

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Final 2018/19 Revenue Budget and Medium Term Financial Strategy (2019/20 to 2022/23); including the Capital Programme

**Meeting/Date:** Cabinet – 8th February 2018

**Executive Portfolio:** Executive Councillor for Strategic Resources

**Report by:** Head of Resources

**Wards affected:** All

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### Executive Summary:

#### Revenue Budget

In order for the Council to:

- set the Council Tax for the area, the Council is required to set an annual Budget for the forthcoming year, and to
- ensure effective future financial planning, the Council approves a Medium term Financial Strategy (MTFS) for the subsequent 4 years.

Consequently, this report sets out the final budget for 2018/19 and the revised MTFS for the period 2019/20 to 2022/23 for Cabinet approval.

The Draft Budget and MTFS was approved by Cabinet on 18 January 2018 which included relevant savings, income and growth proposals, implications of the Provisional Financial Settlement and a planned increase in Council Tax of 2% for 2018/19 and for the duration of the MTFS. The draft Capital Programme 2018/19 to 2022/23 was also approved. Cabinet also approved two further changes to the savings proposals following considerations by Overview & Scrutiny (Performance & Customers).

This report outlines the changes that have occurred since then, as well as discussing any significant risks associated with the Budget.

The Final Budget 2018/19 gives a Net Service Expenditure Budget of £17.3m; the detailed Final Budget 2018/19 and MTFS is shown at **Appendix 1**. This is an increase in Net Service Expenditure Budget of £110k on the Draft Budget 2018/19 that was reported in January 2018. The reasons for the changes to the 2018/19 budget are summarised below and detailed in **Appendix 2**:

- a. Services: £33k.
- b. Transformation: £84k.
- c. Final Allocations (Grants) announced: (£7k).

For 2018/19, the adjustments are financed from an additional contribution from

Reserves; over the MTFS period the budget gap by 2022/23 is £956k, some £408k less than last year. The 'Plan on a Page' at **Appendix 3** has now been updated to reflect the final budget.

**Recommendations:**

That the Cabinet recommends to Council the approval of the:

- overall Final Budget 2018/19 and MTFS 2019/20 to 2022/23 (**Appendix 1**, this includes the Revenue Budget at Section 2 and the Capital Programme at Section 3)
- the new "Plan-on-a-Page" (**Appendix 3**)

## 1. PURPOSE OF THE REPORT

1.1 To provide Cabinet with the detail of the Final Budget and MTFS for consideration. The report sets out:

- any changes that have occurred since the Draft Budget and MTFS was approved.
- impacts on reserves.
- level of Council Tax.
- consideration of the Resolution that will be presented to Full Council on the 21 February 2017.
- risks associated with the budget and relevant sensitivity analysis.

## 2. BACKGROUND

2.1 At the 18 January 2018 Cabinet meeting, Cabinet approved:

- a Draft 2018/19 Budget with Net expenditure of £17.3m and a Budget Requirement of £20.3m,
- a removal of the 2018/19 savings proposals totalling £24k in respect of Closed Churchyards (£10k) and Bus Station Departure Levy (£14k).
- an MTFS that has a profiled decrease in the Budget Requirement to £20.0m by 2022/23.
- a Capital Programme of £5.6m for 2018/19, that reduces to £3.5m by 2022/23; with net internal funding of £3.0m and £1.5m respectively.

2.2 In respect of 2018/19, this includes:

- savings and additional income of £1.8m.
- growth of £2.2m.
- the provisional finance settlement of £3.3m in respect of New Homes Bonus and Revenue Support Grant.
- an estimate of £8.5m for Business Rates related income and the Collection Fund.

## 3. CHANGES TO THE BUDGET 2018/19 AND MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2022/23

3.1 Since the January Cabinet, a summary of the changes to the budgeted contribution to reserves is shown in **Table 1** (and paragraphs 3.2) below, with the detail shown in **Appendix 2**.

