REPORT OF:	**EXECUTIVE MEMBER RESOURCES, ON BEHALF OF THE LABOUR GROUP**
TO:	**FINANCE COUNCIL**
DATE:	**27th February 2017**

PORTFOLIOS AFFECTED: ALL

WARDS AFFECTED: ALL

SUBJECT: Revenue Budget 2017/18, Medium Term Financial Strategy and Capital Programme 2017-2020

1. PURPOSE

To recommend to Finance Council the Budget Strategy and proposals for the Revenue Budget 2017/18, together with the Medium Term Financial Strategy (MTFS) and Capital Programme for 2017-2020.

It must be noted however that at the time of issuing this report, we have still not received confirmation from Government of the final Finance Settlement for 2017/18 which has been delayed until 22nd February; although the final settlement figures are not expected to change, further update will be provided to the Finance Council meeting.

2. RECOMMENDATIONS

2.1 To approve the proposals for the Revenue Budget for the financial year 2017/18 as outlined in this report and specifically;

2.1.1 To approve an increase in Council Tax rates of 1.99%

2.1.2 To approve an additional increase in Council Tax rates of 3.0% to meet the costs of Adult Social Care

2.1.3 To note the individual portfolio cash limit budgets for 2017/18 as set out in Appendix C(i)

2.1.4 To note the budget savings programme, by portfolio, to be delivered for 2018/19 and 2019/20, as set out in Appendix C(ii)

2.1.5 To approve the utilisation of the Part-Year Slippage Reserve, as required, to support those savings that cannot be implemented with effect from 1st April 2017

2.1.6 To approve the net transfer to Earmarked Reserves of £1.573m to facilitate delivery of the Budget Strategy as per **Appendix A** and **Appendix B** of the report

2.1.7 To delegate authority for the agreement of hourly rates and contract changes for social care providers for 2017/18, arising from the impact of the increase in the National Living Wage, to the Executive Member for Adult Social Care, in consultation with the Executive Member for Resources

2.2 To approve the proposals for the Capital Programme for the period 2017-2020 as outlined in **Appendix D** and **Section 8** of this report

2.3 To approve the draft Medium Term Financial Strategy 2017-2020, as per **Appendix E** of this report, and to approve the subsequent publishing of the final version

2.4 To approve, subject to recommendations **2.1.1** and **2.1.2** outlined above, the consequent Council Tax levels detailed in the formal resolution within the report from the Director of Finance & IT

2.5 To approve the Pay Policy Statement prepared in accordance with the requirements of Section 38 of the Localism Act 2011, including the changes to posts and structure as recommended by the Chief Officers Employment Committee, to have effect for the year 2017/18 unless replaced or varied by the Council, as set out in **Appendix F**.

3. BACKGROUND

The Council, like most local authorities across the country, is experiencing an ongoing period of unprecedented financial pressure and challenge as a result of the Government's extended programme of austerity, combined with significant increases in demand for public services.

The balanced budget for 2016/17 and MTFS approved at Finance Council on 29th February 2016 was predicated on some very challenging assumptions including;

- Delivery of the balance of the £26.0m savings programme agreed in September 2014 (£10.2m)
- Delivery of a further ‘in-year’ savings programme of £3.6m in order to balance the budget in 2016/17
- Development of a £15.0m savings programme during 2016/17 to be fully delivered by 1st April 2018, including workforce and commercial strategy reviews
- An increase in Council Tax for the first time in 5 years by 1.99%, with further assumed increases of 1.99% in each of the following years through to 2019/20
- Introduction of the Adult Social Care Precept of 2% in each of the years through to 2019/20

As 2016/17 has progressed, further pressures have emerged that were not built into the MTFS, including;

- rising demand in Adult Social Care and Children's services, with increases in both the volumes of people using these services and in the complexity of their needs
- the impact of the increase in the National Living Wage on our social care providers which has ultimately increased the costs borne by the Council for which there has been no extra government funding.
- increases in pay and non-pay inflation and in the cost of employer pension contributions
- the impact of continuing Welfare, Education and NHS reforms

To address these pressures we have already had to use both earmarked and unallocated reserves in 2016/17, but as some of these additional costs are of a recurring nature, they require further support in 2017/18 and beyond and as such will need to be met from further savings.

