

**Public
Key Decision - No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Draft 2018/19 Revenue Budget & Medium Term Financial Strategy (2019/20 to 2022/23); including the Capital Programme

Meeting/Date: Cabinet – 18th January 2018

Executive Portfolio: Executive Councillor for Strategic Resources

Report by: Head of Resources

Wards affected: All

Executive Summary:

Revenue Budget

In order for the Council to:

- set the Council Tax for the area, the Council is required to set an annual Budget for the forthcoming year; ,
- ensure effective future financial planning, the Council approves a Medium term Financial Strategy (MTFS) for the subsequent 4 years.

Consequently, this report sets out the Draft Budget for 2018/19, including details of the draft service budgets, and the revised MTFS for the period 2019/20 to 2022/23 for Cabinet approval.

At this point in the Budget setting process, the draft Net Service Expenditure for 2018/19 is £17.2m (the detailed Draft Budget 2018/19 and MTFS is shown in **Appendix 1**).

When comparing the Draft 2018/19 Net Service Expenditure Budget to the 2017/18 Forecast Outturn and the Original Budget, there has been a net decrease of £817k (4.5%) and £40k (0.2%) respectively. The draft figures include:

- on-going impacts of previous years Zero Based Budget and line by line savings approved in previous years,
- non-realisation of previously approved Zero Based Budgeting (ZBB) savings (£453k).
- growth (£2.2m).
- savings and additional income (£1.9m),
- the impact of all other budget adjustments (£51k; inflation and employee related expenditure).
- the increased income from the Commercial Investment Strategy (£197k).

Government Funding

In December 2015 the Government offered to local authorities a Four Year Financial settlement on submission and approval of a Four Year Efficiency Plan and the Council received approval for its Plan in November 2016.

On 19 December 2017, the Secretary of State for Communities and Local Government announced the provisional finance settlement for 2018/19. Revenue Support Grant (RSG) and New Homes Bonus (NHB) allocations were broadly in line with the indicative Four Year Settlement announced the previous year. Members should note that, as reported last year, the Council will no longer receive RSG from 2019/20.

Members will recall that in the current MTFS that the Council has an aspiration to be self-financing by 2020/21. This aspiration can be met 1 year earlier i.e. 2019/20. Any NHB received from 2019/20 onwards is planned to be allocated to the Commercial Investments Strategy Earmarked Reserve.

Council Tax

The Council Tax base (i.e. the number of Council Tax Band D properties) is 60,984 for 2018/19 with a detailed breakdown by parish shown in **Appendix 2**, for the period of the MTFS this has been increased by 1.3% per annum.

As highlighted to Council in October 2016, the Four Year Efficiency Plan included a proposal to increase Council Tax by 2%. The 2018/19 draft Budget and MTFS therefore includes a 2% increase in Council Tax and this would make the 2018/19 Council Tax £138.56 (an increase of £2.66) and over the life of the MTFS would raise £2.7m.

Reserves

The Council's policy with regard to the General Fund Reserve is to maintain this at a minimum level of 15% of net revenue expenditure of the authority. There are therefore minor adjustments to the General Fund over the MTFS to maintain this level. Any excess budget (or reserve contribution required) after the General Fund adjustment is taken to, or made from, the Budget Surplus Earmarked Reserve. Where surpluses can be invested, these are then transferred to the CIS Earmarked Reserve.

Capital Programme

There is a capital requirement of £5.6m in 2018/19, £3m funded from borrowing and the balance from external sources (grants and contributions) and internal contributions (capital receipts, capital reserve and earmarked reserves). The Minimum Revenue Provision (MRP) has been calculated at £2.17m. The revenue implications of the capital proposals are built into the corresponding revenue budgets.

The Commercial Investment Strategy (CIS) has programmed £31.5m of CIS acquisitions in 2018/19. This is to be funded from borrowing of £28.2m and a contribution from the CIS Earmarked Reserve of £3.3m.

Comments of the Overview and Scrutiny Panel (Performance and Customers will be detailed in Section 10 of this report.

