

SUPPLEMENT TO THE AGENDA FOR

General Overview & Scrutiny Committee

Tuesday 13 December 2016

4.30 pm

**Council Chamber, The Shire Hall, St Peter's Square, Hereford,
HR1 2HX**

	Pages
7. DRAFT 2017/18 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) UPDATE	3 - 36
<p>A presentation on the above item is attached.</p>	

Budget 2017/18

Budget Presentation

GOSC

Tuesday 13 December 2016

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Budget 2017/18

- **Introduction and context**
- **Overview**
- **Key issues/changes**
- **Feedback from Scrutiny**
- **Response to consultation**
- **Next Steps**

Budget 2017/18

Statutory requirement

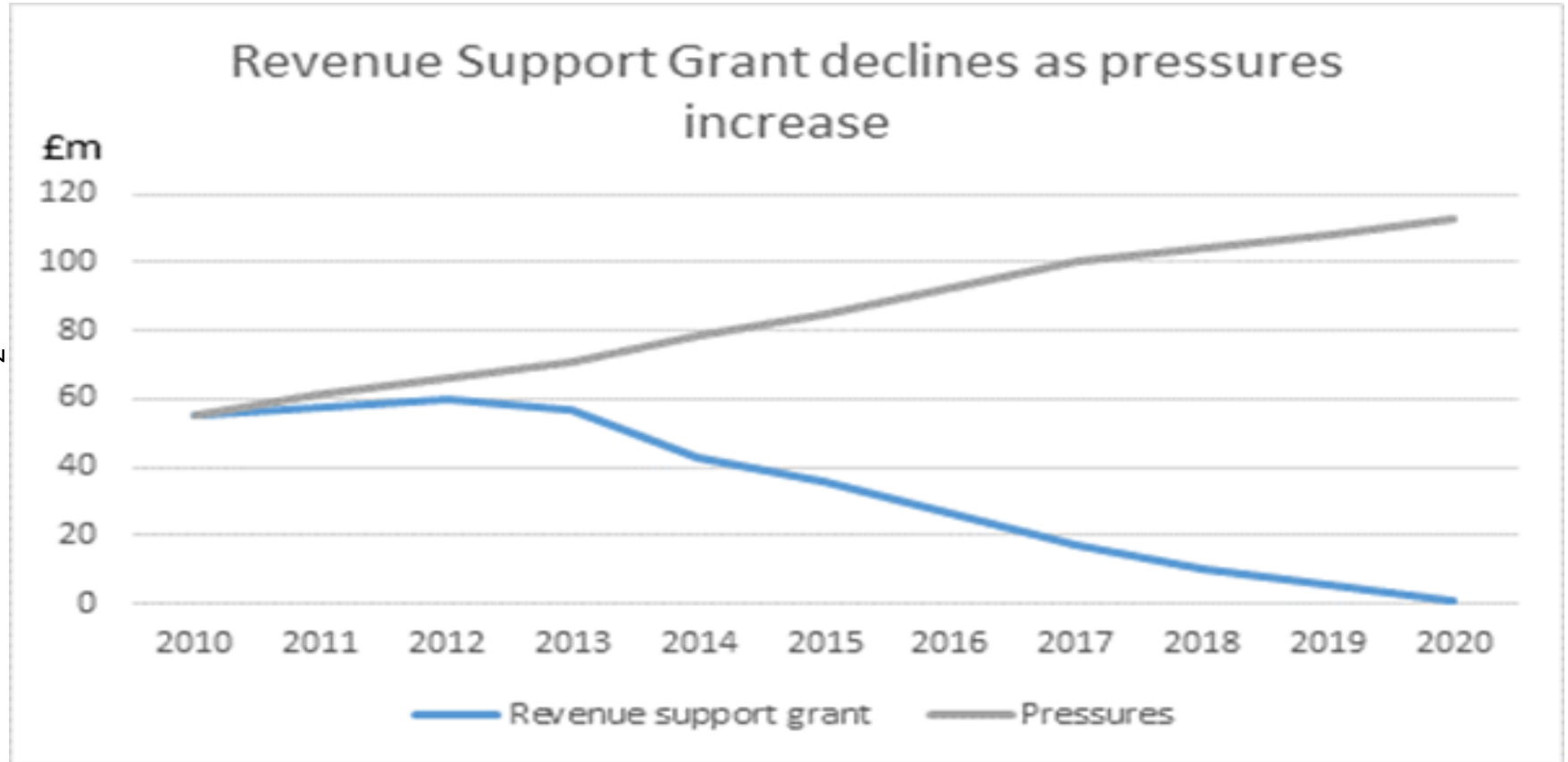
- All Local Authorities have a statutory duty to prepare a balanced budget and specifically:
 - Approve the Council Tax Base
 - Approve the rate of Council Tax
 - Approve the net spending limit for each major service element (Directorate)
 - Approve the Gross Revenue Budget

Budget 2017/18

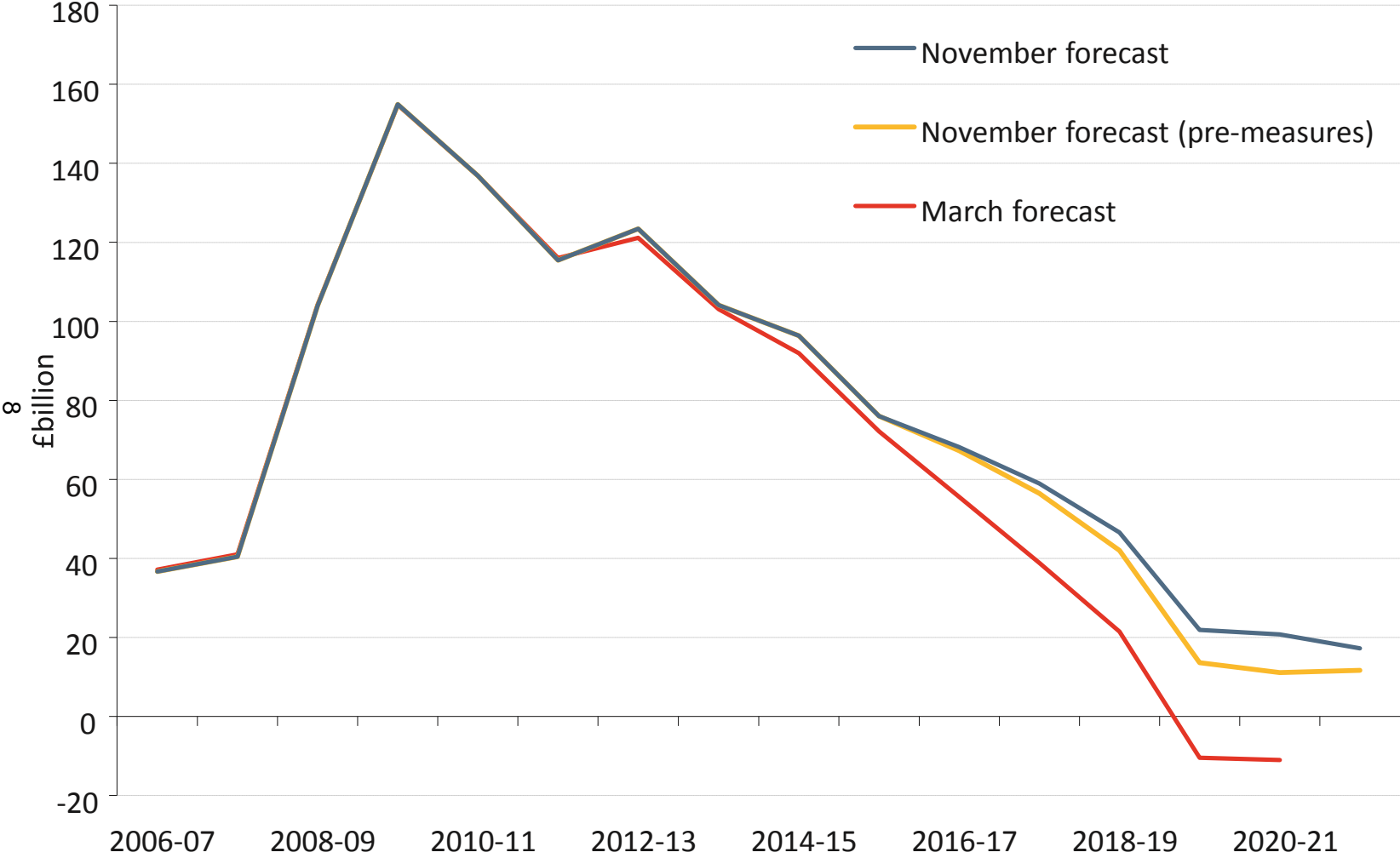
However, In order to fully understand the revenue budget, Council needs to consider:

