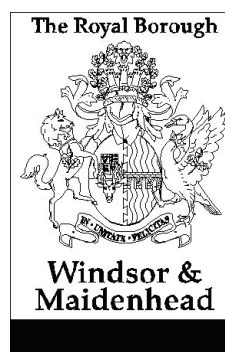


Report for: ACTION



<b>Contains Confidential or Exempt Information</b>	<b>NO - Part I</b>
<b>Title</b>	<b>Budget 2016/17</b>
<b>Responsible Officer(s)</b>	Russell O'Keefe, Strategic Director of Corporate and Community Services, 01628 796521
<b>Contact officer, job title and phone number</b>	Andrew Brooker, Head of Finance, 01628 796341
<b>Member reporting</b>	Councillor Dudley
<b>For Consideration By</b>	Council
<b>Date to be Considered</b>	Council 23 <sup>rd</sup> February 2016
<b>Implementation Date if Not Called In</b>	Council Tax Billing – 9 <sup>th</sup> March 2016
<b>Affected Wards</b>	All

## REPORT SUMMARY

1. This report set outs the Council budget for 2016/17. The budget confirms the administration's ongoing commitment to deliver quality services that provides for all residents and especially those who are most vulnerable. In 2016/17 significant increased investment can be seen in:
  - Adult services – to ensure the right level of services are provided to our older residents, especially those who are vulnerable and need support - £4.3m to fund costs associated with the increased number of residents requiring support.
  - Children's services - to buy high quality placements for our most vulnerable children who are in our care a further increase in the budget of £240k; and to cover the cost of home to school transport for children in the borough (especially those with special needs ) a further increase of £300k).
2. The budget ensures that the burden of locally set tax remains at a minimum for residents. The report recommends freezing council tax, at a band D rate of £906.95, its 2015/16 level. This represents a reduction of 12.6% in nominal terms over the last seven years and 31.4% in real terms, against Retail Price Index (RPI).
3. Whilst freezing 'core' council tax, central government has introduced, and assumed all local authorities will implement, a new 2% 'Adult Social Care Precept'. As the borough has seen a significant demographic growth of older

people over the last two years, which is expected to continue into the foreseeable future, it is sensible to implement the 2% 'Adult Social Care precept'. This will ensure that the increasing numbers of older people, in the borough, are supported to live independently for as long as possible through quality adult social care services. The Council is committed to supporting RBWM residents in their old age and this precept will help us deliver the high quality services our residents deserve and desire.

4. Over the last seven years, reductions in council tax have been possible through securing efficiencies. 2016/17 will be no different and the budget proposals include £5.726m of savings. Further savings totalling £14.6m will be possible during 2017/18 to 2019/20 through building on our transformation programme and continuing to deliver services differently and capitalising on the opportunities for economic growth across the borough, whether in housing or business. It is clear the borough has a healthy future and the budget represents our commitment to invest wisely to further grow the economy for our residents benefit.
5. The Budget has been prepared against a background of increased demand from:
  - Adult social care - demographic growth and inflationary pressures (£3.8m).
  - Increased cost of the removal of the national insurance "contracted out" rebate (£780k)
6. The capital programme in 2016/17 provides for increased corporate investment of £14.99m in a number of important areas, (full details are in point 4.8):
  - £2.5m for schools expansion (including Windsor Learning Partnership, Charters)
  - £1.6m for highway resurfacing
  - £3.7m for street lighting – LED upgrade
  - £365k for Participatory budgets
  - £3m for Maidenhead Waterways construction
  - £285k to meet the Councils commitment to Lower Thames Flood Relief scheme
  - £2.9m for the Broadway Opportunity Area
  - £500k for Maidenhead Station interchange design
  - £350k for Victory Field pavilion (joint initiative with Sunninghill & Ascot Parish C
  - £350k for new staffroom at Wraysbury Primary School
7. The capital programme requires corporate funding of £14.99m and whilst no external borrowing is envisaged in the short term this will increase the council's capital financing requirement by £10m. The Council has extensive land holdings and will optimise those for the benefit of the finances of the council and to further invest in services for residents.
8. The Medium Term Financial Plan sets out the continuing financial challenges that the Borough faces over the next 4 years, it also shows the commitment to the building of much needed new homes. The Medium Term Financial Plan assumes 820 additional properties (1000 band D equivalents) will be built each year. To ensure a robust Borough Local Plan exists to facilitate this growth the Borough has allocated £679k in 2015-16 from its Development Fund. This will enable the necessary studies to be carried out that allow sites such as Maidenhead Golf

Club and St Clouds Way to be considered for future development.

<b>If recommendations are adopted, how will residents benefit?</b>	
Benefits to residents and reasons why they will benefit	Dates by which residents can expect to notice a difference
1. Residents will see priority services maintained with provision for increased demand in specific service areas	Ongoing in 2016/17
2. Residents will see investment in key areas including schools and services for children and highways and street lighting.	Throughout 2016/17

