

HERITAGE, CULTURE AND LEISURE COMMITTEE

1 SEPTEMBER 2015

Is the final decision on the recommendations in this report to be made at this meeting?

No

URGENT: BUDGET MONITORING 2015/16 AND MEDIUM TERM FINANCIAL STRATEGY 2016/17 ONWARDS

Final Decision-Maker	Council: 2 March 2016
Lead Head of Service	Head Of Finance & Resources
Lead Officer and Report Author	Paul Riley Head Of Finance & Resources
Classification	Public
Wards affected	All

This report makes the following recommendations to this Committee:

1. That the Committee note the outturn for 2014/15 and the position for 2015/16 as at the end of June 2015.
2. That a reference is made by this Committee to Policy & Resources Committee confirming agreement with the decision of the Policy and Resources Committee on the strategic revenue projection and the capital programme, in so far as it affects this Committee's budget.
3. That the Committee requests an informal meeting with relevant officers to discuss budget pressures and opportunities to provide savings to support the medium term financial strategy and that the results of that informal meeting be reported to the next meeting of the Committee for consideration.
4. That the Committee also requests that potential capital projects be informally discussed at that meeting and that the results of that informal meeting be reported to the next meeting of the Committee for consideration.

This report relates to the following corporate priorities:

The medium term financial strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. It reflects the Council's decisions on the allocation of resources to all objectives of the strategic plan.

Timetable	
Meeting:	Date:
Heritage, Culture & Leisure Committee	1 September 2015
Policy & Resources Committee	23 September 2015
Policy & Resources Committee	16 December 2015
Heritage, Culture & Leisure Committee	5 January 2016
Policy & Resources Committee	24 February 2016
Council	2 March 2016

URGENT: BUDGET MONITORING 2015/16 AND MEDIUM TERM FINANCIAL STRATEGY 2016/17 ONWARDS

1. PURPOSE OF REPORT, EXECUTIVE SUMMARY AND REASONS FOR URGENCY

- 1.1 This report provides a financial analysis of the recent outturn for 2014/15, the current performance in the first quarter of 2015/16 and the recently agreed draft medium term financial strategy for 2016/17 onwards. The information is provided specifically where these three issues affect the Heritage, Culture and Leisure Committee.
- 1.2 The intention of the report is to inform the Committee of its current financial position so as to enable the Committee to consider options for supporting the Council's need to make saving in future years and the Committee's need to resolve its current budget pressures.

Reason for Urgency

- 1.3 This report is considered urgent because the decisions in relation to the medium term financial strategy must be made during this cycle so that a reference back to Policy & Resources Committee can be given in time for consideration alongside the proposals for public consultation on the strategy.

2. INTRODUCTION AND BACKGROUND

Outturn 2014/15

- 2.1 The revenue outturn for the financial year ended 31 March 2015 was reported to Policy & Resources Committee on 29 July 2015. This report detailed financial performance during 2014/15 for all services. The report required a contribution of £22,000 from balances to be agreed so that all actions previously agreed by Council and Cabinet during 2014/15 could be completed. No underspend was available to carry forward, beyond the sums that had received prior approval by Cabinet in April 2015.
- 2.2 The financial information set out in that revenue outturn report can be summarised by committee as set out in table 1 below:

Committee	Estimate £	Actual £	Variance £
Policy & Resources	11,664,440	10,749,096	915,344
Communities, Housing & Environment	8,816,010	9,165,320	-349,310
Heritage, Culture & Leisure	590,710	682,171	-91,461
Strategic Planning, Sustainability & Transport	113,730	-228,634	342,364
Use of Balances & Reserves	-2,068,140	-1,229,060	-839,080
	19,116,750	19,138,893	-22,143

Table 1: 2014/15, outturn compared to budget analysed by service committee.

As can clearly be seen from the table, the Heritage, Culture and Leisure Committee reported an overall adverse variance of £91,461 against a net budget of £590,710. This is an adverse variance of 15.5%.

