

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Draft 2016/17 Revenue Budget and Medium Term Financial Strategy (2017/18 to 2020/21)
Meeting/Date:	Overview and Scrutiny Panel (Finance and Performance), 7th January 2016 Cabinet, 21st January 2016
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Head of Resources
Ward(s) affected:	All Wards

Executive Summary:

The Council is required to set an annual budget for the forthcoming year, in order to set the Council Tax for the area, and approve its Medium Term Financial Strategy (MTFS) covering the next four years.

The 2016/17 budget and MTFS has been set:

- following the policies that have been agreed by Cabinet,
- reflects the principles of "Plan-on-a-Page", in that the Cabinet had an aspiration for the Council not to be reliant on government funding.
- incorporates the last two tranches of the Zero Based Budget (ZBB) programme that commenced in the Autumn of 2014.

Zero Based Budgeting

All departments within the Council have now had a fundamental review of their service and the resources required to deliver those services. Tranche 1 of the ZBB programme was delivered in December 2014 and the outcomes were built into the 2015/16 budget. Tranches 2 and 3 have taken place during the current financial year, with the outcomes reported to this Committee and approved by Cabinet in September and December; and they have now been incorporated within the draft budget for 2016/17 and the MTFS 2016/17 to 2020/21. In addition, all ZBB Tranche 1 services have had a ZBB Light review to ensure that all budgets have been subject to a high level of scrutiny.

Tranches 2 and 3 of the ZBB programme have identified savings and efficiencies of £2.2m in 2016/17 (rising to £4.1m in 2019/20), as approved for inclusion in the draft budget at Cabinet in September and December 2015. The impact of all other budget adjustments adds back £0.9m (inflation, effect of capital and other changes). **Table 1** below summarises the ZBB Heavy savings per department.

Table 1 - ZBB Tranche 2 & 3 Savings					
Service	2016/17 £'000	2017/18 £'001	2018/19 £'002	2019/20 £'003	2020/21 £'004
Directors and Corporate	(221)	(323)	(373)	(373)	(373)
Resources	(85)	(147)	(210)	(272)	(272)
Customer Services	(543)	(778)	(918)	(1,075)	(1,075)
Operations	(860)	(1,121)	(1,347)	(1,657)	(1,657)
Development	(314)	(314)	(315)	(315)	(315)
Community	(112)	(169)	(172)	(173)	(173)
Leisure & Health	(102)	(123)	(123)	(123)	(123)
TOTAL	(2,237)	(2,975)	(3,458)	(3,988)	(3,988)

It should be noted that:

- included in the Community Services tranche 2 proposals was a proposal to implement a bus departure levy in the District, raising an estimated £75,000. Following further discussions on this proposed it is being recommended that this proposal is removed from the ZBB savings. This change has been built into the draft budget.
- The implications of the Commercial Investment Strategy, as reported to Cabinet in December 2015 have been included in the draft budget (para 3.3).

Net Service Expenditure

This report highlights the draft revenue budget for 2016/17 and the MTFS for the period 2016/17 to 2020/21. At this point in the budget setting process, the draft Net Service Expenditure budget for 2016/17 is £17.9m (the detailed draft 2016/17 Budget and MTFS is shown in **Appendix 1**).

Upon comparing the draft Net Service Expenditure budget to the 2015/16 Forecast Outturn and the Original Budget, there has been a net saving of £0.9m (4.6%) and £1.3m (7%) respectively, as shown in **Table 2** below:

Table 2	Saving on Net Service Expenditure: 2015/16 to 2016/17						
	2015/16		2016/17				
	Forecast Outturn	Original Budget	ZBB Heavy	ZBB Light/ Other	Capital	Inflation	Base Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Service Expenditure	18,804	19,267	(2,237)	345	213	349	17,938
Key: ZBB: Zero Based Budgeting							

Capital Programme

The detailed draft capital programme for the period 2016/17 to 2020/21 is included in **Section 3 of Appendix 1** and summarised in **Table 3** 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 **£61,000**. In addition there is an MRP increase in 2017/18 of £0.6m as a result of the funding of the 2016/17 capital programme. All capital proposals have been subject to internal officer scrutiny via the Finance Governance Board and have followed the capital project methodology introduced last year.

