

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: **Final 2015/16 Revenue Budget and Medium Term Financial Strategy (2016/17 to 2019/20)**

Meeting/Date: Overview & Scrutiny Panel (Economic Well-Being)
5th February 2015

Cabinet
12th February 2015

Executive Portfolio: Resources: Councillor J A Gray

Report by: Head of Resources

Ward(s) affected: All Wards

Executive Summary:

In January 2015, members received the draft budget and supported the direction of travel in respect of the first phase of the Zero Based Budgeting (ZBB) exercise.

Changes to Net Service Expenditure since Draft Budget (January 2015)

The budget setting process is a continuous process of review and in late December the Portfolio Holder for Resources challenged his Cabinet colleagues to refine their service spend. Consequently an additional saving of £0.746m has been achieved on a full year basis over and above that of ZBB and the already planned Facing the Future programme; however as some of these savings are due to future planned staffing restructures which due to practical considerations can't be implemented immediately, the actual saving for 2015/16 is £0.653m. This saving is allocated across services and expenditure type as follows:

| Portfolio Challenge | | | |
|----------------------------|----------------|------------------------------------|-------------------------------|
| Savings by service | £m | Savings by expenditure type | £m |
| Resources | (0.049) | Employee | Staffing (0.544) |
| Customer Services | (0.151) | | Training (0.012) |
| Operations | (0.171) | | Hired Staff (0.004) |
| Development | (0.116) | | Other Employee Costs (0.001) |
| Community | (0.085) | | (0.561) |
| Leisure & Health | (0.081) | Premises | Repairs & Maintenance (0.017) |
| Total | (0.653) | | Rates (0.030) |
| | | | (0.047) |
| | | Supplies & Services | Services (0.005) |
| | | | Legal Fees & Costs (0.011) |
| | | | Equipment & Furniture (0.005) |
| | | | Uniforms & Laundry (0.024) |
| | | | (0.045) |
| | | Total | (0.653) |

However, as noted in the Draft budget report that was presented to members in January 2015, the budget at that time did not take into account the impact of the capital programme. This is now included and the additional net revenue cost totals £0.208m, these are in respect of:

- Cost of cash flow from use of working capital to finance capital programme.
- Reduction in revenue finance from capital.
- Additional revenue generated from capital investment.

In addition to the Portfolio Challenge and Capital budget changes, further savings have been identified as part of the budget setting consolidation process. These further changes have given an additional net saving of £0.201m, these are in respect of:

- VAT Partial Exemption.
- Unsocial Hours for CCTV.
- Further post rationalisation.
- Additional Collection Fund Surplus distribution.
- General budget refining.

The net impact of these three changes is shown below:

| | |
|---------------------|--------------|
| Portfolio Challenge | (653) |
| Capital | 208 |
| Other | (201) |
| | <u>(646)</u> |

In addition, at the request of Cabinet a further £30,000 has been included within the net ZBB saving in respect of the Community Chest.

Net Service Expenditure

Taking into account the aforementioned budget changes, the Net Service Expenditure budget for 2015/16 is £19.267m (the detailed 2015/16 Budget and MTFs is shown in Appendix 1). Upon comparing the draft Net Service Expenditure budget to the 2014/15 Forecast Outturn and the Updated budget, there has been a net saving of £0.944m and £2.439m respectively, as shown in Table 1 below:

| Table 1 | Saving on Net Service Expenditure: 2014/15 to 2015/16 | | | | | | | | | |
|-------------------------|---|----------------|---------|---------|-----------|-------------|------------------------------|-------|----------------------------|--------|
| | 2014/15 | | 2015/16 | | | | Variance to Forecast Outturn | | Variance to Updated Budget | |
| | Forecast Outturn | Updated Budget | ZBB | FtF | Inflation | Base Budget | £ 000's | % | £ 000's | % |
| | £ 000's | £ 000's | £ 000's | £ 000's | £ 000's | £ 000's | | | | |
| Net Service Expenditure | 20,211 | 21,706 | (1,847) | (762) | 170 | 19,267 | (944) | (4.7) | (2,439) | (11.2) |

Key:
 ZBB: Zero Based Budgeting
 FtF: Facing the Future

Government Funding

The total government funding used within the Draft 2015/16 Budget is £11.828m, this decreases to £11.122m by 2019/20, comprising:

- New Homes Bonus

On the 16th December, the Secretary of State for Communities and Local Government announced the 2015/16 New Homes Bonus allocation of £4.403m; this is an increase of

£0.390m over what was included in the 2015/16-2018/19 Medium Term Plan. Over the period of the Medium Term Financial Strategy, this is planned to increase to £5.814m by 2019/20 based on the 2014/15 Planning Trajectory.