## **1. DETAILS OF RECOMMENDATIONS**

### **RECOMMENDATION:**

- i. That the detailed recommendations contained in Appendix A, which includes a Council Tax at band D of £906.95, be approved.**
- ii. That an Adult Social Care Levy of £1.191m be included in the Council's budget proposals, this levy being equivalent to £18.14 at band D.**
- iii. That Fees and Charges as contained in Appendix B be approved.**
- iv. That the Capital Programme shown in Appendices C and D be adopted by the Council for the year commencing April 2016.**
- v. That responsibility is delegated to the Cabinet Prioritisation Sub Committee to identify specific scheme budgets for the Highway Maintenance programmes as soon as project specifications have been completed.**
- vi. That authority is delegated to the Head of Finance in consultation with the Lead Members for Finance and for Adult Services and Health to add up to a further £325k to the budget for Disabled Facilities Grant once demand for those grants has been established and to add a £325k increase in Disabled Facilities Grant to the Better Care Fund (see paragraph 3.40).**
- vii. That the prudential Borrowing limits set out in Appendix L are approved.**
- viii. That Council is asked to note the Business Rate tax base calculation detailed in Appendix P (to follow) and its use in the calculation of the Council Tax Requirement in Appendix A.**
- ix. That the Head of Finance in consultation with Lead Members for Finance and Education, is authorised to amend the Total Schools Budget, to reflect actual Dedicated Schools Grant levels.**
- x. That the Head of Finance in consultation with Lead Members for Finance and Education, the Managing Director and Strategic Director for Adult, Children and Health Services and the School Forum is authorised to approve subsequent allocation of the Schools Budget in accordance with**

the 2016/17 funding formula<sup>1</sup> and the Schools Finance and Early Years Regulations 2015.

- xi. That 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 as soon as the precept is announced.
- xii. That the revision to the Council's Minimum Revenue Policy set out in paragraph 3.43 be approved.

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

Option	Comments
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	Note
Approve the proposals in this report	<b>This is the recommended option</b>
Approve a modified budget with a higher level of revenue spend and Council Tax	A net increase in revenue expenditure of £607k would require an increase in Council Tax of 1%. Increases representing an increase of more than 2% in core Council Tax would require a referendum. <b>This is not recommended</b>
Approve a modified budget with a lower level of net revenue spend and Council Tax	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. <b>This is not recommended</b>
Approve a modified Capital Programme	Any proposals to adjust the capital programme need to be made with reference to available funding. Any proposal that is not supported by grant or developer contributions will need to be funded from Council resources. An additional £1m in Council funded capital expenditure will have revenue implications in the shape of financing costs of £27.5k in the coming year and £85k pa over the next 25 years. <b>This is not recommended</b>

## 3. KEY IMPLICATIONS

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered
Services	Budget	Budget	Budget	Budget	31 March

<sup>1</sup> The funding formula was submitted to DfE for ratification on 21<sup>st</sup> January 2016 following consultation with Lead Members, Schools, and the Schools Forum

delivered within approved budget	Overspend >£250k	Variance +/- £250k	Underspend >£250k < £500k	Underspend >£500k	2017
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## Grant Settlement

- 3.1 The Comprehensive Spending Review announced in the Autumn, set out plans by the government to give councils more powers and freedom over decision making in their local areas to grow their local economy, protect the vulnerable and provide quality local services. This included from 2020 the ability to keep money from business rates collected from shops and businesses, to spend on local priorities.
- 3.2 The Minister's statement in Parliament set out that local government would have more cash at the end of the four-year period than in the current year. For this to apply to the Council would, require that council tax be raised by the 4% per annum allowable under the revised referendum guidelines alongside an increased tax base (more properties).
- 3.3 The Government announced a consultation on changes to the New Homes Bonus which involves plans to reduce by a third the amount of grant paid and measures to stop paying NHB to authorities that have not submitted a Borough Local Plan from 2017-18 (which the Borough will have done) and to remove from the calculation any properties built following an appeal to an initial refusal of planning permission.
- 3.4 A description of the overall settlement is contained in a report produced by LG Futures which is available on the Borough website at:

[http://www3.rbwm.gov.uk/downloads/file/877/2016-2017 -  
provisional local government finance settlement](http://www3.rbwm.gov.uk/downloads/file/877/2016-2017_-_provisional_local_government_finance_settlement)

The impact of the settlement has been to significantly reduce the level of actual grant support available from the Government to local authorities but to give them more freedom to raise revenue locally. The spending power comparisons published imply that the current local taxpayer: government funded ratio changes from the current 67.6:32.4 in 2015/16 to 83.8:16.2 by 2019/20 a clear shift from national taxpayer to local taxpayer. In the announcement in Parliament of the final grant settlement on 8<sup>th</sup> February 2016 the Secretary of State announced a number of measures designed to "ease the pace of reductions during the most difficult first 2 years of the settlement for Councils with the sharpest reductions in Revenue Support Grant". The Borough's share of the £150m available nationally for this transition grant is £1.278m in 2016/17 and £1.263m in 2017/18.

- 3.5 This transition grant followed a series of representations to Ministers, including one from Berkshire Leaders and is welcomed. The grant has been allocated to the Council's Development Fund in the proposals contained in this report to provide a source of finance for the range of regeneration and service delivery changes that are planned.