Recommendations:

It is recommended that the Cabinet approves:

- Overall Draft Budget 2018/19 and MTFS 2019/20 to 2022/23 (**Appendix 1**)
- Savings and growth proposals (4.1 to 4.6 **Appendices 3 and 4**),
- Draft Capital Programme 2018/19 to 2022/23 (9.1 to 9.2), and
- Planned increase in Council Tax of 2% for 2018/19 and for the duration of the MTFS (7.1 to 7.3, **Table 6**).

1. PURPOSE OF THE REPORT

1.1 To provide Cabinet with the detail of the Draft Budget preparations to date for consideration. The report sets out:

- the draft 2018/19 Revenue Budget and Medium Term Financial Strategy (MTFS) for the period 2019/20 to 2022/23,
- how the Budget has moved in comparison to the 2017/18 Original Budget and the 2017/18 Forecast Outturn,
- draft Capital Programme 2018/19 to 2022/23, and the
- impact on reserves.

2. PREPARATION OF THE DRAFT BUDGET 2017/18 AND MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2021/22

2.1 The draft 2018/19 budget and MTFS have been set on the following basis:

- on-going impacts of Zero Based Budget and line by line savings approved in previous years,
- non-realisation of previously approved Zero Based Budgeting (ZBB) savings (£453k),
- growth (£2.2m),
- savings and additional income (£1.9m).
- the impact of all other budget adjustments (£51k; inflation and employee related),
- the increased income from the Commercial Investment Strategy (£197k),
- the Four Year Settlement that was agreed by government in the Autumn of 2016; reflecting new grant income streams for Revenue Support Grant, New Homes Bonus and Business Rates, and
- the Draft Capital Programme 2018/19 to 2022/23.

2.2 The detailed analysis of the draft 2018/19 Budget and MTFS (2019/20 to 2022/23) is attached at **Appendix 1**.

3. REFLECTIONS ON THE 2017/18 FORECAST OUTTURN

3.1 As at September 2017, the forecast outturn that was reported to Cabinet in December, was an overspend of £778k and by the end of November this has not changed. The main reasons for this overspend and the actions being taken by Cabinet to address these budget challenges are shown in **Table 1** below:

Table 1	2017/18 Forecast Outturn		
Service	Pressure	Management Action	£000
Customer Services	- Homelessness - Customer Service Centres	- Higher use of B&B. Long term solutions being developed. - Centres to remain open for the time being.	234
Operations	- Round rescheduling savings not fully achieved - Ongoing dispute with recycling contractor.	- Waste service review currently being undertaken. - Dispute being followed through legal redress.	470
Leisure & Health	- Issues with swimming lessons income at OLSN due to redevelopment - Redevelopment at OLH.	Alternative provision at OLS for OLSN swimming.	188
3C's ICT (HDC)	Higher agency staff costs; also business case inconsistencies when 2017/18 budget established.	Reduced reliance on hired staff and business case being reworked.	310
Resources	Higher insurance premiums.	Contract review.	22
Other Services – net underspends for Community and Directors and Corporate Services. Minor overspend on Development			(446)
Total			778

4. REVENUE: SERVICE SAVINGS, INCOME AND GROWTH

4.1 Over the Autumn of 2017/18 Portfolio Holders were challenged to establish savings and income proposals in respect of their budgets as well as budgetary growth proposals. The conclusions of these, as well as the changes from the 2018/19 budget that was part of the 2017/18 MTFS, are shown in **Table 2** below, with further commentary in paragraphs 4.2 to 4.6.

