

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: 2015/16 Budget and Medium Term Financial Strategy
(2016/17 to 2019/20)

Meeting/Date: Council – 25th February 2015

Executive Portfolio: Resources: Councillor J A Gray

Report by: Head of Resources (Clive Mason)

Wards affected: All or list individual Ward(s)

Executive Summary:

The Council is required to consider and approve:

- The 2015/16 Budget and the Medium Term Financial Strategy (MTFS) for the period 2016/17 to 2019/20.
- The Fees and Charges schedule for 2015/16.
- The Treasury Management Strategy for 2015/16.
- The formal resolution to determine the Council Tax for 2015/16.

Recommendations:

1. That there is no increase in Council Tax for 2015/16 i.e. the Band D charge will remain at £133.15 (Appendix 1, paragraph 1.3).
2. That the proposed 2015/16 budget and MTFS (2016/17 to 2019/20) be approved (Appendix 1, paragraph 1.3).
3. That the 2015/16 Fees and Charges schedule be approved (Appendix 1, paragraph 7 and Annex A).
4. That the 2015/16 Treasury Management Policy & Strategy and the Annual Minimum Revenue Policy be approved (Appendix 2).
5. That the formal resolution on the Council Tax be approved (Appendix 1, paragraph 6).

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1. PURPOSE

- 1.1 The purpose of this report is to allow Council to consider and decide upon the recommendations made by Cabinet in relation to the 2015/16 budget, the MTFS the Treasury Management Policy/Strategy and other associated matters.
- 1.2 It also seeks Council's formal determination of the Council Tax for 2015/16.

2. BACKGROUND

- 2.1 During November and December, both the Overview & Scrutiny Panel (Economic Well-Being) and Cabinet received reports detailing the Zero Based Budgeting (ZBB) process and the governance that had surrounded the 2015/16 budget setting process.
- 2.2 During January 2015, both Overview & Scrutiny Panel (Economic Well-Being) and Cabinet discussed the Draft 2015/16 budget and MTFS (2016/17 to 2019/20) where they endorsed the savings that had been achieved via the Facing the Future (FtF) and ZBB programme that had been undertaken over the preceding months. At this time net savings of £1.781m had been achieved.
- 2.3 During early January the Portfolio Holder for Resources, challenged his fellow Cabinet members to achieve further savings. This further savings initiative achieved additional further savings for 2015/16 of £0.653m thus bringing the total savings achieved to £2.439m. This resulting 2015/16 budget and MTFS (2016/17 to 2019/20) was reported to Overview & Scrutiny Panel (Economic Well-Being) in early February and endorsed by Cabinet for recommendation to Council on the 12th February 2015.
- 2.4 The detailed 2015/16 Budget & MTFS (2016/17 to 2019/20) is shown in Appendix 1. The key elements that members should note are as follows:
- Paragraph 1.3.1, this shows that for 2015/16:
 - Net service expenditure, before Technical Adjustments & Charges outside of revenue is £19.267m.
 - Net expenditure for the Council, before Reserves is £18.881m.
 - The Budget Requirement for the Council is £19.678m.
 - Council Tax Requirement for the Council is £7.768m.
 - Council Tax Base is 58,329.
 - Council Tax per Band D property is £133.18.

This represents a Council Tax Freeze for 2015/16.

100% of businesses who responded to the business consultation supported this proposal.

 - 2016/17 to 2019/20, Council Tax per Band D property remains frozen for the period of the MTFS.

91% of businesses who responded to the recent business consultation supported this proposal.
 - Paragraph 1.4.1, this shows that:
 - for 2015/16, it is estimated that reserves at the end of the year are estimated to be £9.334m.

- over the MTFs period (2016/17 to 2019/20) Reserves would fall to £3.071m, thereby remaining above the minimum level set by Cabinet in January 2015.
- Paragraph 2.1 details the budgets for each service.
- Paragraph 3.1 details the outline capital programme.
- Paragraph 4.0 and 5.0 indicate the main budgetary issues relating to Treasury Management and the Capital Financing Requirement.
- Paragraph 6.1 is the Formal 2015/16 Council Tax Resolution, with Paragraph 6.2 illustrating the Council Tax Base. Paragraph 6.3 and 6.4 will show the:
 - 2015/16 Council Tax by Property Band for each Precepting Authority, and the
 - Billing Authority and the Total 2015/16 Council Tax by Property Band for each Precepting Authority and the Billing Authority

However, at the time of drafting this report not all Precepting Authorities had issued their Precepts, these papers will be distributed on the evening of the meeting (if all Precepting Authorities have by then determined their precept).

The Resolution and accompanying tables are based on the assumption that the Council will support the proposals in the budget report for Huntingdonshire District Councils Council Tax for 2015/16.