As such, much progress has been made since the last Finance Council to develop, agree and implement a savings programme to close the budget gap to which all teams, departments and portfolios have contributed. This culminated in the £15.0m efficiency programme presented to, and approved by Council Forum on 1st December 2016.

Difficult decisions have had to be made;

- some services have been curtailed, and in some instances have had to cease,
- staff have been made redundant and
- contributions to partnership and contract working has had to be scaled back,

However, throughout the process, the Council's strategy in reflecting the Corporate Plan priorities has been grounded in the principles of;

- delivering, as far as is possible, the services that our residents need and want,
- providing help and support to those in hardship and
- encouraging the growth of jobs and businesses across the borough.

Although normally we would extend our strategy for 3 years beyond the end of the budget year, i.e. to 2020/21, given that the Government is currently developing mechanisms to significantly change the way Councils are funded from 2020 onwards, the MTFS presented will focus on the period to 2019/20 until more clarity is provided on this over the next 12 months.

This paper sets out the Labour Group's proposed Revenue Budget, Capital Programme and associated Council Tax level for 2017/18 together with the MTFS for the period 2017-2020 based on a review of the existing assumptions and data to reflect the most current information available.

4. RATIONALE

4.1 It is a statutory obligation for the Council to set a balanced Revenue Budget for the financial year 2017/18.

4.2 The key principles upon which both the Budget and the MTFS are based are:

- to balance the Council's budgets in each year of the MTFS period, ensuring that the Council has a sustainable and robust financial position in future years
- resourcing of services in line with Council priorities focusing on customer care and quality services against a backdrop of reducing resources
- planning for and managing change, whether related to need, demand for services, technological advances, legislation, local aspirations or resource allocation
- introducing a digital first approach to services whilst providing assistance and signposting to those who need it
- embedding a culture of value for money and efficiency savings (cashable and non-cashable) in all activities
- devolved budget management to Executive Members (with portfolio) and service Directors
- balancing Council Tax increases with funding cuts and budget pressures
- maximising resources whether through grants, creating additional income or partnering opportunities
- ensuring significant risks are identified and mitigated where possible
- ensuring financial reserves reflect levels of business risk
- optimising capital spending freedoms

5. KEY ISSUES – RESOURCES

5.1 Local Government Finance Settlement.

The Local Government Finance Settlement sets out the amount of central government funding that is available to each Council.

The provision of indicative 4 year settlement figures in the 2016/17 funding announcement provided more clarity on which to base our MTFS; as such, the figures provided were incorporated into the MTFS presented to Finance Council in February 2016, pending formal approval of acceptance which was given at Council Forum in October 2016. Acceptance of the offer was predicated on publication of an Efficiency Plan based on the savings programme and information contained within the Budget and MTFS; subject to approval of the attached 2017/18 Budget and MTFS 2017-2020, this report and supporting documents will be published to meet our obligations.

Barring exceptional circumstances, and subject to the normal statutory consultation process for the Local Government Finance Settlement, the Government expects the provisional figures to be the amounts presented to Parliament each year. As such the MTFS includes Government funding based on the Secretary of States' proposed allocations up to 2019/20.

