

HUNTINGDONSHIRE DISTRICT COUNCIL

<b>Title/Subject Matter:</b>	<b>Draft 2017/18 Revenue Budget and Medium Term Financial Strategy (2018/19 to 2021/22)</b>
<b>Meeting/Date:</b>	Cabinet - 19 January 2017
<b>Executive Portfolio:</b>	Strategic Resources: Councillor J A Gray
<b>Report by:</b>	Head of Resources
<b>Ward(s) affected:</b>	All Wards

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**Executive Summary:**

Revenue Budget

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 following 4 years. This report sets out the draft Budget for 2017/18, detail of the draft service budgets and the revised MTFS for the period 2018/19 – 2021/22 for Cabinet approval.

At this point in the budget setting process, the draft Net Service Expenditure Budget for 2017/18 is £16.7m (the detailed draft 2017/18 Budget and MTFS is shown in **Appendix 1**).

When comparing the draft 2017/18 Net Service Expenditure Budget to the 2016/17 Forecast Outturn and the Original Budget, there has been a net saving of £0.4m (2%) and £1.2m (7%) respectively. The draft figures for 2017/18 include:

- savings from detailed line by line Budget reviews of £0.7m.
- growth of £0.5m.
- non-realisation of previously approved Zero Based Budgeting (ZBB) savings of £0.4m.
- the impact of all other budget adjustments which adds back £0.96m (inflation, effects of capital and other changes).
- the increased income from the Commercial Investment Strategy of £1.0m.

Capital Programme

There is a capital requirement of £9.5m in 2017/18, £4.3m funded from borrowing and the balance from external sources (grants and contributions) and internal contributions (capital receipts, capital reserve and earmarked reserves). The Minimum Revenue Provision (MRP) has been calculated at £2.2m. The revenue implications of the capital proposals are built into the corresponding revenue budgets.

The Commercial Investment Strategy (CIS) has a capital requirement of £31.5m in 2017/18. This is funded from borrowing of £26.4m, a MRP of £1.9m and an earmarked reserve contribution of £3.2m.

## 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. The Council received approval for its Plan in November 2016 and the confirmation letter can be viewed on the Council's website and is attached at **Appendix 5**.

On 15 December 2016, the Secretary of State for Communities and Local Government announced the provisional finance settlement for 2017/18. Revenue Support Grant (RSG) and New Homes Bonus (NHB) allocations were in line with the indicative Four Year Settlement announced the previous year. The RSG will no longer exist by 2019/20 and new criteria have been announced for NHB with a transitional year for 2017/18.

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

## Council Tax

The Council Tax base (i.e. the number of Council Tax Band D properties) is 60,111 for 2017/18 with a detailed breakdown by parish shown in **Appendix 3**, for the period of the MTFS this has been increased by 1.2% per annum.

As highlighted to Council in October 2016 (and summarised in the Plan-on-a-Page, **Appendix 4**), the Four Year Efficiency Plan included a proposal to increase Council Tax by 2%. The 2017/18 draft Budget and MTFS therefore includes a 2% increase in Council Tax and this would make the 2017/18 Council Tax £135.84 (an increase of £2.66) and over the life of the MTFS would raise £2.5m.

## 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 this adjustment is taken to or made from the Budget Surplus Reserve which is estimated to have a balance of £7.2m at the end of the MTFS.

## Comments of the Overview and Scrutiny Panel (Performance and Customers)

The comments of the O & S Panel are detailed in Section 8. of this report.

## **Recommendations:**

It is recommended that the Cabinet approves:

1. overall draft Budget 2017/18 and MTFS 2018/19 to 2021/22 (**Appendix 1**)
2. savings and growth proposals (**3.1 to 3.3, Appendix 2**), and specifically,
  - i. approval of an Economic Development Officer and Business Administrator Apprentice, and
  - ii. consider the Apprenticeship Scheme proposal to mitigate the impact of the apprenticeship levy.

3. removal of ZBB savings as detailed in **Table 3**.
4. draft Capital Programme 2017/18 to 2021/22 (**3.6 to 3.7**), and
5. planned increase in Council Tax of 2% for 2017/18 and for the duration of the MTFS (**4.4 to 4.6, Table 9**).

## 1. PURPOSE OF THE REPORT

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

- the draft 2017/18 Revenue Budget and Medium Term Financial Strategy (MTFS) for the period 2018/19 to 2021/22,
- how the Budget has moved in comparison to the 2016/17 Original Budget and the 2016/17 Forecast Outturn,
- draft Capital Programme 2017/18 to 2021/22, and
- impact on reserves.