- The Revenue Budget
- The Capital Programme
- The Treasury Management Strategy
- The Reserves Policy
- The longer term implications as set out in its Medium Term Financial Strategy

Budget 2017/18

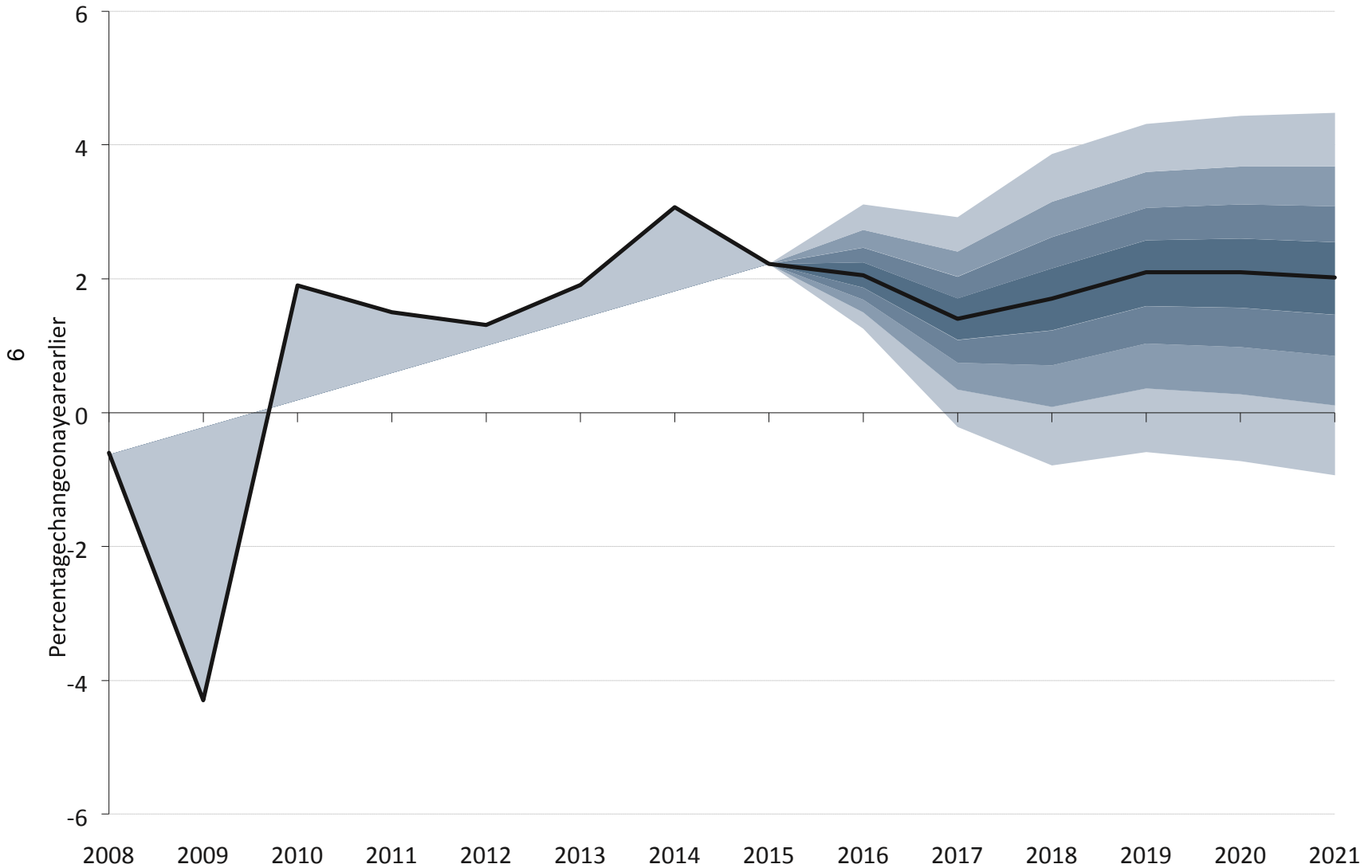


Public sector net borrowing- halved since 2010

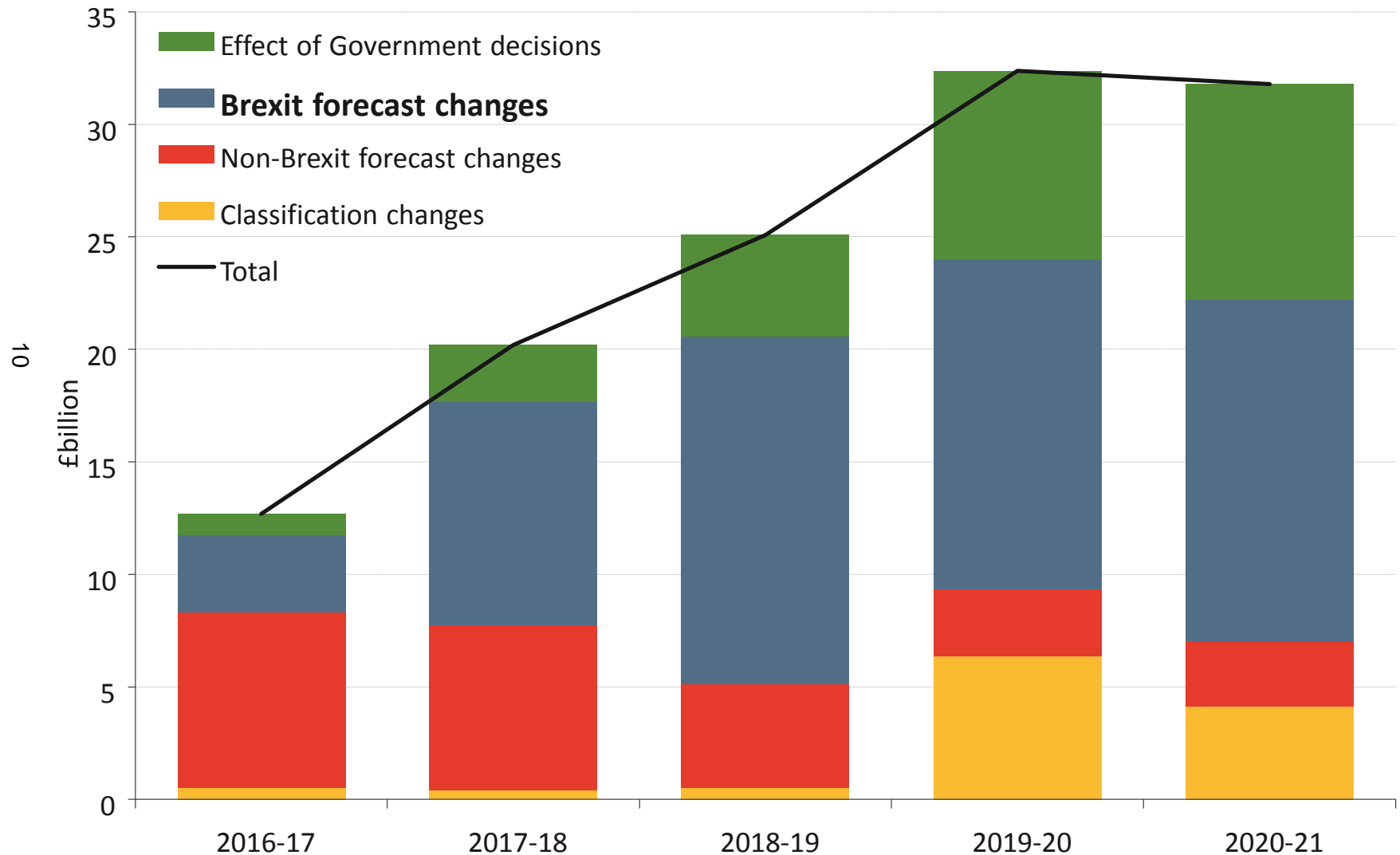


Source: ONS, OBR