3.6 In the past twelve months pressure on service budgets, mainly arising from demographic changes, have emerged, most notably on Adult Social Care. Members will recall that this was discussed in some detail in a report to Council in December 2015. This budget proposal reflects additional investment that is designed to cover:

- The full year impact of the additional 2015/16 Adult Social Care expenditure (£2.8m).
- Provision to allow for further demographic growth through 2016/17 (£750k).
- Buying high quality placements for our most vulnerable children who are in our care (£240k).
- The cost of transport for children in the borough to attend school (£300k).
- Additional support for Planning, both Development Control and Planning Policy (to support the development of the Borough Local Plan) (£380k)

3.7 In order to deliver this budget a series of efficiency savings and cost reductions have been identified which in total amount to £5.7m. All these initiatives are set out in Appendix H. The majority have already been approved by Cabinet so that the measures can be implemented at the earliest appropriate opportunity. On their way to Cabinet the initiatives were reviewed at Overview & Scrutiny Panels.<sup>2</sup>

3.8 Whilst the measures are wide ranging some common themes emerge notably:

- Improved Procurement which has saved £1.7m with notable successes being the Waste Procurement (£332k); phase 2 of Leisure Centre transfer (£372k); Joint Legal Team (£150k targeted); Insurance costs (£117k); Printing (£130k); Smoking Cessation (£128k) and Building Cleaning (£80k).
- Energy Efficiency measures have saved £475k, most notably through the installation of LED streetlights.
- Staff restructures which have saved at least £1.36m notably across the Operations Directorate (£554k), the Senior Management team (£460k) and Planning (£112k).
- Within Children's Services there has been a particular emphasis on locally based foster care placements rather than expensive independent fostering agencies and the integration of all services for children with learning difficulties and disabilities.
- The Council continues to be committed to trees in the Borough and has included in its replacement Highway Term Maintenance contract provision for a regular inspection regime.

## **School Budgets**

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<sup>2</sup> Last set of efficiency initiatives to be approved at Cabinet on the 11<sup>th</sup> February 2016

3.9 Early Years, high needs and schools budgets are funded mainly by the ring-fenced Dedicated Schools Grant (DSG). Schools budgets reflect maintained schools only and take account of the funding that the Education Funding Agency (EFA) deduct from RBWM's DSG allocation for academies and free schools. Key points for 2016/17 schools' budgets are:

- RBWM's indicative DSG allocation for 2016/17 (including funding for academies) is £104.842m, an increase of £1.234m compared with the 2015/16 final settlement of £103.608m. This is due to a net increase of 201 pupils aged 4-16, mainly in Primary (£909k), and an additional allocation of £266k in high needs funding (1.8% of HNB allocation)
- The per pupil rate for the Dedicated Schools Grant is protected in cash terms.
- Although school funding has been protected, changes to employer costs (Pay, pension, NI) mean that schools will face additional pressure on their budgets in 2016/17 and beyond.
- The spending review 2015 also confirmed that a national funding formula for schools, high needs and early years would be introduced for 2017-18 following consultation in 2016.
- Pupil premium funding remains the same as 2015/16 – equivalent to around £3.4m /or RBWM schools.
- Minimum funding guarantee (MFG) for mainstream schools continues at minus 1.5% per pupil in 2016 to 2017, meaning that no school will see more than a 1.5% per pupil reduction in its 2016 to 2017 formula budget compared to 2015 to 2016<sup>3</sup>.
- 17 schools attract MFG funding (including academies), an increase of 8 compared with 2015/16.
- The reduction in maintained school budgets in the budget book reflects conversion of some large schools (Windsor Uppers and Newlands) to academy status.
- Early year's provision will be funded at the same rates as in 2015/16.

## **Fees & Charges**

3.10 Appendix B outlines the proposed Fees & Charges for the coming year. Generally charges are designed to increase income in line with inflation. Having been frozen for four years car park charges have been reviewed and increased to bring them in line, in real terms, with the 2012/13 levels.

3.11 Charges for Homecare as currently commissioned will remain at £16/hour inline with the actual unit cost of the service to the Council

## **Government Grant**

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<sup>3</sup> This is set by the DfE.

3.12 Whilst few authorities receive less grant per capita than the Royal Borough it remains, nevertheless, an important source of funding. In 2015/16 grant from RSG, Business Rate Support, New Homes Bonus and Council Tax Reward totalled £ 27.9m. As the Government continues its response to the national fiscal deficit the Council will see income from these grants fall to £ 24.5m in 2016/17 a reduction of 12.2%, by 2019/20 these grants will fall to £ 14m<sup>4</sup>, a 49.8% reduction over the four year settlement period.

3.13 However, the council will manage these reductions, moving forward, through building on our transformation programme and continuing to deliver services differently and capitalising on the opportunities for economic growth across the borough. We will build our local tax base by building the homes that residents want and need locally.

3.14 In order to ensure a robust Borough Local Plan is submitted designed to deliver much needed development sites, the Borough invested £679k on a range of initiatives and studies during 2015-16.

### **Retained Business Rates**

3.15 The Local Government Finance Bill introduced new measures designed to incentivise local councils to stimulate their local economies and these included the Business Rate Retention initiative where councils retain a proportion on business rate growth (only 24.9% in the Borough case). This is a welcome initiative but it does present some complexities for the Borough:

- The first is the short term impact of major regeneration projects which initially result in a reduction in business rates as property falls out of the tax base through the redevelopment phase. The negative impact is only short term with the anticipation that the new developments will carry increased value. The Borough's finances are protected to a limited extent by a safety net but that only operates when the Council's retained business rate income falls to £10.77m; and
- The second is that the Council is responsible for backdated appeals against property valuations. The Council has received an independent assessment of the risk to the Council's finances and has created a provision to mitigate this risk. The Council has taken the option to spread the cost of backdated appeals over 5 years.

