

Revenue Budget Proposals Report 2016-2017

Dear Members

Please find attached an update to the figures shown in the Budget Proposals report for 2016-17 which was presented to the Executive meeting on Thursday 10th 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)	3,137,000	1,406,240	1,730,760
2016-17	2,514,451	749,451	1,765,000
2017-18	2,045,393	245,393	1,800,000
2018-19	1,853,000	-	1,853,000
2019-20	1,912,000	-	1,912,000

So funding from Revenue Support Grant and Business Rates reduces by £1,225,000 over the 4 year period. Therefore Appendices B1 and B2 have been updated to reflect these figures.

The income predictions for Business Rates have been significantly reduced from the December 2015 figures, to reflect the Finance Settlement figures. Whilst in 2015/16 a higher figure than the baseline business rates figure was used to set the budget, the current risk of business rates appeals and downward fluctuations in the rateable value base of the Council, means that it would not be prudent to include higher predictions of business rates income at this point in time.

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	£100,754
2017-18	£176,320
2018-19	£251,886
2019-20	£327,451
2020-21	£350,000 (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 SHDC, with no limit set for Town and Parish Councils.

A 1.99% increase on the current Band D council tax of £145.42 equates to a £2.89 increase per year (Band for 2016-17 would increase to £148.31).

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.

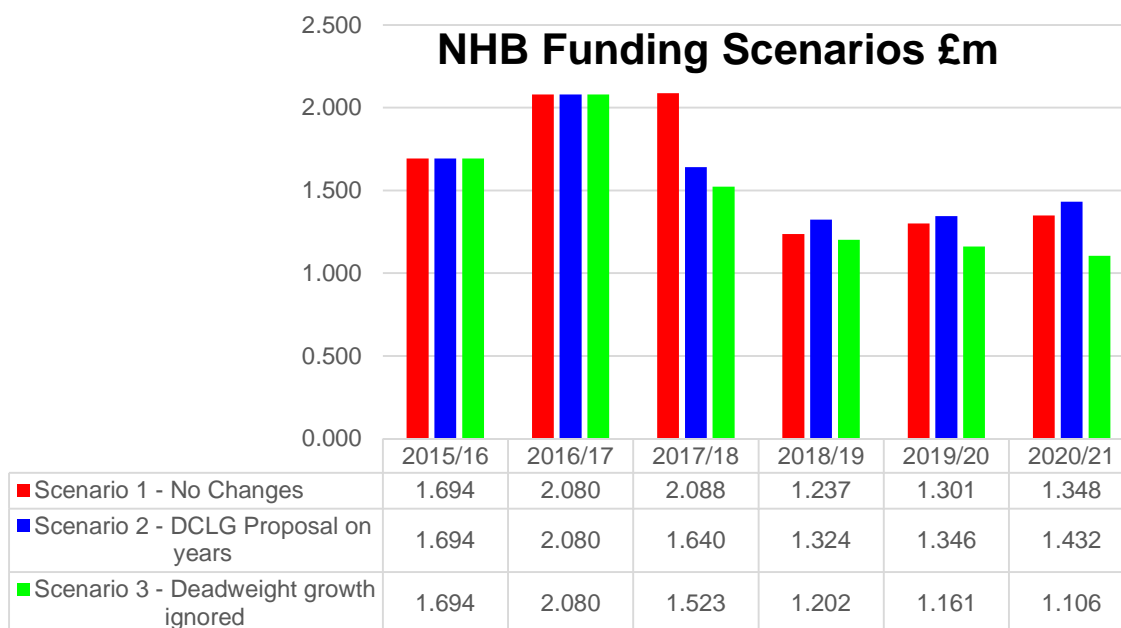
TaxBase

The TaxBase for 2016-17 has been confirmed at 37,003.99 Band D Equivalent properties. This is an increase of 397.11 Band D Equivalent properties from 2015/16. For future years, 2017-18 onwards, an increase of 400 Band D equivalent properties has been modelled.

New Homes Bonus (NHB)

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 £2,079,908 (£134,000 more 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 £2.088m in 2017/18. The NHB scheme allocations decrease by approximately 60% in future years due to the overall size of funding available for NHB decreasing by this amount. Therefore even if there were no changes to the scheme, there would be a scaling back of the payments made, so as to fit within the overall NHB budget totals – which are much less in 18/19 and onwards.

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 £1.64m in 17/18.

Furthermore, if deadweight growth (0.25) is also removed – (deadweight growth is an assumed baseline growth) - (Scenario3), then the NHB payments would further reduce to £1.523m in 2017/18. Payments would reduce to £1.106m by the year 2020/21.