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

2.1 The draft 2017/18 budget and MTFS have been set on the following basis:

- savings from detailed line by line Budget reviews £0.7m.
- growth of £0.5m
- non-realisation of previously approved Zero Based Budgeting (ZBB) savings of £0.4m
- the impact of all other budget adjustments which adds back £0.96m (inflation, effect of capital and other changes).
- the increased income from the Commercial Investment Strategy £1.0m
- a detailed line by line review of all budgets carried out by senior officers,
- on-going impacts of Zero Based Budget savings approved in previous years,
- grant settlement relating to New Homes Bonus and funding estimates for Revenue Support Grant, New Homes Bonus and Business Rates,
- the new Four Year Settlement from Government, and
- the draft Capital Programme 2017/18 to 2021/22.

2.2 The detailed analysis of the draft 2017/18 Budget and MTFS (2018/19 to 2021/22) is attached at **Appendix 1**.

## 3. SAVINGS AND GROWTH

### Line By Line Review

3.1 In order to establish firm foundations for the Budget, in October 2016 senior officers undertook a line by line budget challenge process, comparing the year to date budget variances and, where significant underspends were occurring, challenging as to whether these could be removed. Further savings and additional income was identified by Heads of Services in consultation with Portfolio Holders during the subsequent detailed budget setting. The results of this review are budget reductions for 2017/18 of £0.7m and the main areas of savings are shown in **Table 1** below.

<b>Table 1</b>	<b>Main Areas of Savings / Additional Income</b>	
		<b>£000</b>
<b>Savings</b>		
Resources – Insurance Premiums		57
Operations Street Cleaning – sub-contractor costs		32
Operations Car Parks – site works		20
Operations Waste Management – various		77
Community Services - various		55
<b>Additional Income</b>		
Operations Waste Management - income (volume increases)		57
Development Services – Planning Fees (additional income)		200
Commercial Estates – management fee		50

### **Options for Growth**

3.2 Options to spend more in certain service areas has been included within the budget for the following reasons:

- Inflation on employee costs and business rate changes (1% on employee costs and 2% on Business Rates).
- Employees increment related growth.
- non-employee budgets unavoidable growth – mainly relating to increased homelessness demand.
- Optional growth.

3.3 **Table 2** below shows the total growth for 2017/18 in each of these categories and **Appendix 2** provides a breakdown of the non-employee related growth.

	<b>Table 2</b>					<b>OPTIONS FOR BUDGET GROWTH</b>				
	<b>Unavoidable</b>			<b>Optional Growth</b>	<b>TOTAL</b>					
	<b>Inflation</b>	<b>Employee Related Growth</b>	<b>Other Growth</b>							
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>					
Community Services	19	48	0	0	67					
Customer Services	34	29	278	0	341					
Development Services	21	11	0	281	313					
Operational Services	58	120	0	25	203					
Leisure and Health	53	231	0	148	432					
ICT	24	16	0	0	40					
Resources	10	(2)	0	0	8					
Corporate Manager	7	0	0	17	24					
Directors	5	0	0	26	31					
<b>TOTAL</b>	<b>231</b>	<b>453</b>	<b>278</b>	<b>497</b>	<b>1,459</b>					