5.2 Core Spending Power

The Core Spending Power figure is provided to us by the Government as part of the Finance Settlement; it is an estimate of the core revenue funding available for local authority services, including Council Tax and locally retained Business Rates;

Core Spending Power	2016/17	2017/18
	£ M	£ M
Settlement Funding Assessment (SFA)	69.6	63.9
Council Tax Requirement	43.1	45.2
Potential additional Council Tax from Adult Social Care Precept	0.8	1.8
2017/18 Adult Social Care Support Grant	-	0.8
Improved Better Care Fund	-	0.7
New Homes Bonus	1.7	1.4
Total	**115.3**	**113.8**
Change in Core Spending Power		(£1.5m)
Percentage Change		(1.3%)

This calculation does not reflect inflationary and demand pressures which are expected to be self-funded. The figure differs slightly to the actual figures included in the 17/18 Budget and MTFS for Council Tax, as the latter are based on the most up to date information available within the Council i.e. number of properties, tax band and growth assumptions.

5.3 Settlement Funding Assessment (SFA)

Each year a Settlement Funding Assessment (SFA) is announced for each authority by the Secretary of State; this represents an assessment of the level of resources required by the authority which will be met from Business Rates and Revenue Support Grant in the year.

As part of the multi-year settlement, figures have been provided for 2017/18 and provisional figures for the 2 years thereafter which have been included within the Budget for 2017/18 and the MTFS. As noted in **Section 1** above however, the final Finance Settlement has been delayed until 22nd February 2017 and therefore the figures for 2017/18 included in the report have not been confirmed at the time of issuing this report.

The SFA is split between resources received via:

- Revenue Support Grant (RSG),
- an assessment of the Council's share of Business Rates collectable plus
- a top-up element provided by central government

The SFA for Blackburn with Darwen is as follows;

	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding assessment (SFA)	63.9	60.8	57.8
Funded by:			
Revenue Support Grant	22.3	17.8	13.3
Business Rate Baseline	41.6	43.0	44.5
Comprising			
- Business Rates retained by BwD	19.1	19.7	20.4
- Top-up funding provided by government	22.5	23.3	24.1
Total			
Reduction in SFA	(5.7)	(3.1)	(3.0)

5.3.1 Revenue Support Grant (RSG)

Revenue Support Grant (RSG) is the main central government grant given to local authorities and can be used to finance revenue expenditure on any service.

Government has made clear the intention that RSG will reduce over time in the move to 100% Business Rates Retention by 2020; the reduction in the grant has been, and will continue to be significant, from a figure of £37.0m in 2015/16 down to £13.3m in 2019/20.

5.3.2 Local share of Business Rates

As part of the current Business Rates Retention Scheme (BRRS), the Council is able to retain 49% of the net Business Rates it raises locally, with 1% passed to the Fire Authority and 50% (the central share) paid over to government. This is uplifted for inflation each year.

Any gain or reduction in Business Rates compared to the amount included in the SFA is passed on to the three parties

- 50% to the government,
- 1% to the Fire Authority and
- 49% retained by the Council.

A "safety net" mechanism provides additional funding for any Council that suffers a reduction in their total Business Rates income of more than 7.5%.

As a consequence of the recent revaluation exercise (see **Appendix E - Section 5.4.1** below), the total rates payable in the Borough will decrease with effect from 2017/18. However, as agreed at the time the Business Rates Retention mechanism was introduced, in order to ensure the impact of revaluation is neutral on local authorities, the Government has increased the 'top-up' payment to the Council; this does however increase the Council's reliance on Government funding for the future.

The Government is currently developing mechanisms to move to a 100% Business Rates Retention scheme by 2020 which will fundamentally change the funding levels for every Council beyond that date. Further details on this are outlined in **Appendix E - Section 5.4.2**

5.3.3 Top Up

At the commencement of the BRR scheme, calculations were undertaken for all Councils taking into consideration the Relative Needs Assessment previously used to determine the 2012/13 grant allocations. This resulted in a Business Rates baseline for each authority; for those whose funding levels reduced following introduction of the BRR scheme, they have received a 'top-up' payment from Central Government to ensure that their share of Business Rates, plus the top-up, has kept their funding at the base-line level, albeit that this has been adjusted over time for growth and inflationary uplift.

