

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Draft 2019/20 Revenue Budget & Medium Term Financial Strategy (2020/21 to 2023/24); including the Capital Programme
Meeting/Date:	Cabinet – 17 January 2019
Executive Portfolio:	Executive Councillor for Strategic Resources (JG)
Report by:	Head of Resources (CM)
Ward 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 2019/20, including details of the draft service budgets, and the revised MTFS for the period 2020/21 to 2023/24 for Cabinet approval.

At this point in the Budget setting process, the draft Net Service Expenditure for 2019/20 is £17.3m (the detailed Draft Budget 2019/20 and MTFS is shown in **Appendix 1**).

When comparing the Draft 2019/20 Net Service Expenditure Budget to the 2018/19 Forecast Outturn and the Original Budget, there has been a net decrease of £590k (3.2%) and net increase of £36k (0.2%) respectively. The draft figures include:

- growth (£1.6m).
- savings and additional income (£1.7m),
- the impact of all other budget adjustments (£60k; inflation and employee related expenditure).

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. The 2019/20 financial year is the last year of the 4 year settlement.

On 13 December 2018 the Secretary of State for Housing, Communities and Local

Government announced the provisional finance settlement for 2019/20. The settlement confirmed Revenue Support Grant (RSG) of zero. New Homes Bonus (NHB) has reduced by £680k compared to 2018/19, this is a result of earlier years growth no longer being included in the calculation due to the numbers of years dropping from 6 to 4 and an increase in empty homes. Further prudent adjustments have been made reducing funding income by £650k and £150k to allow for the effects of the fair Funding Review (from 2020/21 onwards) and potential negative Revenue Support Grant (from 2020/21 onwards) respectively. These adjustments have been informed by the expertise of the consultants Pixel (specialist in local government finance).

Any NHB received for the term of the MTFS 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 61,749 for 2019/20 with a detailed breakdown by parish shown in Appendix 2, for the period of the MTFS this has been increased by 1.25% per annum.

The 2019/20 draft Budget and MTFS includes a 2.6% increase in Council Tax and this would make the 2019/20 Band D Council Tax £142.16 (an increase of £3.60) which over the life of the MTFS would raise £3.6m.

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 £7.7m in 2019/20, £5m 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 £2.42m. The revenue implications of the capital proposals are built into the corresponding revenue budgets.

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

Recommendation(s):

It is recommended that the Cabinet approves:

- Overall Draft Budget 2019/20 and MTFS 2020/21 to 2023/24 (**Appendix 1**)
- Savings and growth proposals (4.1 to 4.6 **Appendices 3 and 4**),
- Draft Capital Programme 2019/20 to 2023/24 (9.1 to 9.2), and

- Planned increase in Council Tax of 2.6% for 2019/20 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 2019/20 Revenue Budget and Medium Term Financial Strategy (MTFS) for the period 2020/21 to 2023/24,
- how the Budget has moved in comparison to the 2018/19 Original Budget and the 2018/19 Forecast Outturn,
- draft Capital Programme 2019/20 to 2023/24, and the
- impact on reserves.

2. PREPARATION OF THE DRAFT BUDGET 2019/20 AND MEDIUM TERM FINANCIAL STRATEGY 2020/21 TO 2023/24

2.1 The draft 2019/20 budget and MTFS have been set on the following basis:

- growth (£1.6m),
- savings and additional income (£1.7m).
- the impact of all other budget adjustments (£60k; inflation and employee related),
- 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 2019/20 to 2023/24.