Table 3	Forecast	Budget	Medium Term Financial Strategy			
	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Community Development	1,230	1,048	40	40	40	40
Leisure and Health Resources	3,605	1,400	1,300	1,200	1,300	1,200
Customer Services Operations	812	1,194	270	281	317	317
	3,138	3,090	0	0	0	0
	13	531	150	50	0	0
	1,058	3,249	1,710	805	1,599	1,226
Total Expenditure	9,856	10,512	3,470	2,376	3,256	2,783
Financing						
Capital Receipts	(1,347)	(400)	(300)	(300)	(300)	(300)
Grants and Contributions	(3,456)	(536)	(758)	(792)	(810)	(853)
Borrowing External	(2,750)	(7,750)	(2,000)	(1,000)	(2,000)	(1,000)
Borrowing Internal	(2,303)	(1,826)	(412)	(284)	(146)	(630)
	(9,856)	(10,512)	(3,470)	(2,376)	(3,256)	(2,783)

Borrowing: External; for 2016/17 this includes the balance of the loan to Luminus Housing. Any additional external borrowing to the capital programme will be included in the Treasury Management Strategy that will be approved in February 2016.

Government Funding

The total government funding used within the Draft 2016/17 Budget is £7.1m, this decreases to Nil by 2020/21.

- New Homes Bonus

On the 17th December, the Secretary of State for Communities and Local Government announced the 2016/17 New Homes Bonus allocation of £5.0m; this is an decrease of £0.1m over what was included in the 2016/17 to 2019/20 MTFs. Over the period of the MTFs, this is modelled to decrease to Nil by 2020/21 in line with the Cabinet aspiration to remove reliance on central government funding.

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

On the 17th December, the Secretary of State for Communities and Local Government announced the 2016/17 Revenue Support Grant (RSG) of £2.1m, an increase of £0.2m, and the Non-Domestic Rates (NDR) baseline of £4.2m a net marginal increase of £30,000 over what was included in the 2016/17 to 2019/20 MTFS. Over the period of the MTFS, it is modelled that RSG will have gone and NDR increased to £4.4m by 2020/21. The Council Tax Freeze Grant has now been incorporated into RSG.

Grant Support for 2016/17	£'000
Revenue Support Grant	2,110
New Homes Bonus	4,965
	7,075
Retained Non-domestic Rates	4,190
	11,265

Council Tax

The Council Tax base is 59,358 for 2016/17 and was approved as a key decision on the 1st December 2015 and is now required to be ratified by Cabinet.

The current MTFS contains the aspiration for the Council Tax to be frozen at its current level of £133.18 for the duration of the MTFS. **Table 4** shows the impact of applying this policy over the life of the new MTFS. After taking into account the ZBB savings and government funding changes, the Council will potentially have to make contributions from the General Fund Reserve of £3.8m over the period of the MTFS.

Table 4	Achievement of Freeze of Council Tax for 2016/17 and the period of the Medium Term Financial Strategy				
	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Net Service Expenditure	17,938	17,639	17,340	17,008	17,058
Contribution to/(from) Earmarked Reserves	(257)	0	0	0	0
Reserves required	2,251	303	(931)	(2,092)	(3,190)
Net Budget	19,931	17,942	16,409	14,916	13,868
Government Funding	(7,075)	(4,645)	(2,925)	(1,241)	0
Retained Business Rates	(4,190)	(4,232)	(4,274)	(4,317)	(4,360)
Other Grants and Funding	(761)	(1,018)	(1,018)	(1,018)	(1,018)
Council Tax Requirement	7,905	8,048	8,193	8,340	8,490
Council Tax Base	59,358	60,426	61,514	62,621	63,749
Council Tax Level	£133.18	£133.18	£133.18	£133.18	£133.18

Reserves

Table 5 shows the impact on the General Fund (GF) reserve of the application of this policy, which reduces the GF reserve to a negative position of (£0.6m) at the end of 2020/21. The recommended minimum level of GF reserves is 15% of the net revenue expenditure, which would be £2.6m in 2020/21, a shortfall of £3.2m that the Council would have to find additional savings or increase council Tax to make up.

