

**Subject: 2016/17 BUDGET REPORT**

**Report to: CABINET**

**Report by: INTERIM SECTION 151 OFFICER**

## **SUBJECT MATTER/RECOMMENDATIONS**

### **Summary:**

This report presents for approval the 2016/17 budget along with the latest financial projections for the following three years to 2019/20. The report includes details of the provisional finance settlement along with the key assumptions that have been made within the budget. Overall the position shows a surplus of £107,223 for 2016/17 and forecast deficits over the following three years of up to £2.2 million by 2019/20. The report also details a summary of the medium term financial strategy options that will be progressed over the short to medium term to reduce the forecast deficit.

The Council's budget is set for approval each year; it is presented to Cabinet before recommendations are made to Full Council on the budget and the setting of Council Tax for the forthcoming year. The budget has been produced based on a number of assumptions as detailed within the main body of the report and also reflects the provisional finance settlement announced on 17 December 2015. The final settlement is due to be announced early February and any amendments to the figures included in the report will be updated at the meeting as applicable and reflected in the Council Tax setting report to Full Council in February 2016. The report recommends that the surplus for the year is allocated to the general reserve. The report also outlines the risks facing the Council in setting the budget and forecasting future spending plans and resources.

### **Recommendations:**

**It is recommended that Cabinet agree and where necessary recommend to Full Council:**

- 1) The 2016/17 revenue budget as outlined at Appendix A;**
- 2) The surplus of £107,223 be allocated to the general reserve; ;**
- 3) The demand on the Collection Fund for 2016/17 be:**
  - a. £3,914,239 for District purposes**
  - b. £354,143 for Parish Precepts;**
- 4) The statement of and movement on the reserves as detailed at Appendix D;**
- 5) The updated Capital Programme and financing for 2015/16 to 2018/19 as detailed at Appendix E;**
- 6) That an allocation of £1million from the general reserve be earmarked in an Invest to Save Reserve, as detailed within the report (4.6);**
- 7) That members note the current financial projections for the period 2017/18 to 2019/20;**
- 8) That delegated authority be given to the Chief Executive to submit the Council's Efficiency Plan as required once further guidance is published and that the Council accepts the four year finance settlement as referred to within the report.**

## Introduction and Background

- 1.1. This report presents the detail of the 2016/17 revenue budget and the indicative projections for the following three financial years, 2017/18 to 2019/20.
- 1.2. An updated Capital Programme has also been included, which takes account of slippage of schemes between financial years. Details of new capital schemes are included within the report and appendices for approval.
- 1.3. Recommendations from this report will be made to Full Council on 24 February 2016 as part of the annual Budget and Council Tax setting.
- 1.4. The financial projections for the period 2016/17 to 2019/20 were presented to Members in February 2015 alongside consideration of the budget for 2015/16. An update to the Medium Term Financial Strategy (MTFS) covering the period 2016/17 to 2019/20 was then presented to the meeting of the Cabinet in September 2015. The following table provides a summary of the forecast surplus/budget gap presented at those times.

<b>Table 1 - Background</b>					
	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
February 2015	(1,061)	160	1,066	1,270	1,643
September 2015	(958)	(342)	514	486	917

- 1.5. The above financial position were predicated on a number of assumptions around future projects for which detailed plans around future savings and additional income streams were yet to be quantified. The position as included in this report reflects savings programmes that have, and are forecast to deliver ongoing savings and additional income to the Council and where applicable starts to identified future projects.
- 1.6. The annual budget and future financial projections will be based on a number of assumptions around future levels of funding and grant along with local spending pressures and challenges. These assumptions will change over time and the level of savings and additional income will fluctuate.
- 1.7. The budget for 2016/17 as included in this report and appendices is the culmination of work carried out by finance and service areas along with Executive Management Team. The position has been informed by the detail of the provisional local government finance settlement as announced on 17 December 2015 and the assumptions around future funding reductions reflect those included in the four year settlement. The final settlement is expected early February and the final budget presented for approval on 24 February 2016 will be updated to reflect the final figures as applicable.
- 1.8. The following sections of the report present the detail and context within which the budget has been produced. The summary of the budget and service budget details are included at appendices A and B respectively.

## **2. Provisional Local Government Finance Settlement (LGFS)**

- 2.1. On 17 December 2015 the Local Government Minister, Greg Clark, announced a four year provisional Local Government Finance Settlement (LGFS) for the period 2016/17 to 2019/20.
- 2.2. The final settlement figures are due to be announced in early February and where applicable any changes resulting from the final settlement will be reflected in the budget report to Full Council on 24 February 2016.
- 2.3. Some of the key messages from the settlements are as follows:
  - 2.3.1. **Four Year Settlement** - The settlement covers a four year period 2016/17 to 2019/20, although the acceptance of the four year settlement is dependant upon the production of an efficiency plan. Further details on what the efficiency plan will cover are expected alongside the final settlement.
  - 2.3.2. **RSG Reductions** - The main change in the settlement this year is that the Revenue Support Grant allocations have taken into account Local Authorities ability to generate resources from Council Tax and those with higher tax bases have seen higher reductions in RSG and some are in a position of negative RSG through a greater increase in the business rates tariff. By 2019/20 approximately one third of Councils will be in a negative RSG position. Great Yarmouth Borough Council is not in this position, although it has been assumed that RSG is removed in full from the funding system by 2020/21.
  - 2.3.3. **Council Tax Income** - The shift in generating resources locally, i.e. through the increasing of Council Tax is a factor that has been assumed in the four year settlement in that headline figures are quoting very little cash reductions in the four years of the settlement. This is based on the assumption that local council tax is increased in line with the council tax principles announced within the settlement (see below also).
  - 2.3.4. **Social Care** - A new 2% Social Care precept for council tax has been announced for those authorities with responsibility for social care (this would not apply to GYBC).
  - 2.3.5. **Council Tax Principles** - The lowest quartile of District Councils have been given the ability to raise their band D council tax by £5 annually if this is higher than 2%. This applies to all districts with an average band D council tax of less than £145. The settlement assumptions assume that this will apply to GYBC from 2018/19.
  - 2.3.6. **NHB** - New Homes Bonus allocation methodology remains the same for 2016/17 with a consultation issued for changes to the scheme from 2017/18 which allows for £800 million to be top sliced for Social Care and the scheme reduced from a six to four year scheme.
- 2.4. Alongside the provisional settlement a number of other key announcements were made which will inform the 2016/17 budget and future financial projections, these included:
  - 2.4.1. **Allocations of the 2016/17 NHB funding** - The settlement announced a total provisional amount of £1,461million for the New Homes Bonus (NHB) in

2016/17. This will continue to be funded through £210 million in specific grant with the rest being top-sliced funding, expected to be £1,275 million.

2.4.2. **NHB Changes Consultation** - As announced in the October 2015 Spending Review, the Government has issued a consultation on delivering savings to the new homes bonus that will come into effect from 2017/18.

2.4.3. **Council Tax Referendum principles** - The proposed principle for Council tax increases for 2016/17 is 2%, with the exception of Police and Crime commissioners and shire district authorities which are in the lowest quartile by council tax level, for which a higher limit of either 2 per cent or £5 (on a Band D bill) applies (GYBC is currently above the lower quartile at £146.48). In addition, social care authorities will be able to increase their council tax by 2% over the existing referendum threshold, with the condition that the additional 2% social care precept is spent on adult social care services. This will have to be separately itemised on council tax bills.

2.5. Within the 2016/17 settlement the Government has used a measure of “Core Spending Power (CSP)” which sets out potential revenue income for Local Authorities for the period 2017/18 to 2019/20 from the following sources:

- The “Modified Settlement Funding Assessment (MSFA)” – this includes the amounts included in the provisional local government finance settlement consultation namely Revenue Support Grant (RSG) and Business Rates Baseline funding including where necessary tariff and top up adjustments;
- The council tax requirement (excluding parish precepts) - , ie income generated locally from Council Tax;
- New Homes Bonus allocation;
- Rural Services Delivery Grant (where applicable).

2.6. A number of assumptions have been made within the future years CSP as included in the provisional LGFS, for each of the income sources the assumptions are outlined below:

- a) MMSFA – Annual reductions have been made to the RSG and increases to the business rates baseline.
- b) Council Tax Base Growth – the CSP assumes there will be annual growth in the Council Tax base throughout the period to 2019/20. The level of growth has been based on the average annual growth in the council tax base between 2013/14 and 2015/16 throughout the period to 2019/20.
- c) Council Tax Increases – the CSP assumes that Local Authorities will increase their Band D council tax in line with the Office for Budget Responsibilities (OBR) forecast for CPI for each year (which is an annual average of 1.75%) throughout the period to 2019/20, rather than the 2% allowed before triggering a referendum.
- d) Additional Council Tax – the potential additional council tax available from the adult social care council tax flexibility has been estimated by assuming all eligible local authorities take up the adult social care flexibilities announced at the Spending Review in each year to 2019/20.
- e) Additional council tax available from a £5 cash principle – it has been assumed that all districts within the lower quartile Band D council tax level will increase council tax by £5 where applicable. This has been

estimated by assuming that the 51 shire district councils with the lowest Band D council tax in the previous year will increase their Band D council tax by whichever is the greater of £5 or 2%.