Table 2 Service savings, income and growth					
Service	Adjusted 2017/18 MTFS Totals for 2018/19	Savings and Income	Inflation and Employee related growth	Other Growth	2018/19 Budget
	£000	£000	£000	£000	£000
Community	1,906	(147)	0	8	1,767
Customer Services	2,333	(171)		378	2,540
Development	1,056	(424)	1	438	1,071
Operations	3,813	(251)	12	236	3,810
Leisure and Health	(284)	(313)	23	384	(190)
Directors and Corporate Team	1,650	(87)		79	1,642
ICT	1,730	(4)	5	376	2,107
Resources (including Corporate Resources)	4,606	(483)	10	291	4,424
Total	16,810	(1,881)	51	2,191	17,171

Savings and Additional Income

- 4.2 Following the audit of the 2016/17 accounts, the Council again received an unqualified “Value for Money” opinion; this reflects the Councils continuous efforts to manage its ongoing service pressures and their impact over the medium term.
- 4.3 As part of the process of continuous review, the Council has previously undertaken a Zero Based Budgeting review of all its services, as well as a Line-by-Line review last year. However, reflecting on the November forecast outturn for 2017/18 as shown in **Table 1**, in the setting of the 2018/19 Budget identifying service savings has become very challenging. At this time:
- i. £1.9m of savings proposals have been developed, £1.5m was reported to the Policy Development Group in early December and since then a further £343k in Transformational savings has been identified.
 - ii. £170k in additional income (Fees and Charges) has also been identified. This was reported to Cabinet in December 2017. Services are currently reviewing their services for other sources of incremental income and the conclusions of this review will be reported to Cabinet in February.
- 4.4 A summary of the savings and additional income proposals is shown in **Table 3** below:

Table 3	Service Savings Proposals			
Service	Savings and additional income	Subsequent Savings and additional income	Total for Service	
	£000 (*)	£000 (*)	£000	% Change in Budget (**)
Community	25	122	147	8
Customer Services	171	0	171	7
Development	390	34	424	37
Operations	153	98	251	6
Leisure & Health	313	0	313	196
Directors & Corporate Team	87	0	87	5
3C's ICT (HDC element)	4	0	4	0
Resources (incl Corporate Resources)	395	89	380	188
Total	1,538	343	1,881	
* Detailed analysis of savings proposals is shown in Appendix 3. 2017/18 Gross Expenditure to 2018/19 Gross Expenditure. **				

Growth

- 4.5 As noted under 'Savings' above, the pressure on services continues at pace with some specific issues coming to the fore over the past year, with their pressures continuing into next year and the period covered by the MTFS. This has meant that there has been some growth for 2018/19 (totalling £2.2m), of which some extends over the MTFS period; this is summarised in **Table 4** below with more detailed commentary in paragraph 4.6.

Table 4	Service Growth Proposals				
Service	Unavoidable Growth			Total for Service	
	Inflation £000	Employee Related £000	Other Growth £000	£000	% Change in Budget (*)
Community	0	0	10	10	0
Customer Services	0	0	378	378	16
Development	0	1	438	439	39
Operations	7	5	236	248	6
Leisure & Health	5	18	384	407	(255)
Directors & Corporate Team	0	0	79	79	5
3C's ICT (HDC element)	5	0	376	381	22
Resources (incl Corporate Resources)	4	6	291	301	
Total	21	30	2,192	2,243	
* 2017/18 Gross Expenditure to 2018/19 Gross Expenditure The detailed analysis of Other Growth is shown at Appendix 4					

- 4.6 The "Unavoidable Growth" is made-up of:

- Inflation:
 - Employee Inflation of 1% is included over the entire budget period; across the current establishment this reflects an increase of £236k for 2018/19 (including national insurance and pension). With regard to Pension, the Council is in the second year of the current Triennial period.
 - Business Rates Inflation of 3% has been included; this is reflective of the current proposals included in the Chancellor's budget of November 2017.
- Employee Related Growth

As a consequence of the Chancellor's budget of November 2017, the Chancellor increased the 'national minimum wage' from £7.50 to £7.83 per hour. This effectively increased the pay-bill by £31k.

5. REVENUE: COMMERCIAL INVESTMENT STRATEGY

5.1 The Commercial Investment Strategy (CIS) continues to be a main income stream for the Council. For 2017/18 the net income from additional CIS investment was estimated to be £2.8m; however, due to very challenging market conditions the actual net income generated in the year was £1.1m.

