

2016/17 Budget Financial Proposals

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | |
|----------------------------|----------|---------------|---------------|---------------|-------------------------|
| | £000 | £000 | £000 | £000 | Commentary/Implications |
| Summary Position | | | | | |
| Position Brought Forward | 13,147 | 15,766 | 27,994 | 38,941 | |
| Total Resource Changes | (10,075) | (6,346) | (7,825) | (11,630) | |
| Potential Savings Options | (12,804) | (12,830) | (13,752) | (13,504) | |
| Expenditure Pressures | 9,732 | 13,862 | 17,771 | 22,027 | |
| Updated Bottom Line | 0 | 10,452 | 24,188 | 35,834 | |

| | | | | | | |
|----|--|-----------------|----------------|----------------|-----------------|--|
| | Resource Changes | | | | | |
| 1 | Government Revenue Support Grant Resources (Change to Pre-Budget Report) | (2,357) | (169) | (2,561) | (4,247) | Revised estimate of reductions in Government Revenue Support Grant. Following the final Local Government Finance Settlement these reductions are lower than previously assumed. The overall settlement includes grants rolled in, mostly relating to the Care Act (Adult Social Care) and amounting to £2m rising to £3.3m over the period. A corresponding level of expenditure is also assumed in this area. |
| 1a | New Homes Bonus (Change to Pre-Budget Report) | (1,471) | (1,523) | 2,061 | 2,307 | The original planning estimate has been revised following the Local Government Finance Settlement reflecting higher grant resources up to 2017/18. From 2018/19 New Homes Bonus will be reduced at a national level and the resources used to fund the Better Care Fund. Coventry's New Homes Bonus will go down in these later years. |
| 2 | Business Rates and Top-Up Grant | 3,295 | 3,295 | 3,675 | 4,083 | September inflation rates used by Government to calculate Top-Up Grant and Business Rates increases (0.8%) are much lower than those assumed at the start of the year (3%). |
| 3 | Council Tax-Base (Change to Pre-Budget Report) | (2,153) | (3,533) | (4,140) | (4,299) | This represents a significant improvement in the level of Council Tax income that is likely to be available. It reflects increases in the city's tax-base and continuing reductions in the level of Council Tax Reduction Scheme payments. The final Tax-Base position reported to Cabinet in January reduced the overall level of benefit by c£0.5m pa compared with the Pre-Budet position. |
| 4 | Council Tax - Estimated Outturn | (5,257) | 0 | 0 | 0 | Combined 2014/15 actual Council Tax surplus and 2015/16 projected surplus in excess of previous estimates. This reflects the in-year impact of the factors described at item 3 above plus the positive impact of improved Council Tax collection performance. |
| 4a | 2% Social Care Precept (Change to Pre-Budget Report) | (2,132) | (4,416) | (6,860) | (9,474) | Government regulations have been set to allow Councils to increase Council Tax by a further 2% in excess of the previous 2% level, over which Councils would be required to hold a referendum with the additional resource being used to fund growing Adult Social Care pressures. The Government's assumption is that Councils will use this flexibility and the Budget in this report has been based on this assumption. A corresponding expenditure pressure line is included at item 13. |
| | Total Resource Changes | (10,075) | (6,346) | (7,825) | (11,630) | |