- f) New Homes Bonus – for 2016/17, the CSP includes the actual allocations along with returned funding. For 2017/18 onwards the CSP assumes that the total funding (after planned reductions of at least £800million to be released for the improved Better Care Fund) is apportioned to local authorities based on the allocations in 2016/17.
- g) Rural Services Delivery Grant - This provides £20 million of funding in 2016/17, rising to £65 million in 2019/20. This funding is distributed to the top-quartile of authorities ranked by super-sparsity, as per the distributional methodology for the Rural Services Delivery Grant indicator in 2015/16.

2.7. The following table summarises the Core Spending Power for GYBC as announced within the provisional settlement.

<b>Table 2 - Core Spending Power</b>					
	<b>2015/16 Adjusted</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Settlement Funding Assessment:</b>					
Revenue Support Grant		3,740	3,007	2,545	2,029
Baseline Funding Level		3,515	3,584	3,690	3,808
<b>Modified Settlement Funding Assessment (MSFA)</b>	8,135	7,255	6,591	6,235	5,837
<b>Council Tax:</b>	3,831	3,946	4,084	4,290	4,449
Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)	3,831	3,946	4,084	4,232	4,388
additional revenue from £5 referendum principle for lower quartile districts Band D Council Tax level	0	0	0	59	61
New Homes Bonus and returned funding	1,168	1,385	1,393	875	840
<b>Core Spending Power (as per announcement)</b>	<b>13,134</b>	<b>12,586</b>	<b>12,068</b>	<b>11,400</b>	<b>11,126</b>
Reduction £		(548)	(518)	(668)	(274)
Reduction %		-4.2%	-4.1%	-5.5%	-2.4%
					(2,009)
					-15.3%

2.8. The Core Spending power assumes that the resources will reduce over the next four years by 15.3% equating to approximately £2 million, although this is based on the assumption that the Council will increase its band D council tax in 2018/19 by £5 when it has been assumed it will fall into the lowest quartile on band D properties.

2.9. The key element in terms of external support is the 'Settlement Funding Assessment'. This essentially comprises the Council's Revenue Support Grant (RSG) and the Business Rates baseline funding level (uprated by the

Retail Price Index). Table 3 below provides a breakdown of this element and the reductions included in the settlement.

<b>Table 3 Settlement Funding Assessment</b>					
	<b>2015/16 Adjusted</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Settlement Funding Assessment:</b>					
Revenue Support Grant		3,740	3,007	2,545	2,029
Baseline Funding Level		3,515	3,584	3,690	3,808
<b>Total Settlement Funding Assessment</b>	<b>8,135</b>	<b>7,255</b>	<b>6,591</b>	<b>6,235</b>	<b>5,837</b>
<b>Movement - Year on Year</b>					
Revenue Support Grant £ (Reduction)		3,740	(733)	(462)	(516)
Revenue Support Grant % Reduction			-19.6%	-15.4%	-20.3%
Baseline Funding Level £ Increase		3,515	69	106	118
Baseline Funding Level % Increase			1.967%	2.950%	3.196%
<b>Total Settlement Funding Assessment (Reduction) £</b>		<b>(880)</b>	<b>(664)</b>	<b>(356)</b>	<b>(398)</b>
<b>Total Settlement Funding Assessment (Reduction) %</b>		<b>-10.8%</b>	<b>-9.2%</b>	<b>-5.4%</b>	<b>-6.4%</b>
					(2,298)
					-28%

- 2.10. The above table illustrates the settlement funding assessment as announced within the provisional settlement. Total funding (excluding the New Homes Bonus) is expected to reduce by 11% in 2016/17 (compared to 2015/16) and over the length of the settlement by 28%.
- 2.11. New Homes Bonus – the provisional finance settlement includes announcements on the New Homes Bonus for 2016/17, further details on this are provided at section 3.
- 2.12. Business Rates Retention – The scheme of Business Rates retention came into operation in April 2013, and no changes to the scheme were announced as part of the settlement. The percentage shares are 50% central government; 40% NNDC and 10% Norfolk County Council. The Government has confirmed that it will pay in full for the continuation of the doubling of Small Business Rate Relief which will continue for a further year but the retail discount will end on 31 March 2016. The multiplier will therefore be 49.7 pence, with the small business multiplier being 48.4 pence. Top-ups and tariffs will be uprated by 0.8% in line with the increase in the September 2015 Retail Price Index.
- 2.13. The amount of the Section 31 grant will not be confirmed until the NNDR returns for 2016/17 have been finalised. The annual National Non-Domestic Rates Return (NNDR1 form) provides an estimate of what the Council will collect in business rate income for the following financial year. The variation between the estimate and the actual is then dealt with through the surplus/deficit on the (business rates) collection fund in the following year, in the similar way to the operation of the Council tax collection fund. The actual position will be influenced by fluctuations in business rate income actually

received in the year, for example as a result of appeals and reductions in property rateable value and also new business rate growth.

- 2.14. For example a forecast surplus or deficit on the 2015/16 business rates collection fund will be taken into account within the 2016/17 NNDR1 return and determining the respective values of the shares of the business rates income. This will also determine the payment of the levy due from the authority in relation to increases in business rate income compared to the baseline.
- 2.15. The budget position as included within the report makes an assumption of the net amount of retained income for 2016/17 after allowing for the section 31 grant and the payment of the levy will be as per the baseline funding announcements within the settlement. Further work on the business rates profile and forecast of the net amount to be retained will be carried out to inform the future financial projections. At the end of 2014/15 there was a significant appeals provision in relation to the Council's business rates income largely in connection to the power station and GP surgeries. Whilst the impact of the power stations is anticipated to be reduced there still remains an appeal and therefore at this time the baseline funding is a prudent approach to the 2016/17 budget.

### **3. New Homes Bonus (NHB)**

- 3.1. The New Homes Bonus was introduced in 2011/12 to incentivise and reward Councils and Communities that build new homes in their area. The bonus is paid as an un-ringfenced grant for six years and is paid based on the net additional<sup>1</sup> homes plus an additional supplement of £350 per affordable dwelling. The payment is then split between local authority tiers: 80% to the lower tier and 20% to the upper tier.
- 3.2. The provisional allocation of NHB for 2016/17 for GYBC is £1,377,044 and is based on the council tax data return submitted in October 2015 and represents additions of 246 and an increase in empty properties of 24 resulting in a net movement of 222. The bonus also includes an affordable homes premium of £16,520 for 59 properties.
- 3.3. Table 3 provides details of the Council's allocations of NHB to date.

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1. <sup>1</sup> Net additional homes as recorded on the council tax base return (submitted October annually) takes into growth in property numbers, demolitions and movement in empty properties.

<b>Table 4 – New Homes Bonus – Allocations to date</b>						
<b>Allocation</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	£	£	£	£	£	£
<b>2011/12</b>	274	274	274	274	274	274
<b>2012/13</b>		234	234	234	234	234
<b>2013/14</b>			321	321	321	321
<b>2014/15</b>				119	119	119
<b>2015/16</b>					208	208
<b>2016/17</b>						220
<b>Total</b>	<b>274</b>	<b>508</b>	<b>829</b>	<b>949</b>	<b>1,157</b>	<b>1,377</b>

- 3.4. Whilst the NHB is included within the Government's assessment of spending power, the future return and allocation is subject to a consultation which will make changes to the scheme from 2017/18 onwards. The consultation seeks views on a number of factors of the current system including reducing it to a four year system (from the current six years) and allocation being more closely linked to certain areas of planning including abatements for non delivery of a local plan and where housing developments are approved on appeal. The consultation continues with the allocation of funding between two tier levels of local authority.
- 3.5. The provisional settlement for 2017/18 to 2019/20 includes NHB allocations based upon a prorated distribution of forecast reduced funding based on the 2016/17 allocations. At this time the forward projections assume this level of funding will be received, there are risks around this in that should the level of funding from NHB not be received then this will increase the forecast deficits. This would be mitigated by the general reserve in the short term.

#### **4. Savings and Additional Income 2016/17 Onwards**

- 4.1. The 2016/17 budget assumes the continued delivery of the savings and efficiencies from the transformation work streams which include digital by design, flexible working, leisure centre review and fees and charges. As these projects continue, further work will be carried out to quantify the level of future savings and efficiencies where applicable that can be factored in to the future projections.
- 4.2. At the time of approving the budget for 2015/16 a number of indicative savings targets and financial implications from projects were factored into the budget for 2015/16 and forward financial projections for 2016/17 onwards. At that time detailed project plans and identification of budget headings where the savings and additional income would be coming from had yet to be completed for some of these projects.
- 4.3. The work on the current years financial position and base budget for 2016/17 has sought to establish the status of these savings plans and where applicable factor these at the relevant service budget headings. It is acknowledged that at the time of setting the budget there is further work on the future years financial implications of some of these and these will inform the Medium Term Financial Strategy that will be presented later in the year.



4.4. In addition a number of work streams have been identified that will help to address the forecast funding deficit which include the following:

4.4.1. **Strategic Asset Management** – The Council holds on its balance sheet general fund assets valued at in the region of £70million although the basis upon which these assets are valued will depend upon the type of asset. For example assets held for operational reasons will be valued at depreciated replacement cost which may not reflect the true market value. Also some assets will be generating the Council income, others will be costing the Council on both revenue terms and future capital investment needs. In order to position the Council better to take informed decisions on existing asset holdings, an asset management strategy is being prepared which will explore opportunities to maximize the Council's return on assets. Once the strategy is completed, the Council will be asked to agree a number of projects to be taken forward to generate future income for the Council. Until this work is complete it is not possible to quantify the future savings or additional income which will be generated. Work on the strategy has recently been commissioned and it is expected to report early in the new financial year. It would not be unreasonable, however, for the Council to set a savings target of £250,000 for 2017/18.