5.4 Council Tax

Council Tax levels had remained frozen at their 2010/11 levels for 5 years until 2016/17 however given the scale of the budget gap, the Council adopted a 1.99% increase in 2016/17 (i.e. the maximum general increase permitted under the government's referendum cap), alongside reductions in expenditure and increases in other available income streams.

The Financial Settlement for 2016/17 introduced an option for all authorities with responsibility for Adult Social Care to increase Council Tax in 2016/17, and for each year up to and including 2019/20, by an additional 2% without holding a referendum; this was on the proviso that the increase would specifically be used to assist in meeting expenditure on Adult Social Care functions. Given the escalation of costs and mounting pressures on Adult Social Care services, the Council proceeded with the increase and assumed a 2% increase in each financial year through to 2019/20 in the MTFS.

In the draft Financial Settlement for 2017/18, the government announced the option for Councils to re-phase the implementation of this precept with a maximum precept of 3% in any one year, whilst retaining a cap of 6% over the 3 years through to 2019/20.

Given the scale of the financial and demand pressures on these services, the 2017/18 Budget and MTFS has included assumed increases of;

- 3.0% in 2017/18
- 1.5%* in 2018/19
- 1.5%* in 2019/20

*(*actual increases remain subject to formal decision at Finance Council each year)*

5.5 Local Council Tax Support and Housing Benefit Admin Grant

The Housing Benefit Admin Grant is the means by which local authorities receive funding from the Department of Work and Pensions (DWP) towards the cost of administering Housing Benefit in their local areas. Claimants obtain the benefits either by direct application to the authority or by applying simultaneously for income support/jobseekers allowance and Housing Benefit to the DWP. Eligibility for, and the amount of Housing Benefit paid is determined by the local authority. The Housing Benefit Admin Grant for 2017/18 is £0.84m but is estimated to reduce to £0.75m by 2019/20 following the move to Universal Credit and the impact of other welfare reforms.

5.6 New Homes Bonus

New Homes Bonus was introduced in 2011 as a "stimulus" for the provision of new homes and is a non-ring-fenced grant, distributed between local authorities based upon new growth in housing provision in their area; the bonus covers new-build homes, conversions and long-term empty homes brought back into use, with an extra payment for providing affordable homes. The annual amount of the grant is based on one years' average Council Tax for the tax band in which the new home would fall.

In previous years, once earned the amount would be paid for 6 years however, with effect from 2017/18 this has been reduced to 5 years with effect from 2017/18 and then to 4 years from 2018/19

The figures in the draft Finance Settlement have been incorporated into the 2017/18 budget and MTFS as follows;

	2017/18 £m	2018/19 £m	2019/20 £m
New Homes Bonus	1.43	1.02	0.98

The settlement has also introduced a baseline for housing growth; this will initially be set at 0.4% of the Council Tax base for 2017/18 and as such, growth below this level will not qualify for a bonus allocation. The government has stated that it will retain the option of making adjustments to the baseline in future years in the event of a significant increase in housing growth.

With effect from 2018/19 the government has also stated that it will consider withholding new bonus payments from local authorities that are not planning effectively i.e. from those who are not making positive decisions on planning applications and delivering housing growth, as well as withholding payment for homes that are only built after appeal.

The Government has been clear that the reduction in the New Homes Bonus funding will be redirected to contribute to the increase in the Improved Better Care Fund.

5.7 Improved Better Care Fund

The Government is continuing with its proposals for greater integration between health and social care in order to find ways to tackle unsustainable increases in the demand for these services in future years. The Improved Better Care Fund was announced as part of the 2016/17 Finance Settlement to be introduced with effect from 2017/18, funded in part through reductions in the New Homes Bonus allocation.