- Revenue Support Grant, Non-Domestic Rates and Council Tax Freeze Grant

On the 18th December, the Secretary of State for Communities and Local Government announced the 2015/16 Revenue Support Grant (RSG) and the Non-Domestic Rates (NDR) baseline of £3.183m and £4.160m respectively, this is a net marginal increase of £24,000 over what was included in the 2015/16-2018/19 Medium Term Plan. Over the period of the Medium Term Financial Strategy, it is modelled that RSG will have ceased and NDR increased to £5.308m by 2019/20.

| Grant Support for 2015/16 | £'000 |
|----------------------------------|---------------|
| Revenue Support Grant | 3,183 |
| New Homes Bonus | 4,403 |
| Council Tax Freeze grant | 82 |
| | 7,668 |
| Retained Non-domestic Rates | 4,160 |
| | 11,828 |

Council Tax

At the Full Council meeting held in July 2014, the Portfolio Holder for Resources announced that the Council was aiming to freeze Council Tax for 2015/16 and subject to the outcome of the 2015/16 general election and reasonable economic forecasts, to freeze Council Tax for the period of the MTFs; this would maintain Council Tax at £133.18 for a Band D property from 2016/17 through to 2019/20.

Considering the estimates for the Provisional Settlement and assumptions relating to Retained Business Rates, Table 2 below shows that the Council will not be required to make contributions from the General Fund Balance to meet the Council's stated Council Tax commitment for 2015/16. However, over the period of the MTFs, General Fund Reserves will be reduced to £3.071m by 2019/20, just above the £3.0m minimum level of reserves agreed by Cabinet in January 2015.

| Table 2 | Achievement of Freeze of Council Tax for 2015/16 (Band D Property) and the period of the Medium Term Financial Strategy | | | | |
|--------------------------------|---|----------------|----------------|----------------|----------------|
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| | £ 000's | £ 000's | £ 000's | £ 000's | £ 000's |
| 2015/16 Budget Cycle | | | | | |
| Net Service Expenditure | 19,267 | 20,256 | 21,057 | 21,645 | 22,107 |
| Technical Adjustments | (386) | (386) | (386) | (386) | (386) |
| Net Expenditure | 18,881 | 19,870 | 20,671 | 21,259 | 21,721 |
| Reserves required | 797 | (298) | (1,537) | (2,073) | (2,355) |
| Net Budget | 19,678 | 19,572 | 19,134 | 19,186 | 19,366 |
| Government Funding | (7,750) | (7,026) | (6,263) | (5,979) | (5,814) |
| Retained Business Rates | (4,160) | (4,661) | (4,868) | (5,084) | (5,308) |
| Council Tax Requirement | 7,768 | 7,885 | 8,003 | 8,123 | 8,244 |
| Council Tax Base | 58,329 | 59,204 | 60,092 | 60,993 | 61,908 |
| Council Tax Level | £133.18 | £133.18 | £133.18 | £133.18 | £133.18 |

Capital

The capital programme has now been reviewed by the Finance Governance Board and recommended here for approval. The detailed programme is included in section 5 later in the report and summarised in Table 3 below. Full business cases for all projects will be reviewed by the Finance Governance Board prior to the Board's recommendation to the Treasury and Capital Advisory Board (which has yet to be Constituted).

| Table 3 | Net Capital Programme | | | | | Revenue Implications | | | | |
|--|--------------------------------|--------------|--------------|--------------|--------------|--------------------------------|--------------|--------------|--------------|--------------|
| | Medium Term Financial Strategy | | | | | Medium Term Financial Strategy | | | | |
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Community Development | 1,540 | 354 | (450) | (310) | (772) | | | | | |
| Leisure and Health Resources | 1,399 | 1,425 | 1,325 | 1,325 | 1,525 | | | | | |
| Customer Services | 1,300 | 647 | 266 | 300 | 550 | (14) | (196) | (216) | (231) | (241) |
| Operations | 5,455 | 29 | 15 | 17 | 22 | (29) | (29) | (29) | (29) | (29) |
| Total Capital Programme | 11,065 | 4,374 | 3,041 | 2,490 | 3,436 | (51) | (269) | (176) | (198) | (219) |
| Capital Financing | | | | | | | | | | |
| Right to Buy Clawback Receipts (est) | (600) | (400) | (300) | (300) | (300) | | | | | |
| Internal Resources or Borrowing | 10,465 | 3,974 | 2,741 | 2,190 | 3,136 | | | | | |

Fees and Charges

The Council has not in the past approved the Fees and Charges levied by the Council; the assumption has been that this is part of the process in approving the service income lines. Best practice is that the Council approves all its Fees and Charges on an annual basis and this is now included with the budget report, see section 7 of Appendix 1.