4.4.2. **Leisure Services** – One of the assets which the Council holds is the Marina Centre and this is operated through a contract with Sentinel Leisure Trust. The Council will need to make a decision in respect of the future provision of this service and a key decision will be the investment needed in the Marina Centre to retain a leisure offer for the Borough whilst at the same time seeking to reduce the revenue budget through a reduced management fee to the Trust. The capital budget, as previously agreed by Council, is included within this budget.

4.4.3. **Business Rates Retention** – Under existing arrangements, the Council is able to retain a proportion of growth in the business rate base above a certain threshold which is set by government. Further work is underway to identify the potential growth in the business rate base over the next 4 years, what the risks will be under the current scheme and the potential for improving the collection position of the rates. This work is due to be completed by the end of March and will inform a future update of the financial strategy in a more meaningful way than has previously been reported. This will include the financial position of the Enterprise Zones and will help inform the issues which the Council will need to be raising as part of the consultation into the design of the new scheme post 2020.

4.4.4. **Council tax Base Growth** – For each additional property built and each empty property brought back into use the Council will receive an adjustment to its council tax base as well as receiving additional New Homes Bonus. There are currently over 1,000 planning permissions granted but not yet implemented across the Borough and a commitment as part of the five year land supply to provide an additional 300 houses per annum, increasing to nearly 500 per annum in later years. If the Council were able to accelerate this growth and bring more empty properties back into use through a concerted effort on a corporate approach to enforcement then this will generate much greater income than is currently included within the forecast. The forecast is currently based upon the government's projections and assumes growth based on previous years. An additional 300 properties would generate in the region of £30,000 to £40,000 in 2016/17 alone. The empty

properties strategy can again be reviewed with a view to bringing more houses and shop premises back into use by using the collective range of enforcement powers available to the Borough.

4.4.5. **GYBC Operating Model** – There are various strands to considering what is the right operating model for the Council and this includes the Organisational Development work already underway as well as the governance review which now incorporates the change to the Committee System. This is an opportunity to review the way in which services are delivered and the strategic capacity of the organisation. This is to ensure that decisions are being taken in the right place by the right people with the right skills, whilst at the same time empowering staff and Members to challenge and drive forward transformation initiatives, being clear on the benefits they will bring and being accountable for their delivery. Other specific work strands which will drive efficiency and savings include the following:

- a) **Digital by Design** – The current estimate of transactions which are fully e-enabled is only 5% across the Council. Further savings of £165,000 have already been factored into the 2016/17 budget to increase this figure to £400,000. Further savings can be achieved through increased e-enablement, this will require some redesign of business processes and tasks as new on-line services are rolled out. The current ICT provision will need to be fully explored to ensure that the existing arrangements are fit-for-purpose in driving forward with a digital transformation process. This will be a key piece of work in early 2016 and will inform future year savings.
- b) **Procurement and Contract Management** – The Council spends over £5million through contracted services to GYBS and the ability to drive efficiencies through these arrangements is undertaken through a joint partnership approach. Whilst it is always best practice to have good relationships with partners/contractors this should always be underpinned by a strong performance and monitoring framework that provides clarity to the service and has a clearly defined client/contractor split. As part of considering savings options for the future the way in which some services are provided can be reviewed and benchmarked during 2016/17 to inform 2017/18 savings.
- c) **Shared Services** – A business case and options for future sharing arrangements is being prepared for consideration by Members in June 2016. This will include the potential for sharing back office services and building resilience in key areas of the Council as well as identifying potential future savings. It will also include a range of options for considering the sharing of management and the benefits and risks that such arrangements could bring whilst learning from other Councils who already have shared arrangements in place.
- d) **Enforcement Strategy** – To develop the Council's approach to enforcement as a means of meeting objectives within the Corporate Plan as well as linking directly to the financial strategy. There are currently 534 empty properties in the Borough which have been empty for more than 6 months.
- e) **Partnerships and Integration** – to explore the use of partnerships in delivering the Council's Corporate Objectives and to identify

opportunities for better working across the public and private sectors to remove any duplication and focus resources more effectively.

- 4.5. These areas will be worked on over the coming months and as financial savings and income targets quantified, the timing and delivery of these will be reflected in the future financial forecasts and budget setting processes.
- 4.6. In order to deliver some of the above, there may be a need to fund one-off costs on an invest to save basis, in that the expenditure will deliver future efficiencies to the Council. This report is recommending that £1 million be allocated from the general reserve to an 'Invest to Save' earmarked reserve to be used for such purposes.
- 4.7. Establishing an Invest to Save reserve will provide funding to support expenditure on initiatives which will either deliver future savings or generate additional income for the council to bring the budget into a financially sustainable position. This will ensure that the Council has access to funding to ensure that the necessary skills or investment is available to take forward projects or initiatives.

## **5 Revenue Account Base Budget 2016/17**

- 5.1 The detail of the revenue budget now presented for approval is included within Appendices A and B. Appendix A shows the overall position in the form of the General Fund Summary. Further detail on the individual service budgets is included at Appendix B which shows the movement of the 2016/17 budget compared to the base budget for 2015/16 as set in February 2015 along with comments of the more significant variances.
- 5.2 The capital programme is discussed in detail at section 8 which includes both an update to the current capital programme along with new capital schemes and the financing of the programme.
- 5.3 The revenue budget for 2016/17 makes a number of assumptions, the more significant ones are as follows:
  - a) **Council Tax** – The budget assumes a Council tax freeze for the Boroughs element of Council Tax in 2016/17, based on the tax base of 26,722 (an increase of 567 compared to 2014/15) as approved in December 2015. This means that the district element of the council tax remains at £146.48 for 2016/17.
  - b) **Employee budgets** – The budget assumes a 1% pay award for 2016/17, although a local agreement on pay has yet to be agreed. As a guide a 0.5% sensitivity to the pay award equates to approximately £45k per annum. An allowance has been made to reflect vacancy/turnover savings of £100,000. Where annual increments are due these have continued to be factored into the budget.

The employer pension contribution rates are based upon the results of the triennial valuation of the pension fund as at 31 March 2013. For 2016/17 and future years, the contribution rate will remain unchanged at 15.5% of the payroll plus an additional monetary contribution. The next pension fund valuation is due on 31 March 2016 to take effect from April 2017. The fixed payment has been adjusted to take into account likely movements and has

been factored into the budget. For 2017/18 the budget assumes the monetary contribution charged to the general fund will increase from £1,092,000 to £1,314,000, an increase of £222,000. For 2018/19 it will increase to £1,549,500 an increase of £235,000 and for 2019/20 it will increase to £1,799,250 an increase of £249,750.

The forward projections include an allowance for apprenticeship levy which will come into effect in April 2017. The levy was announced as part of the chancellors Autumn statement in November 2015 to raise £3 billion nationally to fund 3 million apprenticeships. The levy is payable at a rate of 0.5% by all employer's where the pay bill is over £3 million. From 2017/18 onwards £36,000 has been factored into the projections.

The position also includes budgetary provision of £100,000 in respect of the implementation of living wage (plus allowance for back pay).

- c) **Fees and Charges** – The impact of the fees and charges as previously agreed have been factored into the position now presented for approval.
  - d) **Contract inflation** – Where applicable contract inflation has been factored into the budget and forecasts.
  - e) **Interest and Minimum Revenue Provision (MRP)** – A total of £703,998 interest payable is included in the budget for 2016/17. The MRP reflects the current programme of capital budgets along with the new schemes that have been put forward for 2016/17 for approval.
  - f) **Service Budgets** – The detail of the service budgets have been informed by current trends along with prudent estimates on future spending and income plans. Where one off costs have been included in the budget in previous years, these will have been removed where applicable. The Ward budgets were approved in 2015/16 as a one off, the position as presented within this report assumes they continue in 2016/17 at half of the previous budget i.e. totalling £39,000 to be funded from the general reserve as a one-off.
- 5.4 The General Fund Summary presented at Appendix A shows a balanced budget for 2016/17 and is summarised in Table 5 with the equivalent figures from the 2015/16 budget.

**Table 5 – Variance of 2015/16 to 2016/17  
Base Budget**

	2015/16 Base Budget	2016/17 Base Budget	Variance
	£000	£000	£000
Net cost of services (incl. Parishes)	12,967	12,471	(496)
Non service expenditure/ income	(426)	321	748
Net budget requirement	12,541	12,793	252
<b>Funded by:</b>			
Local Taxpayers - Parishes	(312)	(354)	(42)
Local Taxpayers - District Council	(3,831)	(3,914)	(83)
Revenue Support Grant & Retained Business Rates	(8,255)	(7,255)	1,000
New Homes Bonus	(1,157)	(1,377)	(220)
Council Tax Freeze Grant one off (14/15)	(47)	0	47
Total Income	(13,602)	(12,900)	702
<b>(Surplus)/ Deficit</b>	<b>(1,061)</b>	<b>(107)</b>	<b>954</b>

5.5 Non-Service Expenditure and Income includes the adjustments for notional items that are required to be charged within Net Cost of Services, for example, International Accounting Standard 19 (IAS19) pension costs and capital charges, it also includes interest receivable and payable, movements to and from reserves and revenue implications of capital programme financing, ie MRP.