5.2 The main reasons for the reduction in income have been due to a lack of 'quality' commercial property coming onto the market. Over the past year, the Council has reviewed 75 propositions; of these it has submitted 'bids' on 43 and 1 have been successful.

5.3 The Council has a robust process of acquisition; as well as considering initial yield and ongoing income, the Council undertakes considerable due diligence to ensure that the proposition being reviewed represents fair value of money and will award the Council a fair return over the medium term. As part of the audit of the 2016/17 accounts, the external auditor undertook a governance review of the Councils approach to the acquisition of commercial assets and its conclusions were:

"We.....considered the governance arrangements in relation to the properties purchased under the Commercial Investment Strategy during the year. Over all we have concluded that the arrangements are appropriate".

5.4 Over the past few months there has been considerable government and private sector commentary in respect of local government's activity in the commercial property investment market. Certainly local government's activity has added heat to the market but also questions have been raised about whether Councils should be investing outside of their Council boundary (although Councils have been doing this for a long time). In response, since early Autumn there have been two significant consultations in respect of the technical arrangements around such activity; the:

- i. Chartered Institute of Public Finance and Accountancy (CIPFA) undertook a consultation into its Prudential Code and MRP and Treasury Management.
- ii. Department of Communities and Local Government (DCLG) has also commenced a consultation into proposed changes to the Prudential Framework of capital finance; the consultation closed just before Christmas.

Local government awaits the conclusions and recommendations of both sets of consultations.

5.5 In light of the above, the Treasury and Capital Management Group still considers that CIS investment should be a core approach to underpinning the financing of service provision; consequently it has chosen not to amend its CIS income targets. However, it has chosen to redefine its investment activity; to:

- concentrate its CIS acquisition activity within the Councils boundary going forward – but this is not to say that if the Council became aware of quality propositions outside of its boundary that it would not follow-up such propositions (providing they remain affordable and within regulation).

- pursue housing development. To provide a mix tenure housing development portfolio through a range of partnerships.

6. CORPORATE AND GOVERNMENT FUNDING OPTIONS

- 6.1 This section of the report provides details on the funding and options from the Council's proposed Budget for 2018/19 and the MTFS 2019/20 to 2022/23.

Council Tax Base

- 6.2 The approved Council Tax base for 2018/19 is 60,984, an increase of 1.45% from the 2017/18 base with a detailed breakdown by town and parish councils shown in **Appendix 2**. For future years the Council Tax base has been increased by estimated growth of 1.33%, this reflects:

- allowing for future new build planning projections included within the current Planning Trajectory produced by the Planning Service, and
- advice from the Local Taxation Team.

Council Tax Increase

- 6.3 On the 19 December, the Secretary of State for Communities and Local Government announced the Local Government Financial Settlement. As part of this year's settlement for second tier authorities (District Councils), he increased the Council Tax threshold from 2% to 3% before a referendum is required. For the 2018/19 budget and MTFS, a Council Tax increase of 2% has been included. This level of increase has been included after taking into account the:

- a) requirements of the MTFS,
- b) requirement of the Council to set a balanced Budget over the medium term,
- c) Council's objective of setting a financially sustainable Budget over the medium term and,
- d) reflecting the following "local" key employment indicators.
 - Average Wage growth (April 2016 to April 2017)
 - Huntingdonshire – 4.2%
 - Cambridgeshire – 1.8%
 - National – 2.1%
 - Pensions are subject to the governments triple lock policy whereby the increase is by the greater of the following; thus resulting in a minimum increase of 3%:
 - earnings - the average percentage growth in wages (in Great Britain)
 - prices - the percentage growth in prices in the UK as measured by the Consumer Prices Index (CPI)
 - 3%

- 6.4 A 2% increase on Council Tax in 2018/19 would increase it to £138.56 per Band D equivalent property, an increase of £2.72 per week per household and resulting in an additional income of £166k for the Council. Over the MTFS period, this generates a further £2.7m when compared to a nil increase in Council Tax over a similar period; which would need to be found from additional savings and/or increases in fees and charges.

