

Budget Proposals Report 2016-2017 – Update Information

Dear Members

Please find attached an update to the figures shown in the Budget Proposals report for 2016-17 which was presented to the Hub Committee meeting on Tuesday 1st December. This update takes into account the results of the recent announcement on 17 December of the Local Government Finance Settlement.

Funding Reduction Analysis

SFA is the term for Settlement Funding Assessment and is basically a Council's Revenue Support Grant and Business Rates funding added together.

The Finance Settlement announced the following 4 year figures for SFA:-

| Financial Year | Settlement Funding Assessment (SFA) | Which is made up of:- | |
|--------------------|-------------------------------------|-----------------------|--------------------------------|
| | | Revenue Support Grant | Business Rates Baseline Amount |
| 2015-16 (Baseline) | £2.623m | £1.215m | £1.408m |
| 2016-17 | £2.13m | £0.62m | £1.51m |
| 2017-18 | £1.76m | £0.22m | £1.54m |
| 2018-19 | £1.58m | Nil | £1.58m |
| 2019-20 | £1.63m | Nil | £1.63m |

So funding from Revenue Support Grant and Business Rates reduces by £0.99m over the 4 year period. Therefore Appendices B1 and B2 have been updated to reflect these figures. An allowance of an additional £30,000 for an anticipated business rates pooling gain has also been added into the modelling.

Rural Services Delivery Grant

The Council will receive rural funding through a separate Rural Services Delivery Grant. This is something that has been lobbied for through our work with SPARSE to reflect the fact that it costs more to deliver services in rural communities. The Council's grant allocations will be:-

| | |
|---------|---|
| 2016-17 | £114,658 |
| 2017-18 | £200,651 |
| 2018-19 | £286,645 |
| 2019-20 | £372,638 |
| 2020-21 | £400,000 (assumed to be of a similar value to 19-20 for modelling purposes) |

Council Tax Referendum limit

The settlement has confirmed that the maximum council tax increase remains at 1.99% for 2016/17 for WDBC, with no limit set for Town and Parish Councils.

Council Tax Freeze Grant

As expected, there has been no announcement on a Council Tax Freeze Grant scheme for the period 2016/17 and beyond. This is taken to mean that a freeze grant is not being offered for 2016/17 and beyond.

