

Report title:	Budget 2017/18
Contains confidential or exempt Information?	NO - Part I
Member reporting:	Councillor Saunders
Meeting and date:	Cabinet 9 February 2017
Responsible Officer(s):	Russell O'Keefe – Strategic Director of Corporate and Community Services
Wards affected:	All

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Royal Borough
of Windsor &
Maidenhead

REPORT SUMMARY

1. This report sets out the Council budget for 2017/18. The priority in setting the budget has been to ensure the continued delivery of quality services for all residents, especially the most vulnerable, whilst the Royal Borough remains a low tax council. Specifically in 2017/18 increased investment is being made into:
 - Sustainable adult social care services;
 - Temporary accommodation for homeless residents;
 - Continuing the expansion of schools;
 - Additional parking and the new leisure centre in Maidenhead;
 - Expanding public access and capacity at York House in Windsor;
 - Children's social workers to reduce case loads;
 - Effective delivery of the Borough Local Plan and the handling of planning applications;
 - Maintaining the quality of public trees;
 - Increased funding of Early Years Pupil Premium;
 - Extra funding for voluntary organisations;
 - Home to school transport for pupils with special needs; and
 - National apprenticeship levy of 0.5% on payroll costs.
2. In 2016/17, the new adult social care precept was the maximum then permitted of 2%, adding £18.14 to band D council tax of £906.95. In 2017/18, the budget assumes the recently revised maximum of 3%, adding a further £27.75 to sustain the growing need for adult social care services.
3. Alongside priority investments such as adult care, the budget for 2017/18 also reflects the ongoing £5.9 million transformation programme presented to Cabinet and Council. This continues to deliver the services needed by residents in the most efficient and effective way.
4. The key impacts of the 2017/18 local government settlement are a new homes bonus of £3.7 million, an adult social care support grant of £0.5 million, a transition grant for £1.3 million and £4.8 million more dedicated schools grant, including increases for early years and special needs.
5. Fees and charges, including parking, are either not increased or are capped at the reference RPI inflation of 2% in September or are aligned where necessary to other councils.
6. The business rate relief for invigorating unoccupied retail premises will continue

in 2017/18 and also be expanded to include commercial and industrial premises.

7. Consequently the report recommends council tax band D is increased in 2017/18 by 0.95%, representing an increase of £8.62 on the £906.25 in both 2015/16 and 2016/17. 0.95% is significantly below the 1.99% permitted without the requirement of a local referendum and the reference RPI of 2%.
8. Band D council tax and adult social care precept together will be £961.46, which is £153 lower than the next lowest in 2016/17 across all unitary authorities in England and £244 lower than the next lowest Berkshire unitary authority in 2016/17.
9. Capital receipts from the Maidenhead regeneration programme over the next five to ten years justify additional borrowing in the short to medium term, to fund the preparatory investment in schools expansion, parking capacity, a new leisure centre, investments to consolidate regeneration and other infrastructure.
10. The draft proposals in the budget will secure a balanced budget and provide for a firm and sustainable financial basis for continuing to deliver all of the council's services.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Cabinet recommend to Council that they note the report and approve the:

- i) **Detailed recommendations contained in Appendix A which includes a Council Tax at band D of £915.57, including a 0.95% increase of £8.55.**
- ii) **Adult Social Care Precept of 3% (an increase of £27.75 on the £18.14 precept included in the 2016/17 budget) to be included in the Council's budget proposals, making this levy the equivalent of £45.89 at band D.**
- iii) **Fees and Charges contained in Appendix D are approved.**
- iv) **Capital Programme, shown in appendices F and G, for the financial year commencing April 2017.**
- v) **Prudential borrowing limits set out in Appendix L.**
- vi) **Business rate tax base calculation, detailed in Appendix O, and its use in the calculation of the Council Tax Requirement in Appendix A.**
- vii) **Head of Finance in consultation with the Lead Members for Finance and Children's Services is authorised to amend the total schools budget to reflect actual Dedicated School Grant levels.**

- viii) **Head of Finance in consultation with the Lead Member for Finance is authorised to make appropriate changes to the budget to reflect the impact of the transfer of services to Achieving for Children and Optalis.**
- ix) **Responsibility to include the precept from the Berkshire Fire and Rescue Authority in the overall Council Tax charges is delegated to the Lead Member for Finance and Head of Finance once the precept is announced.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1 The Council is obliged to set a Council Tax for the forthcoming year in order to provide sufficient revenue to carry out its statutory duties. The budget set for 2017/18 confirms the administration's commitment to continue the delivery of quality services for residents that are value for money. Residents will see priority services maintained with additional investment in key areas such as education, vulnerable residents including those qualifying for free school meals and regeneration.