Other Items within the 2015/16 Budget and MTFS

The 2015/16 Budget and MTFS at Appendix 1 includes a number of ancillary items that support the budget setting process, including:

- i. An indicative Capital Financing Requirement.
- ii. The Formal 2015/16 Council Tax Resolutions.
- iii. Draft Report on the Robustness of the 2015/16 Budget and Medium Term Financial Strategy, and the

With regard to items:

- (i) the Capital Financing Requirement is the statement that shows the net financing of capital expenditure.
- (ii) this is the formal resolution that the Council will be asked to approve in February and the associated Tax Base 2014/15. At this time the formal resolution is complete but the supporting Council Tax pages that will show how Council Tax is distributed across all Parishes remains incomplete until all Precepting Councils have approved their respective budgets.
- (iii) this report is a statutory requirement, as per the Local Government Act 2003 whereby the Responsible Financial Officer (the Council's Section 151 Officer) is required to comment on the robustness of the 2015/16 budget and MTFS.

It is recommended that Overview and Scrutiny provides comments to Cabinet in respect of the:

- additional savings that have been achieved (as shown on Table C in Appendix 1).
- the level of reserves currently modelled.
- confirm their continued support of a freeze in Council Tax for:
 - 2015/16, and
 - over the period covered by the Medium Term Financial Strategy (2016/17 to 2019/20).
- Capital programme and the Fees and Charges Schedule.

1. PURPOSE

- 1.1 To update members on the 2015/16 Revenue Budget and Medium Term Financial Strategy (MTFS) for the period 2016/17 to 2019/20 and how the budget has moved in comparison to the 2014/15 Updated Budget and the 2014/15 Forecast Outturn prior to the final Cabinet before the Council meeting in February that will set the Council Tax for 2015/16.

2. PREPARATION OF THE BUDGET 2015/16, AND MEDIUM TERM FINANCIAL STRATEGY 2016/17 TO 2019/20

- 2.1 In January 2015, members were updated by the Leader, Portfolio Holder for Resources and other Cabinet members on the Draft 2015/16 budget and Medium Term Financial Strategy 2016/17 to 2019/20. This update sought to reassure members of the actions of Cabinet in the setting of the budget and MTFS.
- 2.2 Following the Star Chamber element of the Zero Based Budgeting (ZBB) exercise, Heads of Services have also been challenged to find further net savings, which they have identified.
- 2.3 The detailed analysis of the 2015/16 Budget and MTFS (2016/17 to 2019/20) is attached at Appendix 1. This budget includes the Capital Programme and its associated revenue impacts.

3. Savings and Growth

- 3.1 As well as being built around the principles of ZBB, the 2015/16 budget and MTFS has also taken into account the requirements of Facing the Future and the further Portfolio Challenge.

Zero Based Budgeting

- 3.2 Table A within Appendix 1 details the savings that have been accrued from the ZBB review across the Councils services to date, the net savings achieved are summarised below. There have been no further changes since January 2015.

| | £m |
|-------------------------------|----------------|
| Expenditure | |
| • Employees | (1.031) |
| • Premised | (0.034) |
| • Supplies & Services | (1.326) |
| • Transport | (0.381) |
| • Benefit & Transfer Payments | (1.479) |
| | (4.251) |
| Income | |
| • Fees and Charges | 2.404 |
| Total change in Budget | (1.847) |

At the request of Cabinet a further £30,000 has been included in respect of the Community Chest.

Facing the Future

- 3.3 The 2014/15 Budget and Medium Term Plan 2016/17 to 2018/19 that was approved in February 2014, included £0.497m in respect of Facing the Future (FtF) projects. Following the review of the original FtF programme, £0.388m

has been removed from the 2014/15 base budget. The remaining programme £0.109m is allocated over the services as shown in Table 4 below (these savings are as reported to and approved by Full Council in February 2014).

| Table 4 | How Facing the Future has impacted on the 2015/16 Budget | |
|-------------------|--|---|
| | Change in Facing the Future Initiatives | Reason for Change |
| | £ 000's | |
| Resources | (23) | Shared Services Savings in respect of Legal Services |
| Customer Services | (228) | Call Centre and IMD Shared Services |
| Operations | 15 | Reduction in grant income. |
| Development | 127 | Additional salaries, reduction in supplies expenditure, correction to fees and charges and savings from Building Control Shared Services. |
| Total | (109) | |

- 3.4 Included within Facing the Future are the Shared Services savings that will accrue from the Strategic Partnership with South Cambridgeshire District Council and Cambridge City Council. Currently the Council is progressing with shared service arrangements for the Information Management Division, Legal Services and Building Control; however at this time the business cases for each of these services are not finalised, so an estimated saving of £0.224m (equating to 12.5% of net service spend for each service) has been included in the 2015/16 budget. The FtF programme is ongoing and further work is being carried out to identify further FtF savings that will have an impact on future budgets.