Government have consulted on the distribution of the Improved Better Care Fund as part of the Local Government Finance Settlement for 2017/18 and included proposed allocations within the Core Spending Power (see **Section 5.2** above); for Blackburn with Darwen, over the period of the MTFS, these are;

	2017/18 £m	2018/19 £m	2019/20 £m
Improved Better Care Fund	0.72	3.71	6.26

Further guidance in respect of the management and monitoring of the Improved Better Care Fund, and its inclusion in the pooling arrangements for the existing Better Care Fund, are still awaited.

5.8 Adult Social Care Support Grant

In recognition of the immediate national pressures on Adult Social Care budgets and the fact that allocation of the Improved Better Care Fund is weighted towards the later years of the MTFS, the Government has announced the introduction of a non-recurring, Adult Social Care Support Grant for 2017/18. This distributes £241m nationally according to the Adult Social Care Relative Needs Formula so that all authorities with responsibility for social care will receive a share of the funding; the Council’s share, which is £0.77m, will be utilised to support the increase in costs in the Adult Social Care portfolio.

5.9 Dedicated Schools Grant (DSG) and Education Services Grant Funding (ESG)

DSG is paid in support of the local authority's schools budget and funding is given in three notional blocks:

- Schools Block
- High Needs Block
- Early Years Block

The notional blocks are not individually ring-fenced but rather ring-fenced in total and local authorities are responsible for determining the split of the grant between their own central expenditure and the Individual Schools Budget in conjunction with their local Schools Forum. Local authorities are also responsible for allocating the Individual School Budget to individual schools in accordance with their local schools' funding formula

For Dedicated Schools Grant the funding arrangements for 2017/18 are broadly similar to last year.

With regards to the Education Services Grant, in the 2015 Spending Review the Government announced the removal of the ESG general funding rate for Local Authorities. This is the first stage of implementation of a new National Funding Formula and sees the phasing out of ESG from 2017/18.

Until 2017/18 ESG was made up of two rates that funded two groups of services:

- the 'retained duties rate' to fund services that Local Authorities provide to all schools
- the 'general duties rate' to fund services that Local Authorities provide to maintained schools but which academies provide for themselves.

From 2017/18 the 'general duties rate' is ending and the ESG 'retained duties rate' will now be transferred into the Schools Block element within DSG.

The Government has allocated transitional funding (our allocation being £488k), from April 2017 to August 2017 inclusive, to assist in managing the financial implications of the change however with effect from September 2017, the general funding rate will then be removed and other sources of funding will need to be utilised to pay for education services previously funded by ESG; some of these may be funded through DSG with the agreement of the Schools Forum.

5.10 Public Health

In 2017/18 the Public Health Grant remains as a ring fenced grant to the Local Authority and as such any reduction in funding following the introduction of the new formula to redistribute funding across local authorities will be offset by a corresponding decrease in expenditure. For Blackburn with Darwen the 2017/18 allocation of grant is £15.22m.

5.11 Business Rates 2017/18

Rateable values and the rate in the pound (multiplier) are determined by the Valuation Office and Government, and Business Rates income is contained within the Local

Government Finance Settlement agreement. Actual Business Rates growth is shared with 49% of growth retained by the Council and 1% by the Fire Authority up to a limit beyond which a levy would be payable to central government. Reductions in Business Rate income are also shared, subject to a safety net, which is funded nationally from levies raised.

Whilst the system provides an opportunity for the Council to generate additional income and jobs in the Borough, risks also exist due to the potential outcomes of rating appeals both locally and nationally; 49% of the cost of any reductions in Business Rates as a result of a successful appeal within the boundaries of this authority are borne by the Council.

5.12 Business Rates beyond 2017/18

In 2015 the Chancellor announced that local government would be able to keep 100% of Business Rates by 2020. Using forecasts produced by the Office for Budget Responsibility (OBR), the Government has estimated that this would mean an additional £13.0 billion would be kept as income by Councils by 2020/21; the intention therefore was also made clear to transfer new responsibilities to local government to ensure cost neutrality across all of the funding changes.