Real GDP growth fan chart - anyone's guess but no recovery

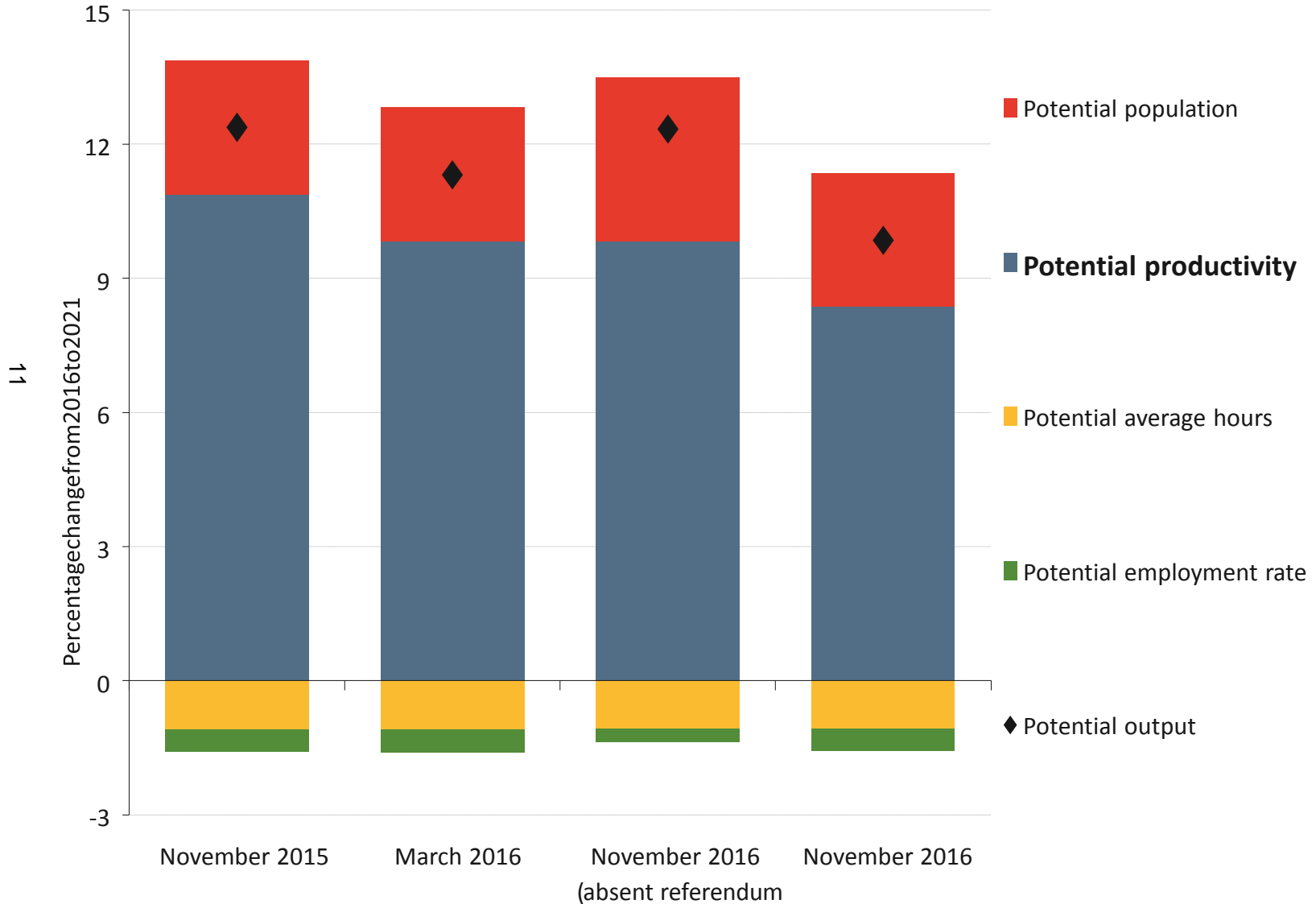


Sources of changes to public sector net borrowing since March – Brexit! What Brexit



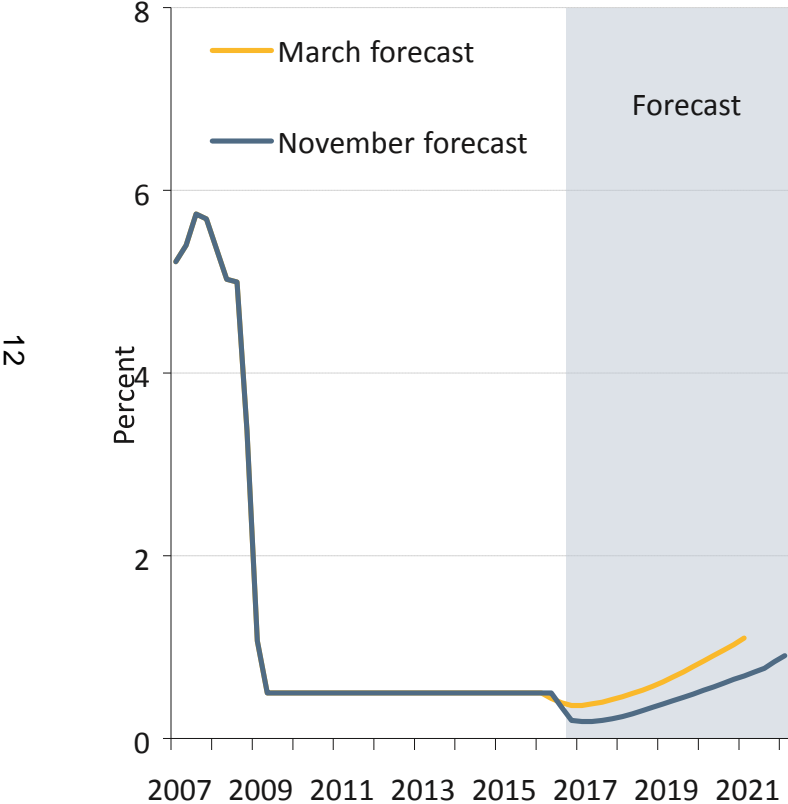
Source: OBR

Successive forecasts for cumulative potential output growth – productivity estimates continue to fall