- 6.5 The current referendum rules are that District Councils are allowed to increase Council Tax by 3% or £5, whichever is greater, before a referendum is triggered. If the Council chose to increase its Council Tax by £5, this would be an increase of 3.7% and give a Band D equivalent of £140.85 for 2018/19; over the MTFS period this would generate £4.7m.

Government Grant

- 6.6 On the 19 December the Provisional Local Government Financial Settlement was issued by the Secretary of State for Communities and Local Government. The outcome of this settlement has been built into the funding section of the budget and MTFS. The main messages from the settlement for HDC were as follows:

Revenue Support Grant (RSG)

- Revenue Support Grant (RSG) was confirmed and was unchanged from the provisional settlement in 2016/17 and ends after 2018/19.
- However, from 2020/21 the RSG goes in to a negative position (2020/21 £150k, 2021/22 £304k and 2022/23 £397k). The Government understands the concerns around this but there is no straightforward or easy solution. It is currently reviewing appropriate solutions and expects to consult local government in due course on its approach to correct this issue. However, to ensure that the Council is appropriately managing this potential future pressure, negative RSG is included in the draft MTFS from 2020/21 onwards.

New Homes Bonus (NHB)

- The Government has confirmed, following their recent consultation on proposals for NHB, that they will not withhold NHB where homes have been granted on appeal (they considered that this was not the right measure to reflect planning performance). They will consider what further changes can be made to the NHB for 2019/20 to ensure it continues to deliver the maximum amount of new housing and will consult on any further changes before implementation.
- The number of years over which NHB is paid is reduced from 5 years in 2017/18 to 4 years from 2018/19.
- A 'deadweight' factor of 0.4% growth has been maintained and thereby meaning that any authority will only get paid NHB on growth above 0.4%.

Business Rates (NDR)

- Business rates – the Council's Business Rates comes from its share of actual bills raised and not government grant. The Government calculates its assumed level of Business Rates income and then has inflated this by 2%. The MTFS includes internally calculated Business Rates figures as at the end of November, this is considered to be more accurate approach to NDR estimating. Future 'annual' NDR growth is modelled based on inflation of 2%; this reflects the RPI growth that will be applied to the business rates multiplier.

- From 2020/21 the Government was going to allow local government to retain 100% NDR, but this has been reduced to 75%. This Draft Budget keeps the NDR number in the MTFS as the same approach as last year. As the rates retention process is confirmed over 2018/19, further reports to Cabinet will address this issue.

6.7 The Provisional Financial Settlement issued on 19 December included some other announcements that may be of interest to Members:

- The higher threshold of 3% for “core” Band D is justified on the grounds that it keeps pace with inflation. CPI inflation is currently running at 3.1% (November 2017) but is projected to fall over the next 12 months. It is possible that the Government will continue with a policy of pegging “core” increases to CPI in future years, but the effect will be lessened or even eliminated if CPI actually falls back to around 2%.
- Police and Crime Commissioners will be able to increase their Band D council tax by the higher of 3% or £12.
- Adult Social Care Precept arrangements will remain unchanged. In previous years upper tier authorities were able to add up to 3% on to their “core” Band D increase (up to a maximum of 6% over the period 2017-18 to 2019-20). From 2018-19 onwards, social care authorities will be able to increase their Band D council tax by up to 6% (i.e. 3% + 3%).
- Any controls on parish and town councils are going to be deferred “for 3 years”.

Collection Fund Surplus/Deficit

6.8 The Collection Fund is the statutory account through which Council Tax and Business Rates income and the payments to preceptors of their respective shares are accounted for. Any surplus or deficit on the Collection Fund at year end is distributed to the preceptors, as per legislation. The Council is required to make an estimate of the projected surplus or deficit of each component of the Collection Fund at year end in order for the preceptors to bring their share of the surplus or deficit into the budget setting process as shown in **Table 5**.