2.2 The Royal Borough spends in the region of £300 million through the General Fund. Day to day council expenditure is funded through government grants, council tax, business rates, third party contributions and income from fees and charges. Around £80 million of this is spent on, and is ring-fenced to, schools.

Provisional Local Government Finance Settlement 2017/18

2.3 In the local government financial settlement for 2016/17 the Secretary of State for Communities and Local Government offered an opportunity for a four year financial settlement. The offer was accepted by the Royal Borough. The guaranteed minimum grant envelope covers the Revenue Support Grant, transitional funding and Rural Services Delivery grant allocations. In addition tariffs and top ups for the next three years will not be altered for reasons related to the relative needs of local authorities and in the final year (2020) may be subject to the implementation of the 100% business rates retention.

2.4 The 2017/18 local government finance settlement announced the core spending power figures for the period 2017/18 to 2019/20. Key items and the impact on the Boroughs finances include:

- Adult Social Care Precept: 3% +£1,851,000
- New Homes bonus: +£3,681,000
- Adult Social Care Support Grant: +£500,000
- Transition grant: +£1,263,000

Adult Social Care Precept

2.5 In 2016/17 the precept was set at 2%, equivalent to £18.14 on a band D property and in 2017/18 will be a further 3%, equivalent to £27.75, to sustain the growing need for adult care services.

New Homes Bonus

- 2.6 The Government have amended the scheme following consultation in 2016. Currently the scheme is based on six years. This will reduce to five years in 2017/18 and then to four years from 2018/19. The Government has also introduced a minimum level at which only growth in excess of the minimum will be rewarded. This has been set at 0.4% per annum of the council tax base; equivalent to 267 properties in the Borough. This will be exceeded.

Adult Social Care Support Grant

- 2.7 The changes made to the New Homes Bonus has allowed the government to divert funding (£241 million) from the New Homes Bonus into a new one-off grant to support adult social care, the Borough will receive around £500,000.

Transition Grant

- 2.8 In February 2016 the Secretary of State announced a series of measures, including a grant of £150 million, to ease the pace of reductions in central government financial support. The Borough's share for 2016/17 was £1.278 million and £1.263 million for 2017/18.

Additional areas within the financial settlement

School budgets

- 2.9 The Dedicated Schools Grants, DSG, has three blocks: early years, high needs and schools block. The Spending Review 2015 announced that a new national funding formula for the three elements of the DSG would be introduced for 2018/19. As the consultation does not close until March 17 there is unlikely to be an impact on the 2017/18 budget.
- 2.10 The Royal Borough's indicative DSG allocation for 2017/18 (including funding for academies) is £109.769 million, an increase of £4.8 million when compared with the 2016/17 final settlement. This is due, in the main, to increases in pupil numbers, the increase in children with special education and the introduction of the Early Years National Funding Formula.
- 2.11 The minimum funding guarantee continues at the same level as 2016/17, meaning that no school will see more than a 1.5% per pupil reduction in its formula budget when compared with 2016/17 allocations.

Apprenticeship Levy

- 2.12 Apprenticeships will be funded at a national level, through a levy from April 2017. All employers in the Untied Kingdom, with a pay bill over £3 million will be charged a levy of 0.5% on their pay bill. This equates to £280,000 for the Royal Borough.

Financial matters annual budget

Fees and charges

- 2.13 The proposed fees and charges for the period 2017/18 are shown in Appendix D. Generally charges are designed to increase at or below inflation.

Efficiencies and cost reductions

2.14 Over the past 5 years the council has reduced expenditure by over £30m. These reductions have been achieved by finding alternative and more cost effective ways to deliver the same or similar levels of service. This budget includes efficiencies and cost reductions totalling £5.945 million see Appendix E.

Council Tax

2.15 In 2016/17, the Band D combined council tax and adult social care precept was £925 which was £369 below the national average for Unitary Authorities (£1,294). This reflects a saving of nearly £25 million for local council tax payers available to be spent in the local economy.

2.16 This budget proposes an increase of 0.95% in council tax, well below the level of inflation announced in September 2016 RPI of 2%. Appendix I sets out the impact on different properties. The Council will, as in previous years, continue to operate its "Donate your Council Tax Savings" scheme.