3.16 However, we now have some experience of managing the impact of business rate income, and clearly the level of construction work around the Borough indicates a

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<sup>4</sup> Includes allocation from "Improved Better Care Fund" of £1.1m



growing local economy and presents considerable opportunities. The Borough's Medium Term Financial Plan now assumes 1% growth per annum, of which the Council retains 24.9%.

3.17 Attached in Appendix P (to follow) is the Council's NNDR1 which is the return made to the DCLG detailing anticipated income from Business Rates from within the Borough which, in turn, is used to calculate the Borough's retained share. This return had to be submitted to DCLG by 31 January and Council is asked to note the return and its use in the Council's budget proposals.

3.18 The Government has made a number of statements in recent months about giving local government the powers to fully retain business rates, including in the provisional settlement<sup>5</sup> "...By the end of the Parliament local government will retain 100% of business rate revenue to fund local services...". Given the negative impact this measure will have on authorities with lower tax bases ".The system of top ups and tariffs which redistributes revenues between local authorities will be retained..."

3.19 For local government as a sector this would represent an increase in overall resources and consultation is awaited on the additional responsibilities that are likely to be attached to these resources (transfer of financial responsibility from the Department of Works & Pensions, the Department for Education and the Department of Health are anticipated).

In order for authorities like the Royal Borough, with a buoyant tax base, to take its share of future year reductions once all RSG has been removed an additional tariff has been introduced which, in 2018/19, reduces the amount of locally collected business rates that the Council retains.

### **Adult Social Care Funding**

3.20 The government has confirmed that provision now exists for the Borough to levy a 2% social care "precept" in recognition of demographic pressure on Adult Social Care budgets.

3.21 For the Borough this precept will generate additional revenue of £1.19m which will be spent on Adult Social Care.

3.22 This budget assumes that the Adult Social Care precept will be levied.

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<sup>5</sup> The Provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years (para 1.2) – DCLG December 2015  
[http://www3.rbwm.gov.uk/downloads/file/2172/2016-2017 - provisional local government finance settlement consultation](http://www3.rbwm.gov.uk/downloads/file/2172/2016-2017_-_provisional_local_government_finance_settlement_consultation)

## **Council Tax for 2016/17**

- 3.23 The Borough has, for a number of years, set budgets which have kept council tax increases to a sustainable level and in the last six years reduced Council Tax by 12% nominal and over 31% in real terms.
- 3.24 The Borough Council Tax in 2015/16 (including precepts) at £1,160 for a Band D property was some £357 below the national average for Unitary Authorities and at the current tax base the difference represents a saving of £23.4 million for local Council taxpayers available to be spent in the local economy.
- 3.25 The Council will continue to operate its “Donate your Council Tax Savings” scheme. A resident in an average Band E property will have saved a cumulative £749.55 (£613.25 in a band D property) in 2016-17 compared to the scenario where the Borough had simply frozen Council. A table setting out the impact of savings on different properties is set out in Appendix Q. To date 3 residents have taken advantage of this initiative, with one making several donations.
- 3.26 The Council, in setting its longer-term objectives, is conscious that it needs to balance its objective of reducing the burden of tax on local residents with ensuring that sufficient resources are available to support key services. The Council Tax bill for 2016/17 will comprise the following elements:
- Royal Borough Council Tax.
  - Adult Social Care Precept.
  - Police and Crime Commissioner for Thames Valley Precept.
  - Royal Berkshire Fire and Rescue Service Precept.
  - Parish Precept (Special Expenses in non-parished areas) (see below).
- 3.27 The inclusion of other precepts on the Council Tax bill will mean that there will be some variation from the decrease shown by the Borough’s own Council Tax which will vary from one parish to another.

### Royal Borough’s Council Tax

- 3.28 The figures shown in Appendices attached to this report recommends no increase in the level of core Council Tax for Borough Services resulting in the charge of £906.95 at band D being maintained.

### Adult Social Care Precept

- 3.29 In accordance with revised regulations a precept to cover additional Adult Social Care costs, equivalent to 2% of Council Tax, will be included in the Council Tax bill. This will result in an additional charge of £18.14 at band D.

### Police and Crime Commissioner for Thames Valley Precept

3.30 The Police and Crime Commissioner for Thames Valley precepts directly on this Authority, the precept for 2016/17 was set at £10,968,707 resulting in a charge of £166.96 at band D.

#### Fire Authority Precept

3.31 The Berkshire Fire and Rescue Authority precept for 2016/17 is due to be set at its meeting on the 17 February 2016 after publication of this report. A recommendation has been made in this report, that responsibility to include the Berkshire Fire and Rescue Authority's precept in the overall Council Tax charges is delegated to the Lead Member of Finance and Head of Finance as soon as the precept is announced.

#### The Parish/Town Council Precepts and Special Expenses

3.32 The Parish/Town Councils have been informed of their relevant band D equivalents and notifications have been received from most parishes of the amounts of their precepts. The precept amounts are tabulated in Appendix I.

3.33 So far as actual payment of the precepts is concerned it is suggested that equal instalments on 29 March 2016 (to arrive at Parish banks on or before 1 April) and 27 September 2016 (to arrive on or before 1 October) would be an appropriate arrangement for 2016/17

3.34 Those Parish Councils who have suffered from a reduced tax base as a result of the changes arising from the implementation of the Local Council Tax Support, outlined in the tax base report received by Cabinet in December 2015, will continue to receive compensation from the Council Tax Equalisation Fund.