Table 5	Collection Fund Estimated Surplus 2017/18	
	(Surplus) / Deficit £000	HDC Share £000
Council Tax	382	33
Business Rates	(2,497)	(999)
Total	(2,115)	(966)

6.9 The main reason for the surplus on Business Rates is due to the estimated level of appeals that were calculated in January 2017. The level of appeals as at November 2017 shows that this has reduced. For Council Tax the estimated deficit is due to the surplus brought forward being used to cover deficits and there is not enough to cover 2017/18.

7. DRAFT BUDGET 2017/18 AND MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2022/23

7.1 This section brings together all the service budget conclusions, CIS and Corporate & Government Funding proposals into the 'consolidated' Draft Budget 2017/18 and MTFS 2019/20 to 2022/23. This is shown in **Table 7** below.

7.2 It is proposed that the MTFS assumption of a 2% Council Tax increase is applied for 2018/19 and that the policy to increase the Council Tax by 2% over the period of the MTFS (as per the 4 Year Efficiency Plan) is continued,

7.3 Some comments are made in paragraph 8.1 below in respect of the implications of next year's budget and the MTFS on Reserves. However, there are some conclusions that can be directly born out from the 2018/19 budget and MTFS shown in **Table 6**; principally:

- In 2018/19, the Council produces a surplus budget of £3.1m, £1.3 being a direct contribution to the CIS Earmarked Reserve and £1.9m being a contribution to the General Fund (this is an increased contribution of £1.2m over that estimated last year).
- Last year, the total draw down from the General Fund between 2019/20 and 2021/22 was estimated to be £3.6m; this budget round the total draw down is estimated to be £3.1m – a saving of £0.5m (it is also fair to comment that each annual draw-down is less than last year).
- For the approved 2017/18 MTFS, the estimated budget gap at the end of the MTFS period (2021/22) was £1.4m. For 2018/19 MTFS, the gap for 2021/22 is £1.1m; a reduction of £0.3m (17%).
- The approach in previous years to managing the budget gap has been via the Plan-on-a-Page, more detail on this will be provided in the Final Budget report that will come before members in February. In respect of the Draft Budget 2018/19 and MTFS, last year's budget gap for 2021/22 was £1.4m; this year's MTFS is forecasting a budget gap for 2022/23 of £954k – a reduction of £410k (30%).

Table 6	Budget 2017/18 £'000	Forecast Outturn 2017/18 £'000	2018/19 Budget and MTFS				
			Medium Term Financial Strategy				
			2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Community Services	1,953	1,843	1,769	1,765	1,808	1,847	1,881
Customer Services	2,396	2,630	2,540	2,611	2,750	2,829	2,891
Development Services	1,133	1,109	1,071	1,169	1,111	1,154	1,197
Operational Services	4,032	4,502	3,809	3,644	3,758	3,875	3,993
Leisure and Health	(160)	28	(190)	(263)	(302)	(282)	(280)
Corporate Team and Directors	1,711	1,398	1,642	1,664	1,688	1,706	1,718
ICT	1,721	2,031	2,107	2,117	2,134	2,151	2,169
Resources	(179)	90	(313)	(354)	(361)	(299)	(268)
Corporate Finance	4,604	4,358	4,737	5,038	5,088	5,102	4,950
Net Expenditure	17,211	17,989	17,172	17,391	17,674	18,083	18,251