Within the current system there is currently a mechanism for redistribution of funding;

- Top-ups - provided to reflect the fact that there are councils who have relatively high levels of need but low levels of income generated through business rates
- Tariffs – reflecting lower relative needs but higher levels of business rates income.

The Secretary of State for Communities and Local Government is undertaking a full review of needs and redistribution for the new system when it comes into force.

The Council currently receives a top-up grant however there is insufficient information at present to model the financial impact of the changes; work is progressing nationally with a number of complete and planned consultations regarding the changes. The Council will contribute to these through its representation on SIGOMA (Specialist Interest Group of Municipal Authorities).

5.13 Growth Agenda

The Council remains committed to delivering a more prosperous Borough and recognises that only by delivering higher rates of economic growth, whilst improving opportunities and the quality of life for residents, will the Borough’s future be secured and sustained.

Within the ‘Plan for Prosperity 2014 - 2020’, a commitment was made to deliver 3,250 additional homes over the period and an extra 100,000sqm of new commercial floor space. From this, additional revenue will be generated for the Council in relation to additional Council Tax and additional Business Rates income.

The impact of this estimated growth on the Council’s Business Rates and Council Tax income streams on the 2017/18 Budget and the MTFS through to 2019/20, is outlined in **Appendix E Section 5.3**.

5.14 Fees and Charges

Executive Members, in conjunction with Chief Officers, regularly review all fees and charges for each portfolio. Council has delegated authority to Chief Officers, in consultation with the relevant Executive Members and the Director of Finance and IT, to agree changes where required.

Increases in fees and charges for existing services, together with the expansion of existing and the development of new services, have all contributed to addressing the budget gap as part of the £15.0m savings programme (**Appendix C(ii)**).

6. KEY ISSUES - EXPENDITURE

Given the scale of the financial challenge, throughout the course of 2016/17 Executive Members and Officers have continued to review all services and developed options to deliver budget reductions as part of the £15.0m savings programme.

The development of the approach, strategies and options to manage costs within the resources available was presented to Policy Council in December 2016 and key decisions were taken to alleviate and assist in closing the budget gap. Despite the efforts of Executive Members and Officers, the scale of the budget reductions required in 2017/18 and beyond, combined with those already implemented since 2010, will lead to more significant reductions in the services provided to the residents of this Borough.

The breakdown of the £15m Savings Programme by portfolio and by savings type are summarised at **Appendix C(ii)**;

6.1 Workforce Review

As reported to Finance Council last year, given the scale of the funding reductions it is unfortunate but inevitable that there have been job losses, including compulsory redundancies, although through close working with staff and the Trades Unions these have been kept to a minimum. As the savings programme progresses, this will continue to be the case.

The Workforce Review Programme established in November 2015, has worked throughout 2016/17 to support the savings programme and will continue to do so until the summer of 2017. This has been a rolling programme extending to all portfolios, departments and teams and covering all roles and grades of staff, looking at 'job family' groupings and the impact on departments of the introduction and full utilisation of modern technology and new ways of working.

6.2 Apprentice Levy

The Apprenticeship Levy is a mandatory tax from April 2017 for employers with a UK payroll bill of £3m+, who will be charged a levy of 0.5% of their overall payroll bill. Employers in England will be able to reclaim their contributions in the form of digital vouchers to pay for apprenticeship training programmes for both new and existing staff.

6.3 Portfolio Budget Pressures

In delivering the budget for 2017/18 and preparing the MTFS, the Council has reviewed the budget pressures faced across all of the portfolios and a programme of savings options has been developed to address these, as well as the reductions in funding noted above.

The proposed portfolio cash limits are detailed in **Appendix C(i)** with explanation of the significant movements within each.