Growth

- 3.5 There has not been any growth included within the budget except for items where it is unavoidable e.g. additional pension costs and statutory technical adjustments. Further, general service inflation has not been included but Pay Inflation of 1% has been included for each year of the MTFS period. It should be noted that in 2016/17 employers National Insurance costs will increase due to all staff moving over to Band A from the lower Band D, this change is built into the MTFS.
- 3.6 The unavoidable growth or other statutory technical adjustments that have been included within Corporate Finance are shown in Table 5 below:

| Table 5 Corporate Budget Items and the impact on the 2015/16 budget (value > £50,000) | | | | | | |
|---|------------------|------------------------|----------------|-----------------------------|--------------------------------|--|
| Item of Unavoidable Growth | Forecast 2014/15 | Updated Budget 2014/15 | Budget 2015/16 | Amount of Growth in 2015/16 | | Reason for Growth |
| | £ 000's | £ 000's | £ 000's | Against Forecast £ 000's | Against Updated Budget £ 000's | |
| Minimum Revenue Provision | 1,331 | 1,623 | 1,574 | 243 | (49) | Additional capital spend due to the Council not funding capital expenditure from other sources (grants/capital receipts) |
| Pension Contribution | 789 | 789 | 1,135 | 346 | 346 | Actuarial revaluation |
| Insurance | 366 | 335 | 394 | 28 | 59 | Additional premium costs |

Changes to the revenue budget since January 2015

Portfolio Challenge

- 3.7 Following the Star Chamber in November 2014, the Portfolio Holder for Resources challenged Cabinet colleagues to find further direct service savings. As a consequence of this challenge a further £0.746m has been removed from the budget on a full year basis; however, as some of these savings are in respect of management restructures these will not be implemented until the summer of 2015 so the saving included within the 2015/16 budget is £0.653m. These savings have been allocated as additional FtF savings as they have not evolved from the ZBB programme, so the total for FtF stands at £0.762m.
- 3.8 There is a potential risk that these savings may be under achieved because they have been identified in a relatively short period of time and outside of the ZBB programme. However, it is considered that the risk is minimal and the 2015/16 ZBB process will review these savings again to provide a more substantive view. A summary of these savings is shown below and is included at Table C in Appendix 1.

| Portfolio Challenge | | | | |
|---------------------|----------------|-----------------------------|-----------------------|----------------|
| Savings by service | £m | Savings by expenditure type | | £m |
| Resources | (0.049) | Employee | Staffing | (0.544) |
| Customer Services | (0.151) | | Training | (0.012) |
| Operations | (0.171) | | Hired Staff | (0.004) |
| Development | (0.116) | | Other Employee Costs | (0.001) |
| Community | (0.085) | | | (0.561) |
| Leisure & Health | (0.081) | Premises | Repairs & Maintenance | (0.017) |
| Total | (0.653) | | Rates | (0.030) |
| | | | | (0.047) |
| | | Supplies & Services | Services | (0.005) |
| | | | Legal Fees & Costs | (0.011) |
| | | | Equipment & Furniture | (0.005) |
| | | | Uniforms & Laundry | (0.024) |
| | | | | (0.045) |
| | | | Total | (0.653) |

Capital

- 3.9 In the Draft budget reported to members in January 2015, the revenue implications of the Capital Programme were not known as the Capital Programme had not been agreed. This has now been agreed and is discussed at para 5 below. In respect of the revenue implications, the total cost is £0.208m and this is made up as follows:

| | £m |
|--|------|
| ○ Cost of cash flow from use of working capital to finance capital programme | 135 |
| ○ Reduction in revenue charged to capital | 124 |
| ○ Additional revenue income from capital programme | (51) |

Other Savings

- 3.10 As a consequence of budget consolidation, other budget changes have been made, these total a net saving of £0.201m and this is summarised below:

| | £m |
|--|------|
| ○ VAT Partial Exemption | (22) |
| ○ CCTV (Cams City Unsocial Hours) | 13 |
| ○ Development post reflecting part-year contracts | (94) |
| ○ Reduction in recharges | (9) |
| ○ Child Care Vouchers | (28) |
| ○ Corporate Office Staffing Changes | 19 |
| ○ NDR Appeals Advice | 2 |
| ○ Collection Fund: Additional surplus distributed to HDC | (82) |

- 3.11 In summary, the net changes to the revenue budget that was reported to members in January 2015 is as follows:

| | £m | £m |
|--|------|---------------|
| Draft Net Service Expenditure: January 2015 | | 19,925 |
| <u>Changes since January 2015</u> | | |
| Portfolio Challenge | | (653) |
| Capital (services) | | |
| Cash Flow | 135 | |
| Additional Revenue | (51) | 84 |
| Other | | |
| VAT | (22) | |
| CCTV | 13 | |
| Development | (94) | |
| Reduction in recharges | (9) | |
| Child care Vouchers | (28) | |
| Corporate Office Staffing Changes | 19 | |
| NDR Appeals Advice | 2 | (119) |
| Change to ZBB: Community Chest | | 30 |
| Final Net Service Expenditure | | 19,267 |
| Technical Adjustments: | | |
| Reduction in Revenue charged to capital (*) | | (386) |
| Final Net Expenditure | | 18,881 |

* This amount is below the Net Service Line so for presentation purposes has to be shown as the actual number. This was previously reported (January 2015) as £0.510m, so the difference is £0.124m.