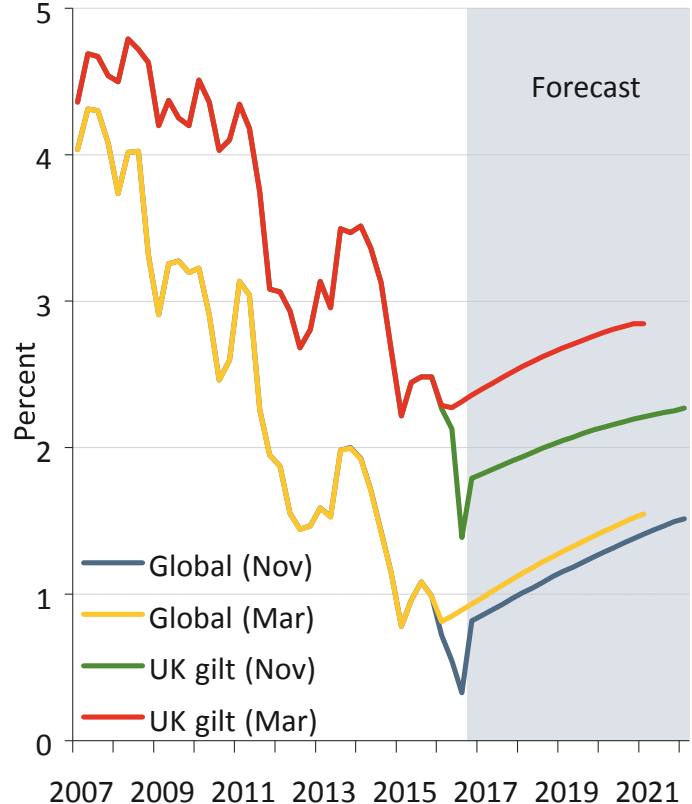
Outlook for Interest rates – rise delayed?

Bank Rate



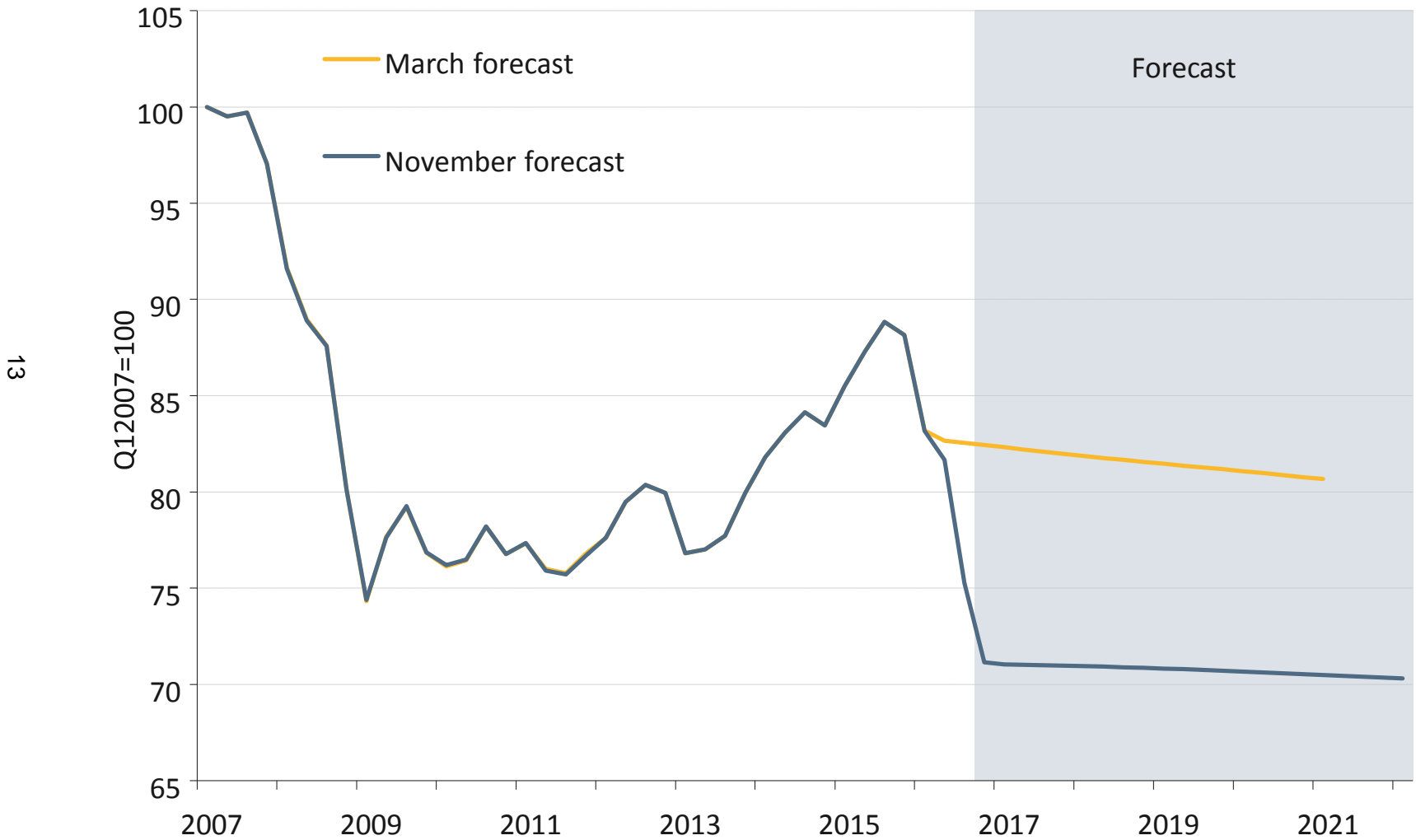
Source: Bank of England, Datastream, OBR

Global bond yields



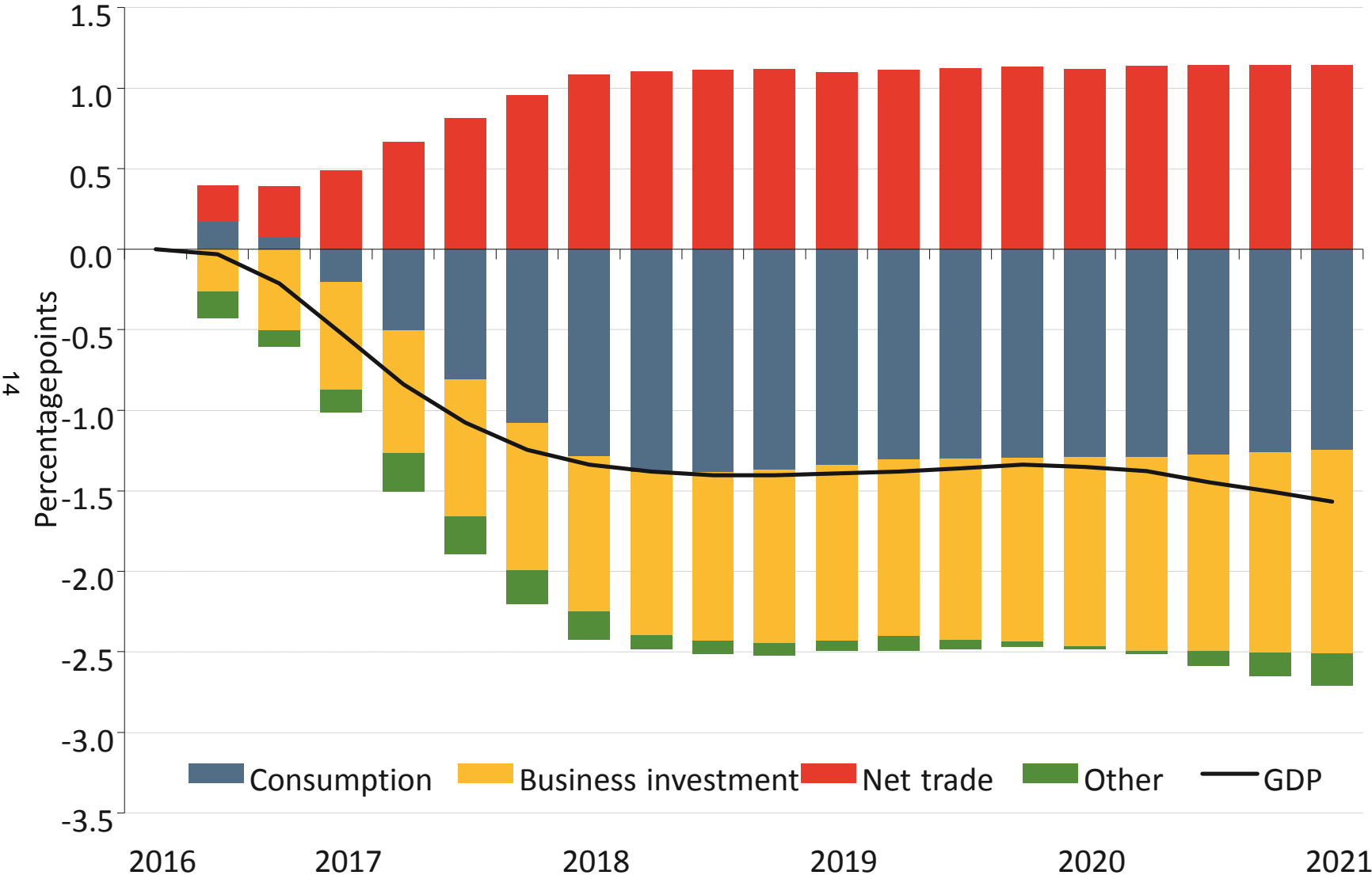
Note: 20 year gilts for UK, trade weighted bond rates for global.