An overview of some of the most significant cost pressures are as follows;

6.3.1 Health and Adult Social Care

Pressures in Adult Social Care across the country have been widely publicised in the national media over the past 12 months. The portfolio has faced another very challenging year and has been unable to manage the ongoing financial pressures within budget due to continuing trends in demand and increasing complexity of service user needs which have not been abating.

Whilst the portfolio has continued to deliver efficiencies during the year, the ongoing financial pressures cannot be contained and the Council has again been required to utilise reserves to manage this budget.

6.3.2 Children's Services

Increasing demand has led to financial pressures within Children's Services over the course of the year which the portfolio has tried to contain, whilst ensuring that the most vulnerable of our children are protected.

The number of referrals, the number of open cases and the number of looked after children have all been increasing and as such the costs associated with meeting this increase in demand, and the high costs of specific needs of some of these children, commissioned placements in particular, has placed a strain on the portfolio budget.

6.3.3 Environment

The portfolio has, and will continue to face particular cost pressures arising due to increased tonnages in waste management and the increased costs of household waste recycling contracts.

6.4 Other Pressures

6.4.1 Pensions

The triennial actuarial valuation of the Local Government Pension Scheme in 2016, has identified an increase from 12.4% to 14.8% in Employer Pension contributions for the Blackburn with Darwen Borough Council section of the fund; this is required to meet the projected increase in the value of the future liabilities of those staff currently working in the organisation and who are in the pension fund.

Following discussions with the Scheme Actuary and the Head the Lancashire County Pension Fund, and following agreement by the Lancashire Local Pension Board, it has been agreed that the Council will take a stepped approach to implementing the increase over the next 3 years as outlined in **Appendix E Section 6.1**.

The Council will continue to repay the scheme deficit over an agreed 19 year repayment period and will reduce costs further by taking advantage of the discount offered for early payment i.e. by paying all of the above pension contributions at the start of each financial year rather than on a monthly basis; this will result in a net saving, after accounting for interest on borrowing, of approx. £280k per annum.

6.4.2 National Living Wage

The Autumn statement announced an increase in the National Living Wage level of £0.30 to £7.50 with effect from 1st April 2017 (for workers aged 25 and above); this will increase to £9.00 per hour by 2019/20.

Increases were also announced in the National Minimum Wage levels as follows;

- Increase from £6.95 to £7.05 per hour for 21-24 year olds
- Increase from £5.55 to £5.60 per hour for 18-20 year olds
- Increase from £4.00 to £4.05 per hour for 16-17 year olds
- Increase from £3.40 to £3.50 per hour for apprentices

As noted above, these increases have significant impact on our external providers, specifically those providing Social Care including residential and domiciliary care.

The commissioning budgets included in the 2017/18 Budget, and in the MTFS through to 2019/20, include some provision for increases in provider hourly rates and contract changes from the increase in the NLW with effect from 1st April 2017, however until discussions to determine the impact of this with providers are held and fully understood, and the contract negotiations are completed, it is not possible to precisely quantify them this at this stage.

It is recommended that delegated authority is given to the Executive Member for Health and Adult Social Care, in consultation with the Executive Member for Resources, to agree the hourly rates and contract changes with social care providers in 2017/18 applicable from 1st April 2017.

7. SUMMARY

In light of the draft settlement for 2017/18, the financial constraints on the authority and the requirement to continue with further reductions in net expenditure each year, the Leader and the Executive Members will continuously review the allocation and use of resources. This will include continued review of all expenditure and income budgets, of contractual commitments and property holdings and they will work with officers to implement the recommendations of the Workforce Review programme, set in the context of the Council's statutory responsibilities and corporate priorities.

8. CAPITAL PROGRAMME 2017-2020

A Capital Programme for 2017 to 2020 of £48.6m is also recommended to the Finance Council for approval as detailed at **Appendix D**. The programme recognises the importance of investment in the Borough and the impact that the schemes themselves will have on the regeneration and economic growth of the area in the future.