- Paragraph 7.0 and Annex 1 detail the Fees and Charges Schedule for 2015/16.
- Paragraph 8.0 is the statutory Robustness Report required by the Responsible Financial Officer (Section 151 officer). In summary, the budget proposed for 2015/16 should not give Members any significant concerns over the Council's financial position. However, over the MTFs period Members should continue to review services, especially in the light of continued planned cuts in government grant.

2.5 The Treasury Management Policy & Strategy and the Annual Minimum Revenue Provision for 2015/16 are detailed in Appendix 2. The key elements that members should note are as follows:

- The operation of the strategy within an economic climate that is starting to show signs of growth but where the likelihood is that interest rates will remain low into the medium term.
- An increase in net borrowing costs due to the Council no longer holding investments at advantageous rates of interests.
- The continuation of the Councils policy to:

- use mainly short-term investments which are highly liquid and as a consequence are lower risk. This includes the use of call accounts and money market funds
 - the provision of loans to organisations that meet either service objectives or support local organisations in their development where risk is mitigated by appropriate financial security and a business case for proceeding can be demonstrated.
- The method by which the Minimum Revenue Provision (the charge to revenue for the repayment of debt) is calculated.

2.6 Council agreed in February 2013 that specific consideration should be given where for in any particular year, over the MTFs period, the net cost of borrowing or lending activity exceeded 15% (whereby the net cost of borrowing is defined as Investment Interest Receivable + Borrowing Interest Payable + Minimum Revenue Provision). As can be seen in Table 1 below, the 15% limit is only exceeded in the last couple of years of the MTFs period and represents 0.1% for 2018/19 and 1.0% for 2019/20 of Net Expenditure. All costs associated with the net cost of borrowing or lending are included in the budget and the variance from the 15% threshold is marginal.

Table 1	Analysis of Net Cost of Borrowing or Lending Activity .V. Net Expenditure				
	Budget 2015/16 £000	Medium Term Financial Strategy			
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	
Forecast additional borrowing	8.9	2.1	0.4	(0.4)	0.2
Average borrowing in year net of Minimum Revenue Provision	45.0	47.1	47.5	47.1	47.3
Net Expenditure	18,881	19,870	20,671	21,259	21,721
Net Interest and Borrowing Costs					
- total	1,908	2,205	2,801	3,200	3,466
- as % of total net spending	10.1%	11.1%	13.6%	15.1%	16.0%
- net cost of borrowing 15%	2,832	2,981	3,101	3,189	3,258
Is 15% exceeded, if yes:	No	No	No	Yes	Yes
- by how much?				11	208
- % of Net Expenditure				0.1%	1.0%

3. LINK TO THE CORPORATE PLAN

3.1 The introduction of ZBB for the 2015/16 budget was a key action within 2014/15 within the Corporate Plan objective “Ensuring we are a customer focused and service led council”.

4. CONSULTATION

4.1 The business community were formally consulted, as required by statute, via a web-based survey immediately after the Overview & Scrutiny Panel (Economic Well-Being) that was held on the 5th February 2015 and Cabinet that was held on the 12th February 2015; there were 11 submissions. The results in respect of the Council Tax level are included in this report and the responses in respect of “service importance” will be used during the forthcoming ZBB review process. All results were circulated to members of the Cabinet held on the 12th February 2015. In addition, during the summer of 2014 there was a wider consultation in respect of preparing for the 2015/16 budget; at this time there were 16 responses from the business community.

- 4.2 As noted in paragraphs 2.1 and 2.2, Overview & Scrutiny (Economic Well-Being) Panel and consequently Cabinet, have been fully included in the budget setting process. Consultation has included a review of governance surrounding the budget process as well as a Draft and Final budget (and MTFS).

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from this report.

6. RESOURCE IMPLICATIONS

- 6.1 The Council is required to set a balanced budget for 2015/16. Appendix 1 includes a report from the Head of Resources (as the Responsible Financial Officer) confirming that he considers the budget is sufficiently robust and that there are adequate reserves.

7 REASONS FOR THE RECOMMENDED DECISIONS

- 7.1 To enable members of the Council to consider the:

- 2015/16 Budget and Council Tax to be set.
- implications for the Council in respect of the Medium Term Financial Strategy for the period 2016/17 to 2019/20.

8. LIST OF APPENDICES INCLUDED

- Appendix 1 – 2015/16 Budget Medium Term Financial Strategy (2016/17 to 2019/20)
- Appendix 2 - Treasury Management Policy & Strategy and the Annual Minimum Revenue Provision for 2015/16

BACKGROUND PAPERS

Working papers in Resources, Accountancy Services.

CONTACT OFFICER

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