2.2 The detailed analysis of the draft 2019/20 Budget and MTFS (2020/21 to 2023/24) is attached at **Appendix 1**.

3. REFLECTIONS ON THE 2018/19 FORECAST OUTTURN

3.1 As at November 2018, the forecast outturn was an over spend of £626k. 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	2018/19 Forecast	
Service	Net Variance	Comments/Management Action
	£'000	
Community	(18)	<ul style="list-style-type: none"> ● CCTV camera maintenance costs high pending replacement of cameras ● Document Centre fire has impacted income, insurance claim pending ● General staff savings across all services are off-setting the higher costs
Customer Services	149	<ul style="list-style-type: none"> ● Higher volume of benefit payments for homeless accommodation
3C's ICT Shared Service	26	<ul style="list-style-type: none"> ● Software and licensing costs reducing at a slower pace than expected.
Development	(371)	<ul style="list-style-type: none"> ● Staff savings ● Additional fee income
Leisure & Health	416	<ul style="list-style-type: none"> ● Burgess Hall usage/ income lower than budgeted, management issues dealt with and the situation is improving ● Utility costs have increased, causes are being investigated ● Income at the three larger sites is generally lower than expected, partially due to delays to capital schemes. However, initiatives are being implemented to generate additional income to the end of the year. Where possible, and where there is no negative impact on customer service, adjustments to expenditure, e.g. staffing levels, are being made to compensate.
Operations	669	<ul style="list-style-type: none"> ● Section 106 funding is reducing ● Emergency works for Watercourses ● Increased cost of recycling due to lower recycle values and higher contamination levels ● Costs of housing growth in recycling and waste collection round requirements ● Cost of covering sickness absence (no budget provision) to maintain recycling and waste collections ● Lower parking income due to uncontrolled parking in old Waitrose car park (Huntingdons) and free all-day parking at Park and Ride (St Ives) ● Higher fuel costs ● Income from letting of spare office space yet to materialise, ● negotiations are on-going
Resources	(106)	<ul style="list-style-type: none"> ● Lower loan repayments to PWLB ● One-off costs relating to the implementation of the new FMS ● Apprentice scheme savings arising as existing apprentices gain permanent posts
Directors & Corporate	(139)	<ul style="list-style-type: none"> ● Staff savings where there is no back-fill for seconded staff ● One -off additional income for previous years election costs ● Savings on members special duty allowances
Total	626	

4. REVENUE: SERVICE SAVINGS, INCOME AND GROWTH

4.1 Over the Autumn of 2018/19 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 2019/20 budget that was part of the 2018/19 MTFS, are shown in **Table 2** below, with further commentary in paragraphs 4.2 to 4.6.

Service	Adjusted 2018/19 MTFS Totals for 2019/20	New Growth/ Savings Bids	Inflation & Employee Related Growth/ Savings	Other Service Growth/ Savings	2018/19 Budget
	£000	£000	£000	£000	£000
Community	1,744	(31)	0	29	1,742
Customer Services	2,604	153	10	17	2,784
Development	1,169	(153)	(5)	(1)	1,010
Operations	3,649	93	0	0	3,742
Leisure and Health	(263)	147	(116)	165	(67)
Directors and Corporate Team	1,664	(45)	35	(28)	1,626
ICT	2,138	66	(177)	118	2,145
Resources	(359)	(209)	(38)	39	(567)
Corporate Resources	5,048	(158)	0	14	4,904
Total	17,394	(137)	(291)	353	17,319

Savings and Additional Income

4.2 Following the audit of the 2017/18 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 Initial budget suggestions for 2019/20 were considered by the Policy Development Group in late October 2018. Further work was then undertaken on the proposals ahead of a Member’s away day in November. Following this work, the draft budget and MTFS as detailed in this report were compiled which included savings and unavoidable growth proposals as detailed in paragraph 2.1. As with previous years, finding the required savings to balance the budget proved very challenging. The proposals also reflected the November forecast outturn position for 2018/19.

4.4 A summary of the savings and additional income proposals is shown in **Table 3** below:

Table 3 Service	Savings and Additional Income	
	£000 (*)	% Change in Budget (**)
Community	71	6.5
Customer Services	166	0.5
Development	153	7.4
Operations	562	11.2
Leisure & Health	179	2.4
Directors & Corporate Team	50	21.0
3C's ICT (HDC element)	20	0.4
Resources (incl Corporate Resources)	575	10.1
Total	1,776	
<p>* Detailed analysis of savings proposals is shown in Appendix 3.</p> <p>** 2018/19 Gross Expenditure to 2019/20 Gross Expenditure.</p>		