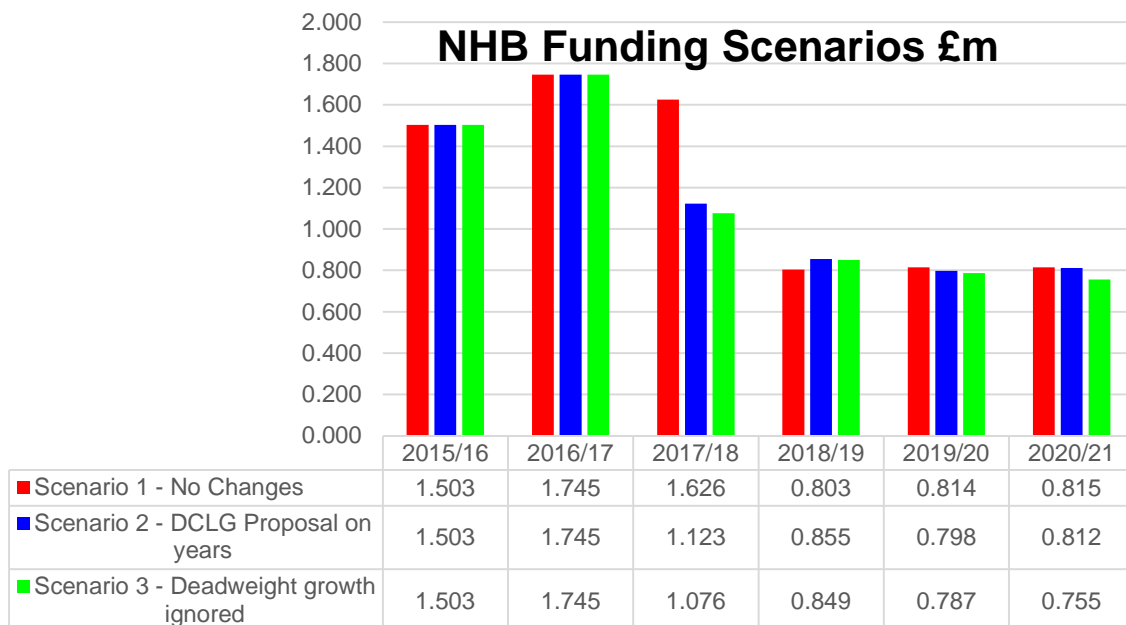
TaxBase

The TaxBase for 2016-17 has been confirmed at 19,828.33 Band D Equivalent properties. This is an increase of 371.33 Band D Equivalent properties from 2015/16. For future years, 2017-18 onwards, an increase of 300 Band D equivalent properties has been modelled, based on the fact that from 2015-16 to 2016-17 the TaxBase increased by 371.33.

New Homes Bonus

A New Homes Bonus consultation document has been issued (responses due by early March 2016). The Council will send a robust response to the consultation document.

The NHB amount for 2016-17 has been confirmed at £1,745,295 (£4K less than original predictions). Modelling for future years based on the proposals shown in the consultation document could see the NHB allocations for future years look like the following amounts:-



So if there were to be no changes to the NHB scheme (Scenario 1), the Council would receive in the region of £1.626m in 2017/18. However if the proposals to reduce the number of years from 6 years to 4 years (with 5 years for 2017/18) are introduced (Scenario 2), the Council would receive around £1.123m in 17/18.

Furthermore, if deadweight growth (0.25) is also removed – this is an assumed baseline growth - (Scenario3), then the NHB payments would further reduce to £1.076m in 2017/18. Payments would reduce to £0.755m by the year 2020/21.

The Council needs to use approx. £412,000 annually of NHB to fund its Capital Programme (for Disabled Facilities Grants and Affordable Housing Schemes). Therefore the amounts remaining that could be used to fund the Council's Base Budget are:-

| | |
|---------|----------|
| 2017/18 | £600,000 |
| 2018/19 | £400,000 |
| 2019/20 | £300,000 |
| 2020/21 | £300,000 |

(A contribution of £1,000,000 has still been assumed for 2016-17).

Therefore in 2016-17, New Homes Bonus looks like this:-

| | 2016-17 (£) |
|------------------------------------|-------------------------------------|
| Amount receivable | 1,745,295 |
| To fund the current Revenue Budget | (1,000,000) |
| To fund the Capital Programme | (412,000) |
| Dartmoor National Park allocation | TBA – (£20,000 previously modelled) |
| Balance remaining (not committed) | £313,295 |

Homelessness funding

The Finance Settlement has confirmed that homelessness funding under the Local Welfare Support Grant will cease in 2016-17 as anticipated. Therefore the cost pressure of £50,000 in 2016-17 is still required.

One off set up costs of the Trading Company

A further change to the figures shown in the December Budget Proposals report is that the one off set up costs of the Trading Company are now predicted to be in the region of £150,000 for each Council. Therefore the cost pressure has been increased in 2016-17 to reflect this. This would cover the following:

- Cost of the full business case and implementation plan
- Project management for implementation
- Legal advice
- Financial advice
- Setting up the contracts between the Councils and the company with all the associated schedules and specifications
- Novating contract and leases
- Setting up a new pension scheme and transfer/admitted body status for LGPS
- Setting up the payroll, accounts system, a separate bank account
- Transferring any systems
- Work associated with transfer of any assets
- Change management with staff
- Branding and marketing for the new company

Summary

Revised schedules for Appendices A, B1 and B2 are attached to this Briefing Note. These show the impact on the financial modelling of the results of the Local Government Finance Settlement.

Appendix B1 shows that in 2016/17 the Budget Surplus has reduced to **£324,852**. *(The uncommitted New Homes Bonus for 2016-17 of £313,295 is in addition to this).*

In 2017/18 there is a Budget Gap now of £691,575 and a further £383,218 in 2018/19. These figures are a lot higher than in the December 2014 report and are due mainly to a combination of the loss of Revenue Support Grant and New Homes Bonus funding in these years. The cumulative budget gap over the next 5 years is £1,090,277 (Appendix B1).

If council tax were to be frozen over the next five years, the cumulative budget gap increases to £1.5 million as shown in Appendix B2.

Prepared by Mrs Lisa Buckle, Finance Community of Practice Lead
(01803) 861413
5 January 2016