### 3.4 **Zero Based Budgeting ZBB**

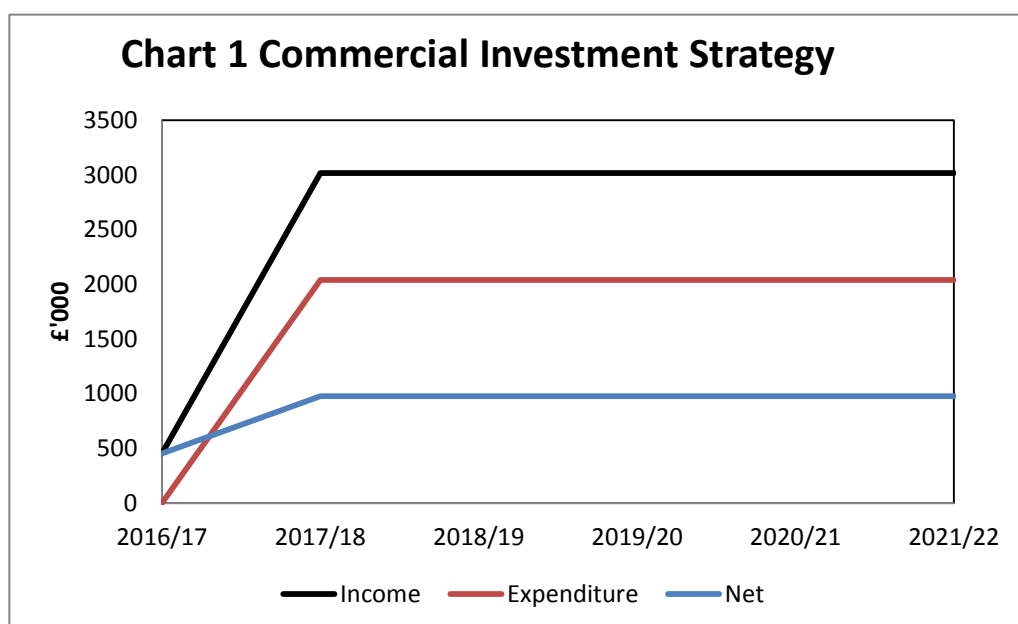
During 2014 and 2015 the Council carried out extensive Zero Based Budgeting (ZBB) reviews across all services and the savings were built into

the 2016/17 Budget and MTFS. Following the review of budgets as part of the 2017/18 Budget setting exercise a number of these savings have not been achieved, totalling £0.4m, as shown in the **Table 3** below.

<b>Table 3</b>	<b>£000s</b>	<b>Not Achieved ZBB Savings</b>
<b>Operational Services</b>		
Car Parks – income	260	Non implementation of Fees and Charges
Car Parks Rationalisation	8	Programme of rationalisation disposed of small car parks that did not realise an NNDR saving
Grass Cutting – Income	70	County Council not able to fund additional grass cutting to HDC standards. Withdrawn in 16/17
<b>Customer Services</b>		
Document Centre	67	Increased income due to commercialisation of Doc Centre – delay and change of direction in 16/17
<b>Community Services</b>		
CCTV	25	Savings from new CCTV cameras – delays in implementation due to commercialisation decisions.
<b>Total</b>	<b>430</b>	

### **Commercial Investment Strategy**

- 3.5 A key part of the Council's overall Budget strategy is the Commercial Investment Strategy (CIS), as approved by the Council in 2015. It is anticipated that the investments from the CIS will increase in 2017/18 and then stabilise for the following years. As a result there is an increase in the net income budget for CIS of £0.5m to give an annual net income stream of £1m as shown in **Chart 1** below.



### **Capital Programme**

- 3.6 The detailed draft Capital Programme for the period 2017/18 to 2021/22 is included in **Section 3 of Appendix 1** and summarised in **Table 4** 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 **£3.8m**. This includes the MRP for the Commercial Investment Strategy (CIS). In addition there is an MRP increase in 2018/19 of £0.3m as the 2017/18 Capital

Programme has increased from last year due to increased CIS and delays from 2016/17.

- 3.7 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.

	Council Draft Capital Programme					
	Forecast	Budget	Medium Term Financial Strategy			
	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Community</b>	806	480	0	0	0	0
<b>Development</b>	1,430	3,285	1,200	1,300	1,300	1,300
<b>Leisure and Health</b>	931	1,492	495	317	317	317
<b>Resources</b>	4,366	305	0	0	0	0
<b>Customer Services</b>	31	484	0	0	0	0
<b>3C ICT</b>	435	1,190	50	0	0	0
<b>Operations</b>	2,860	2,235	1,639	1,882	1,110	1,428
	<b>10,859</b>	<b>9,471</b>	<b>3,384</b>	<b>3,499</b>	<b>2,727</b>	<b>3,045</b>
<b>Sources of Finance</b>						
Grants and Contributions	(1,401)	(1,367)	(1,145)	(1,092)	(1,093)	(1,101)
Use of Capital Reserves	(806)	(1,985)	0	0	0	0
Capital Receipts	(852)	(820)	(820)	(820)	(820)	(820)
Use of Earmarked Reserves	(592)	(1,014)	0	0	0	0
	<b>(3,651)</b>	<b>(5,186)</b>	<b>(1,965)</b>	<b>(1,912)</b>	<b>(1,913)</b>	<b>(1,921)</b>
<b>Net to be funded by borrowing (Internal)</b>	<b>7,208</b>	<b>4,285</b>	<b>1,419</b>	<b>1,587</b>	<b>814</b>	<b>1,124</b>

**Borrowing:**

*Internal - this is the use of the Councils working capital within the balance sheet.*

**4. FUNDING OPTIONS FOR DRAFT BUDGET 2017/18 and MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2021/22**

- 4.1 This section of the report provides details on the funding and options of the Council's proposed Budget for 2017/18 and the MTFs 2018/19 to 2021/22.