This predominantly comprises of existing commitments including investment:

- in our local transport plan
- in the highways network recovery programme and
- in aids and adaptations through provision of disabled facilities grants

Allocations are also included;

- for our successful Growth Deal 3 bid which will open up the Pennine gateways around the Borough to facilitate housing and business growth
- to support continued investment in IT services to underpin our 'digital first' approach to delivering efficiencies and in turn, cash savings. Before projects are allocated funding from the reserve however, they will be subject to a rigorous business case approval process and detailed Member reports will be produced in line with financial procedures as required.
- to support the accommodation review which again will drive efficiencies and savings through rationalisation and a more cost effective use of space

The programme will contribute towards the achievement of the Council's key priorities;

- Creating more jobs and supporting business growth – through construction and in improving transport networks and enhancing the town centre
- Improving housing quality and building more houses – by facilitating access to housing developments
- Making your money go further – through rationalisation of accommodation and maximising the use of technology to streamline services and processes.

Current commitments will continue to be reviewed to bring forward any additional schemes, subject to approval of robust business cases, and capital allocations for schools will be added to the programme when provided by the Department of Education.

9. LEVEL OF RESERVES

As noted in the report 'The Robustness of the 2017/18 Budget and the Recommended Level of Reserves', the Director of Finance and IT is recommending to Finance Council that the minimum level of Unallocated Reserves for 2017/18 is set at £4.0m.

10. COUNCIL TAX

The assumptions made within these budget proposals, in line with Government's assumptions for 2017/18, are that the Council will increase Council Tax in 2017/18 by 4.99% reflecting;

1.99% - general increase in Council Tax to cover increases in the cost of Council services

3.00% - to assist it in meeting expenditure on adult social care functions

11. MEDIUM TERM FINANCIAL STRATEGY

The MTFS 2017 to 2020 has been reviewed and updated, incorporating the indicative funding allocations for 2018/19 and 2019/20 included in the Government's multi-year settlement "offer" which was accepted by the Council in October 2016 and including other projections, forecasts and assumptions as outlined in **Appendix E**.

12. CONCLUSION

The proposed revenue Budget Strategy will continue to focus on delivering the Council's priorities and will try to minimise the impact of spending cuts through the delivery of quality efficient and effective services to, and for, the citizens of this Borough, whilst ensuring the Council operates within the financial constraints imposed by central government.

13. APPENDICES

- Appendix A - Budget Summary 2017/18
- Appendix B - Balancing the 2017/18 Budget Gap
- Appendix Ci - Portfolio Cash Limits
- Appendix Cii - Budget Savings Programme 2017/18 to 2019/20
- Appendix D - Capital Programme 2017-20
- Appendix E - Medium Term Financial Strategy 2017-20
- Appendix F - Pay Policy Statement 2017/18

14. POLICY IMPLICATIONS

The budget process is the mechanism by which the Council allocates resources so that it can achieve its policy objectives agreed at Policy Council.

15. FINANCIAL IMPLICATIONS

The budget process will determine the Council's net revenue expenditure for 2017/18, the Capital Programme and the level of Council Tax, together with indicative figures for the following 2 years through to 2019/20.

16. LEGAL IMPLICATIONS

The Council is legally obliged to set a balanced budget. The Local Government (Standing Orders) (England) (Amendment) Regulations 2014, which came into force on 25 February 2014 require local authorities to record in the minutes of a budget decision meeting the names of persons who cast a vote for or against the decision or who abstained from voting.

17. RESOURCE IMPLICATIONS

Decisions taken during the budget process will affect the resources allocated to all service areas.

18. EQUALITY IMPLICATIONS

All proposals where appropriate are subject to an Equality Impact Assessment before implementation.

19. CONSULTATIONS

The Council is committed to consultation with residents, businesses and partners and stakeholders.

CONTACT MEMBER: Councillor Andy Kay, Executive Member for Resources

DATE: 27th February 2017