	Budget 2017/18 £'000	Forecast Outturn 2017/18 £'000	Funding Streams and a 2% Council Tax increase				
			Medium Term Financial Strategy				
			2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Net Expenditure	17,211	17,989	17,172	17,391	17,674	18,083	18,251
Contribution to/(from) Earmarked Reserves:	(65)	(65)	0	0	0	0	
- Commercial Investment Strategy	0	0	1,260	2,673	2,673	2,673	2,673
- Other	0	0	0	0	0	0	
General Reserves	3,032	2,254	1,876	(971)	(992)	(1,130)	(954)
Budget Requirement	20,178	20,178	20,308	19,094	19,356	19,627	19,971
Non-Domestic Rates	(4,622)	(4,622)	(5,841)	(5,958)	(6,077)	(6,199)	(6,323)
S31 Grant	(1,018)	(1,018)	(1,729)	(1,729)	(1,729)	(1,729)	(1,729)
Revenue Support Grant (RSG)	(1,182)	(1,182)	(604)	0	150	304	397
New Homes Bonus	(3,656)	(3,656)	(2,718)	(2,673)	(2,673)	(2,673)	(2,673)
Collection Fund (Surplus) / Deficit	(1,534)	(1,533)	(966)	0	0	0	0
Council Tax Requirement	8,166	8,167	8,450	8,734	9,027	9,330	9,643
- Base (*)	60,111	60,111	60,984	61,795	62,617	63,450	64,293
- Per Band D	135.84	135.86	138.56	141.33	144.15	147.04	149.98

8. RESERVES

8.1 **Table 7** below shows the estimated impact on the Councils General Fund and key Earmarked Reserves over the life of the MTFS. The primary conclusions are:

i. General Fund

The Council maintains a General Fund of 15% of Net Expenditure over the MTFS period.

ii. Budget Surplus Reserve

At the end of 2022/23 members will see that the Reserve maintains a 'credit' balance, this demonstrates that the Council has a 'balanced budget' over the MTFS period.

iii. Commercial Investment Reserve

Between 2019/20 and 2022/23, members will see that there is an annual contribution to the Reserve of £2.7m; this is the same amount as the New Homes Bonus shown in **Table 6**. This clearly demonstrates that the Council is not relying on central government resourcing to finance the delivery of Council services.

Further, in 2018/19 members will see that the Reserve has a contribution of £1.3m; this is a direct allocation from an element of New Homes Bonus for that year. Consequently it can be concluded that the Council objective of becoming self-financing is actually achieved during 2018/19.

Table 7	Reserves and MTFS						
	2017/18 £'000	Forecast Outturn 2017/18 £'000					
			2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
General Fund							
b/f	2568	2,582	2,698	2,576	2,609	2,651	2,712
Contribution to Reserve	3,032	2,254	1,876				
Contribution from Reserve				(971)	(992)	(1,130)	(954)
Contribution to(from) Budget Surplu:	(3,018)	(2,137)	(1,998)	1,004	1,034	1,191	980
c/f	2,582	2,698	2,576	2,609	2,651	2,712	2,738
Net Expenditure	17,211	17,989	17,172	17,391	17,674	18,083	18,251
15%	2,582	2,698	2,576	2,609	2,651	2,712	2,738
Budget Surplus Reserve							
b/f	75	75	2,212	4,210	3,207	2,174	984
Contribution to Reserve	0	0	0	0	0	0	
Contribution from Reserve	0	0	0	0	0	0	
Contribution from (to) General Fund	3,018	2,137	1,998	(1,004)	(1,034)	(1,191)	(980)
Contribution from (to) CIS Reserve	0	0	0	0	0	0	0
c/f	3,093	2,212	4,210	3,207	2,174	984	5
Commercial Investment Reserve							
b/f	3,997	3,997	2,798	4,058	6,731	9,404	12,077
Contribution to Reserve (former NHB)			1,260	2,673	2,673	2,673	2,673
Contribution (from) Reserve			0	0	0	0	0
- Fareham	(699)	(699)					
- To Housing Dev ER	(500)	(500)					
Contribution to(from) General Fund	0	0	0	0	0	0	0
Contribution to(from) Budget Surplu:	0	0	0	0	0	0	0
c/f	2,798	2,798	4,058	6,731	9,404	12,077	14,750

9. CAPITAL PROGRAMME

- 9.1 The detailed draft Capital Programme for the period 2018/19 to 2022/23 is included in **Appendix 5** and summarised in **Table 8** below, along with the sources of finance. The revenue implications of the individual capital proposals are built into the individual revenue budgets and the impact of the proposed programme on the Minimum Revenue Position (MRP) is £2.17m. This does not include the MRP for the Commercial Investment Strategy (CIS) of £1.9m as it is calculated separately under the CIS / MRP policy. In addition there is an MRP increase in 2019/20 of £0.27m as the 2018/19 Capital Programme has increased from last year due to additional projects and delays from 2017/18.