- 2.3 The report detailed the major services that contributed to the adverse variance for this Committee as follows:
- a) Income levels had not achieved target and additional costs had been incurred in Mote Park, totalling £61,000;
 - b) Lower than expected income and increased maintenance costs at the Museum created an adverse variance of £45,000;
 - c) Also reported throughout the year was the unmet income target for the crematorium. This service ended the year with a reported over spend of £64,000.
- 2.4 Additionally some service areas reported smaller but positive variances, such as:
- a) The Cemetery, where additional income and lower levels of maintenance meant an under spend of £22,000;
 - b) Community Halls, where funding for works at Beechwood Hall were not utilised in year;
 - c) Cultural Development, where unused external grant was not utilised in year.
- 2.5 In the main the positive variances related to budgets that support external grants or charities such as Cobtree Manor Park. As such the Committee is unable to utilise this money for its own purposes.
- 2.6 The Outturn Report to Policy & Resources Committee recognised the risk that the variances represent to the Council and these services will be closely monitored as part of that Committee's quarterly budget monitoring work.

First Quarter Results and Forecast 2015/16

- 2.7 Attached at **Appendix A** is a report on the current budget and the position in relation to the first quarter of 2015/16, to June 2015. The appendix details net budget per cost centre for this Committee. The full analysis of all services will be reported to the next meeting of the Policy & Resources Committee.
- 2.8 The columns of the table in the Appendix show the following detail:
- a) The cost centre description;
 - b) The value of the total budget for the year;
 - c) The amount of the budget expected to be spent by the end of June 2015;
 - d) The actual spend to that date;
 - e) The variance between expected and actual spend;

- f) The forecasted spend to year end; and
- g) The expected significant variances at 31 March 2016.

- 2.9 Appendix A shows that of an annual budget of £666,458 the expectation is that £375,753 would be spent in the first quarter of the year. This profile is not unusual with leisure facilities where the summer period at the start of the year sees the majority of activity.
- 2.10 At this point in time the budget is reporting an under spend of £84,252 however the forecast for year-end shows that this does not reflect the likely outcome at 31 March 2016.
- 2.11 The key budgets that are likely to require careful attention during the year are the Museum and Mote Park and the Committee can expect that decisions will be required to enable the control of these services within budget. The full list of services that are currently expected to report significant variances at year end are listed in Appendix A and a brief detail of the circumstance in each case is also set out in the appendix.

Strategic Revenue Projection 2016/17 to 2020/21

- 2.12 The Policy and Resources Committee on 29 July 2015 also considered an initial report on the medium term financial strategy for the period 2016/17 to 2021/21. The Policy & Resources Committee's decisions are set out at **Appendix B** to this report and the full report can be viewed on the agenda for that meeting.
- 2.13 Based on the decisions of the Policy & Resources Committee, this report asks the Committee to consider the factors as they relate to the Committee's services and respond to Policy & Resources Committee request for feedback.
- 2.14 The report to Policy & Resources Committee requested the approval of a strategic revenue projection to enable budget planning to progress. The officer recommended projection was approved and it took into account the following factors in relation to the Council's available resources:
- a) Business Rates: That the Council would continue to be a member of the Kent Business Rates Pool, an arrangement that is likely to benefit the Council by enabling the retention of up to £400,000 of business rates growth that would otherwise have been transferred to central government;
 - b) Revenue Support Grant: Following the Chancellor of the Exchequer's emergency budget it is clear that local government can expect renewed pressure on resources as part of the continued austerity programme. The assumption is currently that the Council can expect to lose a further £1m from its revenue support grant in 2016/17 with the grant falling to zero by 2019/20;
 - c) Council Tax Levels: The current prediction is for there to be a 2.49% increase in council tax each year. This is the aggregate of a 1.99%

increase in the council tax charge and a 0.5% increase in the tax base (chargeable dwellings);

- d) Locally Derived Income: This has been held at the current level in the projection although there is an expectation in the Council's policy on fees and charges that there will be appropriate consideration of an increase at least in line with inflation, where appropriate.

2.15 In addition factors that create budget pressures were also taken into account in developing the strategic revenue projection. Where those pressures create implications for this Committee the details are as follows:

- a) Employee costs: In the emergency budget the Chancellor of the Exchequer announced actions that will have an impact on the employee costs of the council. The two main issues impacting the council are:
- Funding for a 1% annual increase in public sector pay over the period of the current parliament; and
 - An increase in the national living wage to £9 per hour by 2020. This included an increase to £7.20 in 2016/17.