3.35 Special Expenses relate to the cost of services undertaken by the Royal Borough in non-parished areas, which would be carried out by the Parishes in their parts of the Council's area. It is suggested that the band D for Special Expenses be set at £29.26, which represents a freeze in line with the average Borough Council Tax.

#### Environment Agency Levy

3.36 The Environment Agency has notified the Council that it intends to increase its levy to £10.9m. This equates to £150k for the Council in 2016/17.

### **Capital Programme**

3.37 Appendix C shows the last Capital Programme to be approved by Council, updated for subsequent changes and a proposed programme for the next three years in summary. Greater detail is contained in Appendix D.

3.38 The programme has been formulated on what the Council is able to afford in terms of the revenue impact of capital expenditure. There are a number of schemes approved for 2015/16 that have yet to be completed. The cost of these

schemes will be “slipped” from the 2015/16 programme together with the associated funding. Details of these schemes have been reported to Cabinet already as part of the service monitoring process.

3.39 A number of important areas of investment are included in the budget:

- £1.6m for highway resurfacing
- £2.5m for expansion of popular schools (including the Windsor Learning Partnership, Charters and Dedworth Middle School)
- £350k for new staffroom at Wraysbury Primary School
- £3.7m for street lighting – LED upgrade
- £365k for Participatory budgets
- £3m for Maidenhead Waterways construction
- £285k to meet the Councils commitment to the Lower Thames Flood Relief scheme
- £250k for energy saving initiatives
- £2.9m for the Broadway Opportunity Area
- £500k for Maidenhead Station interchange design
- £350k for Victory Field pavilion (joint initiative with Sunninghill & Ascot PC)

3.40 The proposed capital programme currently includes £380k provision for Disabled Facilities Grant. In the past this allocation which is itself funded by the Department of Health has been topped up by a Council contribution of £302k. It has been announced that in 2016-17 the grant will increase to £705k and this will remove the need to corporately fund the capital budget. This report seeks to delegate authority to Head of Finance in consultation with the Lead Members for Finance and Adult Services and Health to add up to £325k to the capital budget when demand is established and account for the increased grant in the better care fund.

## **Capital Finance**

3.41 The Head of Finance has responsibility for financing the Capital Programme in the most cost-effective way. As currently proposed the new schemes included in the 2016/17 programme require £14.99m “corporate funding” but use of capital fund, recycled MRP (see Capital Resources in Appendix O) and any capital receipt generated in 2016/17 reduces some of the impact on the Councils capital financing requirement. The proposed programme increases the capital financing requirement by £10m.

3.42 The capital financing requirement is a measure of the Councils need to borrow to finance its capital spend. Currently external debt is £25m less than the anticipated capital finance requirement level at March 2017 of £82m. There is no short term requirement to take on any additional debt. The Council Treasury Management approach continues to enable this “funding gap” to be met by use of cash backed reserves.

## **Minimum Revenue Provision**

- 3.43 A change is proposed to the Council's approach to calculating its Minimum Revenue Provision (MRP)<sup>6</sup>. Traditionally a simple 4% of the capital financing requirement has been applied. The cash generated could be set aside to ready debt but in practice it is used, for Treasury management purposes, to fund ongoing capital expenditure rather than borrow at higher marginal interest rates.
- 3.44 The Council's focus on regeneration is identifying opportunities to generate capital receipts that reduce the need for this cash to finance spend.
- 3.45 A review has been carried out and a different treatment is now recommended for different asset classes better reflecting the useful asset life of the asset. In future it is recommended that capital expenditure on operational buildings is "written down" over 50 years producing an MRP rate of 2%, expenditure on roads will be "written down" over 20 years creating an MRP of 5%, ICT spend will be "written down" over 7 years creating an MRP for that asset class of 15%.
- 3.46 The application of these rates reduces the MRP included in the capital financing costs for 2016/17 by £1.1m. It is proposed that this policy change is also applied in 2015/16 reducing the charge to revenue by £900k.
- 3.47 All resolutions required to comply with the Prudential System are to be found in the Treasury Management Strategy Report approved by Cabinet on the 11<sup>th</sup> February 2010. The indicators calculated to measure the Borough's borrowing limits are set out in Appendix L.

## **Funding Regeneration**

- 3.48 There are a number of significant regeneration initiatives either taking place or in development which will provide significant opportunities and benefits for the Borough. A number of these may involve Council financial involvement in some form or other. Specific measures that directly involve the Council will be subject to separate reports to Council. Each initiative that the Council becomes involved in will require the development of its own financing and governance structure. Some initiatives will be suitable for delivery through the Council owned company Two5Nine, others will involve partners and lend themselves to a joint venture structure.
- 3.49 Where the Council is investing cash into development it will impact on its capital financing costs, albeit costs that should be offset by additional income. When investing in infrastructure the Council is obliged to include in its budget requirement funds to repay any loans taken out (MRP). When using prudential

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<sup>6</sup> Minimum Revenue Provision is the amount that the Council is required to include within its tax requirement to repay debt.

powers to invest in development opportunities, unlike infrastructure spend, the Council has the opportunity to sell its share in the investment should the need arise to repay the loan. The Council will, therefore, adopt the policy of not charging MRP on capital spend on investment an opportunity, providing the value of that development is in excess of the loan taken out. Should the potential sale value of the investment fall short of the loan then the Council will need to start making provision to finance the shortfall.