Table 8	Capital Programme Summary					
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Budget £'000	Budget £'000	Budget £'000	Budget £'000	Budget £'000	Budget £'000
Gross Expenditure						
Community	510	0	0	0	0	0
Development	3,320	1,900	1,900	1,950	1,950	2,000
Leisure and Health	2,032	1,216	317	317	317	317
Resources	1,738	318	59	49	31	31
Customer Services	482	0	0	0	0	0
3C ICT	1,159	50	0	0	0	0
Operations	2,750	1,918	1,623	1,131	1,124	1,124
Transformation	0	180	0	0	0	0
	11,991	5,582	3,899	3,447	3,422	3,472
Sources of Finance						
Grants and Contributions	(1,641)	(1,774)	(1,242)	(1,293)	(1,301)	(1,301)
Use of Capital Reserves	(1,985)	0	0	0	0	0
Capital Receipts	(820)	(820)	(820)	(770)	(720)	(720)
Use of Earmarked Reserves	(1,441)	0	0	0	0	0
	(5,887)	(2,594)	(2,062)	(2,063)	(2,021)	(2,021)
Net to be funded by borrowing (Internal)	6,104	2,988	1,837	1,384	1,401	1,451

- 9.2 All capital proposals have been subject to internal officer scrutiny via the Finance and Procurement Governance Board and have followed the capital project methodology introduced last year.

10. COMMENTS OF OVERVIEW & SCRUTINY

- 10.1 The comments of the relevant Overview and Scrutiny panel will follow.

11. KEY IMPACTS / RISKS

- 11.1 The setting of the budget and the Council Tax will directly impact on how Council services are to be delivered to both the residents and businesses of Huntingdonshire. Consequently the delivery of the 2018/19 Budget, when approved, will be proactively managed via the Council's budgetary monitoring processes throughout the year. In addition to the budget itself, it is essential that the Council maintains adequate reserves to ensure that it has an effective safety net to meet unforeseen risks.

12. TIMETABLE FOR IMPLEMENTATION

- 12.1 The 2018/19 Budget forms an integral part of service planning process for 2018/19 and therefore actions and timescales required to ensure savings are achieved and service spending is in line with the approved budget will be contained within the final service plans.

13. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES

- 13.1 The Budget is the financial interpretation of the Councils strategic and operational priorities that are included within the entire Corporate Plan. However, the budget process itself meets the following specific aims and objectives of the Corporate Plan:

- Becoming a more efficient and effective Council.

13.2 This will assist the Council to:

- Become more efficient in the way we deliver services providing value for money services.

14. CONSULTATION

14.1 A consultation process is currently underway.

15. LEGAL IMPLICATIONS

15.1 There are no direct legal implications arising from this report.

16. RESOURCE IMPLICATIONS

16.1 The resource implications have been shown within the main body of this report.

17. OTHER IMPLICATIONS

17.1 All implications are contained within the body of the report.

18. REASONS FOR THE RECOMMENDED DECISIONS

18.1 To enable Cabinet to comment on the Draft Budget 2018/19 and the MTFS:

- the impact of Budget changes on service budgets.
- Draft Capital Programme 2018/19 to 2022/23.
- Increasing the Council Tax over the life of the MTFS

19. LIST OF APPENDICES INCLUDED

Appendix 1: Draft Budget 2018/19 and Medium term financial Strategy 2019/20 to 2022/23

Appendix 2: Council Tax Base 2018/19

Appendix 3: Savings proposals

Appendix 4: Service Growth proposals

Appendix 5: Capital Programme 2018/19

BACKGROUND PAPERS

Working papers in Resources; Accountancy Services

CONTACT OFFICER

Clive Mason, Head of Resources

☎ 01480 388157

Adrian Forth, Finance Manager

☎ 01480 388605