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 2019/20 (totalling £1.6m), 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			
	Employee Related £000	Other Growth £000 (*)	Total £000	% Change in Budget (**)
Community	29	40	69	2.4
Customer Services	26	319	345	1.1
Development	(7)	0	(7)	-0.2
Operations	0	655	655	7.3
Leisure & Health	49	327	376	4.4
Directors & Corporate Team	7	5	12	0.6
3C’s ICT (HDC element)	(59)	86	27	1.3
Resources (incl Corporate Resources)	15	208	223	2.1
Total	60	1,640	1,700	
* 2018/19 Gross Expenditure to 2019/20 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 £234k for 2019/20 (including national insurance and pension). With regard to Pension, the Council is in the third year of the current Triennial period.
 - Business Rates Inflation of 2% has been included; this is reflective of the current proposals included in the Chancellor’s budget of November 2018.
 - Employee Related Growth

As a consequence of the Chancellor’s budget of November 2018, the Chancellor increased the ‘national minimum wage’ from £7.83 to £8.21 per hour. This has a minimal effect on cost.

5. REVENUE: COMMERCIAL INVESTMENT STRATEGY

- 5.1 The Commercial Investment Strategy (CIS) continues to be a main income stream for the Council. For 2018/19 the net income from additional CIS investment was estimated to be £1.2m; 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 70 propositions; of these it has submitted 'bids' on 3 and 1 has 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. Again, as part of the audit of the 2017/18 accounts, the external auditor undertook a governance review of the Councils approach to the acquisition of commercial assets.
- 5.4 Considerable government and private sector commentary in respect of local government's activity in the commercial property investment market, specifically over whether councils should be investing outside of their boundaries, led to a consultation being carried out by both the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of Housing, Communities and Local Government (MHCLG). As a result of the consultation the following new/updated guidance has been issued:
- i. CIPFA Prudential Code 2017
 - ii. CIPFA Treasury Management Code 2017
 - iii. Statutory Guidance on Local Government Investments (3rd Edition) (Issued by MHCLG)

Whilst the above documents have attempted to clarify the position on out of area purchases, the result has not been entirely conclusive with the position probably requiring testing in the courts in the future. However, the Council sought its own independent counsel advice which confirmed it can continue to purchase commercial assets outside of its boundary.

- 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 2019/20 and the MTFS 2020/21 to 2023/24.

Council Tax Base

6.2 The approved Council Tax base for 2019/20 is 61,749, an increase of 1.25% from the 2018/19 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 1.25%, 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 In announcing the Local Government Financial Settlement for this financial year (2018/19) the Secretary of State for Housing, Communities and Local Government increased the Council Tax threshold from 2% to 3% before a referendum is required. For the 2019/20 budget and MTFS, a Council Tax increase of 2.6% 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 majority groups manifesto commitment council tax has been set based on the following "local" key employment indicators.
 - Average Wage growth (April 2017 to April 2018)
 - Huntingdonshire – 3.5%
 - Cambridgeshire – 4.8%
 - National – 2.7%
 - 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 2.6%:
 - 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)

6.4 A 2.6% increase on Council Tax in 2019/20 would increase it to £142.16 per Band D equivalent property, an increase of £3.60 per year per household and resulting in an additional income of £222k for the Council. Over the MTFS period, this generates a further £3.6m 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 3.6% and gives a Band D equivalent of £143.56 for 2019/20; over the MTFS period this would generate £4.8m, an additional £1.2m over the £3.6m that would be generated from an increase of 2.6% (6.4).

Government Grant

6.6 On the 13th December the Provisional Local Government Financial Settlement was issued by the Secretary of State for Housing, 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)

- The Council will receive zero Revenue Support Grant (RSG) for 2019/20 as was expected.
- However, from 2020/21 the RSG goes in to a negative position. It is understood that it is unlikely that a negative charge will be levied on councils in a negative position but in order to be prudent a negative sum of £150k has been included from 2020/21 onwards.