Table 1	Changes between Draft 2018/19 Budget and MTFS and Final				
	Budget	Medium Term Financial Strategy			
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
<b>Cabinet January Draft Budget - contribution to/(from) General Reserves</b>	<b>1,876</b>	<b>(971)</b>	<b>(992)</b>	<b>(1,130)</b>	<b>(954)</b>
Services	(33)	(9)	(9)	(9)	(9)
Transformation	(84)	(2)	(1)	(1)	0
Final Grant Allocations	7	7	7	7	7
<b>Total Service Budget Changes</b>	<b>(110)</b>	<b>(4)</b>	<b>(3)</b>	<b>(3)</b>	<b>(2)</b>
Technical Adjustment (Reserves)	125	0	0	0	0
<b>Additional Growth</b>	<b>15</b>	<b>(4)</b>	<b>(3)</b>	<b>(3)</b>	<b>(2)</b>
<b>Cabinet Final Budget - contribution to/(from) General Reserves</b>	<b>1,891</b>	<b>(975)</b>	<b>(995)</b>	<b>(1,133)</b>	<b>(956)</b>
N.B. A negative number = expense					

### **Summary of the Main Changes 2018/19 to 2022/23**

3.2 With regard to the budget changes in 2018/19 through to 2022/23, these are shown in in paragraphs (i) to (iv) below:

i. **Services**

Since the Draft 2018/19 Budget was approved by Cabinet, the Council has been notified of a 2.5% increase in the Internal Drainage Board (IDB) Levy for the 'Middle Level IDB'; this increase has now been applied to all IDB's (£10k).

Following consideration of comments made by Overview & Scrutiny (Performance & Customers) in respect of the savings proposals for Closed Churchyards (£10k) and the Bus Station Departure Levy (£14k), Cabinet agreed to postpone these proposals until 2019/20.

In addition, Overview & Scrutiny (Performance & Customers) proposed that there should be an incremental increase in Fees and Charges, this has awarded a small increase (less than £2k).

ii. **Transformation**

The Draft 2018/19 Budget included some restructuring costs relating to the Operations service; on reflection it is not practical to achieve this saving in 2018/19 so it has been removed (£84k).

iii. **Final Grant Allocations**

The latest indicative government grant allocations in respect of HB Admin and Council Tax Support Admin grant has resulted in a net grant increase (£7k).

iv. **Technical adjustments**

The budget adjustments noted in i to iii above are to be financed from Reserves. Due to the requirement to meet the 15% threshold and Council Tax at 2%, the actual net adjustment to reserves is £125k.

#### 4. SUMMARY BUDGET 2018/19 AND MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2022/23

4.1 Reflecting the changes noted in Section 2 and 3 respectively, the Final 2018/19 Budget and Medium Term Financial Strategy is shown in **Table 2**.

Table 2	Council Services Net Expenditure Budget (2018/19) and MTFS						
	2017/18		2018/19	Medium Term Financial Strategy			
	Budget	Forecast (November)	Budget	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000	£000	£000
Community Services	1,953	1,843	1,779	1,765	1,808	1,847	1,881
Customer Services	2,396	2,630	2,533	2,604	2,743	2,823	2,884
Development Services	1,133	1,109	1,071	1,169	1,111	1,154	1,197
Operational Services	4,032	4,502	3,906	3,644	3,758	3,874	3,993
Leisure and Health	(160)	28	(190)	(263)	(302)	(282)	(280)
Corporate Team and Directors	1,711	1,398	1,642	1,664	1,688	1,706	1,718
ICT	1,721	2,031	2,107	2,117	2,134	2,151	2,169
Resources	(179)	90	(313)	(354)	(361)	(299)	(268)
Corporate Finance	4,604	4,358	4,747	5,048	5,098	5,112	4,959
<b>Net Expenditure</b>	<b>17,211</b>	<b>17,989</b>	<b>17,282</b>	<b>17,394</b>	<b>17,677</b>	<b>18,086</b>	<b>18,253</b>
- Expenditure	80,569	79,129	73,688	69,389	64,203	59,854	59,286
- Income	(63,358)	(60,940)	(56,406)	(51,995)	(46,526)	(41,768)	(41,033)
<b>- Net Expenditure</b>	<b>17,211</b>	<b>18,189</b>	<b>17,282</b>	<b>17,394</b>	<b>17,677</b>	<b>18,086</b>	<b>18,253</b>