Table 5	Forecast	Budget	Medium Term Financial Strategy			
	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
General Fund Brought forward	9,287	3,022	5,273	5,576	4,645	2,553
Contribution (to) Reserve	535	2,251	303			
Contribution from Reserve	(6,800)			(931)	(2,092)	(3,190)
Carried forward	3,022	5,273	5,576	4,645	2,553	(637)
<i>Minimum Level of Reserves</i>	2,687	2,693	2,648	2,604	2,554	2,561

The £6.8m contribution from reserve in 2015/16 reflects the transfer to the CIS Earmarked Reserve approved by Cabinet in December 2015.

The position on reserves is an unsustainable one and therefore action will need to be taken over the course of the MTFs to rectify this and ensure that the reserves, by the end of the MTFs are at the minimal level required.

Four-year settlement

As part of the Government's consultation on the 2016/17 provisional settlement, they have announced their intention to offer to Council a four-year financial settlement, subject to some technical annual adjustments. The reason this offer has been made is to support the transition to self-sufficient local government by 2019/20. At this time members are asked to note this offer, subject to further analysis and reporting, hopefully by the time of the Final Budget report in February.

Recommendation(s):

It is recommended that Overview and Scrutiny:

1. provides comments to Cabinet in respect of the:
 - i. overall budget 2016/17 and MTFs 2017/18 to 2020/21
 - ii. the detailed service budget pages (as shown in Section 2 of Appendix 1).
 - iii. draft capital programme 2016/17 to 2020/21
 - iv. of freezing Council Tax for 2016/17 over the period covered by the Medium Term Financial Strategy (2017/18 to 2020/21).
 - v. proposal to remove the savings proposal to charge a bus departure levy within the District.
2. informs Cabinet of its preferred option for dealing with the potential deficit

reserves position as mentioned in paragraph 4.9.

3. notes the Council Tax base for 2016/17 as 59,358.
4. notes the offer by Government to all Councils of a four-year financial settlement and provides comments to Cabinet.

1. WHAT IS THIS REPORT ABOUT?

1.1 To update members on:

- the draft 2016/17 Revenue Budget and Medium Term Financial Strategy (MTFS) for the period 2017/18 to 2020/21,
- how the budget has moved in comparison to the 2015/16 Original Budget and the 2015/16 Forecast Outturn, and the
- draft capital programme 2016/17 to 2020/21.
- impacts on reserves and some new initiatives noted within the Government's consultation on the 2016/17 provisional financial settlement.

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

2.1 The 2016/17 budget and MTFS have been set following the policies that have been agreed and the completion of the Zero Based Budget (ZBB) exercise that started in the Autumn of 2014. This now means that all departments within the Council have had a fundamental review of the service and the resources required to deliver those services. Tranche 1 of the ZBB programme was delivered in December 2015 and the outcomes were built into the 2015/16 budget. Tranches 2 and 3 have taken place during the current financial year, the outcomes were reported to this Committee and approved by Cabinet in September and December; and they have now been incorporated within the draft budget for 2016/17 and the MTFS 2016/17 to 2020/21.

