

## BRECKLAND DISTRICT COUNCIL

**Report of:** Julie Kennealy, Executive Director Commercialisation (Treasurer of ARP)

**To:** ARP Joint Committee, 12 January 2016

**(Author:** Julie Kennealy, Executive Director Commercialisation)

**Subject:** ARP Joint Committee Partnership Budget

**Purpose:** To set the annual revenue budgets relevant to the Joint Committee for 16-17 and indicative budgets for 17-18 and 18-19

### **Recommendation(s):**

- 1) That the partnership budget at Appendix B for 2016-17 be approved
- 2) That the full 2015-16 under spend is contributed into the ARP investment fund
- 3) That future release of budgets from the investment fund for specific projects is delegated to OIB and all spend to be reported to Joint Committee at the next available meeting

### **1.0 BACKGROUND**

- 1.1 The recent ministerial announcement confirmed the expected changes to local government settlement and subsidy levels, putting further financial pressures on local councils. This means the direct budgets of the seven partners are coming under increasing pressures from reducing funding, including the Subsidy Grant which relates to Benefits and Localised Council tax Support and therefore a more strategic budget is needed moving forwards. Appendix A details three scenarios for the reduction in the admin subsidy for the seven partners, an optimistic, realistic and pessimistic scenario. The budget assumes the realistic scenario (the middle point) which gives an overall budget gap of £1,017k by 2018-19:

	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Budget gap from reduction in admin grant</b>	£227k	£532k	£1,017k

The appendix details sensitivity around a more optimistic scenario giving reductions of £654k or pessimistic scenario with reductions of £1,847k.

#### **Strategic Budget**

- 1.2 Appendix B details the suggested strategic approach for ARP; the approach keeps the base budget in order to retain capacity to enable redirection of resources, it also utilises the expected under spend from the current financial year and creates an *investment fund* from this balance. The investment fund will be used to invest in trading, growth and efficiencies, in order to deliver the necessary savings in future years to close the budget gap. The investment will begin in year 1 so the savings will not be generated until year 2 onwards and the seven partners will manage their individual budget gaps in 2016-17. The savings targets are based on the expected reduction in the Subsidy Grant for the seven partners over the medium term. This report recommends that £60k of the investment fund is used for the year 1 marketing costs and the remaining investment fund is released by the OIB on a specific project by project basis.
- 1.3 As detailed in the above paragraph, a base budget is required to run services and this has been set in line with the current year. Budget working papers have been prepared by

service management in conjunction with service accountants and reviewed by the S151 Officer for each partner authority. The budgets cover the costs and revenues for providing Council Tax, Housing Benefit payments, Non-Domestic Rates collection services and the new enforcement service for the seven authorities.

- 1.4 Benefits payments and subsidies, court fee income and other grants specific to the individual authorities are not included within the partnership budgets, as these are the direct responsibility of the individual authority and have been reflected in their direct budgets.
- 1.5 Appendix B sets out the proposed budget for 2016-17 compared to the revised budget for 2015-16, with indicative budgets for the following two years. Further tables show the share of costs for each authority, and the proportion that any additional costs or savings against the budget will be shared. The share of the overall budget is split between the different percentages as per the updated Joint Committee 7 partner agreement. In setting this budget various key assumptions have been made:
  - A pay award of 1% in all years in line with central government
  - A vacancy factor of 2.5% in all years
  - No inflation on supplies & services as the assumption is that inflation can be contained through future procurement savings
  - Savings will not be delivered until 2017-18 in order to allow a year to make the necessary investment
- 1.6 The new enforcement service is budgeted to provide a net income of £150k in 2016-17 and future years. This is a prudent estimate and will be reviewed when the 2017-18 budget is set, as the service will have been in operation for over a year at that stage and we will have more clarity on the likely income.
- 1.7 The budgets include 3 new council tax posts for further recovery which are fully offset by income from the County Councils. The funding for these has been agreed by two county council and negotiations continue with the other one, but the posts will only be recruited to when it is confirmed that they would be cost neutral to the partners.