**Council Tax Base**

- 4.2 The approved Council Tax base is 60,111 for 2017/18, an increase of 1.27% from the 2016/17 base with a detailed breakdown by town and parish councils shown in **Appendix 3**. For future years the Council Tax base has been increased by estimated growth of between 0.94% and 1.5%, 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.

- 4.3 Members will recall that the current MTFs forecasts a council tax base increase of 1.8% per annum. The reason for the reduction in the rate of growth to that shown in 4.2 is due to a combination of:

- the profile of new builds across the district changing, with a number of key sites being completed in 2016/17 but new sites not due for completion until 2018/19 onwards, and

- the mix of new properties changing with a higher profile of lower banded properties and of those occupied by single persons and therefore attracting the single persons discount (25%).

### **Council Tax Increases**

4.4 The 2017/18 budget and MTFs are based on a proposed Council Tax increase of 2% over the period; this was the position as previously reported to Council in October 2016 when Council was briefed about the approved Four Year Efficiency Plan. A 2% increase has been included after taking into account the:

- a) requirements of the MTFs,
- b) requirement of the Council to set a balanced Budget over the medium term,
- c) Council's objective of setting a financially sustainable Budget over the medium term and,
- d) reflecting the following "local" key employment indicators.
  - Average Wage growth (July 15 – June 16)
    - Huntingdonshire – 4.27%
    - East of England – 3.4%
    - National – 2.2%
  - Pensions are subject to the governments triple lock policy whereby the increase is by the greater of, resulting in a minimum increase of 2.5%:
    - 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)
    - 2.5%
  - The change in the past year for claimants of out of work benefits is:
    - Huntingdonshire – from 0.6% to 0.7% of population
    - East of England – static at 1.2%
    - National – from 1.7% to 1.8%

4.5 A 2% increase on Council Tax in 2017/18 would increase it to £135.84 per Band D equivalent property, an increase of £2.66 and additional income of £0.16m. A 2% increase per annum over the MTFs will reduce the contribution from the General Fund to £0.35m, whereas if Council Tax is frozen the contribution from the General Fund would be £1.22m.

4.6 The current referendum rules are that District Councils are allowed to increase Council Tax by 2% or £5, whichever is greater, before a referendum is triggered.

### **Government Grant**

4.7 In the 2016/17 financial settlement the government proposed giving local authorities a four year financial settlement from 2017/18 subject to the publication of an efficiency plan for the authority. Earlier this year the Council published an efficiency plan and applied for the four year settlement, which was granted. This aim of the efficiency plan was to give local government greater certainty of funding over the coming four years.



4.8 On the 15 December the Provisional Local Government Financial Settlement was issued by the Secretary of State for Communities and Local Government. The outcome of this settlement has been built into the funding section of the budget and MTFS. The main messages from the settlement for HDC were as follows:

- The Council's Four Year Settlement from 2016/17 to 2019/20 was confirmed.
- Revenue Support Grant (RSG) was confirmed and was unchanged from the provisional settlement in 2016/17 and ends after 2018/19.
- New Homes Bonus – the Government has confirmed the changes to the scheme from the consultation that took place in early 2016. The main changes are:
  - The number of years over which NHB is paid is reduced from 6 to 4, with a transitional year on legacy payments in 2017/18.
  - A 'deadweight' factor of 0.4% growth has been added in, thereby meaning that any authority will only get paid NHB on growth above 0.4%.
  - From 2018/19 the Government will withhold payments from authorities not supporting housing growth. This will potentially include no or reduced payments for houses that are built following a successful appeal and to local authorities who do not have an approved Local Plan. There will be a further consultation on these elements.
- The current published MTFS had modelled some NHB changes as it was known a change was happening, therefore the impact on the MTFS for the Council is a reduction of £0.07m in 2017/18 and a gain of £0.3m in 2018/19.
- 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 2.04%, 3.22% and 3.56% for the subsequent 3 years. The MTFS includes internally calculated Business Rates figures as at the end of November as it is considered to be more accurate. Then inflation of 2% per annum is added thereafter to reflect the RPI growth that will be applied to the business rates multiplier.