2.2 In addition, the draft budget and MTFS has also taken into account the following:

- conclusions of ZBB Light reviews
- revenue implications of the draft capital programme
- grant settlement relating to New Homes Bonus and Council Tax Freeze Grant and Funding Estimates for Revenue Support Grant and New Homes Bonus.
- the draft capital programme 2016/17 to 2020/21

2.3 The detailed analysis of the draft 2016/17 Budget and MTFS (2017/18 to 2020/21) is attached at **Appendix 1**.

3. Savings and Growth

Zero Based Budgeting

3.1 Table A within **Appendix 1** details the savings that have been accrued from both the ZBB heavy and light reviews across the Councils services, the net savings achieved are summarised in **Table 6** below:

Table 6 - ZBB Tranche 2 & 3 Savings					
Service	2016/17 £'000	2017/18 £'001	2018/19 £'002	2019/20 £'003	2020/21 £'004
Directors and Corporate	(221)	(323)	(373)	(373)	(373)
Resources	(85)	(147)	(210)	(272)	(272)
Customer Services	(543)	(778)	(918)	(1,075)	(1,075)
Operations	(860)	(1,121)	(1,347)	(1,657)	(1,657)
Development	(314)	(314)	(315)	(315)	(315)
Community	(112)	(169)	(172)	(173)	(173)
Leisure & Health	(102)	(123)	(123)	(123)	(123)
TOTAL	(2,237)	(2,975)	(3,458)	(3,988)	(3,988)

- 3.2 Included in the Community Services tranche 2 proposals was a proposal to implement a bus departure levy in the District, raising an estimated £75,000. Following further discussion, it is being recommended that this proposal is removed from the ZBB savings. This change has been built into the draft budget.
- 3.3 In addition, the implications of the Commercial Investment Strategy, as reported to Cabinet in December 2015 have been included in the draft budget.

Growth

- 3.4 There has not been any growth within the budget except for items where it is unavoidable e.g. additional pension costs, statutory technical adjustments and some limited budget corrections. There has not been any general service inflation but Pay Inflation of 1% has been included.
- 3.5 The significant exception to this is in relation to the recycling service. In June 2014 the Council, as part of its involvement in the Cambridgeshire and Peterborough Waste Partnership (RECAP) entered into a joint contract for the processing and sale of recyclable materials. One of the main aims of the contract was to support the Council to deliver its waste minimisation targets. A joint decision by each council in RECAP was taken and endorsed to amend the commercial basis of the contract i.e. taking on increased commercial risk than under the previous contract. This involved the partners electing to take a greater share of the income from the sale of recyclables to reduce other costs paid under the previous contract; this was based on assumptions that the market for recyclables would at least remain constant if not grow. The reality has been the worldwide collapse of the market for recyclables resulting in a reduced income to this Council and all the other partners in RECAP. This income in part meets the costs of the contract and these costs have remained constant because the tonnage of materials for recycling has remained constant. The net effect is additional costs for the Council from a projected

monthly cost of £2,500 per month to an estimated cost of £25,000 per month if the recyclables market does not recovery to its previous position.

- 3.6 The unavoidable growth or other statutory technical adjustments that have been included within Corporate Finance are shown in **Table 7** below. In addition, for MRP there is additional significant growth in future years as a result of the need to borrow £6.8m (excluding loan to Luminous) to fund the 2016/17 capital programme. In 2017/18 this adds an additional £0.6m to the budget.

Item of Unavoidable Growth	2015/16		2016/17			Reason for Growth
	Forecast	Original Budget	Budget	Growth Against Forecast	Against Updated Budget	
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	
Minimum Revenue Provision	1,574	1,574	1,635	61	61	Additional capital spend due to the Council not
Pension Contribution	1,136	1,135	1,510	374	375	Actuarial revaluation

Capital Programme

- 3.7 The detailed draft capital programme for the period 2016/17 to 2020/21 is included in **Section 3 of Appendix 1** and summarised in **Table 7** 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 **£61,000**. In addition there is an MRP increase in 2017/18 of £0.6m as a result of the funding of the 2016/17 capital programme.

