

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: 2017/18 Budget and Medium Term Financial Strategy
(2018/19 to 2021/22)

Meeting/Date: Council – 22 February 2017

Executive Portfolio: Strategic Resources: Councillor J A Gray

Report by: Head of Resources

Ward(s) affected: All

Executive Summary:

The Council is required to consider and approve:

- The 2017/18 Budget and the Medium Term Financial Strategy (MTFS) for the period 2018/19 to 2021/22.
- The Fees and Charges schedule for 2017/18.
- The Treasury Management Policy, Strategy & Prudential, Treasury Management and Commercial Investment Strategy Indicators for 2017/18.
- The Annual Minimum Revenue Provision Policy 2017/18.
- The formal resolution to determine the Council Tax for 2017/18.

Consequently, this report presents the Council's plans in these respects.

Recommendation(s):

It is recommended that Council approves the:

- **Overall Budget 2017/18 and MTFS 2018/19 to 2021/22** *Appendix 1 includes the Revenue Budgets at Section 2, the Capital Programme at Section 3 and the 2017/18 Fees and Charges at Section 7, Annex A.*
- **The increase of 2% Council Tax for 2017/18 i.e. the Band D charge will increase to £135.84 (£133.18 2016/17)** *Appendix 1, paragraph 1.3, the formal resolution on the Council Tax, Section 6, Item (a) to (e).*
- **Future savings targets of £1.4m of Net Expenditure by 2021/22** *Appendix 2, Revised Plan on a Page.*
- **2017/18 Treasury Management Policy, Strategy & Indicators and the Annual Minimum Revenue Policy be approved** *Appendix 3.*

1. WHAT IS THIS REPORT ABOUT

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 2017/18 Budget, the Medium Term Financial Strategy (MTFS), the Treasury Management Policy/Strategy and other associated matters.

1.2 It also seeks Council's formal determination of the Council Tax for 2017/18.

2. BACKGROUND

2.1 During January 2017 and February 2017, the Overview & Scrutiny Panel (Performance and Customers) and Cabinet received reports:

- detailing the savings and growth proposals, the removal of Zero Based Budgeting (ZBB) savings,
- the planned increase in Council Tax of 2% for 2017/18 and for the duration of the MTFS,
- Final Capital Programme 2017/18 to 2021/22,
- Final 2017/18 Budget and MTFS (2018/19 to 2021/22).

2.2 However, at the 9 February 2017 Cabinet, it was agreed to recommend to Council to continue with a 2% Council Tax increase for 2017/18 but reduce the Council Tax increase to 1.5% for each year of the MTFS.

2.3 Since 2015/16 the Council has adopted a strategy known as 'Plan on a Page' which sets out the Council's financial strategy. The Council continues to face challenges over the medium term in its obligations to provide cost effective services. The updated Plan on a Page at **Appendix 2** shows that the Budget gap is now £1.4m by 2021/22. This is a significant reduction from £3.6m which was reported last year.

3. 2017/18 Budget and MTFS (2018/19 to 2021/22)

3.1 The detailed 2017/18 Budget & MTFS (2018/19 to 2021/22) is shown in **Appendix 1**. The key elements that members should note are as follows:

- Paragraph 1.3.1, this shows that for 2017/18:
 - Net expenditure for the Council is £17.2m.
 - The Budget Requirement for the Council is £20.2m.
 - A budgeted contribution to reserves of £3.0m.
 - Council Tax Requirement for the Council is £8.166m.
 - Council Tax Base is 60,111
 - Council Tax per Band D property is £135.84.

This represents a Council Tax increase of 2% for 2017/18.

64% of businesses who responded to the business consultation supported the proposal to increase Council Tax (**Appendix 4**).

- For the MTFS period, 2018/19 to 2021/22, Council Tax per Band D property increases by 1.5% each year for the period of the MTFS.

68% of businesses who responded to the recent business consultation supported the proposal to increase each year (**Appendix 4**).