| Potential Savings Options | | | | | | |
|---------------------------------|--|----------|----------|----------|----------|---|
| 5 | Asset Management Revenue Account | (3,023) | (1,156) | (1,631) | (329) | <p>This corporate budget incorporates the revenue financing costs of capital spending. Continuing low interest rates and the re-profiling of capital spend mean that there will be a significant saving in this area although steps taken to re-base the budget last year mean that the savings are lower in relative terms than they have been in previous years.</p> <p>This assumes that pay awards will not exceed 1% (against a previous assumption of 2%) in the years beyond 2015/16 and that only contractual non-employee expenditure budgets are inflated. Also this line will re-balance employee budgets and remove existing corporate budget flexibility. In addition to the Pre-Budget position this assumes payment of the Living Wage as determined by the Living Wage Foundation. In 2016/17 this rises to £8.25 ph</p> <p>Savings from implementation of the existintg Procurement Strategy involving close scrutiny of all new contractual arrangements. Although the 2015/16 Procurement saving is unlikely to be achieved in-year, plans already in hand indicate that full-year savings will be available to deliver this increased target next year.</p> <p>Re-examine existing PFI financing arrangements and adjust these where opportunities arise.</p> <p>Revision of the Council's Minimum Revenue Provision Policy - this deals with the way in which the Council needs to set aside revenue budgets to repay debt. This is being reviewed now in line with the approach being taken by many Councils and the overall approach will be to repay debt over a longer time period. The MRP Policy and final financial implications are set out in full in the main Report. The Council's approach remains prudent approach and is being agreed with its external auditors.</p> <p>The 2015/16 Budget increased the Children's Social Care budget by £10m on-going plus £3m one-off (of which £2m has been committed in 2015/16). It was recognised at the time that this was not sustainable over the medium term. Work is now underway to begin to reduce caseloads, reduce agency staffing levels and begin to examine transformation savings. The plan is now to reduce the requirement to £9m plus £2m one-off in 2016/17 (needing a further £1m of one-off funding) and £8m in 2017/18.</p> <p>The Council's 3 PFI schemes operate long-term financial models that result in net positive cash-flow balances over the earlier part of the scheme lifetimes. This proposal is to utilise these positive balances in these early years at the rate of £1m per year. In 2025, a current long-term financial Council debt repayment commitment comes to an end and the relevant budget can be switched to cover the PFI commitment. The £1m saving would end at that point.</p> <p>Savings identified by a task and finish member review group which reviewed recurrent areas of underspend. This includes £200k rising to £300k from the costs of purchasing Council vehicles and £50k savings from Directorate underspends in each of the Resources, Place and Chief Executive's Directorates.</p> |
| 6 | Inflation Contingencies (Change to Pre-Budget Report) | (3,132) | (3,829) | (5,006) | (6,665) | |
| 7 | Procurement Saving | (1,000) | (1,000) | (1,000) | (1,000) | |
| 8 | PFI Re-Modelling | (200) | (200) | (200) | (200) | |
| 9 | Minimum Revenue Position Policy | (3,099) | (3,195) | (2,465) | (1,860) | |
| 10 | Reduce Cost of Children's Social Care | (1,000) | (2,000) | (2,000) | (2,000) | |
| 11 | Re-Cashflow Private Finance Initiative (PFI) Balances | (1,000) | (1,000) | (1,000) | (1,000) | |
| 12 | Member Review Group | (350) | (450) | (450) | (450) | |
| Total Potential Savings Options | | (12,804) | (12,830) | (13,752) | (13,504) | |

| Expenditure Pressures | | | | | |
|------------------------------------|--|--------------|---------------|---------------|---------------|
| 13 | Adult Social Care (Change to Pre-Budget Report) | 6,632 | 9,916 | 13,860 | 17,974 |
| 14 | Catering Service Ending | 629 | 629 | 629 | 629 |
| 15 | Deprivation of Liberty Safeguards (DoLS) | 400 | 400 | 400 | 400 |
| 16 | Waste Costs | 1341 | 1476 | 1613 | 1755 |
| 17 | Combined Authority Contribution (Change to Pre-Budget Report) | 500 | 500 | 500 | 500 |
| 18 | Integrated Transport Authority Levy (Change to Pre-Budget Report) | 230 | 21 | (151) | (151) |
| 19 | Apprenticeship Levy (Change to Pre-Budget Report) | 0 | 920 | 920 | 920 |
| Total Expenditure Pressures | | 9,732 | 13,862 | 17,771 | 22,027 |

The Council is experiencing cost increases across all areas of Adult Social Care. This involves a complex combination of contributory factors including higher service user numbers, greater cost of care packages and greater service visibility resulting from the Care Act. There are also likely to be emerging market cost pressures in future years. This includes updated assumptions about the likely cost of future Adult Social Care costs including those assumed to be funded from the implementation of the Social Care Precept.

The Council's School Catering service ceased on 31st August 2015 having failed to trade successfully over a number of years. This proposal meets the residual income target and contributions towards centralised charges and overheads left following the ending of the service.

The Deprivation of Liberty Safeguards ensures that if it is necessary to deprive people in care homes of their liberty in order to care for them safely then permission must be sought following strict processes. A March 2014 Supreme Court judgement extended this requirement such that an assessment is still needed for individuals who were not openly trying to leave care. This matter, including the estimated cost to the Council of £0.4m, was considered by Health and Social Care Scrutiny Board 5 on 3rd November 2015.

The Council is facing large increases in waste disposal costs due to several factors: Growth in household waste forecast to be 1% per annum, growth in the number of households forecast to be 1180 new households pa, gate fee increases for household waste and gate fee increases for recycled waste.

Initial estimate of cost of supporting development of Combined Authority proposals ahead of its proposed establishment during 2016/17.

Updated position on ITA levy reflecting higher costs for Coventry resulting from its larger % of population across the West Midlands and savings above those planned for future years.

Levy of 0.5% of pay-bill from April 2017