Capital programme

2.17 In recent years, the council has avoided additional borrowing and related interest costs by funding some capital investments from available cash balances. This also anticipates the substantial capital receipts from the Maidenhead regeneration programme over the next five to ten years. As reported to Cabinet in November, it will become necessary during 2017/18 to increase borrowing in the short to medium term to fund investment which needs to precede the development of council land.

2.18 The council's capital expenditure is separate to revenue expenditure on services and is funded from a mix of government grants, third party contributions, capital receipts from the sales of assets and borrowing. The capital programme requires corporate funding of £23.7m see Appendices F & G.

2.19 There are a variety of regeneration initiatives either taking place or in development which will provide significant opportunities and benefits for the Borough, a number of these require Council capital financial involvement. Each initiative will have its own financing and governance structure which reports directly to the Council. The capital programme for 2017/18 provides for investment in:

- The continuance of the schools expansion programme
- Regeneration schemes, including Maidenhead Waterways
- Funding into the disabled facilities grant
- Maintaining the highways network
- Street lighting
- The re-provision of the Magnet leisure centre

2.20 In addition to the investments in the capital programme in this budget, the borrowing expectations for 2017/18 need to consider other capital proposals likely to come forward for approval during the year. As shown in Appendix N, this includes additional investments likely to be proposed and estimated to require funding of £58 million.

Capital finance

- 2.21 The Head of Finance has responsibility for financing the Capital Programme in the most cost effective way. The capital programme for 2017/18 relies on £23.7m of Council funding, however, use of recycled MRP and any capital receipts generated will reduce the impact on the Council's capital financing requirement. The proposed programme, including other proposals likely to come forward during the year increases the capital financing requirement by £74.3m. The capital financing requirement is a measure of the Council's need to borrow to be able to finance its capital spend. The capital financing requirement for 2017/18 is £143.6m.
- 2.22 All resolutions required to comply with the Prudential System are in line with the Treasury Management Report approved by Cabinet on 11 February 2010.

Business Rates

- 2.23 From 2013/14 local authorities have been able to share in any growth, as well as risk in expected collective rates and appeals against valuations, of business rates, as an incentive to encourage growth. It is the intention of government to return all business rates to local authority control in 2020.
- 2.24 Within the business rate retention system, the national non-domestic rate baseline and top up/tariff amounts have been revised to take into account the business rate revaluation of 2017. The medium term financial plan assumes 1% growth per annum as well as provision of discretionary relief to businesses falling into various categories.
- 2.25 It is intended to maintain all locally controlled rate reliefs for 2017/18 and in addition it is proposing extending the relief for invigorating vacant retail units to all commercial and industrial premises.

General Fund reserves

- 2.26 Taking account of the forecast year-end position the General Fund Reserves are estimated to be £6.33m inclusive of the Development Fund.

Collection Fund Balances

- 2.27 The council collects approximately £78m from Council Tax and £83 million from applying business rates. In 2015/16 the Council was one of the highest performing councils for council tax collection rates.
- 2.28 The Council must declare the likely balance on the Council Tax Collection Fund at 31 March 2017 as estimated in November 2016 and any balance to be shared between the Council, the Police and Crime Commissioner for Thames Valley and the Berkshire Fire & Rescue Service. On the appointed day the Royal Borough's share was declared at £2.615m (3%).
- 2.29 Under the Localisation of Business Rates legislation the Council is now required to prepare a similar statement for Business Rates. This statement shows a deficit payable by the Council of £1.001million (1.2%).

Treasury Management

- 2.30 The current Treasury Management policy was initially approved in February 2010 and varied by Cabinet in June 2010. In March 2014 Cabinet updated the list of approved counterparties when it added to it a group of the larger Building Societies. No further changes to the list are proposed, see Appendix M.
- 2.31 Interest on balances generated from treasury management provides an important source of income for the Council. Whilst signs of economic growth suggest that current interest rates will increase in the short to medium term, when compared to historic levels, but remain low.
- 2.32 For the last three years the Borough has, with Actuary and External Audit approval, prepaid its Pension Fund contributions using a Net Present Value calculation to show a benefit, equivalent to a 3.05% return on that prepayment in its revenue account.
- 2.33 As a consequence the budget assumes that the Royal Borough will earn £192k on its investments in 2017.
- 2.34 In setting the budget options have been considered, see table 1.