These two issues will cause a budget pressure for all committees and officers are reviewing the longer term implications of the increase in the national living wage to £9.00. Policy & Resources Committee approved a planned increase in employee costs of 1.7% to allow for both factors and the potential cost of incremental increase for some employees.

- b) Inflation Increases: For the majority of service budgets and for over a decade the Council has set a policy of zero inflation in order to ensure a regular pressure on all services to promote efficiency. Where there are contractual or unavoidable commitments that include inflationary increases then these values are specifically set as a budget pressure. For this Committee this would include the contract with Parkwood Leisure for the Hazlitt Theatre and items such as energy costs or business rates for buildings such as the Museum.
- c) Single Tier Pension Arrangements: From the commencement of the tax year 2016/17 the government is changing the state pension arrangement. As set out in previous medium term financial strategies the intention is to pay a single tier pension to all contributors. This will increase national insurance contributions for the Council as an employer and for all employees as the ability to "contract out" of some national insurance because of the local government pension scheme will be removed

2.16 These pressures have been set against the current resources utilised by this Committee's services and the current budget for those services. Set out at **Appendix C** to this report is a strategic revenue projection that approximates this Committee's share of the overall shortfall in resources that was reported to Policy & Resources Committee.

2.17 This shows that this Committee will utilise more resources than its allocation in future years. The need to find savings for the Council as a whole and the approximation of the share that can be expected on an apportioned basis from this Committee is set out in the table below:

	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000	Total £,000
Council Savings Target	1,632	791	713	526	103	3,765
Apportioned to HCL	19	89	85	78	57	328

Table 2: Apportioned savings target per financial Year

2.18 When considering these figures and the actions that might be taken to resolve the need to identify savings, the Committee should bear in mind that the Council will look to support areas that are its key priorities and expect greater contributions from other areas. While there are priorities that are directly provided by this Committee's services they are not the two highest priorities, based on public opinion. The public consultation on the Strategic Plan 2015 – 2020 showed that key priorities for the public are:

- Providing a clean and safe environment; and
- Securing improvements to the transport infrastructure of our borough.

2.19 In any circumstance it is essential that the Council is prepared for the future loss of financial resilience as set out in this report and in more detail in the report to the Policy & Resources Committee. For this reason all service committees have been requested to consider the strategic revenue projection and provide views back to the Policy & Resources Committee on its accuracy and options to balance expected resources and expenditure.

Capital Programme 2016/17 to 2020/21

2.20 The capital programme, also considered by the Policy & Resources Committee on 29 July 2015, includes schemes that provide additional assets for this Committee.

2.21 Funding for the programme remains consistent with previous decisions of Council in that the majority of the resources come from the New Homes Bonus receipts available to the Council along with a small grants budget and a small number of receipts from asset sales. Previous decisions of Council and Cabinet have directed the use of New Homes Bonus on infrastructure projects where these are required by the infrastructure delivery plan that forms part of the Local Plan.

2.22 The current programme includes resources for the following schemes:

- a) Play Area Improvements: Elsewhere on this agenda the Committee has been provided with an update on this scheme. This scheme has funding of £1.75m evenly spread over the period 2015/16 to 2017/18.
- b) Mote Park Enhancements: The Committee has considered schemes to provide resources to enable enhancements to Mote Park and to support the funding of ongoing revenue costs in the Park. These resources form

part of the commercialisation budgets within the capital programme and are allocated in accordance with a prioritise project list.

- 2.23 The Policy & Resources Committee wishes to consider schemes that service committees may wish to propose, where these schemes meet strategic priorities and provide a suitable business case. Should the Committee wish to consider any future schemes they may put them forward for consideration.
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3. AVAILABLE OPTIONS