New Homes Bonus (NHB)

- NHB is paid over a 4 year cycle. However, compared to 2018/19 there has been a £680k reduction in the level of grant due to a previous year dropping out on a cyclical basis and an increase in the level of empty homes. The Government's intention is to phase out the grant over the 4 year period with the first reduction occurring in 2020/21. It is expected that the grant will be reduced to zero by 2023/24.

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 system of Business Rates Retention will be reformed following the Fair Funding Review (FFR). Initially the Government was going to allow local government to retain 100% NDR, but it is now thought that the FFR will be based on 75% retention and a number of grants such Section 31 Grants may be rolled up. This Draft Budget keeps the NDR number in the MTFS as the same approach as last year. However, to be prudent and based on external expertise a £650k reduction in funding income is included for the years 2020/21 to 2023/24. As the rates retention process is developed, further reports to Cabinet will address this issue.

Collection Fund Surplus/Deficit

- 6.7 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	(4,225)	(635)
Business Rates	(1,588)	(354)
Total	(5,813)	(989)

- 6.8 Members will note from previous quarterly monitoring reports that actual collection rates for both Council Tax and Business Rates are ahead of estimates. Consequently the forecast Collection Fund surplus is reflective of this trend.

7. DRAFT BUDGET 2019/20 AND MEDIUM TERM FINANCIAL STRATEGY 2020/21 TO 2023/24

- 7.1 This section brings together all the service budget conclusions, CIS and Corporate & Government Funding proposals into the 'consolidated' Draft Budget 2019/20 and MTFS 2020/21 to 2023/24. This is shown in **Table 6 and 7** respectively below.

- 7.2 It is proposed that the MTFS assumption of a 2.6% Council Tax increase is applied for 2019/20 and that the policy to increase the Council Tax by 2.6% over the period of the MTFS 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 2019/20 budget and MTFS shown in **Table 6** principally:

- In 2019/20, the Council produces a surplus budget of £3.1m, £2.0m being a direct contribution to the CIS Earmarked Reserve and £1.0m being a contribution to the General Fund (this is an increased contribution of £1m over that estimated last year).
- Last year, the total draw down from the General Fund between 2020/21 and 2022/23 was estimated to be £3.1m; this budget round the total draw down is estimated to be £4.0m – an increase of £0.9m.
- For the approved 2018/19 MTFS, the estimated budget gap at the end of the MTFS period (2022/23) was £1.0m. For 2019/20 MTFS, the gap for 2022/23 is £1.4m; an increase of £0.4m.

- The budget gap at end of the 'new' MTFS period (2023/24) is estimated at £1.3m.
- 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.

Table 6	Council Services Net Expenditure Budget (2019/20) and MTFS						
	2018/19		2019/20	Medium Term Financial Strategy			
	Budget	Forecast (November)	Budget	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000	£000	£000
Community Services	1,758	1,740	1,742	1,772	1,792	1,826	1,866
Customer Services	2,533	2,682	2,783	3,266	3,369	3,388	3,286
Development Services	1,071	700	1,010	920	960	1,000	1,042
Leisure and Health	(190)	226	(67)	(502)	(715)	(744)	(735)
Operational Services	3,911	4,580	3,742	3,532	4,087	4,059	4,161
Corporate Team and Directors	1,642	1,503	1,626	1,631	1,658	1,660	1,683
ICT	2,128	2,154	2,145	2,104	2,120	2,136	2,192
Resources	(318)	(232)	(567)	(707)	(249)	(211)	(352)
Corporate Finance	4,747	4,555	4,904	4,906	5,107	5,204	5,636
Net Expenditure	17,282	17,908	17,318	16,922	18,129	18,318	18,779