4.9 The approved Four Efficiency Plan that was presented to Council in October 2016 (see Plan-on-a-Page **Appendix 4**) and reduced the budget gap in 2020/21 to £0.7m, compared to the £3.6m that is forecast in the current MTFS. A copy of the efficiency plan is on the Council's website and the confirmation letter from the Department of Local Government and Communities is shown at **Appendix 5**. The Four Year Efficiency Plan included the following items:

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Expenditure reviews of Services	750	750	750	750
Income generation	1,417	1,198	1,037	975
2% Council Tax increase	161	331	510	700
Strategic Transformation	100	200	350	350
Shared Services	74	124	124	124

4.10 The Plan-on-a-Page as shown at **Appendix 4** will be updated for 2017/18 in the Final Budget Report.

- 4.11 **Table 5** shows that the draft Budget 2017/18 makes a further £0.3m contribution to reserves than was planned for in the Four Year Efficiency Plan, and by 2020/21 a further £0.2m contribution to reserves. The reasons for these additional contributions are shown in **Table 6**.

<b>Table 5</b>	<b>Efficiency Plan v Draft Budget and MTFS</b>			
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Draft Budget/MTFS - Contribution to/(from) reserves	3,476	2,495	(695)	(518)
Efficiency Plan – Contribution to/(from) reserves	3,158	1,773	413	(705)
<b>Variance</b>	<b>(318)</b>	<b>(722)</b>	<b>1,108</b>	<b>(187)</b>

<b>Table 6</b>	<b>Efficiency Plan v Draft Budget and MTFS</b>			
<b>Reasons for variance</b>				
Strategic Transformation	100	200	350	350
Shared Services	74	124	124	124
Differential Charging	0	60	60	60
Line by Line Reviews (Para 3.1)	(45)	(45)	(45)	(45)
Unachieved ZBB Savings (Para 3.4)	430	430	530	590
Avoidable Growth	386	386	386	386
Other Growth	278	278	278	278
Council tax Increase	42	116	177	216
Funding Changes (Para 4.3)	(1,858)	(1,991)	(543)	(1,797)
Other - cumulative minor budget changes	275	(280)	(209)	(349)
	<b>(318)</b>	<b>(722)</b>	<b>1,108</b>	<b>(187)</b>

### **Collection Fund Surplus/Deficit**

- 4.12 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 7**.

<b>Table 7</b>	<b>Collection Fund Estimated Surplus 2016/17</b>	
	<b>(Surplus)/Deficit £000s</b>	<b>HDC Share £000s</b>
Council Tax	(389)	(53)
Business Rates	(3,702)	(1,481)
<b>TOTAL</b>	<b>(4,091)</b>	<b>(1,534)</b>

## Impact on Reserves

- 4.13 **Table 8** below shows the estimated impact on the Council's Earmarked reserves and General Fund over the life of the MTFS.

	<b>Table 8 Council General Fund and Earmarked Reserves</b>					
	<b>Forecast</b>	<b>Budget</b>	<b>Medium Term Financial Strategy</b>			
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>GENERAL FUND</b>						
<b>Brought forward</b>	<b>2,537</b>	<b>2,568</b>	<b>2,505</b>	<b>2,442</b>	<b>2,467</b>	<b>2,502</b>
Contribution to Reserve	31	3,476	2,495			
Contribution (from) Reserve				(695)	(518)	(349)
Contribution to/(from) Budget Surplus Reserve		(3,539)	(2,558)	720	553	382
<b>Carried forward</b>	<b>2,568</b>	<b>2,505</b>	<b>2,442</b>	<b>2,467</b>	<b>2,502</b>	<b>2,535</b>
<i>Minimum Level of Reserves</i>	<i>2,568</i>	<i>2,505</i>	<i>2,442</i>	<i>2,467</i>	<i>2,502</i>	<i>2,535</i>
<b>EARMARKED RESERVES</b>						
<b>Commercial Investment reserve</b>						
<b>Brought forward</b>	<b>12,390</b>	<b>3,230</b>	<b>3,230</b>	<b>3,230</b>	<b>6,331</b>	<b>9,432</b>
Contribution to Reserve	40	0	0	3,101	3,101	3,101
Contribution (from) Reserve	(9,200)	0	0	0	0	0
<b>Carried forward</b>	<b>3,230</b>	<b>3,230</b>	<b>3,230</b>	<b>6,331</b>	<b>9,432</b>	<b>12,533</b>
<b>Budget Surplus Reserve</b>						
<b>Brought Forward</b>	<b>805</b>	<b>3,425</b>	<b>6,964</b>	<b>9,521</b>	<b>8,802</b>	<b>8,249</b>
Contribution to Reserve	2,909					
Contribution (from) Reserve	(289)					
Contribution from/(to) General Fund	0	3,539	2,558	(720)	(553)	(382)
<b>Carried forward</b>	<b>3,425</b>	<b>6,964</b>	<b>9,521</b>	<b>8,802</b>	<b>8,249</b>	<b>7,867</b>