- 3.50 To reduce the need for the Council to increase its capital financing commitments the Transition Grant introduced as part of the final grant settlement will initially be allocated to the Councils Development Fund so that, with Council approval, it can be utilised for regeneration initiatives.

### **Medium Term Financial Plan**

- 3.51 Appendix J includes the council's Medium Term Financial Plan and the context within which this budget has been presented.
- 3.52 The Local Government Finance Settlement<sup>7</sup> gave us indicative grant allocations for the next four years and these numbers have been reflected in the updated Medium Term Financial Plan, including, the introduction of an additional tariff on business rates that ensure the Borough is able to contribute its share of the overall reduction in local government funding once all RSG has been removed.
- 3.53 The Settlement introduced the concept of the Adult Social Care Precept. As the borough has seen a significant demographic growth of older people over the last two years, which is expected to continue into the foreseeable future, it is sensible to implement the 2% 'Adult Social Care precept'. This will ensure that the increasing numbers of older people, in the borough, are supported to live independently for as long as possible through quality adult social care services
- 3.54 The Council will look to freeze Council Tax<sup>8</sup> to ensure that the burden of locally set tax remains at a minimum for residents.
- 3.55 In order to achieve the target level of Council Tax a further £14.6m of savings will be generated between 2017/18 to 2019/20. The Councils Transformation Programme will be the focus for identifying these savings through continuing to deliver services differently and capitalising on the opportunities for economic growth across the borough.

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<sup>7</sup> The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years – Consultation  
[http://www3.rbwm.gov.uk/downloads/file/2172/2016-2017 - provisional local government finance settlement consultation](http://www3.rbwm.gov.uk/downloads/file/2172/2016-2017_-_provisional_local_government_finance_settlement_consultation)

<sup>8</sup> "Core" Council Tax being that amount levied that excludes the Adult Social Care Precept

3.56 The rapid growth in the number of properties being constructed within the Borough and increased collection rates has generated a healthy surplus in the Council Tax Collection Fund. Conscious that this fund will not necessarily be replenished, optimistic collection rates have been included in the 2016/17 Tax base and the MTFP assumes that this surplus will be distributed over a 4 year period to reduce the required annual savings targets.

### **General Fund Reserves**

3.57 The original Budget for 2015/16 envisaged no contribution to or from reserves. As the report to Council in December revealed unanticipated pressures fell on the Adult Social Care budget, but resolutions passed at that meeting enabled this additional spend to be accommodated within a revised 2015/16 Budget. Taking account of the likely out-turn which should fall within the revised Budget General Fund Reserves are estimated to be £5.7m when the Development Fund is included (report to January Cabinet).

3.58 The Head of Finance is required under S26 Part 2 of the Local Government Act 2003 to advise the Council on the minimum level of reserves that it should aim to carry. Appendix K sets out the main risks that may fall to be met from reserves and for which provision needs to be retained in the Council's account, and an estimated average annual requirement for expenditure to be funded from reserves, allowing that individual risks will be realised only infrequently.

3.59 In line with the practice in past years, the Council has not provided for specific contingencies within service directorates in the budget for 2016/17. All directorates will be required to make every effort to keep expenditure within the overall budget for their service areas. Any items that are of too great a magnitude to be contained within the service budgets will be the subject of a report to Cabinet or Council (depending on the sum of money involved), and if approved will become a supplementary budget allocation funded from General Fund Reserves.

### **Collection Fund Balances**

3.60 The Council must also declare the likely balance on the Council Tax Collection Fund at 31st March 2016 as estimated on 26 November 2014 and any balance is shared between this Council, the Police and Crime Commissioner for Thames Valley and the Berkshire Fire & Rescue Service. Authority has been given to the Head of Finance to declare the balance, and on the appointed day he declared that the Royal Borough's share is some £1.394m. The level of surplus is unusually high. Factors leading to this surplus were discussed in the Council tax Base Report presented to Cabinet in December. This report highlighted three factors namely:

- Reduced number of residents claiming Local Council Tax Support discounts;

- Higher than anticipated number of new properties;
- Higher than anticipated collection rates.

3.61 Under the Localisation of Business Rates legislation the Council is now required to prepare a similar statement for Business Rates. This statement shows a surplus that is available to the Council of £231k which is used in the same way as the Council Tax Collection Fund to reduce the cost of services to the local Council Taxpayer.

### **Treasury Management**

3.62 The current Treasury Management policy was approved by Cabinet at its meeting in February 2010. Cabinet subsequently varied this policy in June 2010 when, in a bid to address the financial risk posed by record low returns on short-term deposits, authority was given to invest up to 35% of total anticipated deposits for more than 364 days. In March 2014 Cabinet updated the list of approved counterparties when it added a group of the larger Building Societies. No further changes to the list are being proposed. The approved list is shown as Appendix M for information

3.63 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, it is likely that the low interest rates will continue in 2016.

3.64 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 Council to show a benefit, equivalent to a 3.05% return on that prepayment in its revenue account.