The £82,000 in respect of the Collection Fund (para 8.10) will be shown in the Funding Statement later in this report.

4. SUMMARY DRAFT BUDGET 2015/16 and MEDIUM TERM FINANCIAL STRATEGY 2016/17 TO 2019/20

Council Tax Freeze

- 4.1 At the Full Council meeting held in July 2014, it was announced that the Council would commit to freezing Council Tax for 2015/16 and over the next 4 years subject to the outcome of the 2015 general election and reasonable economic forecasts.

Government Grant

- 4.2 New Homes Bonus

On the 16th December, the Secretary of State for Communities and Local Government announced that the 2015/16 New Homes Bonus allocation for the Council will be £4.403m, this is an increase of £0.390m (9.8%) over what was included in the 2015/16 to 2018/19 Medium Term Plan approved in February 2014. Future NHB is currently modelled based on the 2014/15 Housing Trajectory as the 2015/16 trajectory is not yet finalised.

- 4.3 Council Tax Freeze Grant

With regard to Council Tax Freeze Grant (CTFG), this was confirmed last year.

- 4.4 Revenue Support Grant, Non-Domestic Rates

On the 18th December, the Secretary of State for Communities and Local Government announced the 2015/16 Revenue Support Grant (RSG) and the Non-Domestic Rates (NDR) baseline of £3.183m and £4.160m respectively, this is a net marginal increase of £24,000 over what was included in the 2015/16 to 2018/19 Medium Term Plan. Over the period of the Medium Term Financial Strategy, it is modelled that RSG will have ceased and NDR increased to £5.308m for by 2019/20.

| Grant Support for 2015/16 | £'000 |
|----------------------------------|---------------|
| Revenue Support Grant | 3,183 |
| New Homes Bonus | 4,403 |
| Council Tax Freeze grant | 82 |
| | <hr/> |
| | 7,668 |
| Retained Non-domestic Rates | 4,160 |
| | <hr/> |
| | 11,828 |

- 4.5 Over the MTFs period, there is a significant change in government funding, with NDR and NHB gradually increasing and RSG falling away completely. Over the period there is a net reduction of £0.624m (5.3%). This represents a

significant change in “funding philosophy” in that local government central funding will be primarily based on both the national and local growth agenda (incentivisation) rather than other funding criteria i.e. deprivation, demography etc (need).

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|----------------------------------|-------------------------|-------------------------|------------------------|--------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| NDR | 4,160 | 4,661 | 4,868 | 5,084 | 5,308 |
| RSG | 3,183 | 1,900 | 921 | 442 | 0 |
| NHB | 4,403 | 5,126 | 5,342 | 5,537 | 5,814 |
| | 11,746 | 11,687 | 11,131 | 11,063 | 11,122 |
| ----- Loss of Grant ----- | | | | | |
| Year-on-Year Reduction | (0.5%) (£59) | | (0.6%) (£68) | | |
| | | (4.8%) (£556) | | 0.5% £59 | |
| Cumulative Loss in Grant | (0.5%) (£59) | | | | |
| | (5.2%) (£615) | | | | |
| | (5.8%) (£683) | | | | |
| | (5.3%) (£624) | | | | |

Impact on Reserves

4.6 The General Fund Balance at the start of 2014/15 was £8.684m; considering the forecast outturn (based on the December 2014 Dashboard) the General Fund Balance at the end 2014/15 is estimated to be £8.537m. Ensuring that the commitment to Council Tax is achieved for 2015/16, it is anticipated that the Council will be able to make a fair contribution to Reserves in 2015/16. With the Portfolio Challenge and other savings noted in para 3.7 to 3.10, members will note that at the end of the MTFS period there has been a beneficial increase in the General Fund balance to £3.071m compared to that which was reported in January 2015 (a negative balance of £0.122m), as shown in Table 6 below. The revised balance of £3.071m marginally exceeds the £3.0m minimum level of General Fund reserves noted by Cabinet in January 2015; therefore giving the Council a financially sustainable budget over the medium term.

| Table 6 | Forecast | Budget | Medium Term Financial Strategy | | | |
|------------------------|--------------|--------------|--------------------------------|--------------|--------------|--------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| | £ 000's | £ 000's | £ 000's | £ 000's | £ 000's | £ 000's |
| General Fund | | | | | | |
| Brought forward | 8,684 | 8,537 | 9,334 | 9,036 | 7,499 | 5,426 |
| Contribution (to)/from | (147) | 797 | (298) | (1,537) | (2,073) | (2,355) |
| Carried forward | 8,537 | 9,334 | 9,036 | 7,499 | 5,426 | 3,071 |