Sterling exchange rate assumptions – Brexit?

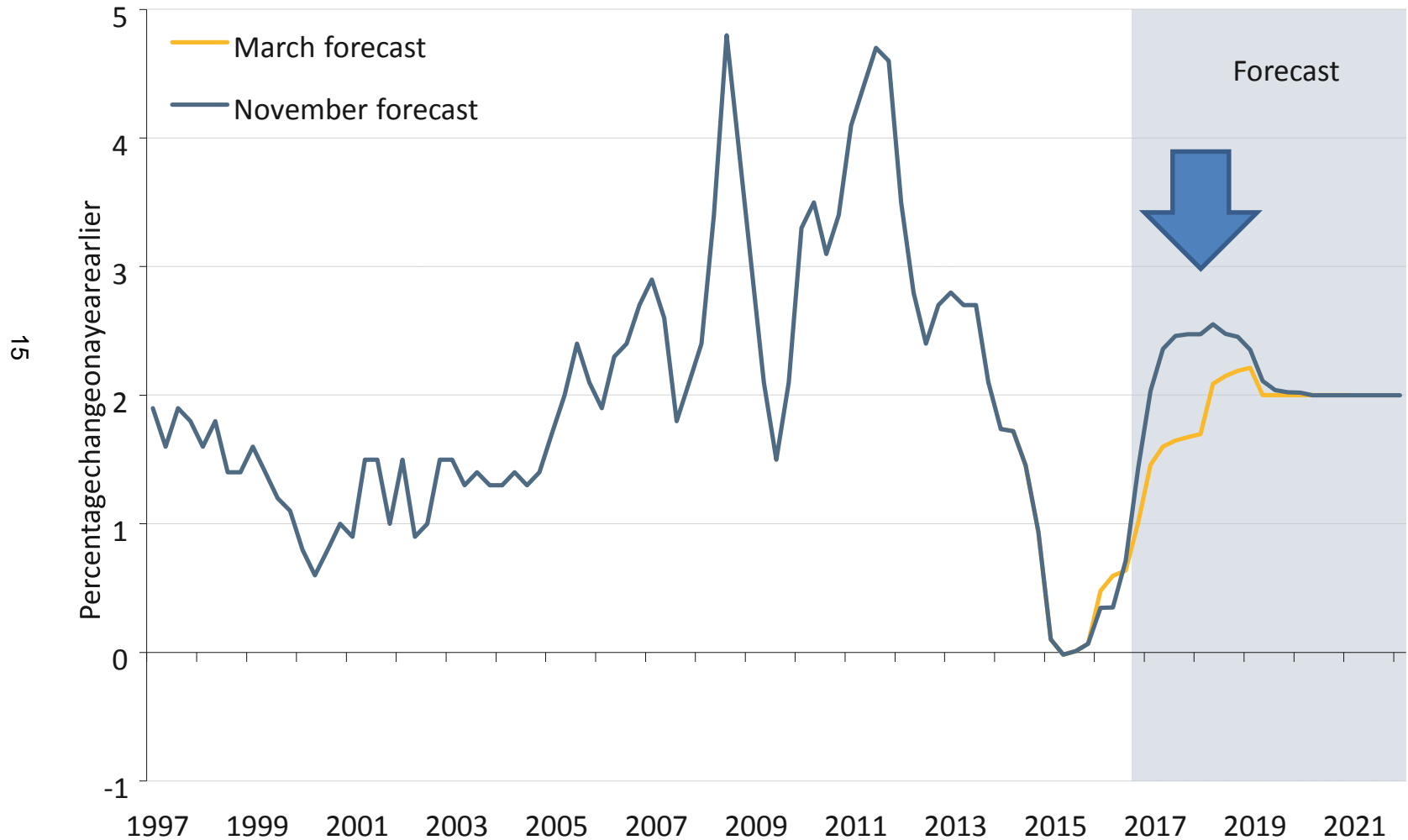


Source: Bank of England, Bloomberg, OBR

Expenditure contributions to the cumulative change in real GDP growth – the last years!



CPI inflation - the import led inflationary “lag”