- ii. Paragraph 1.4.1, this shows that:
 - for 2017/18, it is estimated that General Fund reserves at the end of the year will be £2.6m, maintained at the 15% minimum level.
 - By the end of the MTFs period, 2021/22, the 15% minimum level of general fund reserves is maintained.
- iii. Paragraph 2.1 shows the overall spend and income by subjective analysis (i.e. employees, buildings etc.) for all Council services; with Paragraph 2.2 showing, for each service the spend and income by subjective analysis along with a breakdown by team (objective analysis). These paragraphs show the details of the overall Net Expenditure budget of £17.2m for 2017/18 (£17.9m 2016/17).
- iv. Paragraph 3.1 details the proposed Capital Programme for 2017/18 at £9.3m (£11.2m 2016/17) and the details for period 2018/19 to 2021/22.
- v. Paragraph 4.0 and 5.0 indicate the main budgetary issues relating to Treasury Management and the Capital Financing Requirement (CFR). The CFR is reducing from £70.2m in 2017/18 to £58.3m in 2021/22 as a result of the MRP that is being set aside and also take in to account the future financing for the CIS and the Capital Programme.
- vi. Paragraph 6.1 is the Formal 2017/18 Council Tax Resolution, with Paragraph 6.2 illustrating the Council Tax Base. Paragraph 6.3 and 6.4 will show the:
 - 2017/18 Council Tax by Property Band for each Precepting Authority, and the Billing Authority, and the
 - Total 2017/18 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 2017/18.

- vii. Paragraph 7.0 and Annex A details the Fees and Charges Schedule for 2017/18. Where the Council has discretion to increase fees and charges, and it has been considered appropriate to do so, relevant fees and charges have been increased. Members should note that some fees and charges will be increased during the financial year.
- viii. Paragraph 8.0 is the statutory Robustness Report required by the Responsible Financial Officer (Section 151 officer). In summary, the budget proposed for 2017/18 should not give Members any significant concerns over the Council's financial position. In respect of the MTFs 2018/19 to 2021/22; with changes in direct government funding (RSG

being withdrawn in 2019/20 and forecast reductions in NHB as a consequence to statutory changes in the scheme) this will inevitably increase funding risk to the provision of services. However, with the Council increasing Council Tax, continually reviewing budgets and along with the #Permissions Transformation programme it is fair to conclude that the Council is taking proactive action to manage its budgetary concerns.

4. Treasury Management Policy & Strategy and the Annual Minimum Revenue Provision for 2017/18

4.1 The Treasury Management Policy & Strategy and the Annual Minimum Revenue Provision for 2017/18 are detailed in **Appendix 3**. The key elements that members should note are as follows:

- i. A decrease in the net borrowing costs (£110,000) resulting from a combination of the extensive use of internal borrowing (ie using the Council' own cash balances) instead of borrowing from external sources.
- ii. The continued general investment strategy of keeping investments highly liquid and lower risk, by investing in mainly money market funds (highly diversified and instantly accessible) and call accounts (overnight deposit accounts).
- iii. The treasury function and the MTFS is operating in an economic environment where:
 - Inflation is low, with indications of some increase in the short-term but still remaining at historically low levels.
 - The credit outlook is improving but still remains uncertain.
 - EU Brexit negotiations will add uncertainty as they progress.
 - Interest rates are very low, and despite forecast increases, have remained so. The latest forecast suggests the maintenance of the base rate at 0.25% until 2020, with the slight possibility of a fall towards zero.
- iv. The inclusion of the CIS performance indicators against which the CIS investments will be monitored. Though some indicators will only be calculated once borrowing to finance the CIS is carried out.
- v. The addition of a new Minimum Revenue Provision policy (the charge to revenue for the repayment of debt) to cover CIS investments where they are being financed by maturity loans.

4.2 The revenue consequences of past capital investment decisions, along with the consequences of new decisions, would be expected to represent a higher proportion of a reducing budget over the medium-term. However, debt as a singular issue should not be a concern providing it is recognised, managed and budgeted for; which is clearly demonstrated by the fact that the Council:

- has in place good processes to approve and monitor capital investment decisions, both at the officer level via the Finance Governance Board and at member level via the Treasury and Capital Management Group.
- recognises the impact of Capital decisions on the Council's budget, as these costs are embedded within the Corporate Finance sub-sections of

the budget as well as the overall impact of the MTFS on Reserves (section 1.4, **Appendix 1**).