5.6 Appendix B shows the detail of the service movements for each of the service areas.

5.7 This report recommends that the surplus of £107k for 2016/17 be allocated to the general reserve to be used to mitigate the short term deficit in 2017/18 pending further work on the future years budget to deliver a sustainable budget in the medium term.

## **6 Council Tax 2016/17**

6.1 As detailed in section 2, the finance settlement announcement has assumed that local authorities will increase council tax annually by upto 2% or the £5 where the LA is in the lowest quartile. GYBC is not assumed to be in the lower quartile until 2018/19, the funding assumptions made in the settlement assume that there is an annual increase in council tax of 1.75% for the first two years and then increases of £5 are assumed. The budget assumes a council tax freeze for 2016/17.

6.2 Table 6 below summarises how the budget for 2016/17 will be financed and the District's net call on the Collection Fund for 2016/17. The Council tax summary is included at Appendix C.

**Table 6 – Council Tax Summary 2016/17**

	£
Total District amount to be met from Government Grant & Local Taxation	12,438,654
Less:	
Revenue Support Grant	(3,739,667)
Business Rates Retained	(3,514,927)
New Homes Bonus	(1,377,044)
District call on Collection Fund – excluding Parish Precepts	(3,914,239)
Surplus	<b>(107,223)</b>

- 6.3 A Council Tax Base of 26,722 Band D equivalent properties was approved in December 2015. The summary below shows the equivalent charge for the council tax bandings for the 2016/17 charge.

Band	A	B	C	D	E	F	G	H
Council Tax Per Annum	£ 97.65	£ 113.93	£ 130.20	£ 146.48	£ 179.03	£ 211.58	£ 244.13	£ 292.96

## 7 Reserves

- 7.1 The current position and forecast on the General and Earmarked Reserves is attached at Appendix D. The statement provides the latest proposals for use of reserves in the current financial year along with the budgeted movements in 2016/17, and proposed movements in the following three financial years. The current recommended balance on the general reserve is £2 million.
- 7.2 There are three main reasons for holding reserves:
- To provide a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the General Fund Reserve
  - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of the General Reserve
  - As a means of building up funds, referred to as earmarked reserves, to meet known or predicted requirements. Earmarked reserves are accounted for separately but remain legally part of the General Fund. The title of the earmarked reserve generally reflects the purpose for which the balance is being maintained.
- 7.3 As part of considering the budget for 2016/17 the balance in the general and earmarked reserves should be taken into account. The level of reserves and unallocated balances provide a cushion referred to above and to mitigate against unforeseen fluctuations in income and where for example savings to do come into fruition.
- 7.4 The report is recommending that the surplus in the year is allocated to the general reserve as detailed at 5.7, in addition the report is recommending that £1million be allocated to a new 'Invest to Save' reserve to fund one-off costs associated with delivering the business strategy as outlined at section 4.

- 7.5 The balance on the general reserve at 31 March 2015 was £5.397 million. After allowing for the current year movements and the recommended budgeted movements in 2016/17 the forecast balance at 31 March 2017 is £5.437million, this allows for the earmarking of £1million for invest to save as detailed earlier in the report.
- 7.6 The reserve statement at appendix D shows forecast transfers from the general reserve to cover the forecast funding deficits. It should be recognised that the use of reserves is not a long term financial strategy but does allow time for planning further efficiencies and consideration of budget options to inform future budget setting processes and to allow for the smoothing of funding reductions.
- 7.7 A comprehensive statement about the adequacy of the reserves and recommended balance will be included within the Chief Financial Officer's report, which forms part of the annual Council Tax and Budget report to Full Council in February.

## **8 Capital**

- 8.1 A revised capital programme for the current year is included at Appendix E to the report. The capital programme has been updated to take into consideration those changes identified within the current financial year and where timing of projects has not been as planned the budgets have slipped between financial years.

### **8.2 Capital Scheme Slippage**

- 8.3 With regard to the Capital Programme, the only other changes to the budgets have been made in relation to the profiling of expenditure between financial years for the following schemes. This is to reflect more accurately when expenditure is anticipated to be incurred, although it should be noted that neither the scheme budgets, nor the sources of financing for any of these schemes have been changed.
- 8.4 The detail of the slippage of the capital programme is included in the Appendix E. In total the updated capital budget will see a reprofiling of £14,455,897 capital spend from 2016/17 to 2017/18.

### **New Capital Schemes**

- 8.5 In addition to the existing capital programme amendments, approval is also being sought for a number of new capital projects as identified within the Capital Appendix.
- 8.6 The total of the estimated project costs associated with these capital bids is £3,039,700 of which £1,967,000 has identified funding sources with the balance needing to be funded from unsupported borrowing.
- 8.7 Where the current and future capital programmes are being funded by capital receipts, the certainty of new capital receipts will be monitored as part of the on-going budget monitoring process, and where applicable recommendations will be made to amend the capital programme and it's financing.

### **8.8 Capital Programme Funding**

- 8.9 There are a number of sources of funding available to fund the capital expenditure. The following outlines those which are available to the Council:
- a) External Contributions or Grants – e.g. from third party organisations.
  - b) Reserves – Available capital and revenue reserves can be used to fund capital expenditure,
  - c) Capital Receipts – Capital receipts are generated from asset disposals and can only be used to fund capital expenditure or repay debt. The latter is not applicable at the moment, as the Council is currently debt free.
  - d) Borrowing – Under the Prudential Framework, the Council is able to fund expenditure from borrowing provided that they can demonstrate affordability and need. Borrowing (internal or external) to finance capital spend will attract charges to the revenue account in the form of interest and Minimum Revenue Provision (MRP) charges.

## **9 Future Projections 2017/18 to 2019/20**

- 9.1 As mentioned within the report the provisional Local Government Finance Settlement announcement is for a four year period but is subject to signing up to an efficiency plan. The details and implications of signing up or not are yet to be determined but in terms of certainty around funding from RSG, it would be prudent to accept the four year settlement.
- 9.2 The forecast financial projections included at Appendix A for the period 2017/18 to 2019/20 make assumptions around spending forecasts and currently include the provisional settlement figures for these periods, although the assumptions around council tax funding have been amended to reflect the a council tax freeze for 2016/17 and include local assumptions around potential tax base growth for the period.
- 9.3 After allowing for these assumptions the overall position shows a current forecast budget gap of £885k in 2017/18, increasing to £1.75million in 2018/19 and £2.2 million in 2019/20. The following year the deficit is currently forecast to be in the region of £4 million, the reason for the significant shift is the assumed removal of the RSG from Local Authority funding from 2020/21.
- 9.4 The report (section 4) starts to highlight a number of workstreams and projects to be delivered over the short to medium term that will help to deliver future savings and additional income to reduce the forecast funding gap. These work streams will be continuing and will be used to inform the updated financial strategy and financial projections that will be completed in 2016/17.
- 9.5 Since the Government made available the Council Tax freeze grant the Council has been able to accommodate a freeze in Council tax levels. In view of the Governments change in approach towards funding for Local Authorities with a greater emphasis on Council Tax rises, and the cumulative impact of grant reductions from RSG and New Homes Bonus, a continuation of Council Tax freeze is not an approach that can be recommended in the medium to long term. Therefore as part of considering the financial strategy moving forward and options or closing the budget gap, this is an area that needs further consideration in line with the government's policy and principles on Council Tax.



## 10 Financial Implications and Risks

- 10.1 The overall budget for 2016/17 is balanced and actually delivers a surplus for the year which is being recommended be transferred to the general reserve. The recommended level of the General Reserve is currently £2 million, the detail of the report highlights why this reserve is forecast to be maintained at or above this level for the four year period 2016/17 to 2019/20
- 10.2 The following outlines the main risks faced by the authority in the medium to long term and not only in relation to the 2016/17 budget.
- 10.3 **Future Funding** – The provisional Local Government Finance Settlement confirms that Local Government will continue to face funding reductions for the period of the financial forecasts. The provisional settlement figures confirm the continued shift from central government support from Revenue Support Grant to local funding from retained business rate (Baseline Funding), and Council Tax. The overall reduction in RSG between financial years covered by the settlement period is just over £1.7m. The financial planning process has taken account of this change, however the future funding gaps still remain a risk. The future forecasts will assume the removal of RSG in full from 2020/21 which will mean a reduction of over £2 million in funding from 2019/20 to 2020/21.
- 10.4 **New Homes Bonus (NHB)** – The provisional settlement confirmed the allocation of the 2016/17 New Homes Bonus grant which based on the current methodology. Changes to the NHB is currently being consulted upon and changes proposed changes will be influenced by local planning decisions and Local Plan.
- 10.5 **Business Rates** – The risk of funding fluctuations from business rate continues to be a prevalent feature of the funding of local authorities. The impact of appeals only exacerbates this risk and this applies to current appeals and new appeals. Whilst the risk is shared between Districts, County and Central Government in the proportionate shares ie, 40:10:50, the impact can be over a number of years where there is a deficit to be covered from the collection of business rate income. Factors that will lead to the fluctuations include for example, economic downturn leading to business closures and reducing the income from business rates, reduced income from rateable value appeals, including the impact of back dated appeals, reduced income as schools transfer to academy status, the national impact of the GP surgery appeals which are being finalised through the appeal process and also the new emerging risk around hospital and NHS trust properties. The NNDR provision currently only reflect the potential impact of appeals currently in the appeals system. Continuation of measures announced within the Autumn Statement and detailed earlier in the report, continue to present a risk to Local Authorities, albeit some of this risk is mitigated by the section 31 grant announced within the LGFS. A further risk in relation to the income retained from the business rates retention system is the review that will see changes to the system albeit keeping the impact fiscally neutral in that the amount of income collected through business rates will remain the same. As the impact of these changes are quantified, these will be reflected in the future MTFS and taken account of in the respective budget setting process.