Source: ONS, OBR

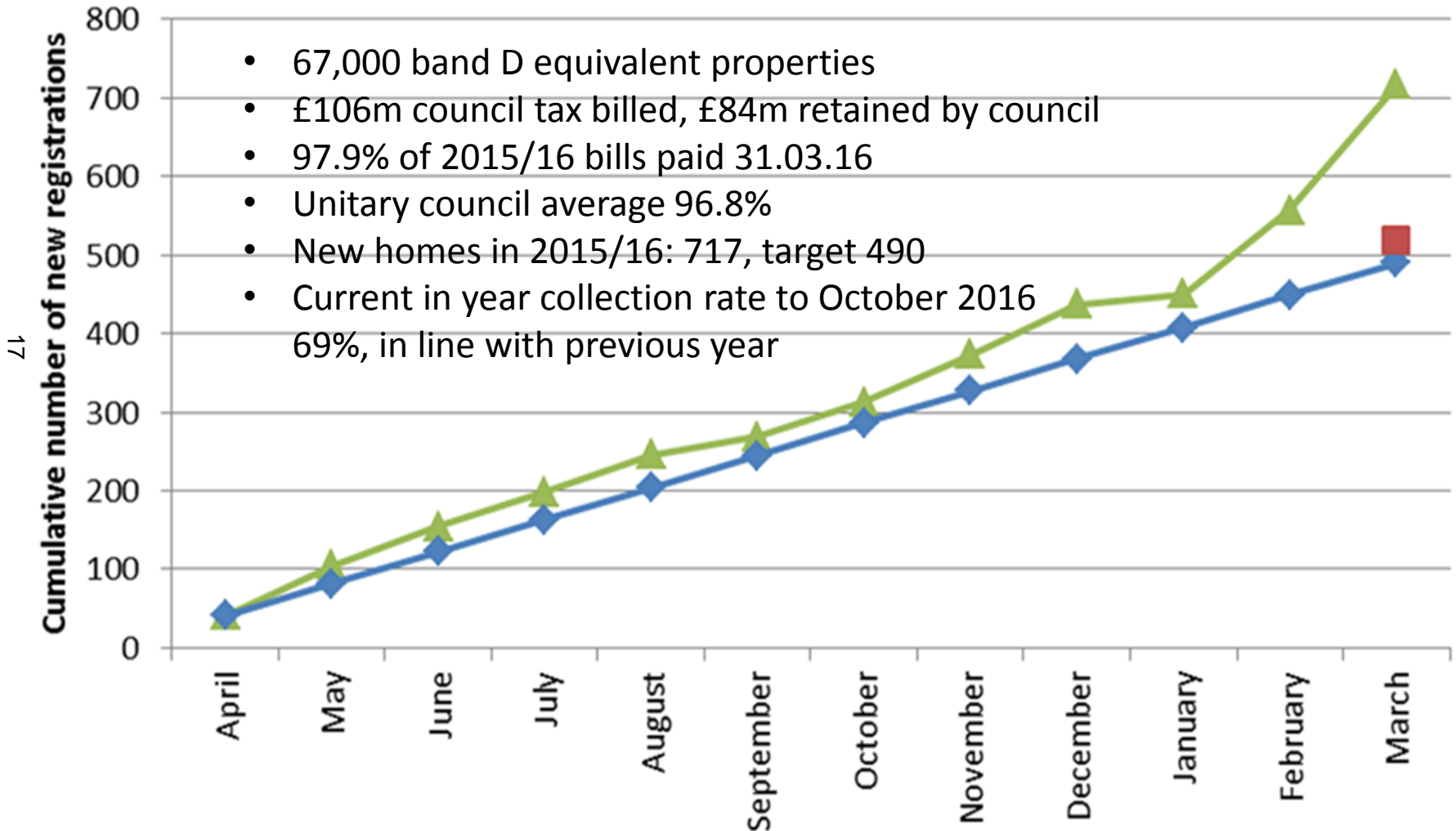
Budget 2017/18

Funding 2017/18 (no major changes from Autumn Statement settlement)

• Government Support Grant (RSG)	£10.1m
• Council Tax – still 3.9% rise	£92.9m
• Business Rates (top up/S.31 grant)	£32.6m
• Other Grants (RSDG, NHB, etc)	<u>£9.4m</u>
Total Income sets spending level!	<u>£145.0m</u>

New council tax registrations (cumulative)

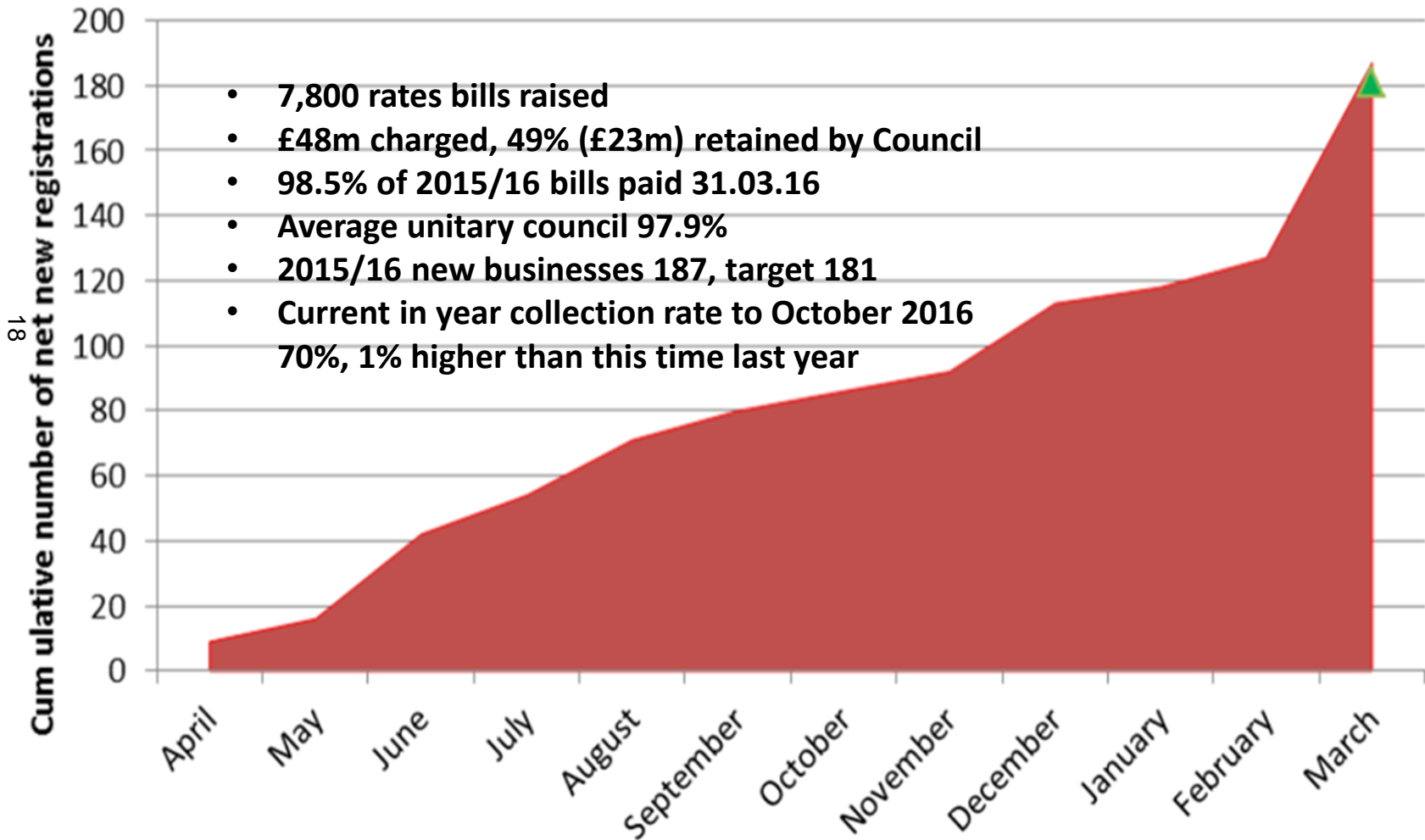
Actual Registrations Target 2014/15 outturn



Net new business rates achieved (cumulative)

Net new registrations (cumulative ytd)

2014/15



Other Budget Responsibilities

Net Budget

£145.0m

- Dedicated Schools Grant £116.6m
- Housing benefit £50.2m
- Other Grants £15.6m
- Better Care Fund £13.3m
- Public Health Grant £9.7m

Gross Budget

£350.4m

*majority of income passported through council

Fees and charges (included in net budgets)

Car parking	4,346,582.00
Rent charges	3,432,691.00
Planning, building control & land charges	3,178,566.00
Transportation	1,415,659.00
Crematorium fees	1,096,716.00
Trade waste	787,298.00
ICT	495,000.00
Licencing	406,928.00
Registrars	338,667.00
Adults wellbeing	225,000.00
Pest control	156,265.00
Total fees and charges	15,879,372.00

2016/17 Forecast Outturn

	Net Budget	November Variance	September Variance	Change to Forecast
Directorate Net Budget	£000	£000	£000	£000
		Over / (Under)spend	Over / (Under)spend	Adv/(Fav)
21 Adults and Wellbeing	51,865	595	670	(75)
Children's Wellbeing	22,341	495	533	(38)
Economy, Communities & Corporate	47,713	(510)	(418)	(92)
Directorate total	121,919	580	785	(205)
Other budgets and reserves	26,060	(580)	(300)	(280)
TOTAL	147,979	0	485	(485)

Budget 2017/18

Current Balanced Budget Proposal

2016/17 Base Budget

£148.0m

Pressures

£3.8m

Savings

(£6.8)m

2017/18 Base Budget

£145.0m

Funding Requirement

£145.0m

Budget 2017/18

Directorate Savings	2017/18	2018/19	2019/20	Total
	£000's	£000's	£000's	£000's
Adults and Wellbeing	2,400	1,950	1,500	5,850
Children's Wellbeing	1,159	1,572	1,050	3,781
Economy, Communities and Corporate	2,801	1,800	1,060	5,660
Corporate Savings	490	500	1200	2,191
Total Savings	6,850	5,822	4,810	17,482