Table 1	Analysis of Net Cost of Borrowing or Lending Activity v Net Expenditure				
	Budget	Medium Term Financial Strategy			
	2017/18	2018/19	2019/20	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s
Net Expenditure	20,177	18,777	18,429	18,837	19,227
Net Interest and Borrowing Costs					
Total	2,310	2,573	2,688	2,654	2,597
As % Total Net Spending	11.4%	13.7%	14.6%	14.1%	13.5%
Net Cost of Borrowing	3,027	2,817	2,764	2,826	2,884
Does this Exceed 15%	No	No	No	No	No
By how much	n/a	n/a	n/a	n/a	n/a
% of Net Expenditure					

5. OPTIONS CONSIDERED/ANALYSIS

- 5.1 In preparing the budget due consideration has been given to a range of options and these have been reported to Cabinet as part of the Zero Based Budgeting process and again through the budget setting process.

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

- 6.1 The delivery of the 2017/18 budget will be managed via the Council's budget monitoring processes throughout the year.
- 6.2 However, by 2021/22, there are a number of key savings initiatives or additional income generation schemes that must be delivered in a timely fashion to secure the £1.4m (8%) savings required (1.3.1) to ensure that the Council has a balanced budget.

7. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 7.1 The 2017/18 Budget forms an integral part of the service planning process 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.

8. LINK TO THE CORPORATE PLAN

- 8.1 The budget is the financial interpretation of the Council's strategic and operational priorities that are included within the Corporate Plan.

9. CONSULTATION

Internally

- 9.1 In October 2016 senior officers undertook a line by line budget challenge process, comparing the year to date budget variance and, where significant underspends were occurring, challenging as to whether these could be

removed. Further savings and additional income was identified by Head of Services in consultation with Portfolio holders during the subsequent detailed budget setting.

Externally – Business and Voluntary Sector

- 9.2 Between the Draft Budget being approved by Cabinet in January 2017 and the Final Budget being presented to Cabinet in February 2017, a consultation with the Business and Voluntary Sector communities has taken place. The results of this consultation are shown in **Appendix 4**.

10. LEGAL IMPLICATIONS

- 10.1 As per the Sections 31A and 42A of the Local Government Finance Act 1992, the Council is required to set a balanced budget. This is achieved for 2016/17 so the setting of the Council Tax at the level mentioned within the report is appropriate.
- 10.2 Over the period of the MTFS (2018/19 to 2021/22) it is forecasting savings are required from 2019/20 of £1.4m per year. However, there are sufficient reserves in the general fund to cover this. The Plan on a Page identifies savings to get to these net deficits of £1.4m per year, but if these are not achieved there will be unbalanced Budgets because there will be insufficient funds within reserves to meet the difference between Net Expenditure and Funding. If such a scenario was faced by the Council, the Local Government Finance Act 1988 would require the Council's Responsible Financial Officer to issue a S.114 report.

11. RESOURCE IMPLICATIONS

- 11.1 The Council is required to set a balanced budget for 2017/18. **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.

12 REASONS FOR THE RECOMMENDED DECISIONS

- 12.1 To enable members of the Council to consider the:
- 2017/18 Budget and Council Tax to be set.
 - implications for the Council in respect of the Medium Term Financial Strategy for the period 2018/19 to 2021/22.

13. LIST OF APPENDICES INCLUDED

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

Appendix 2: Plan on a Page

Appendix 3: Treasury Management Policy & Strategy and the Annual Minimum Revenue Provision Policy for 2017/18


Appendix 4: Budget consultation results – Business and Voluntary Sector

BACKGROUND PAPERS


None.

CONTACT OFFICERS

Clive Mason, Head of Resources

 01480 388157

Adrian Forth, Finance Manager

 01480 388605