- 10.6 **Savings** – The Council has continued to deliver savings and efficiencies from a number of projects within the transformation programme, for example, digital by design, flexible working, fees and charges. Savings and additional income from these projects have started to be achieved in the current financial year and the 2016/17 budget and forward projections assume that these will continue. It is critical that the delivery of these savings is closely monitored by Officers and Members, for example through the various monitoring boards i.e. transformation and delivery board and formally through the committee reporting system. Further work on quantifying the size of future savings and efficiencies will be carried out in 2016/17 to inform the future medium term financial strategy.
- 10.7 **Income** – Income from a number of demand led services remains a financial risk that cannot be fully influenced by the Council. Whilst estimates have been based on previous actuals and knowledge of the service delivery, income levels need to be closely monitored, for example for planning and car park income. It is for reasons such as this that a factor in determining the recommended general reserve balance includes an amount for the more significant demand led income budgets.
- 10.8 **Interest Payable and MRP** – The revenue budget takes account of the planned borrowing and financing of the current and future capital programmes. Slippage of capital schemes will impact on the level of borrowing required along with the associated financing costs. In addition as new schemes and projects are approved this too will have an impact on the associated financing costs and will need to be considered as part of the options appraisal and business case.
- 10.9 **Reserves** – Whilst the Council currently has a number of earmarked reserves for which some are allocated for specific purposes, the profile of spend is not yet agreed and commitments not currently made. As mentioned earlier in the report reserves provide a short term solution to mitigate the forecast deficit and can also be used to mitigate the impact of where for example savings are not achieved as planned, but do not provide a long term solution for a sustainable budget.
- 10.10 **Pay** – There are a couple of risks that need to be highlighted in relation to current pay issues and assumptions that have been made in the budget position now being reported. There has been a national holiday pay and overtime case in relation to whether ‘non-guaranteed overtime’ should count towards holiday pay. Officers are currently looking at the implications of this and whether there are any financial implications for the Council. At this time no budget has been allocated for this and therefore there still remains as a potential financial risk. The budget includes provision of £100,000 in relation to the financial impact of implementing the National Living Wage. The Council has approved the payment of the Living Wage to directly employed staff and in addition to the in-year costs associated with its implementation there are anticipated to be back pay costs. Furthermore there could be costs to the Council as a result of partners implementing the National Living Wage (subject to contracts). Costs above the provision in the annual budget will need to be mitigated by the use of reserves as applicable.
- 10.11 **Devolution** – The devolution work is ongoing, whilst no direct financial implications have been factored into the budget or future projections, the

outcome and any associated impact will be considered as part of the future financial planning process.

**FINANCIAL IMPLICATIONS:** These are detailed in the main body of the report.

**LEGAL IMPLICATIONS:**

**EXECUTIVE BOARD OR DIRECTOR CONSULTATION:**

EMT

## 11 RECOMMENDATIONS

Does this report raise any legal, financial, sustainability, equality, crime and disorder or human rights issues and, if so, have they been considered?	Issues	
	Legal	Yes
	Financial	Yes
	Risk	Yes
	Sustainability	No
	Equality	No
	Crime and Disorder	No
	Human Rights	No
	Every Child Matters	No

### List of Appendices:

- A – GF Summary
- B – Detailed Appendices
- C Tax Summary
- D – Reserves
- E – Capital

<b>General Fund Summary</b>	<b>2014/15 Actual</b>	<b>2015/16 Base Budget</b>	<b>2015/16 Updated Budget</b>	<b>2016/17 Forecast</b>	<b>2017/18 Forecast</b>	<b>2018/19 Forecast</b>	<b>2019/20 Forecast</b>	<b>2020/21</b>
	£	£	£	£	£	£	£	£
<b>LOCAL GOVERNMENT FINANCE SETTLEMENT PERIOD</b>								
<b>Services:</b>								
Executive	951,049	558,966	1,084,080	489,562	457,261	462,776	469,547	473,593
Resources Growth and Governance	1,930,490	1,821,559	1,940,438	1,439,829	973,822	933,943	963,876	979,738
Customer Services	8,823,553	7,426,231	7,536,231	7,437,849	7,073,191	7,088,011	7,108,806	7,115,719
Housing and Neighbourhoods	3,993,190	2,949,876	3,023,414	2,711,094	2,606,872	2,521,698	2,479,959	2,526,689
Savings to be achieved (net of costs)	0	(101,545)	(373,975)	0	0	0	0	0
<b>Net Cost of Service</b>	<b>15,698,282</b>	<b>12,655,087</b>	<b>13,210,188</b>	<b>12,078,334</b>	<b>11,111,146</b>	<b>11,006,428</b>	<b>11,022,188</b>	<b>11,095,739</b>
<b>Non Service Exp/(Income) :</b>								
Recharges to HRA	(1,392,608)	(1,492,288)	(1,418,858)	(1,215,998)	(1,226,438)	(1,244,548)	(1,276,578)	(1,299,628)
Parish Precepts	294,169	312,190	312,190	354,143	361,231	368,454	375,829	383,342
Parish CTSS Grant	45,979	42,566	42,566	41,289	40,050	38,850	37,680	36,550
Capital Charges	(1,538,421)	(1,565,000)	(1,565,000)	(1,564,720)	(1,290,618)	(1,290,426)	(1,290,426)	(1,290,426)
Interest Receivable	(21,722)	(20,000)	(20,000)	(25,000)	(30,000)	(35,000)	(35,000)	(35,000)
Interest Payable	644,379	694,440	694,440	703,998	797,950	893,140	893,140	893,140
Minimum Revenue Provision	1,295,388	1,351,525	1,351,525	1,649,720	2,192,120	2,177,520	2,177,520	2,177,520
IAS19 Pension Adjustment	637,352	970,500	970,500	1,092,000	1,314,000	1,549,500	1,799,250	1,799,250
Vacancy Management	0	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Contingency	0	300,000	300,000	0	0	0	0	0
Ward Budgets	0	0	78,000	39,000	0	0	0	0
Living wage	0	0	0	100,000	100,000	100,000	100,000	100,000
Apprenticeship Levy	0	0	0	0	36,000	36,000	36,000	36,000
<b>Sub total - Non Service Exp/Inc</b>	<b>(35,484)</b>	<b>493,933</b>	<b>645,363</b>	<b>1,074,432</b>	<b>2,194,295</b>	<b>2,493,490</b>	<b>2,717,415</b>	<b>2,700,748</b>
<b>Net Operating Expenditure</b>	<b>15,662,798</b>	<b>13,149,020</b>	<b>13,855,551</b>	<b>13,152,766</b>	<b>13,305,441</b>	<b>13,499,918</b>	<b>13,739,603</b>	<b>13,796,487</b>
<b>Contributions to/(from) Reserves:</b>								
Planning Delivery Grant	(11,101)	(40,000)	(90,000)	(43,000)	0	0	0	0
Insurance Fund	(176,120)	0	0	0	0	0	0	0
Area Based/Town Centre	(47,494)	(199,000)	0	0	0	0	0	0
Neighbourhood Management	0	0	(175,952)	0	0	0	0	0
SHARP Funding	0	0	0	0	0	0	0	0
Restricted Use Grant	4,478,368	(61,000)	(136,209)	(37,290)	0	0	0	0
Efficiency Support Grant	595,578	(79,991)	(695,105)	0	0	0	0	0
Specific Budget	0	0	90,000	0	0	0	0	0
Repairs and Maintenance	(50,000)	0	0	0	0	0	0	0
Second Homes Council Tax	(92,923)	(86,040)	(87,296)	(76,676)	(1,850)	0	0	0
Waste Management	36,376	(137,980)	(137,980)	(110,000)	(10,750)	0	0	0
Invest To Save	0	0	0	1,000,000	0	0	0	0
General Reserve	0	0	0	(1,089,000)	0	0	0	0
Other Reserves	9,650	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	0
<b>Sub Total Reserves</b>	<b>4,742,334</b>	<b>(608,011)</b>	<b>(1,236,542)</b>	<b>(359,966)</b>	<b>(16,600)</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>0</b>
<b>Amount to be met from Government Grant and Local Taxpayers</b>	<b>20,405,132</b>	<b>12,541,009</b>	<b>12,619,009</b>	<b>12,792,800</b>	<b>13,288,841</b>	<b>13,495,918</b>	<b>13,735,603</b>	<b>13,796,487</b>
Collection Fund - Parishes	(294,169)	(312,190)	(312,190)	(354,143)	(361,231)	(368,454)	(375,829)	(383,342)
Collection Fund - Borough	(3,772,006)	(3,831,214)	(3,831,214)	(3,914,239)	(3,980,155)	(4,046,071)	(4,111,987)	(4,177,903)
Collection - LGFS Assumptions (SCENA)	0	0	0	0	(79,205)	(218,630)	(362,550)	(458,830)
Collection Fund	(124,825)	0	0	0	0	0	0	0
Retained Business Rates (net)	(4,160,000)	(3,715,878)	(3,715,878)	(3,514,927)	(3,584,060)	(3,689,793)	(3,807,725)	(3,894,175)
Revenue Support Grant	(5,827,000)	(4,538,641)	(4,538,641)	(3,739,670)	(3,006,670)	(2,544,900)	(2,029,120)	0
Council Tax Freeze 2015/16	(47,178)	(47,457)	(47,457)	0	0	0	0	0
New Homes Bonus	(960,344)	(1,156,647)	(1,156,647)	(1,377,044)	(1,392,934)	(875,132)	(839,679)	(796,710)
Business Rates - Year End (accounting)	(4,249,610)							
<b>Income from Grant and Taxpayers</b>	<b>(19,435,132)</b>	<b>(13,602,027)</b>	<b>(13,602,027)</b>	<b>(12,900,023)</b>	<b>(12,404,255)</b>	<b>(11,742,980)</b>	<b>(11,526,890)</b>	<b>(9,710,960)</b>
<b>(Surplus)/Deficit</b>	<b>970,000</b>	<b>(1,061,018)</b>	<b>(983,018)</b>	<b>(107,223)</b>	<b>884,586</b>	<b>1,752,938</b>	<b>2,208,713</b>	<b>4,085,527</b>