Table 1: Options

Option	Comments
Approve the proposals in this report. Recommended option	The Council is obliged to set a Council Tax for the forthcoming year in order to provide sufficient revenue to carry out its statutory duties.
Approve a modified budget with a higher level of revenue spend and Council Tax. Not recommended	A net increase in revenue expenditure of £607k would require an increase in Council Tax of 1%. Increases representing an increase of 2% or more in core Council Tax would require a referendum.
Approve a modified budget with a lower level of net revenue spend and Council Tax. Not recommended	Any proposals to reduce net expenditure would need to be accompanied by specific proposals so that Council could be assured that priority services are maintained.
Approve a modified Capital Programme Not recommended	Any proposals to adjust the capital programme needs to consider available funding. Any proposal that is not supported by grant or developer contributions will need to be funded from Council resources and as such will also have a revenue implication in the shape of financing costs.

3. KEY IMPLICATIONS

3.1 Table 2

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Services delivered within approved budget	Budget overspend >£250,000	Budget variance +/- £250,000	Budget underspend >£250,000 <£500,000	Budget underspend >£500,000	31 March 2018

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 The Borough's external auditors KPMG confirmed in their work on the 2015/16 accounts that the Council had "proper arrangements to secure economy, efficiency and effectiveness in its use of resources".

5. LEGAL IMPLICATIONS

- 5.1 The Local Government Act 2003 requires the Chief Financial Officer (Head of Finance) to report to Members as part of the budget setting process, on setting the level of council tax, the robustness of the budget presented and the adequacy of reserves. Appendix K sets out the main risks that may fall to be met from reserves and for which provision should be retained in the Council's account.
- 5.2 The budget has to be set in accordance with statutory requirements which include assurance from Strategic Directors that they have sufficient resource available to fulfil their various statutory obligations.

6. RISK MANAGEMENT

- 6.1 All measures proposed in the budget have been subject of a risk assessment in terms of deliverability and service impact. The assessment of General Fund Reserve includes an assessment of the financial impact of a range of economic and environmental factors, which may impact on the Councils budget. Some risks exist around Children's Safeguarding and Adult Social Care Budgets where demand is harder to predict.
- 6.2 The Business Rate Retention scheme has a risk/reward element built in. Whilst there are clear longer-term benefits for the Council from a growing local economy there are some risks associated with demolition of property prior to redevelopment and from local business failure (in terms of reduced Business rate revenue), which is now shared by the Local Authority.

Table 3: Risk

Risks	Uncontrolled Risk	Controls	Controlled Risk
Efficiencies not realised	Medium	Prudent level of reserves maintained	Low
Service pressures greater than recognised	Medium	Close monitoring of expenditure patterns	Low

7. POTENTIAL IMPACTS

7.1 This report contains a number of proposals related to staff or service provision and may involve changes to policy or service delivery. Equality impact assessments have been completed where appropriate.

8. CONSULTATION

8.1 Consultations have taken place with the local Chambers of Commerce in February 2017. The Leader of the Council and several Cabinet Members attended, together with Officers. The meetings served to consult on the proposals in this paper.

8.2 Comments of the Overview & Scrutiny Committees will be shared with Council.

9. TIMETABLE FOR IMPLEMENTATION

9.1 Residents will be notified of their Council Tax in March 2017. Budgets will be in place and managed by service managers from 1 April 2017.

Table 4:

Date	Details
14 March 2017	Residents will be notified of their Council Tax
1 April 2017	Budgets will be in place and managed by service managers

10. APPENDICES

- 10.1 Appendix A – Recommendations
- Appendix B – Budget summary
- Appendix C – Budget detail
- Appendix D – Fees and charges
- Appendix E – Budget pressures and savings
- Appendix F – Capital programme summary
- Appendix G – Capital programme detail
- Appendix H – Budget movement statement
- Appendix I – Parish precepts

- Appendix J – Medium term plan
- Appendix K – Reserves
- Appendix L – Treasury Management
- Appendix M – Lending list
- Appendix N – Cashflow projection
- Appendix O – NNDR1 (to follow)

11. BACKGROUND DOCUMENTS

11.1 None

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Councillor Saunders	Lead Member	04/01/17	09/01/17
Council Rankin	Deputy Lead Member	04/01/17	11/01/17
Councillor Dudley	Leader of the Council	04/01/17	12/01/17
Alison Alexander	Managing Director	30/12/16	31/12/16
Russell O'Keefe	Strategic Director	30/12/16	
Rob Stubbs	Section 151 Officer	N/A	Author
Terry Baldwin	Head of HR	30/12/16	
Andy Jeffs	Interim Strategic Director	30/12/16	
	Other e.g. external		

REPORT HISTORY

Decision type: Key decision	Urgency item? No
Report Author: Rob Stubbs, Head of Finance and Deputy Director of Corporate and Community Services 01628 796341	