### **Universal Credit**

- 1.8 It is intended to start rolling out the new Digital Service for Universal Credit nationally from May 2016. The DWP has provided further details to the Public Accounts Committee confirming the roll-out of the Digital Service for new cases between May 2016 and June 2018 and that the migration of existing benefits to Universal Credit will start in 2018, to be completed by March 2021.
- 1.9 It is anticipated that there will be reductions in the Housing Benefit Administration grant in the future and so we have built corresponding efficiency targets in to the budget from 2017-18 reflecting the amounts seen in appendix A. Further information will be provided by the Government in January concerning the timetable for the Universal Credit roll out at which time we will understand better when our residents will be affected.
- 1.10 The Government have estimated that there are currently around 20,000 benefits staff employed in local authorities, the DWP recognises that this figure includes staff dealing with Council Tax Support, so they estimate that around 5,000 face potential redundancy. The migration of the existing caseload will be the point at which we see the greatest impact on staffing and funding levels. The Government have stated that they expect Councils to look to redeployment and natural wastage to keep redundancies to a minimum but, where councils demonstrate that unavoidable redundancies occur as a result of the Universal Credit roll out they will meet this cost.

## **2.0 OPTIONS**

- 2.1 That the partnership budget for 2016-17 be approved; That the full 2015-16 under spend is contributed into the ARP investment fund; and That future release of budgets from the investment fund for specific projects is delegated to OIB and all spend to be reported to Joint Committee at the next available meeting.
- 2.2 That the partnership budget for 2016-17 be approved with amendments; That the full 2015-16 under spend is contributed into the ARP investment fund; and That future release of budgets from the investment fund for specific projects is delegated to OIB and all spend to be reported to Joint Committee at the next available meeting.
- 2.3 Some but not all of the recommendations are approved.

### 3.0 **REASONS FOR RECOMMENDATION(S)**

- 3.1 These budgets will enable ARP to have a more strategic focus moving forwards and will form the basis for monitoring financial performance by the Joint Committee in the next financial year and the contributions form part of the individual authority's base budgets for the year.

### 4.0 **EXPECTED BENEFITS**

- 4.1 By setting these budgets the partner authorities are able to use the information to set their own budgets and we have a basis for monitoring the financial performance for the next financial year.

### 5.0 **IMPLICATIONS**

#### 5.1 **Carbon Footprint / Environmental Issues**

- 5.1.1 It is the opinion of the Report Author that there are no implications.

#### 5.2 **Constitution & Legal**

- 5.2.1 It is the opinion of the Report Author that there are no implications.

#### 5.3 **Contracts**

- 5.3.1 It is the opinion of the Report Author that there are no implications.

#### 5.4 **Corporate Priorities**

- 5.4.1 The budgets have been set with regard to corporate priorities and the need to provide value for money services.

#### 5.5 **Crime and Disorder**

- 5.5.1 It is the opinion of the Report Author that there are no implications.

#### 5.6 **Equality and Diversity / Human Rights**

- 5.6.1 It is the opinion of the Report Author that there are no implications.

#### 5.7 **Financial**

5.7.1 The financial implications are set out in the appendices.

## 5.8 **Health & Wellbeing**

5.8.1 It is the opinion of the Report Author that there are no implications.

## 5.9 **Risk Management**

5.9.1 The economic climate continues to have a major influence on the resources required to operate an effective revenues and benefits service, particularly if the economic declines and causes increases in caseload.

5.9.2 Authorities will see reductions in their direct budgets as Housing Benefit Administration Grant is reduced as a consequence of welfare reform and fraud activity transferring to the Single Fraud Investigation Service. It is likely that the Government's policies to continue to reduce expenditure on public services will have further impact on the Administration Grant in future years.

5.9.3 The Joint Committee will continue to be kept apprised through regular performance reports and any additional grant funding to support new burdens will be brought to the Joint Committee's attention.

## 5.10 **Safeguarding**

5.10.1 It is the opinion of the Report Author that there are no implications.

## 5.11 **Staffing**

5.11.1 It is the opinion of the Report Author that there are no implications.

## 5.12 **Stakeholders / Consultation / Timescales**

5.12.1 The budget runs from 1 April 2016 to 31 March 2017, with future years given as indicative figures only.

5.12.2 Partner authorities accountants and S151 Officers have been consulted with in preparing this budget.

## 5.13 **Other**

5.13.1 N/A

## 6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 N/A

## 7.0 **ACRONYMS**

7.1 ARP – Anglia Revenues Partnership

7.2 DWP – Department for Work & Pensions

7.3 OIB – Operational Improvement Board

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Background papers:- [See The Committee Report Guide](#)

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### **Lead Contact Officer**

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**Key Decision:** No

**Exempt Decision:** No

**This report refers to a Mandatory Service**

**Appendices attached to this report:**

Appendix A Admin subsidy reduction sensitivity

Appendix B ARP Joint committee Budget 2016-17