3.65 As a consequence the budget assumes that the Royal Borough will earn some £384k on its investments in 2015

## **4. FINANCIAL DETAILS**

4.1 The Head of Finance as the Council's chief finance officer is required, under s25 of Part 2 of the Local Government Act 2003 to report to the Council on the robustness of the estimates. This statement is outlined in Appendix N

### **Financial impact on the budget**

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	Revenue £'000	Revenue £'000	Revenue £'000



	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Additional Council Tax	2,634	2,159	2,173
Additional Service Spend	6,590	1,176	1,150
Savings in Service Budgets	5,700	5,306	5,372

4.2 More detail on future impact of the budget is contained in the Medium Term Financial Plan in Appendix J.

## **5. LEGAL IMPLICATIONS**

5.1 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. VALUE FOR MONEY**

6.1 The Borough's external auditors KPMG confirmed in their work on the 2014/15 accounts that the Council had "proper arrangements to secure economy, efficiency and effectiveness in its use of resources".

6.2 The Council is committed to maintaining priority services whilst reducing the impact on the local taxpayer.

6.3 Analysis of the Provisional LG Finance Settlement picks up the core spending power figures used by the DCLG (which assume a 4% Council Increase in 2016/17)

	per capita spend (£)
SE Unitary Average	711.34
Statistical Neighbour Average	693.89
RBWM	570.86

6.4 Using a Borough population of 140,000 the spending power analysis suggests that services are provided in the Borough with £17.2 million less than the average of its statistical neighbours and £19.7 million less than the average for SE Unitary Authorities.

6.5 The Borough's actual core spending power per dwelling for 2016/17 is £562.91 with the proposals for Council Tax in this paper which is down 3.3% from 2015/16.

## **7. SUSTAINABILITY IMPACT APPRAISAL**

7.1 The proposals in this report have no direct impact on sustainability objectives.

## **8. RISK MANAGEMENT**

- 8.1 All measures proposed in the budget have been subject of a risk assessment both 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 expenditure has been difficult to contain in recent years.
- 8.2 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.
- 8.3 These risks will be mitigated by carrying prudent levels of Reserves and by close monitoring of expenditure patterns so that unplanned expenditure can be identified at the earliest opportunity enabling corrective action to be taken.

## **9. LINKS TO STRATEGIC OBJECTIVES**

- 9.1 The Council approved a new Strategic Plan 2016-2020 in December 2015 which will shape the service investments and efficiency initiatives over the next four years. This budget supports the delivery of those objectives.

## **10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION**

- 10.1 This report contains a number of proposals related to staff or service provision and may involve changes to policy or service delivery. Equality Impact Assessment's (EQIA) have been completed where appropriate.

## **11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS**

- 11.1 Those savings proposals that are currently the subject of consultation will mean that 37.4 fte posts will be removed from the establishment. 27.9 of these posts are currently occupied; there is therefore a risk of some redundancies with a potential cost of £576k. The Borough's policy is to fund these costs from Capital Fund contributions.

## **12. PROPERTY AND ASSETS**

- 12.1 The main implications for property are covered in sections relating to the capital programme

## **13. ANY OTHER IMPLICATIONS**

13.1 None.

## **14. CONSULTATION**

14.1 Consultations have taken place with the local Chambers of Commerce. Separate meetings were held with representatives of both Chambers of Commerce and the Federation for Small Businesses in February 2016. The Leader of the Council and several Cabinet Members attended, together with Officers. The meetings served to confirm the good relationship already established with those bodies and the measure of confidence that has been built up over the years.

14.2 The role of the Overview & Scrutiny Committees is to review and comment on proposals contained in this report and this has occurred at appropriate stages through this process. Comments of the Overview & Scrutiny Committees are contained below:

### Highways, Transport & Environment

Members unanimously agreed the recommendations but with the following comments:

To reduce the number of parking systems upgrade from 5 sites down to 1 in order to make sure the new machines were suitable (page 67), and then use the money saved for the Decriminalised parking enforcement (post implementation parking review) and the works to the Wraysbury Train Station bridge to make the bridge safer for pedestrians.

### Planning & Housing

The Planning & Housing Overview & Scrutiny Panel unanimously agreed with the recommendations to Cabinet.

The Planning & Housing Overview & Scrutiny Panel unanimously agreed that they would like to promote the following Capital Bid schemes:

- Item 19 - CIL/S106 Monitoring Software - Purchase and Maintenance of software to monitor and produce all statutory letters and notifications to collect CIL funds from developers. CIL legislation allows for set up cost of CIL to be refunded out of future CIL receipts. The software is produced by a Exacom and is sold as an add on module to the Idox Uniform product.

- Item 25 - Neighbourhood plan - The Royal Borough is a vanguard authority in neighbourhood planning and committed to supporting local groups who wish to produce neighbourhood plans to shape development in their areas, along with the strategic policies in the Borough Local Plan.

The Planning & Housing Overview & Scrutiny Panel suggested that going forward it would be useful to be provided with an index / listing of all services (with groupings broken down) included in the budget. It was noted that it had been difficult to find reference to the Tree team – the Strategic Director Corporate &

Community Services, Russell O'Keefe agreed to produce a note to show Members exactly which directorate (Leisure Services) the Tree team now came under.

### Children's Services

The Children's Services O&S Panel considered the report detailing the proposed budget for 2016/17, the Panel noted the report that was due to be considered at Council in February 2016. During deliberations the Panel discussed the 4 four additional saving streams that had not yet been approved, the additional budget pressures facing schools (especially teacher recruitment and retention) and Cllr Jones raised that although there was a 0% increase in Council Tax because of the 2% precept for Adult Services Council Tax would be increased. The need to address the pressures on Adult Services was recognised.