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

	Forecast	Budget	Medium Term Financial Strategy			
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£000s	£000s	£000s	£000s	£000s	£000s
Community	1,230	1,048	40	40	40	40
Development	3,605	1,400	1,300	1,200	1,300	1,200
Leisure and Health	812	1,194	270	281	317	317
Resources	3,138	3,090	0	0	0	0
Customer Services	13	531	150	50	0	0
Operations	1,058	3,249	1,710	805	1,599	1,226
Total Expenditure	9,856	10,512	3,470	2,376	3,256	2,783
Financing						
Capital Receipts	(1,347)	(400)	(300)	(300)	(300)	(300)
Grants and Contributions	(3,456)	(536)	(758)	(792)	(810)	(853)
Borrowing External	(2,750)	(7,750)	(2,000)	(1,000)	(2,000)	(1,000)
Borrowing Internal	(2,303)	(1,826)	(412)	(284)	(146)	(630)
	(9,856)	(10,512)	(3,470)	(2,376)	(3,256)	(2,783)

Borrowing: External; for 2016/17 this includes the balance of the loan to Luminus Housing. Any additional external borrowing to the capital programme will be included in the Treasury Management Strategy that will be approved in February 2016.

4. SUMMARY DRAFT BUDGET 2016/17 and MEDIUM TERM FINANCIAL STRATEGY 2017/18 TO 2020/21

Council Tax Freeze

- 4.1 The 2016/17 budget and MTFs are based on a Council Tax freeze over the period.

Government Grant

- 4.2 New Homes Bonus

On the 17th December, the Secretary of State for Communities and Local Government announced the 2016/17 New Homes Bonus allocation of £5.0m; this is an increase of £0.4m over what was included in the 2016/17 to 2019/20 MTFs. The Government is expected to be carrying out a consultation on the future of the NHB and therefore there is considerable doubt as to the continuance of NHB and therefore, over the period of the MTFs, this is modelled to decrease to Nil by 2020/21 in line with the Cabinet aspiration to remove reliance on central government funding..

- 4.3 Council Tax Freeze Grant

There is no new Council Tax Freeze grant and the remaining years of the freeze grant is now rolled into RSG.

- 4.4 Revenue Support Grant, Non-Domestic Rates

On the 17th December, the Secretary of State for Communities and Local Government announced the 2016/17 Revenue Support Grant (RSG) of £2.1m, an increase of £1.1m, and the Non-Domestic Rates (NDR) baseline of £4.2m a net marginal increase of £30,000 over what was included in the 2016/17 to 2019/20 MTFs. Over the period of the MTFs, it is modelled that RSG will have gone and NDR increased to £4.4m by 2020/21

Grant Support for 2016/17	£'000
Revenue Support Grant	2,110
New Homes Bonus	4,965
	<u>7,075</u>
Retained Non-domestic Rates	4,190
	<u>11,265</u>

- 4.5 Following Government announcements that it intends Local Government to be fully self-financed, from Council Tax and NDR, by 2020, the MTFs models all Government grant being removed by 2020/21 and the council's sole sources of finance being Council Tax and NDR.

Table 8	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
NDR	(4,190)	(4,232)	(4,274)	(4,317)	(4,360)
RSG	(2,110)	(921)	(442)	0	0
NHB	(4,965)	(3,724)	(2,483)	(1,241)	0
	(11,265)	(8,877)	(7,199)	(5,558)	(4,360)
----- Loss of Grant -----					
Year-on-Year Reduction	(21.2%) £2,388		(22.8%) £1,641		
		(18.9%) £1,678		(21.6%) £1,198	
Cumulative Loss in Grant	(21.2%) £2,388				
	(36.1%) £4,066				
	(50.7%) £5,707				
	(61.3%) £6,905				

Collection Fund Surplus/Deficit

- 4.6 The Collection Fund is the statutory account that accounts for Council Tax and Business Rates income and the payments to preceptors of their respective shares. 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.
- 4.7 The estimated year end position of the Collection Fund is shown in **Table 9** below along with the share that is apportioned to the Council. However, due to the safety net mechanisms in place for NDR funding, the Council will only have to fund £0.3m of the deficit share shown below.