	Council Funding Statement Budget (2019/20) and MTFS						
	2018/19		2019/20	Medium Term Financial Strategy			
	Budget	Forecast (November)	Budget	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000	£000	£000
Net Expenditure	17,282	17,908	17,318	16,922	18,129	18,318	18,779
Contribution to/(from) Earmarked Reserves:	0						
- Commercial Investment Strategy	1,135	1,135	2,038	1,474	881	427	0
General Reserves	1,891	1,265	1,085	(947)	(1,678)	(1,375)	(1,328)
Budget Requirement	20,308	20,308	20,441	17,449	17,332	17,370	17,451
Non-Domestic Rates	(5,841)	(5,841)	(5,958)	(6,077)	(6,199)	(6,323)	(6,449)
Non-Domestic Rates (Growth Pilot)	0	0	(949)	0	0	0	0
S31 Grant	(1,729)	(1,729)	(1,729)	(1,579)	(1,579)	(1,579)	(1,579)
Revenue Support Grant (RSG)	(604)	(604)	0	150	150	150	150
Fair Funding Review Adjustment	0	0	0	650	650	650	650
New Homes Bonus	(2,718)	(2,718)	(2,038)	(1,474)	(881)	(427)	0
Collection Fund (Surplus) / Deficit	(966)	(966)	(989)	0	0	0	0
Council Tax Requirement	8,450	8,450	8,778	9,119	9,473	9,841	10,223
- Base (*)	60,984	60,984	61,749	62,521	63,302	64,094	64,895
- Per Band D	138.56	138.56	142.16	145.86	149.65	153.54	157.53
- Increase £			£ 3.60	£ 3.70	£ 3.79	£ 3.89	£ 3.99
- Increase %			2.60%	2.60%	2.60%	2.60%	2.60%

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 (this is subject to review, with a report coming to Cabinet in February).

ii. Budget Surplus Reserve

At the end of 2023/24 members will see that the Reserve maintains a 'credit' balance only after contributions from the Commercial Investment reserve, this demonstrates that the Council has a 'balanced budget' over the MTFS period.

Members should note that in 2019/20 a contribution of £723k is made to Earmarked Reserve (the Collection Fund Earmarked Reserve). This is to meet a potential liability as a result of a national appeal against Valuation Office rating for ATM's. By setting this aside, the Council will be able to directly meet this obligation without impacting on service delivery.

iii. Commercial Investment Reserve

Between 2020/21 and 2022/23, members will see that there is an annual contribution to the Reserve of £2.8m; 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 2019/20 members will see that the Reserve has a contribution of £2m; this is a direct allocation from an element of New Homes Bonus for that year. As noted in (ii) the Commercial investment Reserve makes a contribution to the budget surplus reserve from 2022/23 onwards.

Table 7	Reserves and MTFS						
	2018/19		2019/20 Budget £000	Medium Term Financial Strategy			
	Budget £000	Forecast £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
GENERAL FUND							
b/f	2,698	2,658	2,686	2,598	2,538	2,719	2,748
Contribution to Reserve	1,891	1,265	0	0	0	0	0
Contribution from Reserve	0	0	1,085	(947)	(1,678)	(1,375)	(1,328)
Contribution from (to) Budget Surplus	(1,997)	(1,237)	(1,174)	887	1,859	1,404	1,397
c/f	2,592	2,686	2,598	2,538	2,719	2,748	2,817
Net Expenditure	17,282	17,908	17,318	16,922	18,129	18,318	18,779
Minimum Level of Reserves (15%)	2,592	2,686	2,598	2,538	2,719	2,748	2,817
BUDGET SURPLUS RESERVE							
b/f	2,212	2,212	3,449	3,634	2,747	888	1
Contribution to Reserve	0	0	0	0	0	0	0
Contribution from Reserve	0	0	0	0	0	0	0
Contribution from (to) General Fund	1,997	1,237	1,174	(887)	(1,859)	(1,404)	(1,397)
Contribution from (to) CIS Reserve	0	0	(266)	0	0	517	1,397
Contribution from (to) Earmarked Reserves	0	0	(723)	0	0	0	0
c/f	4,209	3,449	3,634	2,747	888	1	1
COMMERCIAL INVESTMENT RESERVE							
b/f	2,798	3,598	4,733	7,037	8,511	9,392	9,302
Contribution to Reserve (former NHB)	1135	1,135	2,038	1,474	881	427	0
Contribution from Reserve	0	0	0	0	0	0	0
Contribution from (to) General Fund	0	0	0	0	0	0	0
Contribution from (to) Budget Surplus Reserve	0	0	266	0	0	(517)	(1,397)
c/f	3,933	4,733	7,037	8,511	9,392	9,302	7,905

9. CAPITAL PROGRAMME

- 9.1 The detailed draft Capital Programme for the period 2019/20 to 2023/24 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 £2.42m. 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.