Budget 2017/18

Adults and Wellbeing Savings Proposals	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Decommissioning block contracts/re-design	550	400	-	950
Reducing package costs and diverting demand	350	350	300	1,000
Price banding in 3yr settlement	200	200	200	600
Reducing costs of high cost packages in LD	700	700	300	1,700
Workforce re-design	200	200	600	1000
Early delivery of Public health savings	200	-	-	200
Income Generation Proposals				
Sale of beds to self-funders	50	-	-	50
Income generation- zero cost of telecare	150	100	100	350
Total Savings	2,400	1,950	1,500	5,850

Budget 2017/18

Children's Wellbeing Savings Proposals	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Manage contract inflation and secure contract efficiencies.	250	250	250	750
Reduction in the number of looked after children	566	822	450	1,838
Organisational structure to reflect the service requirements	243	350	200	793
Income Generation Proposals				
Accessing government grant to focus early help offer on the most vulnerable families, to reduce the need for higher cost services.	100	150	150	400
Total Savings	1,159	1,572	1,050	3,781

Budget 2017/18

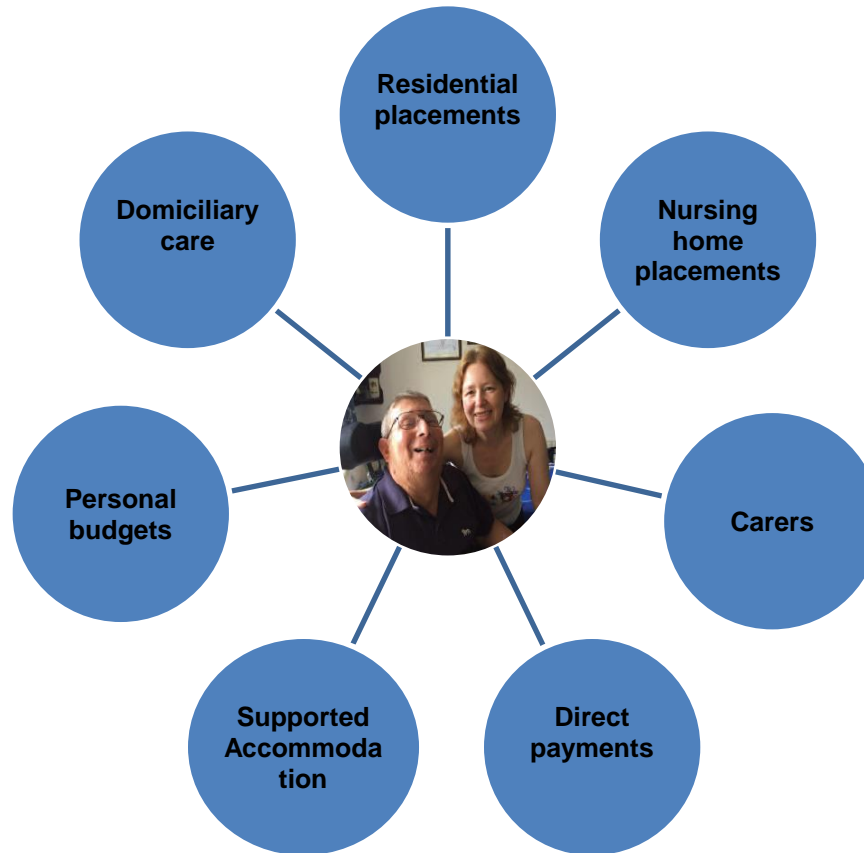
Economy, Community and Corporate Savings Proposal	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Restructure/Organisational re-design to generate staff savings	363	100	180	643
Reduced costs of ICT and accommodation costs through building rationalisation	530	450	250	1230
Restructure service delivery in Libraries, Customer Service centres, Museums and Archives	480	470		950
Removal subsidies to Parish councils	100	100	100	300
Reductions in public and community Transport	275	240	225	740
Public realm and energy savings	525	25	25	575
Museums and Heritage savings	100	150	250	500
Income Generation Proposals				
Increased income form commercial waste	30	30	30	90
Increased car parking income	397	235		632
Total Savings	2,800	1,800	1,060	5,660

Budget 2017/18

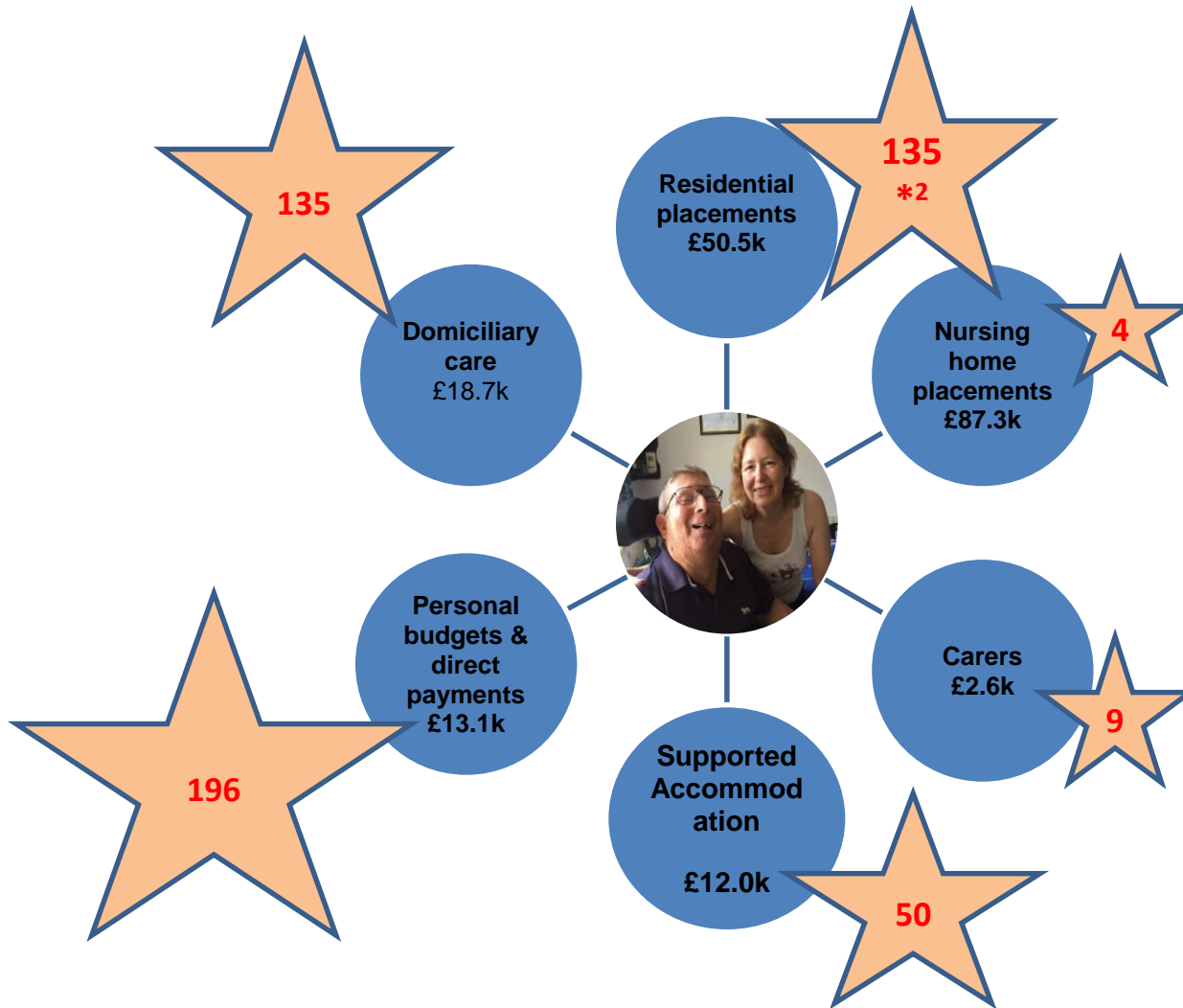
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Corporate Savings Proposal	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Savings arising from asset disposals and changes to CTRS (agreed in 2016)	442	400	1,000	1,842
Organisational re-design to generate staff savings	49	100	200	349
Total Savings	491	500	1,200	2,191