	Council Funding Statement Budget (2018/19) and MTFS						
	2017/18		2018/19	Medium Term Financial Strategy			
	Budget	Forecast (November)	Budget	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000	£000	£000
<b>Net Expenditure</b>	<b>17,211</b>	<b>17,989</b>	<b>17,282</b>	<b>17,394</b>	<b>17,677</b>	<b>18,086</b>	<b>18,253</b>
Contribution to/(from) Earmarked Reserves:	(65)	(65)	0	0	0	0	
- Commercial Investment Strategy	0	0	1,135	2,673	2,673	2,673	2,673
General Reserves	3,032	2,254	1,891	(975)	(995)	(1,133)	(956)
<b>Budget Requirement</b>	<b>20,178</b>	<b>20,178</b>	<b>20,308</b>	<b>19,092</b>	<b>19,355</b>	<b>19,626</b>	<b>19,970</b>
Non-Domestic Rates	(4,622)	(4,622)	(5,841)	(5,958)	(6,077)	(6,199)	(6,323)
S31 Grant	(1,018)	(1,018)	(1,729)	(1,729)	(1,729)	(1,729)	(1,729)
Revenue Support Grant (RSG)	(1,182)	(1,182)	(604)	0	150	304	397
New Homes Bonus	(3,656)	(3,656)	(2,718)	(2,673)	(2,673)	(2,673)	(2,673)
Collection Fund (Surplus) / Deficit	(1,534)	(1,534)	(966)	0	0	0	0
<b>Council Tax Requirement</b>	<b>8,166</b>	<b>8,166</b>	<b>8,450</b>	<b>8,732</b>	<b>9,026</b>	<b>9,329</b>	<b>9,642</b>
- Base (*)	60,111	60,111	60,984	61,795	62,617	63,450	64,293
- Per Band D	135.84	135.84	138.56	141.31	144.15	147.03	149.97

#### Impact on Reserves

4.2 Surpluses (or deficits) in funding are adjusted via contributions to or from reserves; in the Council's Funding Statement (**Table 2**) this is shown against the line entitled "General Reserves". For the Final 2018/19 budget there is a budgeted surplus of £3.0m and the budget surplus continues over the medium term. Because the Council has the ambition to be 'self-financing' (i.e. not reliant on government grant), from 2019/10 onwards all NHB receipts are allocated to the Commercial Investment Earmarked Reserve; this will enable the Council to provide a direct source of funding to enable it to invest in future service delivery.

4.3 However, a consequence of this is that this creates a budget gap as the amount of NHB (i.e. the contribution to the CIS Reserve) is greater than the difference between the budgeted Net Expenditure and the Budget Requirement. Between 2019/20 and 2022/23, the gap starts at £975k, rising to £1.1m then falling back to £956k by 2022/23 – but in all years of the MTFS the gap is less than the Councils NHB allocation, and in 2022/23 the gap is £408k less than the gap that was reported last year in the final year of the 2017/18 MTFS period (2021/22).

4.4 As shown in **Table 3** below, the funding gap from 2019/20 can be met from the Budget Surplus Reserve whilst at the same time ensuring that the General Fund Reserve stays at the Councils agreed minimum level of reserves; which is 15% of the Council's Net Service Expenditure. It is fair to conclude that the Councils budget is balanced over the medium term; however it should be noted that if the Council chooses to use reserves to meet a budget gap this must be viewed as short term bridging finance, whereas if reserves were used to invest in the local community or to acquire assets or invest in opportunities that would either generate income or reduce expenditure this would be a medium to long term investment.