The Council needs to use approx. £464,000 annually of NHB to fund its Capital Programme (for Disabled Facilities Grants and Affordable Housing Schemes) and a further £153,900 for the Community Re-Investment Scheme.

Therefore the amounts remaining that could be used to fund the Council's Base Budget are:-

2017/18	£900,000
2018/19	£500,000
2019/20	£500,000
2020/21	£450,000

The modelling in Appendix B1 and B2 still assumes a contribution from NHB of £500,000 per annum towards the revenue base budget, with this decreasing to £450,000 in 2020/21.

A contribution of £500,000 has still been assumed for 2016-17 as below.

Therefore in 2016-17, the possible use of New Homes Bonus is as follows:-

	2016-17 (£)
Amount receivable (confirmed)	2,079,908
<i>Possible uses of NHB:</i>	
To fund the current Revenue Budget	(500,000)
To fund the Capital Programme	(464,000)
Community Re-Investment Scheme	(153,900)
CAB Outreach Worker	(10,000)
Dartmoor National Park allocation	TBA
Balance remaining unallocated (currently not committed)	£952,008

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 £80,000 in 2016-17 is still required.

Treasury Management Income

The additional saving from treasury management income in 16/17 has been reduced from £50,000 to £25,000, due to interest rate predictions.

Trade Waste Service – Business rated domestic properties

In January 2016, the Council is writing to business rated domestic properties to advise of the implementation of charging for trade waste services. Customers will be sent a letter advising of this in January. The change of service could apply to approximately 2000 properties, 650 of which are already paying for a trade waste service from South Hams. Of the remainder (1,350 properties) our market share (based on our current market share) is likely to be between 30% – 45% and will deliver between £60,000 to £100,000 additional income for the trade waste service in 2016/17. As the take up levels are unknown, a conservative estimate of £50,000 income target for trade waste has been put into the 2016/17 budget process as additional income, with an extra £25,000 in 2017/18.

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

Further Information on Budget Proposals

In relation to some items on the Budget Report for 2016-17, requests for further information have been received. Please find attached below further information on the following items:-

An update on the Strategic Waste Review (this was verbally reported to the Audit Committee on 7th January 2016 following a request for information)

The waste strategy review group have already commenced work and are looking at future service delivery with the Waste Strategy and Commissioning Lead.

The work of the previous group included procurement of refuse vehicles, vehicle maintenance contract, sales of recyclable materials and haulage contracts which have all been completed. In cab technology procurement is about to be finalised. This was delayed as it was necessary to choose a system which could speak to the IT back office platform. Operationally there are some changes still to be implemented from the 2013/14 waste review.

Initially round changes were scheduled to take place last spring and relate specifically to properties which can be brought onto the wheeled bin scheme from a current sack collection on a weekly basis - at this time there was a significant resource pressure on the organisation due to the elections (Customer Service Team etc). Members therefore agreed to a deferral on this basis. The service was also understaffed in operations with an interim manager in place on a part time basis.

This is a major change which will affect all wards and therefore requires significant resource and planning for all areas of the business - operations, case management and customer services. It also has to be carried out ideally outside of main school holidays and bank holiday periods. It was understood that it was reputationally sensible to delay the change until after the T18 recruitment process had been carried out and the new model of working was embedded.

The group will be working on future efficiency saving waste projects as well as ensuring that the service continues to align with regional and national waste policy.

Current work includes discussion around recycling sack provision and looks at efficiencies which can be driven from strategic service design and income generation from areas of current free discretionary service (e.g. garden waste collections).

A request for further information on how the £230,000 affordable housing contribution will be spent. The £230,000 capital contribution is shown in the Capital Budget Proposals for 2016-17 report.

The Affordable Housing £230,000 contribution for 2016/17 will be used to invest in various affordable housing schemes across the district. These will include:

- Rural affordable schemes such as those delivered under our Village Housing Initiative.
- Bringing empty properties back into use as affordable homes – district wide.
- Developing shared housing for young people – aged under 35 years.
- Making better use of the existing housing stock – Tenants Incentive scheme – to encourage downsizing
- Addressing the need for Gypsy and Traveller housing
- Supporting community led housing projects, including self build.

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 **£262,240**. *(The uncommitted New Homes Bonus for 2016-17 of £952,008 is in addition to this).*

In 2017/18 there is a Budget Gap now of £519,576 and a further £411,043 in 2018/19. These figures are higher than in the December 2015 report and are due mainly to a combination of the loss of Revenue Support Grant and New Homes Bonus funding in these years, as well as lower estimates being included for income from Business Rates. The cumulative budget gap over the next 5 years is £1.396 million (Appendix B1).

If council tax were to be frozen over the next five years, the cumulative budget gap increases to £1.976 million as shown in Appendix B2.

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