## GREAT YARMOUTH BOROUGH COUNCIL - DRAFT BUDGET 2015-16 - 2019-20

Service	Budget 2015/16	Budget 2016/17	Base to Base Variance	Reasons for Major Variances
<b><u>Resources, Governance &amp; Growth</u></b>				
Executive Team	558,966	489,562	(69,404)	2015-16 included a 'one off' allocation for agency staffing (£64.7k) while 2016-17 includes full year Chief Exec post as per the establishment, as well as a reduction for transformation budget (£80k) and resources for transformation work £38k.
<b>Resources Manager</b>				
Finance	872,263	896,607	24,344	2016-17 includes computer contract £18.8k previously omitted from the budget plus £9.6k one-off costs towards the Integra finance system upgrade.
HR	344,564	350,258	5,694	No major variances
<b>Total</b>	<b>1,216,827</b>	<b>1,246,865</b>	<b>30,038</b>	
<b>Growth Manager</b>				
Strategic Planning	452,746	482,622	29,876	Replacement plotter one-off cost & Norfolk-wide Strategic Planning Framework
Economic Development	296,372	218,367	(78,005)	£100k contribution for Coastal Communities Fund work removed as this is funded by grant; less post previously omitted from budget £22k
Enterprise GY	199,291	-	(199,291)	Service is fully funded from coastal communities grant until 2016-17
<b>Total</b>	<b>948,409</b>	<b>700,989</b>	<b>(247,420)</b>	
<b>Property &amp; Construction</b>				
Markets	(99,024)	(94,893)	4,131	No major variances
Depot Costs	-	-	-	
Property Services	(1,935,584)	(1,966,973)	(31,389)	£114.5k increase in centrally allocated costs covering utilities and rates, reduction for Brett's profit share income £30k, increase in renegotiated contract (£106.8k), an additional void at Minerva House £30.8k, increase in property occupancy Beacon Park (£56k) and LEP income (£99.9k). £52k net cost for office build at Beacon Park in 2016-17 before surplus in generated in future years.
Modernisation team	81,404	80,041	(1,363)	No major variances
Construction Services	716,837	635,874	(80,963)	Novus Centre income (£55.5k), reduction in R&M allocation of (£42.7k) and special works (£15.2k) less change in depreciation £27.6k
<b>Total</b>	<b>(1,236,367)</b>	<b>(1,345,951)</b>	<b>(109,584)</b>	
<b>Governance Manager</b>				
Member Services	504,763	473,644	(31,119)	There is a saving due to transfer of post to Corporate Strategy less increase in budget for central costs £14.4k.
Corporate Strategy	190,721	154,395	(36,326)	2015-16 base excludes in year transfer of staff (£70.1k) to elections cost centre.
Legal (Client)	197,206	209,887	12,681	Reduction in income for court recoveries
<b>Total</b>	<b>892,690</b>	<b>837,926</b>	<b>(54,764)</b>	
<b>GRAND TOTAL R,G &amp; G</b>	<b>1,821,559</b>	<b>1,439,829</b>	<b>(381,730)</b>	
<b><u>Customer Services</u></b>				
<b>Planning Manager</b>				
Development Control	44,931	62,913	17,982	1 FTE post omitted from the budget in 2015-16 £38k, partly offset by additional income (£22k)
Building Control	(2,359)	11,745	14,104	IT software costs
Land Charges	(15,403)	(21,967)	(6,564)	No major variances
<b>Total</b>	<b>27,169</b>	<b>52,691</b>	<b>25,522</b>	

Service	Budget 2015/16	Budget 2016/17	Base to Base Variance	Reasons for Major Variances
<b>Environmental Services Manager</b>				
Environmental Health/Food Safety	1,410,422	1,356,266	(54,156)	Duplicate post deleted and emergency planner now from NCC
Coastal Protection	363,196	366,947	3,751	No major variances
Pest Control	-	-		
<b>Total</b>	<b>1,773,618</b>	<b>1,723,213</b>	<b>(50,405)</b>	
<b>Customer Services Manager</b>				
Benefits	(711,644)	(583,884)	127,760	2 FTE previously omitted from the budget, and one post deleted to give net £30k increase; £80k less subsidy grant from DWP due to Universal Credit
Customer Services	453,292	524,205	70,913	Restructure business case to support Web Development as a key area of work £64k; translation costs budget previously omitted £7k
Revenues	405,822	220,513	(185,309)	Cost of collection income omitted (£150k); 4 fraud posts moved to DWP (£112k) offset by a reduction in admin grant in the Benefits service; IT software £80k
Crematorium	(631,246)	(687,454)	(56,208)	(£145k) additional fee income to cover cost of new cremator; £21k increase in rates and energy costs; £13k new cremator servicing and £52k interest charge
Support Services	278,183	252,712	(25,471)	IT contract costs recalculated (£15k)
Car Parking	(1,186,736)	(1,148,066)	38,670	(£8k) net Pay & Display income; £25k credit card transaction and enforcement costs under-estimated previously; (£63k) saving due to restructure in 2015-16; (£15k) rent saving following relocation to Greyfriars House; (£7k) previously overestimated energy costs; (£4k) cash collection saving from renegotiated contract; The previous budget assumed a surplus for the permits and enforcement work provided to Norfolk County Council, although the agreement does not allow a surplus to be made - this resulted in a £110k net reduction
ICT Client	988,009	1,128,773	140,764	5 FTE previously omitted from the structure along with a new manager post £177k, partially offset by a net reduction in ICT contact costs (£58k) ; photocopier charges £20k previously omitted.
<b>Total</b>	<b>(404,320)</b>	<b>(293,201)</b>	<b>111,119</b>	
<b>GYBS</b>				
Grounds Maintenance	373,098	376,275	3,177	No major variances
Parks and Gardens	506,449	518,213	11,764	£12K increase in grant payments to parish councils for maintenance of parks and open spaces
Street Cleansing	960,231	920,202	(40,029)	GYBS reduction in 1 FTE (£40k)
Waste	1,229,088	1,326,640	97,552	£110k contribution to refuse vehicle from earmarked reserves; (£28k) from deleted post; £100k to Norfolk Waste Partnership as part of Joint Venture arrangement; net recycling income reduced by £50k as rates significantly dropped; (£121k) net additional income from brown bins resulting from high take-up; (£18k) increase in bulky items income.
Streetway & Footway Lighting	550,947	560,611	9,664	No major variances
Repairs & Maintenance	1,112,670	864,540	(248,130)	Profit share from GYBS and GYN
Public Conveniences	386,400	359,744	(26,656)	Saving on GYBS contract
Outdoor Sport	242,361	229,208	(13,153)	£8K reduction in repairs & maintenance
<b>Total</b>	<b>5,361,244</b>	<b>5,155,433</b>	<b>(205,811)</b>	
<b>Elections &amp; Licensing Manager</b>				
Elections	106,180	208,789	102,609	Staffing costs transferred from corporate strategy £81k; additional canvas for Registration of Electors £25k required.
Licensing	(199,033)	(188,652)	10,381	No major variances
<b>Total</b>	<b>(92,853)</b>	<b>20,137</b>	<b>112,990</b>	