Table 9	(Surplus)/Deficit (£'000)	HDC Share (£'000)
Council Tax	(401)	(55)
Business Rates	8,237	3,876
TOTAL	7,836	3,821
Safety Net Grant		(3,564)
Net Impact on Funding		257

Impact on Reserves

- 4.8 **Table 10** below shows the estimated impact on the General Fund over the life of the MTFs. With the cuts in Government funding it is anticipated that contributions from the reserve of £3.8m over the life of the MTFs will be required. This will have the effect of putting the reserve into a negative balance of (£0.4m) by 2020/21.

Table 10	Forecast	Budget	Medium Term Financial Strategy			
	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
General Fund Brought forward	9,287	3,022	5,273	5,576	4,645	2,553
Contribution (to) Reserve	535	2,251	303			
Contribution from Reserve	(6,800)			(931)	(2,092)	(3,190)
Carried forward	3,022	5,273	5,576	4,645	2,553	(637)
<i>Minimum Level of Reserves</i>	2,687	2,693	2,648	2,604	2,554	2,561

4.9 The £6.8m contribution from reserve in 2015/16 reflects the transfer to the CIS Earmarked Reserve approved by Cabinet in December 2015.

4.10 This is an unsustainable position and as a result the Council has three options to consider in order to ensure it is budgeting in a sustainable manner both in terms of on-going revenue and funding and its reserves.

- i. Maintain the current level of reserves and CIS investments and continue the programme of ZBB reviews in order to find the necessary savings to bring the GF reserve back to prudent recommended levels.
- ii. The decision to transfer £6.8m from the GF reserve to the CIS earmarked reserve is reversed. As a result the approved CIS business case will need to be reviewed.
- iii. Take a less aggressive view on the reduction of Government funded NHB and therefore anticipate higher levels of government grant in future years or growth in business rates.

Council Tax Base

4.11 The Council Tax base is 59,358 for 2016/17 and was approved as a key decision on the 1st December 2015 and is now required to be ratified by Cabinet. The details of the 2016/17 Council Tax base are shown at **Appendix 2**. For future years the Council Tax base has been increased by 1.8% per year (see **Table 11**) which reflects:

- the increase that has occurred over the past few years,
- 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.

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

4.12 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 is shown in **Table 11** below:

Table 11	Forecast	Original Budget	Budget	Medium Term Financial Strategy			
	2015/16	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Services provided:							
Directors and Corporate	2,348	2,377	2,300	2,212	2,178	2,185	2,197
Resources	-392	-445	-308	-566	-871	-918	-971
Customer Services	4,425	4,488	2,355	2,167	2,062	1,939	1,970
Operations	4,727	4,593	3,968	3,753	3,608	3,383	3,428
Development	1,427	1,691	1,370	1,224	1,221	1,242	1,265
Community	1,987	2,130	1,936	1,922	1,940	1,954	1,979
Leisure & Health	-53	58	-280	-516	-720	-935	-1,115
Shared Service	0	0	1,796	1,832	1,869	1,906	1,944
Corporate Finance	4,336	3,988	4,799	5,611	6,053	6,252	6,360
Net Expenditure	18,804	18,881	17,938	17,639	17,340	17,008	17,058
Contribution to/(from) Earmarked Reserves	875	797	(257)	0	0	0	0
Budget Requirement	19,678	19,678	19,931	17,942	16,409	14,916	13,868
Non-Domestic Rates	(4,160)	(4,160)	(4,190)	(4,232)	(4,274)	(4,317)	(4,360)
Revenue Support Grant (RSG)	(3,183)	(3,183)	(2,110)	(921)	(442)	0	0
New Homes Bonus (***)	(4,403)	(4,403)	(4,965)	(3,724)	(2,483)	(1,241)	0
S31 Grant	0		(1,018)	(1,018)	(1,018)	(1,018)	(1,018)
Council Tax Freeze Grant (**)	(82)	(82)	0	0	0	0	0
Collection Fund Deficit	(82)	(82)	257	0	0	0	0
Council Tax Requirement	7,768	7,768	7,905	8,048	8,193	8,340	8,490
- Base (*)	58,329	58,329	59,358	60,426	61,514	62,621	63,749
- Per Band D	133.18	133.18	133.18	133.18	133.18	133.18	133.18
Assumptions	<p>* Increase in Council Tax Base Assumed there is an annual increase in the base of 1.8%.</p> <p>** Council Tax Freeze Grant Assumed that this does not continue as a separate grant (could be "rolled-up" within RSG).</p> <p>*** New Homes Bonus Assumes a 25% reduction per year on the 2016/17 base.</p>						