Table 3	Reserves and MTFS						
	2017/18		2018/19	Medium Term Financial Strategy			
	Budget £000	Forecast £000	Budget £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
<b>GENERAL FUND</b>							
<b>b/f</b>	<b>2,568</b>	<b>2,582</b>	<b>2,698</b>	<b>2,592</b>	<b>2,609</b>	<b>2,652</b>	<b>2,713</b>
Contribution to Reserve	3,032	2,254	1,891	0	0	0	0
Contribution from Reserve	0	0	0	(975)	(995)	(1,133)	(956)
Contribution from(to) Budget Surplus	(3,018)	(2,137)	(1,997)	992	1,038	1,194	981
<b>c/f</b>	<b>2,582</b>	<b>2,698</b>	<b>2,592</b>	<b>2,609</b>	<b>2,652</b>	<b>2,713</b>	<b>2,738</b>
Net Expenditure	17,211	17,989	17,282	17,394	17,677	18,086	18,253
<b>Minimum Level of Reserves (15%)</b>	<b>2,582</b>	<b>2,698</b>	<b>2,592</b>	<b>2,609</b>	<b>2,652</b>	<b>2,713</b>	<b>2,738</b>
<b>BUDGET SURPLUS RESERVE</b>							
<b>b/f</b>	<b>75</b>	<b>75</b>	<b>2,212</b>	<b>4,209</b>	<b>3,217</b>	<b>2,179</b>	<b>985</b>
Contribution to Reserve	0	0	0	0	0	0	0
Contribution from Reserve	0	0	0	0	0	0	0
Contribution from (to) General Fund	3,018	2,137	1,997	(992)	(1,038)	(1,194)	(981)
Contribution from (to) CIS Reserve	0	0	0	0	0	0	0
<b>c/f</b>	<b>3,093</b>	<b>2,212</b>	<b>4,209</b>	<b>3,217</b>	<b>2,179</b>	<b>985</b>	<b>4</b>
<b>COMMERCIAL INVESTMENT RESERVE</b>							
<b>b/f</b>	<b>3,997</b>	<b>3,997</b>	<b>2,798</b>	<b>3,933</b>	<b>6,606</b>	<b>9,279</b>	<b>11,952</b>
Contribution to Reserve (former NHB)	0	0	1,135	2,673	2,673	2,673	2,673
Contribution from Reserve	0	0	0	0	0	0	0
- Fareham	(699)	(699)	0	0	0	0	0
- To Housing Dev ER	(500)	(500)	0	0	0	0	0
Contribution from (to) General Fund	0	0	0	0	0	0	0
Contribution from (to) Budget Surplus Reserve	0	0	0	0	0	0	0
<b>c/f</b>	<b>2,798</b>	<b>2,798</b>	<b>3,933</b>	<b>6,606</b>	<b>9,279</b>	<b>11,952</b>	<b>14,625</b>

## 5. 2018/19 BUDGET AND MTFS COMPARED TO THE 4-YEAR EFFICIENCY PLAN

5.1 In response to the Governments offer of a 4-year financial settlement, the Council was required to submit a 4-year efficiency plan (this was approved by the former Department of Communities and Local Government in the late Autumn of 2016). As part of the settlement, the Council is required to provide some commentary on how it is achieving the plan.

5.2 As shown in **Table 4** below, the approved efficiency plan showed a budget gap of £705k by 2020/21. As a consequence of the 2018/19 Budget and MTFS, the gap is forecast to have closed to within £290k of the efficiency plan gap by 2020/21; this is an improvement of £207k (42%) when compared to the forecast this time last year when the Cabinet was setting the 2017/18 Budget and MTFS.

Table 4	Efficiency Plan v Final 2018/19 Budget & MTFS			
	Forecast	Final Budget	Medium Term Financial Strategy	
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Efficiency Plan	3,158	1,773	413	(705)
- contribution to/(from) Reserves				
Forecast Outturn	2,254			
- contribution to/(from) Reserves				
2018/19 Final Budget & MTFS		1,891	(975)	(995)
- contribution to/(from) Reserves				
<b>Variance</b>	<b>(904)</b>	<b>118</b>	<b>(1,388)</b>	<b>(290)</b>