Service	Budget 2015/16	Budget 2016/17	Base to Base Variance	Reasons for Major Variances
<b>Tourism &amp; Marketing Manager</b>				
Tourism	438,180	441,350	3,170	No major variances
Weddings & Functions	(7,112)	(2,981)	4,131	No major variances
Reprographics	129,166	122,315	(6,851)	No major variances
Civic & Portering	135,578	152,006	16,428	£5k recalculated establishment costs; additional one-off costs £11k for twinning, WW1 and market 950 events
Communications	65,561	66,886	1,325	No major variances
<b>Total</b>	<b>761,373</b>	<b>779,576</b>	<b>18,203</b>	
Transformation Team Adj	-	-		
<b>GRAND TOTAL CUSTOMER SERVICES</b>	<b>7,426,231</b>	<b>7,437,849</b>	<b>11,618</b>	
<b>Housing &amp; Neighbourhoods</b>				
<b>GF Neighbourhoods &amp; Communities</b>				
Culture & Leisure	254,216	235,288	(18,928)	Savings within the service from repairs and maintenance and planned reductions in other budgets with the service area.
Marina Centre/Phoenix Pool	590,588	735,116	144,528	2016-17 budget now reflects current management fee for the Marina and Phoenix centres. The increased amount of net cost has been exacerbated due to the 2015-16 budget having been reduced by an incorrect amount, and therefore not reflective of the current arrangement [£77k]. The draft budget has also been updated to reflect the income from Norfolk County Council for the hire of pools by schools no longer being due [£82.5k]. Some of these costs have been mitigated by a reduction in insurance costs (£20k).
Conservation	212,193	223,525	11,332	Previously omitted £4k Lydia Eva contribution & overstated Preservation trust income £5k
CCTV	144,780	139,193	(5,587)	No major variances
Neighbourhood Management	365,961	374,664	8,703	No major variances
Grants to Voluntary Sector	186,156	161,856	(24,300)	Centre81 Grant - 5 years paid in 2014/15 for capital purchase
<b>Total</b>	<b>1,753,894</b>	<b>1,869,642</b>	<b>115,748</b>	
<b>Housing Services</b>				
Housing Needs	910,082	550,207	(359,875)	£424K reduction in costs on leased properties less £37K increase in lease property costs. £17K reduction in net income on GYBC property
Housing Strategy	120,405	123,637	3,232	No major variances
<b>Total</b>	<b>1,030,487</b>	<b>673,844</b>	<b>(356,643)</b>	
<b>Housing Health &amp; Wellbeing</b>				
Private Sector Housing	103,630	99,986	(3,644)	No major variances
Safe At Home	61,865	67,622	5,757	No major variances
<b>Total</b>	<b>165,495</b>	<b>167,608</b>	<b>2,113</b>	
Transformation Team Adj	-	-		
<b>GF Housing &amp; Neighbourhoods Total</b>	<b>2,949,876</b>	<b>2,711,094</b>	<b>(238,782)</b>	
<b>GRAND TOTAL GENERAL FUND</b>	<b>12,756,632</b>	<b>12,078,334</b>	<b>(678,298)</b>	

## Appendix D - Reserves Schedule

	Opening Balance 01.04.15 £'000	Movement 2015-16 £'000	Closing Balance 31.03.16 £'000	Movement 2016-17 £'000	Closing Balance 31.03.17 £'000	Movement 2017-18 £'000	Closing Balance 31.03.18 £'000	Movement 2018-19 £'000	Closing Balance 31.03.19 £'000	Movement 2019-20 £'000	Closing Balance 31.03.20 £'000
Planning Delivery Grant	133	-90	43	-43	0	0	0	0	0	0	0
Insurance Fund	123	0	123	0	123	0	123	0	123	0	123
Town Centre Management	952	-176	776	0	776	0	776	0	776	0	776
SHARP Funding	493	0	493	0	493	0	493	0	493	0	493
Restricted use grant	660	-136	524	-37	487	0	487	0	487	0	487
Efficiency Support grant	1,227	-695	532	0	532	0	532	0	532	0	532
Specific budget	3	90	93	0	93	0	93	0	93	0	93
LEGI	524	0	524	0	524	0	524	0	524	0	524
Repairs and maintenance	434	0	434	0	434	0	434	0	434	0	434
Second Homes Council tax	225	-87	138	-77	61	0	61	0	61	0	61
Waste Management	259	-138	121	-110	11	-11	0	0	0	0	0
Collection Fund (B Rates) *	4,699	0	4,699	0	4,699	0	4,699	0	4,699	0	4,699
Invest to Save Reserve	0	0	0	1,000	1,000		1,000		1,000		1,000
Other Reserves	189	-4	185	-4	181	-4	177	-4	173	-4	169
	9,921.00	-1,236.00	8,685.00	729.00	9,414.00	-15.00	9,399.00	-4.00	9,395.00	-4.00	9,391.00
General Fund**	5,397	983	6,380	-943	5,437	0	5,437	0	5,437	0	5,437
Total Revenue Reserves	15,318.00	-253.00	15,065.00	-214.00	14,851.00	-15.00	14,836.00	-4.00	14,832.00	-4.00	14,828.00

\* Note - whilst included in the GF reserves, this was an accounting adjustment as part of the 2014/15 accounts and is not currently available as a reserve balance.

\*\* Note - Movements for 2016/17 take account of the recommended £1million transfer for Invest to Save.



## Commentary on Earmarked Reserves

The following provides a commentary on the purpose and intended use of each of the earmarked reserves.

<b>Reserve</b>	<b>Purpose of Reserve</b>	<b>Plans for utilisation of the Reserve</b>
<b>Planning Delivery Grant</b>	The Planning Delivery Grant Reserve was established to voluntarily ring-fence Planning Delivery Grant to the Planning Service	The Reserve is planned to be used to provide service improvements in Planning, and deliver the Local Development Framework.
<b>Insurance Fund</b>	Provides internal insurance provision to cover excesses on external insurance policies and smaller items not covered externally.	The Council budgets for a level of excess being charged to the Service Accounts annually. Any under provision is met from the Insurance Fund, and any surplus is transferred to the fund.
<b>Town Centre Initiative Reserve</b>	To deliver a package of environmental and presentation initiatives to improve the visitor experience. To work with the Great Yarmouth town centre partnership, property owners and other stakeholders as soon as possible to identify the role of the town centre in the next 10 – 20 years. To develop a long term strategy to plan key changes and to guide investment, operational and marketing plans.	A one-off contribution to create a source of funding, with proposals to be drawn up for its use.
<b>SHARP Funding</b>	This Reserve provides funding to support any of the Council's capital allocation activities	The Council will utilise this funding for capital expenditure as allocated.
<b>Restricted use grant</b>	Grants received in year for specific expenditure are carried forward for use in future years	These Reserves are utilised as expenditure is incurred. No provision has been made to add to these reserves in future years.
<b>Efficiency Support Grant</b>	Balance of the ESG received to be used for transformation programme.	This reserve is utilised as expenditure is incurred during the year.
<b>Specific budget</b>	Specific budgets allocated to project type expenditure that have not been completed by year end.	These Reserves are utilised as expenditure is incurred.

## Appendix D

<b>Reserve</b>	<b>Purpose of Reserve</b>	<b>Plans for utilisation of the Reserve</b>
<b>LEGI</b>	A reserve to cover the capital costs for economic development within the Borough	As costs are incurred, these are offset by the Reserve.
<b>Repairs and Maintenance</b>	Recognition of the required repairs yet to be specifically scheduled for completion within existing budgets.	These Reserves are utilised as expenditure is incurred. Use of this will be considered alongside the asset management review.
<b>Second Homes Council Tax</b>	This reserve was established to fund projects that contribute towards the achievement of Borough wide objectives.	These Reserves are utilised as expenditure is incurred. No provision has been made to add to these Reserves in future years.
<b>Waste Management</b>	This reserve was set up to improve waste management services within the District, by providing weekly residual waste collections to approximately 23% of the Borough's urban households.	These Reserves are utilised as expenditure is incurred. No provision has been made to add to these Reserves in future years.
<b>Collection Fund</b>	Established as part of the 2014/15 accounts audit in respect of the business rates safety net.	Use of this will be to offset return of monies to the Government or as a result of appeals, not currently available for spend.
<b>Invest to Save</b>	A reserve to be established to support expenditure on initiatives which will either deliver future savings or generate additional income for the council to bring the budget into a financially sustainable position. To ensure that the Council has access to funding to ensure the necessary skills or investment is available to take forward projects or initiatives.	As detailed plans are produced the timing of use recommendations for use of this reserve will be made.
<b>Other Reserves</b>	Other Reserves are small in value.	These Reserves are utilised as expenditure is incurred. No provision has been made to add to these Reserves in future years.