Summary Draft Budget 2015/16 and Medium Term Financial Strategy 2016/17 to 2019/20

4.7 Incorporating the:

- Savings and Growth budget changes noted in para 3,
- Council Tax freeze commitment,

- Assumptions relating to Government Grant, and
- The contributions to and from the General Fund Balance,

the Draft 2015/16 Budget and Medium Term Financial Strategy delivers a budget as shown in Table 7 below:

| Table 7 | Forecast | Updated Budget | Budget | Medium Term Financial Strategy | | | |
|---|--|--------------------|--------------------|--------------------------------|--------------------|--------------------|--------------------|
| | 2014/15 £ 000's | 2014/15 £ 000's | 2015/16 £ 000's | 2016/17 £ 000's | 2017/18 £ 000's | 2018/19 £ 000's | 2019/20 £ 000's |
| What services are provided | | | | | | | |
| Directors and Corporate Resources | 2,769 | 2,894 | 2,654 | 2,654 | 2,667 | 2,684 | 2,694 |
| Customer Services | 44,310 | 44,735 | 42,412 | 42,536 | 42,590 | 42,646 | 42,697 |
| Operations | 9,334 | 9,512 | 8,682 | 8,810 | 8,981 | 9,032 | 9,083 |
| Development | 3,703 | 3,992 | 3,645 | 3,720 | 3,573 | 3,576 | 3,603 |
| Community | 2,947 | 3,138 | 3,021 | 3,011 | 3,030 | 3,050 | 3,069 |
| Leisure & Health | 7,427 | 7,961 | 7,146 | 7,232 | 7,245 | 7,352 | 7,398 |
| Corporate Finance | 3,744 | 4,285 | 4,614 | 5,340 | 5,999 | 6,398 | 6,669 |
| Gross Expenditure | 76,109 | 78,694 | 73,743 | 74,900 | 75,695 | 76,358 | 76,846 |
| Where the money comes from to provide services | | | | | | | |
| Income & Fees | (55,899) | (56,986) | (54,476) | (54,644) | (54,638) | (54,713) | (54,739) |
| Technical Adjustments & Charges outside of revenue | (611) | (611) | (386) | (386) | (386) | (386) | (386) |
| Net Expenditure | 19,599 | 21,097 | 18,881 | 19,870 | 20,671 | 21,259 | 21,721 |
| • Reserves | 266 | (1,232) | 797 | (298) | (1,537) | (2,073) | (2,355) |
| Budget Requirement | 19,865 | 19,865 | 19,678 | 19,572 | 19,134 | 19,186 | 19,366 |
| • Non-Domestic Rates | (4,218) | (4,218) | (4,160) | (4,661) | (4,868) | (5,084) | (5,308) |
| • Revenue Support Grant (RSG) | (4,562) | (4,562) | (3,183) | (1,900) | (921) | (442) | 0 |
| • New Homes Bonus (***) | (3,344) | (3,344) | (4,403) | (5,126) | (5,342) | (5,537) | (5,814) |
| • Council Tax Freeze Grant (**) | (82) | (82) | (82) | 0 | 0 | 0 | 0 |
| • Collection Fund Deficit | (21) | (21) | (82) | 0 | 0 | 0 | 0 |
| Council Tax Requirement | 7,638 | 7,638 | 7,768 | 7,885 | 8,003 | 8,123 | 8,244 |
| - Base (*) | 57,357 | 57,357 | 58,329 | 59,204 | 60,092 | 60,993 | 61,908 |
| - Per Band D | 133.18 | 133.18 | 133.18 | 133.18 | 133.18 | 133.18 | 133.18 |
| Assumptions | | | | | | | |
| * Increase in Council Tax Base | Assumed there is an annual increase in the base of 1.5%. | | | | | | |
| ** Council Tax Freeze Grant | Assumed that this does not continue as a separate grant (could be "rolled-up" within RSG). | | | | | | |
| *** New Homes Bonus | Based on 2014/15 housing trajectory adjusted for CLG notified reduced new build. | | | | | | |