- 3.1 In its decision the Policy & Resources Committee approved the strategic revenue projection for the whole Council and the projection set out at Appendix C is extracted and apportioned to this Committee's services from that overall projection. The Committee also requested that the services committees review the medium term financial strategy and feedback their views of the resources and budgets available. Of special interest to Policy & Resources Committee are proposals from services committees on how to find savings of £1.6m in 2016/17 and in total £3.8m over the five year period 2016/17 to 2020/21.
- 3.2 The Committee should consider the requests of Policy & Resources Committee to review the factors set out in the revenue and capital budget assumptions.
- 3.3 In addition the Committee should consider its approach to identifying contributions towards the savings requirements as set out in table 2 in paragraph 2.17. It is possible for the Committee to put forward no options for savings and to request consideration of the budget pressure it is facing from the Museum and Mote Park. While the pressures might be considered to be an appropriate use of savings identified by this Committee it will remain necessary to consider further options to make savings immediately as well as in the medium term (up to five years).
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 It is recommended that the Committee approve the factors used in the agreed strategic revenue projection as they are the best estimates available from the information known to date. During the remainder of this financial year, as the strategy develops and more accurate information becomes available, it is still possible to amend the factors and the overall plans up until the Council meeting that will approve the 2016/17 budget in March 2016.
- 4.2 In considering options for savings the Committee should be aware that while proposals will be put forward for consideration they may need to be considered confidential in nature and may not gain full support from all committee members. For this reason it is recommended that the Committee meets informally with service managers to consider options for savings that will improve value for money service delivery or reductions in non-priority

service delivery. Once the Committee is satisfied with the proposals that it wishes to submit they can be referred to Policy & Resources Committee.

- 4.3 Finally the Committee should request proposals from officers for capital projects that it may wish to then put forward for inclusion in the developing capital programme.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 This report is an initial stage report in the development of the medium term financial strategy and the budget for 2016/17. Using the decisions made from the Committee's consideration of this report information will be provided to Policy & Resources Committee for inclusion in their preparations for public consultation. Once this is complete public consultation will commence late October 2015 or early November 2015.
- 5.2 This Committee's final opportunity to consider the medium term financial strategy and budget for 2016/17 will be on 5 January 2016 and feedback from consultation and other stakeholder's views will be included in that report along with final details relating to approved savings proposals.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 Information on this decision will be passed back to the Policy & Resources Committee for their consideration when preparing the budget consultation for this year.
- 6.2 If the recommendations are agreed this Committee will work with relevant officers to develop savings and growth proposals to submit to a later Policy & Resources Committee so that all final proposals can be considered in the light of the Chancellor of the Exchequer's autumn statement and the local government finance settlement in December 2015.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	It is the purpose of the medium term financial strategy (MTFS) to allocate resources to the priorities in the strategic plan, including the allocation of resources to other plans and strategies developed to achieve those outcomes.	Head of Finance & Resources
Risk Management	Matching resources to priorities in the context of the significant	Head of Finance &

	<p>pressure on the Council’s resources is a major strategic risk. The MTFS is improved each year to enhance its resilience and effectiveness. The MTFS is considered by Policy & Resources Committee, all service committees, the Audit Governance & Standards Committee and Council.</p> <p>Specific budget risks and opportunities are identified in the main body of the report, especially the consideration of the factors in the strategic revenue projection.</p>	Resources
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee gives consideration to the strategic financial consequences from the recommendations in this report.	Head of Finance & Resources
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term and the proposals include adequate resources to meet current plans.	Head of Finance & Resources
Legal	The Council has a statutory obligation to set a balanced budget and development of the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Head of Finance & Resources
Equality Impact Needs Assessment	The report sets out a policy that will have a positive impact as it will enhance the lives of all members of the community through the provision of resources to core services. In addition it will affect particular groups within the community.	Head of Finance & Resources

	It will achieve this through the focus of resources into areas of need as identified in the Council's strategic priorities.	
Environmental/Sustainable Development	No specific issues arise	Head of Finance & Resources
Community Safety	No specific issues arise	Head of Finance & Resources
Human Rights Act	No specific issues arise	Head of Finance & Resources
Procurement	No specific issues arise	Head of Finance & Resources
Asset Management	Resources available for asset management are contained within the strategic revenue projections and capital programme set out in this report.	Head of Finance & Resources

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

Appendix A: First Quarter 2015/16 Budget Monitoring Report

Appendix B: Decision of Policy & Resources Committee 29 July 2015

Appendix C: Strategic Revenue Projection 2016/17 to 2020/21 – Heritage, Culture & Leisure Committee.

9. BACKGROUND PAPERS

None