Capital Programme Budget 2015-16											
			BORROWING	GRANTS & CONTRIBUTIONS				CAPITAL RECEIPTS			REVENUE
Project	Directorate	Total Revised Budget	Unsupported Borrowing	DFG	SHIP/SHARP/N&WEL S	HLF/THI	Other Grants/3rd Party Contributions	Capital Receipts - Sth Gorleston	Capital Receipt - Housing	Capital Receipts - other	Revenue Funding
Housing Capital Programme	Housing & Neighbourhoods	5,954,553.00	-						877,000.00		5,077,553.00
Beacon Park LATC - Project Costs	Housing & Neighbourhoods	60,000.00	60,000.00								
Disabled Facilities grants	Housing & Neighbourhoods	850,000.00	282,631.00	567,369.00							
Home Improvement Loans	Housing & Neighbourhoods	25,000.00								25,000.00	
Norfolk & Waveney Equity Loan Scheme	Housing & Neighbourhoods	133,949.00			133,949.00						
Empty Homes - Council Funded scheme to provide non -temporary Accommodation	Housing & Neighbourhoods	350,000.00	350,000.00								
Homes 4 Health	Housing & Neighbourhoods	50,000.00			50,000.00						
Runham Vauxhall	Housing & Neighbourhoods	-								-	
King Street Housing (Loan to GY Preservation Trust to renovate 133 & 135 King Street)	Housing & Neighbourhoods	-									
Marina Centre Refurbishment- Old Pr	Housing & Neighbourhoods	270,000.00	270,000.00								
New Budget for Phoenix Pool	Housing & Neighbourhoods	1,270,000.00	1,270,000.00								
New Budget for Marina Centre	Housing & Neighbourhoods	255,000.00	255,000.00								
Total for Housing and Neighbourhoods - GF		3,263,949									
Total for Housing and Neighbourhoods - Incl. HRA		9,218,502									
Footway Lighting	Customer Services	100,000.00	100,000.00								
Euston Road Car Park Extension	Customer Services	231,000.00	231,000.00								
Tar Works Rd Resurface	Customer Services	40,000.00	40,000.00								
Digital By Design	Customer Services	250,000.00	250,000.00								
Coastal Protection - Scratby.	Customer Services	596,000.00					423,000.00				173,000.00

			BORROWING	GRANTS & CONTRIBUTIONS				CAPITAL RECEIPTS			REVENUE
Project	Directorate	Total Revised Budget	Unsupported Borrowing	DFG	SHIP/SHARP/N&WEL S	HLF/THI	Other Grants/3rd Party Contributions	Capital Receipts - Sth Gorleston	Capital Receipt - Housing	Capital Receipts - other	Revenue Funding
Remodelling Work at Britannia Pier	Customer Services	70,000.00	70,000.00								
Crematorium Improvements	Customer Services	60,000.00	60,000.00								
Depot Vehicle Washbay	Customer Services	17,300.00	17,300.00								
<b>Total for Customer Services</b>		<b>1,364,300</b>									
Refurbishment of South East Town Wall Tower	Resources, Governance & Growth	91,000.00	91,000.00								
St George's - THI Grants	Resources, Governance & Growth	380,000.00	220,657.00			159,343					
Flexible Workforce	Transformation team	590,000.00	590,000.00								
Beacon Park	Resources, Governance & Growth	6,700,000.00	5,009,214.00				1,449,786.00	241,000.00			
Beacon Park - Site 4	Resources, Governance & Growth	575,000.00	575,000.00								
Opportunity Project Acquisitions	Resources, Governance & Growth	-	-								
South Denes	Resources, Governance & Growth	400,000.00					400,000.00				
<b>Total for Resources, Governance and Growth</b>		<b>8,736,000.00</b>									
<b>Total - GF</b>		<b>13,364,249.00</b>	<b>9,741,802.00</b>	<b>567,369.00</b>	<b>183,949.00</b>	<b>159,343.00</b>	<b>2,272,786.00</b>	<b>241,000.00</b>	<b>-</b>	<b>25,000.00</b>	<b>173,000.00</b>
<b>Total - GF+HRA</b>		<b>19,318,802.00</b>	<b>9,741,802.00</b>	<b>567,369.00</b>	<b>183,949.00</b>	<b>159,343.00</b>	<b>2,272,786.00</b>	<b>241,000.00</b>	<b>877,000.00</b>	<b>25,000.00</b>	<b>5,250,553.00</b>

**Capital Programme Forward Budget 2016-17**

Project	Directorate	Total Proposed Budget 16-17	BORROWING	GRANTS & CONTRIBUTIONS				CAPITAL RECEIPTS		REVENUE
			Unsupported Borrowing	DFG	SHIP/SHARP/N & WELS	NCC	Other Grants/3rd Party Contributions	Capital Receipt - Housing	Capital Receipts - other	Revenue Funding
		<b>NEW BID</b>								
Housing Capital Programme	Housing & Neighbourhoods	<b>8,561,460</b>	2,100,000					890,000		5,571,460
Beacon Park LATC - Phase 1	Housing & Neighbourhoods	<b>9,400,000</b>	9,400,000							
Disabled Facilities grants	Housing & Neighbourhoods	<b>800,000</b>	233,000	567,000						
Emergency Home Improvement Loans	Housing & Neighbourhoods	<b>50,000</b>							50,000	
Empty Homes	Housing & Neighbourhoods	<b>757,508</b>	757,508							
Homes 4 Health	Housing & Neighbourhoods	<b>350,000</b>			350,000					
Runham Vauxhall	Housing & Neighbourhoods	<b>119,541</b>							119,541	
Phoenix Pool Refurbishment	Housing & Neighbourhoods	<b>900,000</b>	900,000							
New Marina Centre Refurbishment	Housing & Neighbourhoods	<b>3,900,000</b>	3,900,000							
The Waterways - Refurbishment	Housing & Neighbourhoods	<b>1,300,000</b>					1,300,000			
Cobholm Skatepark	Housing & Neighbourhoods	<b>100,000</b>					100,000			
Mill Lane Hot Water Vessels	Housing & Neighbourhoods	<b>31,000</b>	31,000							
Childrens Playground Refurbishment & Resurfacing	Housing & Neighbourhoods	<b>109,200</b>	109,200							
Conversion of The North West Tower into holiday accommodation	Housing & Neighbourhoods	<b>98,000</b>	98,000							
Footway Lighting	Customer Services	<b>100,000</b>	100,000							
Tar Works Rd Resurface	Customer Services	<b>-</b>								
Esplanade Resurfacing	Customer Services	<b>180,000</b>	180,000							
New Cremators	Customer Services	<b>398,848</b>	398,848							
Server Upgrades - Integra	Customer Services	<b>20,000</b>	20,000							

**Capital Programme Forward Budget 2016-17**

Project	Directorate	Total Proposed Budget 16-17	BORROWING	GRANTS & CONTRIBUTIONS				CAPITAL RECEIPTS		REVENUE
			Unsupported Borrowing	DFG	SHIP/SHARP/N &WELS	NCC	Other Grants/3rd Party Contributions	Capital Receipt - Housing	Capital Receipts - other	Revenue Funding
		<b>NEW BID</b>								
Public Toilets - Automated Locking Systems	Customer Services	<b>21,500</b>	21,500							
Public Toilets - Refurbishment		<b>160,000</b>	160,000							
Central Heating Boilers - Greyfriars House		<b>35,000</b>	35,000							
Loan to GYBS to purchase 2 new refuse vehicles		<b>115,000</b>	115,000							
Beacon Park	Resources, Governance & Growth	<b>1,950,000</b>	1,950,000							
Beacon Park-Site 4-Development of Office Premises	Resources, Governance & Growth	<b>4,750,000</b>	4,750,000							
South Denes	Resources, Governance & Growth	<b>2,600,000</b>	250,000			2,350,000				
Opportunity Project Acquisitions	Resources, Governance & Growth	<b>-</b>								
<b>Total</b>		<b>36,807,057</b>	<b>25,509,056</b>	<b>567,000</b>	<b>350,000</b>	<b>2,350,000</b>	<b>1,400,000</b>	<b>890,000</b>	<b>169,541</b>	<b>5,571,460</b>

**Capital Programme Forward Budget 2017-18**

			BORROWING	GRANTS & CONTRIBUTIONS		REVENUE
Project	Directorate	Total Proposed Budget 17-18	Unsupported Borrowing	DFG	Capital Receipts - Housing	Revenue Funding
Housing Capital Programme	Housing & Neighbourhoods	7,651,080	2,052,000		877,000	4,722,080
Disabled Facilities grants	Housing & Neighbourhoods	800,000	233,000	567,000		
New Marina Centre Refurbishment	Housing & Neighbourhoods	1,600,000	1,600,000			
Footway Lighting	Customer Services	100,000	100,000			
Esplanade Resurfacing	Customer Services	100,000	100,000			
Tar Works Rd Resurface	Customer Services	-				
Beacon Park	Resources, Governance & Growth	350,000	350,000			
Beacon Park - Site 4	Resources, Governance & Growth	1,275,000	1,275,000			
Opportunity Project Acquisitions	Resources, Governance & Growth	-				
<b>Total</b>		<b>11,876,080</b>	<b>5,710,000</b>	<b>567,000</b>	<b>877,000</b>	<b>4,722,080</b>

**Capital Programme Forward Budget 2018-19**

Project	Directorate	Total Proposed Budget 18-19	BORROWING	GRANTS & CONTRIBUTIONS		CAPITAL RECEIPTS			REVENUE
			Unsupported Borrowing	DFG	Other Grants/3rd Party Contributions	Capital Receipts - Sth Gorleston	Capital Receipt - Housing	Capital Receipts - other	Revenue Funding
Housing Capital Programme	Housing & Neighbourhoods	6,497,080	1,000,000				569,000		4,928,080
Disabled Facilities grants	Housing & Neighbourhoods	800,000	233,000	567,000					
Esplanade Resurfacing	Customer Services	100,000	100,000						
Footway Lighting	Customer Services	100,000	100,000						
<b>Total</b>		<b>7,497,080</b>	<b>1,433,000</b>	<b>567,000</b>	<b>-</b>	<b>-</b>	<b>569,000</b>	<b>-</b>	<b>4,928,080</b>