5. CAPITAL

- 5.1 The Council has introduced a new capital appraisal methodology:
- A common set of assessment criteria; which are linked to corporate objectives and whether the project supports discretionary or mandatory services.
 - Output measures are included with all capital project submissions that will determine the achievement of project goals.
 - Stipulate project risks of “not doing” and “completion of the project”.
- 5.2 All submitted projects are scored and are then mediated by the Finance Governance Board; the Finance Governance Board is one of a number of corporate boards that oversees strategic management issues across the Council. The capital programme is then ranked according to the scores obtained and once the project has been included in the capital programme, a full business case will need to be produced. The intention is that during 2015/16 a Treasury and Capital Advisory Group (TCAP) (formerly the Treasury Advisory Group) will be formally constituted as a sub-committee of Cabinet; the Finance Governance Board will make recommendations to TCAP in respect of those capital projects it considers have passed the appraisal process.
- 5.3 All approved projects will be regularly reviewed and reported to the Finance Governance board and to Cabinet. Such reporting will include appropriate financial monitoring and development issues. Once a project is implemented, in line with the Councils Project Management methodology there will be appropriate project closure reporting.
- 5.4 The draft Capital Programme is shown at Table 8 below and within the respective section 3 of Appendix 1. Currently, on a day-to-day basis the Council finances its Capital Programme via working capital within the Balance Sheet. However, under statute the Council is required to provide for capital expenditure via Minimum Revenue Provision (MRP), the current budget for MRP is shown within the Corporate Finance budget within section 2 of Appendix 1. Any reduction or increase in the programme will result in a corresponding change in MRP. The views of members on this programme are sought and once views are given the final MRP cost envelope can be calculated.

| Table 8 | Finance Board Score | Medium Term Financial Strategy | | | | | Medium Term Financial Strategy | | | | |
|--|---------------------|--------------------------------|--------------|--------------|--------------|--------------|--------------------------------|--------------|--------------|--------------|---------|
| | | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Head of Community | | | | | | | | | | | |
| CCTV - Camera replacements | 2000 | 87 | 43 | | | | | | | | |
| Wireless CCTV | 300 | 290 | | | | | | | | | |
| CCTV Shared Service | 1200 | 2 | 80 | 65 | 43 | | | | | | |
| Huntingdon West Devt (Housing Growth Fund) | 1200 | 1,151 | 221 | (525) | (363) | (782) | | | | | |
| Decent Homes Thermal Efficiency & Category 1 H&S | 220 | 10 | 10 | 10 | 10 | 10 | | | | | |
| | | 1,540 | 354 | (450) | (310) | (772) | | | | | |
| Head of Development | | | | | | | | | | | |
| Town Centre Developments | 600 | 74 | 100 | | | | | | | | |
| Disabled Facilities Grants | 2000 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | | | | | |
| Repairs Assistance | 200 | 75 | 75 | 75 | 75 | 75 | | | | | |
| A14 Contribution | 1800 | | | | | 200 | | | | | |
| | | 1,399 | 1,425 | 1,325 | 1,325 | 1,525 | | | | | |
| Head of Leisure and Health | | | | | | | | | | | |
| Future Improvements | 3000 | 231 | 447 | 266 | 300 | 300 | | | | | |
| Replacement Equipment | 1600 | 200 | 200 | | | 250 | | | | | |
| St Ivo LC - Football Improvements | 200 | (53) | | | | | | | | | |
| Pedals Scheme | 525 | 9 | | | | | | | | | |
| One Leisure Huntingdon Impressions Extension | 1200 | 795 | | | | | (169) | (188) | (202) | (210) | |
| One Leisure St Neots Synthetic Pitch | 1240 | 118 | | | | | (14) | (27) | (28) | (31) | |
| | | 1,300 | 647 | 266 | 300 | 550 | (14) | (196) | (216) | (231) | |
| Head of Resources | | | | | | | | | | | |
| Invest to Save Proposal - Highlode (Ramsey) | 420 | 263 | | | | | (29) | (29) | (29) | (29) | |
| VAT Partial Exemption | n/s | 112 | 29 | 15 | 17 | 22 | | | | | |
| Loan To Housing Association | 800 | 5,000 | | | | | | | | | |
| Other Land Sales | 200 | (120) | | | | | | | | | |
| Phoenix New Roof | 3000 | 200 | | | | | | | | | |
| | | 5,455 | 29 | 15 | 17 | 22 | (29) | (29) | (29) | (29) | |
| Head of Customer Services | | | | | | | | | | | |
| Replacement Printing Equip. | 200 | | 178 | | | 40 | | | | | |
| Replacement Equipment Document Centre | 200 | 31 | 33 | | 34 | | | | | | |
| Multi-functional Devices | 200 | 80 | | | | 80 | | | | | |
| Help Desk (MS Enterprise Agreement) | 600 | 75 | | 75 | 75 | 75 | | | | | |
| Telephony and ICT Network Renewal | 800 | | 100 | 100 | | | | | | | |
| ICT Replacements and Server Virtualisation | 600 | 20 | 240 | 20 | 20 | 20 | | | | | |
| Business Systems | 1000 | 200 | 200 | 200 | 200 | 200 | | | | | |
| GIS | 400 | 2 | 2 | | | | | | | | |
| | | 408 | 753 | 395 | 329 | 415 | | | | | |
| Head of Operations | | | | | | | | | | | |
| Provision for Bin Replacements | 400 | 54 | 75 | 75 | 75 | 75 | | | | | |
| Wheeled Bins for New Properties | 2000 | 100 | 88 | 82 | 24 | 22 | | | | | |
| Extra refuse round due to housing growth | 2000 | | | 158 | | | | 120 | 120 | 120 | |
| Play Equipment & Safety Surface Renewal | 800 | 60 | 20 | 20 | | | | | | | |
| Play Equipment & Safety Surface Renewal | 800 | | | | 21 | 21 | | | | | |
| S.106 Play Area Projects | 400 | 48 | | | | | | | | | |
| Vehicle fleet replacements. | 1800 | 761 | 859 | 1,000 | 564 | 1,478 | | | | | |
| Pool Cars | n/s | | | | 45 | | | | | | |
| Environment Strategy Funding | 600 | 55 | 55 | | | | (30) | (41) | (52) | (63) | |
| Sustainable Homes Retrofit | 1200 | (235) | | | | | | | | | |
| Building Efficiency Improvements (Salix) | 600 | 70 | 69 | | | | (8) | (14) | (10) | (6) | |
| Major repairs and replacements | 100 | 50 | | | | | | | | | |
| Car Park Repairs | 850 | | | 100 | 100 | 100 | | | | | |
| | | 963 | 1,166 | 1,490 | 829 | 1,696 | (8) | (44) | 69 | 62 | |
| | | 11,065 | 4,374 | 3,041 | 2,490 | 3,436 | (51) | (269) | (176) | (198) | |
| Total Capital Programme | | | | | | | | | | | |
| Capital Financing | | | | | | | | | | | |
| Right to Buy Clawback Receipts (est) | | (600) | (400) | (300) | (300) | (300) | | | | | |
| Internal Resources or Borrowing | | 10,465 | 3,974 | 2,741 | 2,190 | 3,136 | | | | | |