## **5. FUNDING OPTIONS FOR DRAFT BUDGET 2017/18 and MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2021/22**

- 5.1 This section provides the details of the net cost of each Service, the funding of these and the proposed Council Tax increase.
- 5.2 A summarised Service analysis of net expenditure is shown at **Table 9** which includes the Savings and Growth Budget changes detailed in Section 3. The detailed Service analysis is at **Appendix 1**, Section 2.
- 5.3 The second part of **Table 9** shows the contributions to and from the General Fund Balances and Earmarked Reserves. It also details the estimated funding streams for Non-Domestic Rates, S31 and Revenue Support Grants, the New Homes Bonus and the Collection Fund surplus (2017/18 only).
- 5.4 It is to be noted that from 2019/20 the New Homes Bonus grant will be allocated to the Commercial Investment Reserve to support the Council's ongoing Commercial Investment Strategy.
- 5.5 The Council Tax requirement for 2017/18 and for the MTFS 2018/19 to 2021/22. This shows the estimated Council Tax base for each financial year and the Council Tax Band D equivalent.

- 5.6 It is proposed that the MTFS assumption of a 2% Council Tax increase is applied for 2017/18 and that the policy to increase the Council Tax by 2% over the period of the MTFS (as per the 4-Year Efficiency Plan) is continued. This will provide Members with opportunities to invest in services.

Table 9	Council Services Net Expenditure Budget and MTFS						
	Forecast	Original Budget	Budget	Medium Term Financial Strategy			
	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000	£000	£000
<b>Services Provided:</b>							
Community Services	1,829	1,911	1,830	1,827	1,840	1,867	1,886
Customer Services	2,524	2,355	2,702	2,634	2,657	2,693	2,724
Development Services	725	1,370	1,022	1,016	1,038	1,060	1,082
Operational Services	3,961	3,968	3,791	3,576	3,580	3,643	3,706
Leisure and Health	3	(280)	(148)	(273)	(286)	(251)	(195)
Corporate Office	1,855	1,791	1,772	1,706	1,719	1,735	1,743
ICT	1,986	1,796	1,725	1,733	1,742	1,750	1,759
Directors	509	509	509	509	509	509	509
Resources	(720)	(308)	(1,444)	(1,551)	(1,624)	(1,614)	(1,604)
Corporate Finance	4,408	4,799	4,943	5,104	5,275	5,288	5,291
<b>TOTAL</b>	<b>17,081</b>	<b>17,913</b>	<b>16,701</b>	<b>16,282</b>	<b>16,450</b>	<b>16,680</b>	<b>16,902</b>
- Expenditure	76,175	76,806	77,586	77,504	77,812	78,074	78,327
- Income	(59,095)	(58,893)	(60,884)	(61,222)	(61,363)	(61,394)	(61,425)
<b>- Net Expenditure</b>	<b>17,081</b>	<b>17,913</b>	<b>16,701</b>	<b>16,282</b>	<b>16,450</b>	<b>16,680</b>	<b>16,902</b>