### Adult Services and Health

The Adult Services and Health O&S Panel considered the report detailing the proposed budget for 2016/17, the Panel noted the report that was due to be considered at Council in February 2016. The Panel agreed with the recommendations, however Cllr Jones raised that although the recommendation said there was a 0% increase in Council Tax because of the 2% precept for Adult Services Council Tax would be increased. The need to address the pressures on Adult Services was discussed and the Panel unanimously agreed with the proposed 2 % precept.

With regards to the Capital Programme the following 4 projects received support from the

Panel with specific support being given to Boyne Grove Personal Care Area and Learning

Disability Service Accommodation for young adults in transition:

- Boyne Grove Personal Care Area
- Remodelling and De-registration of Winston Court and Homeside Close.
- Supported Independent Living for LD and Challenging Behaviour
- and Learning Disability Service Accommodation for young adults in transition.

HealthwatchWAM were also supportive of the scheme to enable libraries to lend tablets and support their use to residents.

### Crime and Disorder

The Crime & Disorder Overview & Scrutiny Panel unanimously agreed with the recommendations to Cabinet.

The Crime & Disorder Overview & Scrutiny Panel unanimously agreed that they would like to promote the following Capital Bid schemes:

- Item 15 - Enforcement Services Mobile Phone Replacement 2016-2017.
- Item 16 - Parking Enforcement Equipment Upgrade & Renewal 2016-2017.
- Item 17 - Mobile working for street based staff 2016-2017.

The Crime & Disorder Overview & Scrutiny Panel agreed that Item 53 (Decriminalised parking enforcement (post implementation parking review) be promoted and phased in but that it was not necessarily something that was needed in the short-term or this year.

The Crime & Disorder Overview & Scrutiny Panel stated that in the past the Youth Offending Team had been a separate item in the budget and that in order to be transparent the financial amounts should be split into separate amounts going forward.

### Corporate Services

The Corporate Services Overview and Scrutiny Panel considered the report and fully endorsed the recommendations. The Panel felt that clarity was required on the Grant Settlement and the ability to keep collected business rates from 2020; it was not clear if the Council could keep all rates or a percentage of the rates collected.

It was also felt that an additional paragraph should have been added after 3.43 (Minimum Revenue Provision) to add context to the proposed changes to the different asset classes.

With regards to the Capital Programme Panel Members were asked to contact Cllr Dudley directly on any projects in the report that they recommended go onto the approved Capital Programme. It was mentioned that CB001657 –Chariots Place Enhancements should be approved.

### Culture & Communities

Members Unanimously Agreed that the following schemes be prioritised and moved up on the list.

No.	Ref. No.	Scheme Name
6	CB001714	Superfast broadband in Berkshire (2016/17)
8	CB001474	Improve internet connectivity at the Guildhall
13	CB001625	Digital advertising boards
21	CB001456	Social enterprise grant
22	CB001435	Eton Wick outdoor gym in Hayward Mead Park
30	CB001508	Improvements for Windsor Visitor Information Centre

## **15. TIMETABLE FOR IMPLEMENTATION**

15.1 Residents will be notified of their Council Tax in March 2016. Budgets will be in place and managed by service managers from 1<sup>st</sup> April 2016.

Date	Details
March 2017	Residents will be notified of their Council Tax
1 <sup>st</sup> April 2017	Budgets will be in place and managed by Service Managers

## 16. APPENDICES

### 16.1

Appendix A	Recommendations (p.89)
Appendix B	Fees & Charges (p.92)
Appendix C	Capital Programme Summary (p.135)
Appendix D	Detailed Capital Programme (p.136)
Appendix E	Revenue Budget Summary (p.150)
Appendix F	Detailed Revenue Budget (p.152)
Appendix G	Budget Movement Statement (p.225)
Appendix H	Budget Savings and Pressures (p. 226)
Appendix I	Parish Precepts (p.232)
Appendix J	Medium Term Plan (p.235)
Appendix K	Reserves (p.237)
Appendix L	Treasury Management (p. 238)
Appendix M	Lending List (p.239)
Appendix N	Report From Head of Finance (p. 240)
Appendix O	Capital Resources (p.241)
Appendix P	Business Rate Analysis NNDR 1 (p.243)
Appendix Q	Donate your Council Tax savings (p.246)

## 17. BACKGROUND INFORMATION

- Council Financial Strategy – Cabinet 15<sup>th</sup> December 2011
- Council Treasury Management Policy – Cabinet 11<sup>th</sup> February 2010
- Savings in respect of the 2016/17 Budget (Cabinet September 2015);
- Savings in respect of 2016/17 Budget (Cabinet December 2015);
- Council Tax Base (Cabinet December 2015);
- Schools Capital Programme (Cabinet December 2015)
- Budget Report 2016/17 – Revenue Budget, Capital Programme and Fees & Charges (Cabinet February 2016)
- The Provisional Local Government Finance Settlement for 2016/17 – LG Futures – 17 December 2015

[http://www3.rbwm.gov.uk/downloads/file/877/2016-2017 -  
provisional local government finance settlement](http://www3.rbwm.gov.uk/downloads/file/877/2016-2017_-_provisional_local_government_finance_settlement)

- The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years

[http://www3.rbwm.gov.uk/downloads/file/2172/2016-2017 -  
\\_provisional local government finance settlement consultation](http://www3.rbwm.gov.uk/downloads/file/2172/2016-2017_-_provisional_local_government_finance_settlement_consultation)

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