Table 8	Capital Programme Summary					
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Expenditure						
Community	686	56	0	0	0	0
Development	3,765	2,656	2,450	2,400	2,350	2,300
Leisure and Health	1,566	1,489	306	296	285	300
Resources	1,468	2,118	1,549	6,531	11,531	10,613
Customer Services	0	0	0	0	0	0
3C ICT	585	50	0	0	0	0
Operations	2,118	1,324	2,698	1,508	1,324	1,815
Transformation	80	0	0	0	0	0
	10,268	7,693	7,003	10,735	15,490	15,028
Sources of Finance						
Grants and Contributions	(2,237)	(1,475)	(1,293)	(1,301)	(1,301)	(1,301)
Use of Capital Reserves	(1,532)	0	0	0	0	0
Capital Receipts	(834)	(1,204)	(770)	(720)	(720)	(720)
Use of Earmarked Reserves	(680)	0	0	0	0	0
	(5,283)	(2,679)	(2,063)	(2,021)	(2,021)	(2,021)
Net to be funded by borrowing (Internal)	4,985	5,014	4,940	8,714	13,469	13,007

- 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 Overview and Scrutiny Panel (Performance and Growth) received the Draft 2019/20 Revenue Budget and Medium Term Financial Strategy 2020/21 to 2023/24 at its meeting held on 8th January 2019.
- 10.2 Members expressed concern that the Council would overspend the budgets for Leisure and Health and Operations as happened in 2018/19. It was confirmed that the issue with the 2018/19 budgets for those areas was that income was not as high as anticipated and therefore the income target has been revised to reflect this.
- 10.3 A question was raised as to whether leaving the European Union had been factored into the budget. In response the Panel was informed that the budget has been managed as much as possible to reflect the impact that leaving the European Union would have upon it; however there are still a number of unknowns which can only be dealt with once they happen.

- 10.4 Reassurance was given, following a query, that the fact that additional employee costs have been budgeted for, it does not predetermine any employee pay negotiations.
- 10.5 A comment was made that income from the New Homes Bonus could be moved from the Commercial Investment Strategy fund in order to mitigate other budgetary issues.
- 10.6 Support was expressed for the continuance of the Commercial Investment Strategy although some Members stated a preference for investment within the District's boundaries. However, members recognised that investments outside of the boundary should be undertaken if such investments were beneficial.
- 10.7 A Member commented that the Council should consider investing in care homes in order to meet demand.
- 10.8 Concern was expressed that residents would have to pay for additional bin charges, however it was explained that the increases for the green bin only relates to residents who have a second green bin. The litter bin removal programme is about finding efficiencies and removing bins that are rarely used. The replacement bin charge does not cover the full economic cost of replacing a bin and the service will still be subsidised. The bulky waste charge is currently a subsidised service and with implementation of the charge will no longer be subsidised.
- 10.9 In summary, the Panel expressed concerns regarding the impact of unknown variables that could impact on the budget but recognise that limited action could be taken at this stage. However such risks are mitigated by the General Fund that is currently maintained at 15% of Net Expenditure (currently in excess of £2m).

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 2019/20 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 2019/20 Budget forms an integral part of service planning process for 2019/20 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 2019/20 and the MTFS:

- the impact of Budget changes on service budgets.
- Draft Capital Programme 2019/20 to 2023/24.
- Increasing the Council Tax over the life of the MTFS

19. LIST OF APPENDICES INCLUDED

Appendix 1: Draft Budget 2019/20 and Medium term financial Strategy 2020/21 to 2023/24

Appendix 2: Council Tax Base 2019/20

Appendix 3: Savings proposals

Appendix 4: Service Growth proposals

Appendix 5: Capital Programme 2019/20

BACKGROUND PAPERS

Working papers in Resources; Accountancy Services

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