114 of the Local Government Finance Act 1988 places the Section 151 Officer under an obligation to prepare a report (to full Council) if it appears to him that the expenditure the Authority proposes to incur in a financial year is likely to exceed its resources available to meet that expenditure. A failure to take note and act on such a report could lead to a complaint. Similarly, the Council's Monitoring Officer is required to report to full Council if it appears to her that a decision has been or is about to be taken which is or would be unlawful or would be likely to lead to maladministration.

Under section 25 of the Local Government Act 2003 the Section 151 Officer is now required to report to the authority on the robustness of the estimates made for the purposes of the calculations required to be made by the Council. These are the estimates which the Cabinet is required to determine and submit to Full Council and are contained within this report.

However, if the Council were minded to agree a budget based on different estimates e.g. if Council did not agree with the estimates provided by the Leader/Cabinet then those estimates which the Council would adopt would effectively become 'the estimates' for the purpose of Section 25 and as such should be subject to a report by the Section 151 Officer.

External Auditors' Powers

Section 91 of the Local Government Act 2000 provides that an External Auditor may issue an "Advisory Notice" if he has reason to believe that an Authority is about to take a course of action which, if pursued to conclusion, would be unlawful and likely to cause a loss or deficiency. This power is to be used where the matter is significant either in amount or in principle or both. While the advisory notice has effect it is not lawful for the authority to implement or take the course of action in question unless it has considered the issues raised in the notice and given the auditor notice that it intends to proceed with that course of action in a specified period and that period has expired.

In addition, it is also open to the Auditor to apply for judicial review on any decision of an Authority or failure to act which it is reasonable to believe would have an effect on the accounts of an Authority.

9. SPECIFIC BUDGET ADVICE

Balances and Other Budget Calculations

A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular local authorities are required by section 32 of the Local Government Finance Act 1992 to calculate as part of their overall budget, what amounts are appropriate for contingencies and

reserves. The Council faces various contingent liabilities set out in the main budget report. Furthermore the Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. Members will need to pay careful attention to the advice of officers here.

In addition to advising on the robustness of the estimates as set out above, the Section 151 Officer is also required to report on the robustness of the proposed financial reserves. The same advice applies to these as to the other calculations required to be made by the Council. The Section 151 Officer's view of the level of reserves is contained within the report.

(Having considered the officer's report the Council is then required to *"have regard to the report"* but it is not required to adopt the recommendations in it. However, Members must demonstrate they have acted reasonably if they do not adopt the recommendations).

Alternative Proposals

If alternative proposals to those contained in this report are moved at the budget setting meeting, the Section 151 Officer will need to consider if the estimates or proposed financial reserves contained in this report are affected and whether a further report (which may be oral) is required under section 25 of the Local Government Act 2003. If the Section 151 Officer is unable to report on the estimates or the reserves because of the lateness of the alternative proposals then he will not be able to comply with this statutory requirement. The Act does not say what happens if this duty is not fulfilled and nor does it say whether the Council can set the budget without that advice. It follows from this then that there is no express statutory prohibition. However, the authority is at risk of a Judicial Review by an interested person e.g. a resident or the Audit Commission if the Council has failed to have regard to a report of the Section 151 Officer on the estimates and reserves used for its budget calculations.

Expenditure Charged to the Housing Revenue Account

Members will be aware that the Housing Revenue Account (HRA) is by law to be maintained separately from the General Fund and there are strict rules which determine to which account any expenditure must be charged. There are only very limited areas of discretion here. Members should bear in mind that if they wished to review any current determination which affects the apportionment of charges between the General Fund and HRA, they would need to do so on the basis of an officers' report and specific legal advice. The Housing Revenue Account must be maintained in balance throughout the year by Section 76 Local Government and Housing Act 1989.

GLOSSARY OF TERMS

Budget requirement

This is the amount each authority estimates as its planned spending, after deducting any funding from reserves and any income it expects to raise (other than from the Council Tax and general funding from the Government). The budget requirement is set before the beginning of the financial year.

Business rates

These rates, called National Non-Domestic Rates, are the means by which local businesses contribute to the cost of providing local authority services. Business rates income is now shared 50:50 between Government and Local Authorities.

Council Tax

A local tax on domestic property set by local authorities in order to meet their budget requirement.

Council Tax base

The Council Tax base of an area is equal to the number of band D equivalent properties. To work this out, the Government counts the number of properties in each band and works out an equivalent number of band D properties. For example, one band H property is equivalent to two band D properties, because it pays twice as much tax. The amount of revenue which could be raised by Council Tax in an area is calculated allowing for discounts, exemptions and the Local Council Tax Support scheme.

Council Tax bands

There are eight Council Tax bands. How much Council Tax each household pays depends on the value of their home.

Council Tax discounts and exemptions

Discounts are available to people who live alone and owners of homes that are not anyone's main home. Council Tax is not charged for certain properties, known as exempt properties, such as those lived in only by students.

Council Tax Referendum

Under the provisions of the Local Audit & Accountability Act, The Secretary of State has the power to require any billing or precepting Authority which sets an excessive Council Tax increase to hold a public referendum (see Appendix 2).

Reserves

This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending.

Revenue Expenditure

Expenditure financed by grant, locally retained business rates, council tax and use of reserves.

Revenue Support Grant (RSG)

The cash amount that the Government pays towards the general cost of Council services. The RSG is used to offset our general costs.

Ring-fenced grant

A grant paid to local authorities which has conditions attached to it, which restrict the purposes for which it may be spent.

Settlement Funding Assessment

A combination of Business Rates Baseline, Top Up, and Revenue Support Grant are which essentially represents the Authority's baseline income for the year – before Council Tax.

Specific Grants

Targeted or ring-fenced grants are sometimes referred to as specific grants.

Spending Power

The combined income for the Council - includes Settlement Funding Assessment, Council Tax income, and other specific grants. It should be noted that Specific Grants are conditional, and not available to support the wider Council Budget.