5.5 The full revenue implications are included within the revenue budget that is detailed in section 4 above; as well as including the aforementioned MRP cost, the budget also includes the direct revenue costs/benefits associated with each project and also the cost of temporary borrowing (as the use of capital depletes the Council's working capital). Any revenue implications for existing projects have also been taken into account within the budget review process. Those projects with revenue implications are noted below:

- **One Leisure Huntingdon Impressions extension** – to increase capacity of the impressions facility to meet higher demand and to maintain high levels of customer satisfaction. The reorganisation of the current arrangement will lead to reduced duplication and staff costs.

- **One Leisure St Neots synthetic pitch** – Replacement of the current facility is needed, the improvements will enable a greater variety of sports to be played together with a reduction in maintenance and running costs. This project is subject to a Sports England Improvement fund application.
- **Invest to save proposal – Highlode (Ramsey)** – the purchase of 5 industrial units to rent to small businesses to generate revenue income.
- **Extra refuse round due to housing growth** – assumption that with the increased house building an additional refuse round will be required by 2017/18.
- **Environment strategy funding and Building efficiency improvements (Salix)** – the purchase of environmental equipment for HDC properties to reduce energy usage.

6 FEES AND CHARGES

6.1 Fees and Charges are a key income stream for all of local government and for 2015/16 for this Council it will represent 26% of total income (including government grants). In the main, it is only “discretionary” services that can be subject to a Council levied fee or charge and for some services there are some statutory controls on the amount that can be charged.

6.2 In the past the fees and charges levied by the Council have not been reported to members but best practice is that such charges are approved by members at the time that the budget is set. The charges are shown in section 7 within Appendix 1 and these charges are the basis upon which service income lines for the 2015/16 budget are based.

7 ROBUSTNESS OF THE 2015/16 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY

7.1 The Council’s Responsible Financial Officer (S.151) has to make a statutory statement in respect of the budget and reserves. As shown within Section 8 of Appendix 1, there is considerable discussion in respect of Risks that both the Council and the wider local government community faces at this time of public sector austerity. In addition such risks are evaluated and their impact on General Fund reserves is assessed. It is concluded for 2015/16 the estimated reserves provision is satisfactory but by the end of the MTFS period reserves will drop below £3.0m minimum level of reserves approved by Cabinet in January 2015.

7.2 However, there is a need to seek alternative sources of income and there are plans to develop a commercial estate. Further, there is a risk surrounding continued reliance on New Homes Bonus both in respect of continued growth but also if there is a change in government in 2015.

8. LEGAL IMPLICATIONS

There are no direct legal implications arising from this report.

9. RESOURCE IMPLICATIONS

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

10. REASONS FOR THE RECOMMENDED DECISIONS

10.1 To enable members of the Panel to comment on the:

- financial results of ZBB and other service changes and their impact on service budgets.
- the implications on reserves in supporting a freeze in Council Tax.
- service priorities reflected in savings/investments.

11. LIST OF APPENDICES INCLUDED


Appendix 1 – 2015/16 Budget & Medium Term Financial Strategy 2016/17 to 2019/20

BACKGROUND PAPERS


Working papers in Resources; Accountancy Services

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