Four-year Settlement

4.13 It is brought to the attention of members that as part of the Government's consultation on the 2016/17 provisional settlement for local government, the government have announced they are inviting Councils to take up a four-year funding settlement to 2019/20 to support the move to all Councils being self-sufficient by the same year (i.e. having Business Rates and Council Tax as the main sources of core funding). An extract from the Provisional Local Government Settlement 2016/17 is shown at **Appendix 3** and a summary of the key issues and considerations is shown below:

- provide the funding certainty and stability to enable more proactive planning of service delivery
- support strategic collaboration with local partners
- multi-year settlements will help to strengthen financial management and efficiency, including by maximising value in arrangements with suppliers and making strategic use of reserves in the interests of residents
- the council will need to provide an efficiency plan (details of this not yet available)
- assumption is that the settlement will be based on the 2016/17 funding model; however the final determination of the local government finance settlement for any given year cannot be made until:
 - calculations are completed taking account of the business rates multiplier, which is based on the Retail Price Index in September each year.
 - future events such as the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities and any other unforeseen events are taken into account.

However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement the Government expects these to be the amounts presented to Parliament each year.

4.14 At this time no decision is being sought as the details of the provisional settlement are being analysed. It is hoped that further advice can be offered when the final budget report is presented to this Panel and Cabinet in February.

Please note, at the time of drafting this report it is not known if New Homes Bonus will continue past 2019/20; although we know it will be subject to significant reform from 2017/18 onwards.

5. WHY IS THIS REPORT NECESSARY/BACKGROUND

5.1 It is a requirement of the Council to set an annual budget and to have a Medium Term Financial Strategy.

6. OPTIONS CONSIDERED/ANALYSIS

6.1 All options and due analysis are contained within the main section of the report.

7. COMMENTS OF OVERVIEW & SCRUTINY PANEL

7.1 To be completed following Overview & Scrutiny and when the report goes to Cabinet.

8. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

8.1 The delivery of the 2016/17 budget, when approved will be managed via the Council's budgetary monitoring processes throughout the year.

9. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

9.1 The 2016/17 budget forms an integral part of service plans for 2016/17 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.

10. LINK TO THE CORPORATE PLAN

10.1 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 (i.e. ZBB, monitoring etc.) itself meets the following specific aims and objectives of the Corporate Plan:

- Ensuring we are a customer focused and service led council, delivering value for money services.

10.2 This will assist the Council in:

- "becoming more business-like and efficient in the way we deliver services".

11. CONSULTATION

11.1 The ZBB process has required extensive consultations within each of the teams within each ZBB review as well as with the relevant Portfolio Holder. The results of each review have also been reported to this Panel and Cabinet.

11.2 In respect of the 2016/17 budget, this is the first stage of that consultation.

12. LEGAL IMPLICATIONS

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

13. RESOURCE IMPLICATIONS

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

14. OTHER IMPLICATIONS

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

15 REASONS FOR THE RECOMMENDED DECISIONS

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

- the impact of ZBB Tranche 2 and 3 and other service changes on service budgets.
- draft capital programme 2016/17 to 2020/21.
- freezing of Council Tax until 2020/21.

16. LIST OF APPENDICES INCLUDED

Appendix 1: DRAFT 2016/17 Budget & Medium Term Financial Strategy 2017/18 to 2020/21.

Appendix 2: Council Tax Base 2016/17 – methodology and the net tax base by Parish.


Appendix 3: Extract from “The provisional local government finance settlement 2016-17” and an offer to councils for future years.

BACKGROUND PAPERS


Working papers in Resources; Accountancy Services

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