Services for working age people with learning disabilities



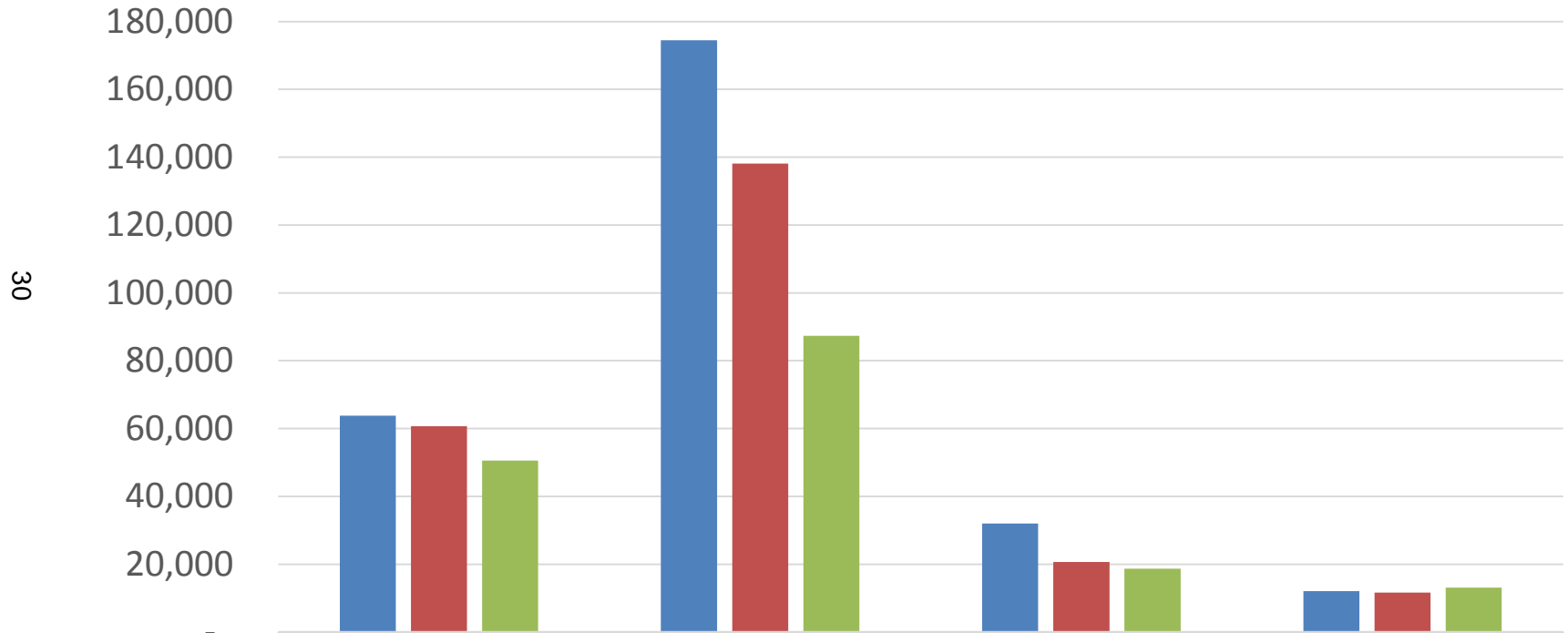
Average annual cost & numbers*¹ (2015/16)



*¹ Information for people with LD aged 18-64 based on average client numbers on spot purchase basis. Block contracts excluded
*² includes residential college placements

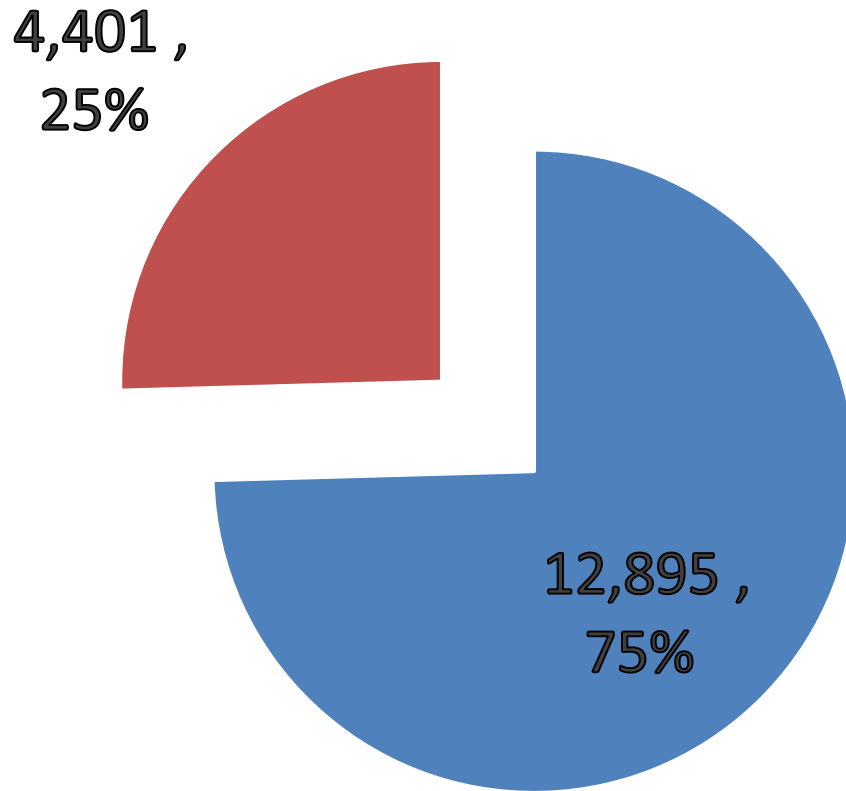
Average Cost Trends for LD Clients (18-64)

Average Spend on LD Clients (18-64)



	Residential	Nursing	Dom Care	PB/DP
13/14	63,769	174,464	31,958	12,063
14/15	60,705	138,090	20,653	11,653
15/16	50,552	87,308	18,691	13,126

LD Client Actual Net Spend 2015-16 by Age Band



Age Band	£000
18-64 Spend	12,895
Over 65 Spend	4,401
Total Spend	17,295

■ 18-64 Spend ■ Over 65 Spend

Budget 2017/18

- Feedback from Scrutiny Committees
 - Clarification re Adult Social Care savings and movement
 - Engagement with Parishes – need for a network
 - Cabinet response to consultation issues
 - Trends and clarity of changes

Budget 2017/18

- Consultation Responses
 - Increase Council Tax above 4%*
 - utilise RSDG
 - Parishes to charge for services/better networking
 - Improve support to businesses
 - savings from data management
 - real time GPS for buses

*Council Tax respondents represented a very small % of residents

Next Steps

Date	Action
14 November	Both scrutiny committees – initial review
23 November	Autumn Statement- no major changes
1 December	Cabinet – capital budget approved
13 December	2 nd Scrutiny Review - budget proposal
16 December	Council – capital budget
23 December	Settlement confirmed – nothing expected
19 January 2017	Cabinet – Budget, MTFS, TMS, Reserves
3 February 2017	Council – Budget, MTFS, TMS, Reserves
3 March 2017	Council – Council tax setting for precepts

Thank you !