Funding Streams and a 2% Council Tax Increase							
	Forecast	Original Budget	Budget	Medium Term Financial Strategy			
	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Expenditure</b>	<b>17,081</b>	<b>17,913</b>	<b>16,701</b>	<b>16,282</b>	<b>16,450</b>	<b>16,680</b>	<b>16,902</b>
Contribution to/(from) Earmarked Reserves:							
- Commercial Investment Strategy	0	0	0	0	2,674	2,674	2,674
- Other	(257)	(257)	0	0	0	0	0
General Reserves	3,107	2,276	3,476	2,495	(695)	(518)	(349)
<b>Budget Requirement</b>	<b>19,931</b>	<b>19,931</b>	<b>20,177</b>	<b>18,777</b>	<b>18,429</b>	<b>18,837</b>	<b>19,227</b>
Non-Domestic Rates	(4,190)	(4,190)	(4,622)	(5,961)	(6,059)	(6,158)	(6,260)
S31 Grant	(1,018)	(1,018)	(1,018)	(1,018)	(1,018)	(1,018)	(1,018)
Revenue Support Grant (RSG)	(2,110)	(2,110)	(1,182)	(604)	0	0	0
New Homes Bonus	(4,965)	(4,965)	(3,656)	(2,787)	(2,674)	(2,674)	(2,674)
Collection Fund Surplus	0	0	(1,534)	0	0	0	0
<b>Council Tax Requirement</b>	<b>(12,026)</b>	<b>7,905</b>	<b>8,166</b>	<b>8,407</b>	<b>8,678</b>	<b>8,986</b>	<b>9,276</b>
- Base (*)	59,358	59,358	60,111	60,675	61,403	62,338	63,085
- Per Band D		133.18	135.84	138.56	141.33	144.16	147.04

- 5.7 **Table 10** compares the proposed 2% increase in Council Tax over the MTFS period against a freeze in Council Tax (0% increase). This shows that by 2021/22, if Council Tax is increased by 2% per annum the contribution from the General Fund will be £0.35m; whereas if Council Tax is frozen the contribution from the General Fund will be £1.22m (a three-fold increase).

<b>Table 10</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	£000s	£000s	£000s	£000s	£000s	£000s
<b>2% Council Tax increase</b>						
- Contributions to / (from) General Reserves	2,276	3,476	2,495	(695)	(518)	(349)
- Council Tax Requirement per Band D	£133.18	£135.84	£138.56	£141.33	£144.16	£147.04
<b>0% Council Tax increase (freeze)</b>						
- Contributions to / (from) General Reserves	2,276	3,316	2,169	(1,195)	(1,202)	(1,223)
- Council Tax Requirement per Band D	133.18	133.18	133.18	133.18	133.18	133.18
<b>Changes</b>						
- General Reserves	0	160	326	500	684	874
- Council Tax Requirement per Band D	£0.00	£2.66	£5.38	£8.15	£10.98	£13.86

5.8 It is therefore proposed that a 2% increase in Council Tax for 2017/18 is considered in line with the Four Year Settlement Agreement.

## 6. WHY IS THIS REPORT NECESSARY

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

## 7. OPTIONS CONSIDERED/ANALYSIS

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

## 8. COMMENTS OF OVERVIEW AND SCRUTINY PANEL

8.1 Due to the statutory date of the publication of the Cabinet agenda and accompanying reports occurring prior to the Overview and Scrutiny Panel (Performance and Customers) meeting, comments following the Panel meeting on 11 January 2017 will be circulated to the Cabinet subsequent to the agenda publication.

## 9. KEY IMPACTS

9.1 The delivery of the 2017/18 Budget, when approved will be managed via the Council's budgetary monitoring processes throughout the year.

## 10. TIMETABLE FOR IMPLEMENTATION

10.1 The 2017/18 Budget forms an integral part of service plans for 2017/18 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.

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

11.1 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.

11.2 This will assist the Council to:

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

## **12. CONSULTATION**

12.1 A consultation process is currently underway.

## **13. LEGAL IMPLICATIONS**

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

## **14. RESOURCE IMPLICATIONS**

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

## **15. OTHER IMPLICATIONS**

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

## **16 REASONS FOR THE RECOMMENDED DECISIONS**

16.1 To enable Overview and Scrutiny Panel (Performance and Customers) to comment on the draft Budget 2017/18 and the MTFS:

- the impact of Budget changes on service budgets.
- draft Capital Programme 2017/18 to 2021/22.
- Increasing the Council Tax over the life of the MTFS.

## **17. LIST OF APPENDICES INCLUDED**

**Appendix 1:** Draft 2017/18 Budget and Medium Term Financial Strategy 2018/19 to 2021/22

**Appendix 2:** Optional Growth

**Appendix 3:** Council Tax Base 2017/18

**Appendix 4:** Plan-on-a-Page


**Appendix 5:** Confirmation of the Multi Year Settlement Offer

## **BACKGROUND PAPERS**


Working papers in Resources; Accountancy Services

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