## 6. PLAN-ON-A-PAGE 2018/19 TO 2022/23

6.1 Since 2015/16 the Council has adopted a strategy known as 'Plan on a Page' which sets out the Council's financial strategy. **Section 4** has shown that the Council continues to face challenges over the medium term in its obligations to provide cost-effective services. **Appendix 3** shows the 2018/19 "Plan-on-a-Page" and the strategic resource plan that will be followed in order to achieve the Council's financial objectives. The result is that the savings required (budget gap) has reduced to £956k by the end of the MTFS (2022/23) – a reduction of £408k when compared to last years "Plan on a Page". **Table 5** below gives a summary of the budget changes:

Table 5		Budget Changes that have reduced the "Plan on a Page"	
		Forecast Savings Required	
		£m	
<b>2017/18 Budget and MTFS – Forecast Savings Required</b>		<b>1.364</b>	
<b>Income Generation</b>	Council Tax & Base	(0.547)	
	Commercialisation	(0.127)	
	Funding Changes	(0.334)	(1.008)
<b>Efficiencies &amp; Growth</b>	Budget Review	0.241	
	Service Growth	0.694	
	Transformation Savings	(0.335)	0.600
<b>2018/19 Budget and MTFS – Forecast Savings Required</b>		<b>0.956</b>	

## 7. ROBUSTNESS OF THE 2018/19 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2022/23

7.1 The Council's Responsible Financial Officer (S.151) has to make a statutory statement in respect of the Budget and reserves.

7.2 Section 8 of **Appendix 1** provides considerable discussion in respect of Risks that both the Council and the wider local government community face at this time of continued public sector austerity. In addition, sensitivity analysis is applied against these risks and their impact on General Fund reserves is assessed. In summary, the key findings are:

- i. In 2018/19 an excess budget requirement is achieved which makes a direct contribution to Reserve of £3m.
- ii. If the Council was to utilise only the General Fund and Budget Surplus Reserves, by 2020/21 the Council would not be able to maintain the 15% minimum level of reserves.
- iii. If the Council was to also utilise the Commercial Investment Reserve as well as the reserves noted in ii, the Council is able to maintain the 15% minimum level of reserves.
- iv. Over the 5 years of the MTFs (next year and the subsequent four years) the total net contribution from reserves is £2.2m.
- v. The contribution from Reserves at the end of the MTFs is £0.4m less than last year.
- vi. From 2018/19 and through the entire MTFs period, the Council can be considered self-financing because any contributions from Reserves do not exceed the NHB bonus contributions that are being set-aside for service investment.

7.3 On the 18<sup>th</sup> January, the Ministry of Housing, Communities and Local Government (MHCLG) informed the local government family of a change to the NDR top-ups and tariffs in respect of 2017/18. Following modelling, this has an impact on the council of reduced NDR income of £12k. However, there is an expectation that there will be consequential impact on 2018/19 but the MHCLG model has not yet been released. At this time, it is anticipated that there will be a change to the NDR amount noted in **Table 2** but the change will be marginal and can be accommodated through the sensitivity analysis adjustment for NDR (£170k, see Appendix 1, Table 23).

7.4 Considering all the factors noted within the "Robustness" statement in respect of the 2018/19 Budget, it is considered that the combination of the:

- Councils commitment to continue to find service efficiencies,
- the direction of travel in relation to governance,
- the clear indication to invest in services,
- it's prudent position relating to income recognition (including raising Council Tax), and
- when compared to last year, the reduction in the budget gap at the end of the MTFs period

.....the budget proposed for 2018/19 should not give Members any significant concerns over the Council's financial position.

7.5 With regard to the MTFs (2019/20 onwards) and:



- RSG, where by 2019/20 it will have been removed as a source of central government funding; indeed, current modelling is indicating that the Council will be in a negative RSG position, and
- with the imposition of new NHB criteria there is a reduced future income stream

there are inevitably risks as central government funding changes and reduces. However, over the past few years the Council has taken proactive action to address its budgetary concerns and with the planned continuation of its Transformation programme and further commercialisation the Council has a sound financial base.

## **8. COMMENTS OF OVERVIEW & SCRUTINY**

- 8.1 The comments of the relevant Overview and Scrutiny Panel (Performance and Customers) at their 31 January meeting will be provided separately.

## **9. KEY IMPACTS / RISKS**

- 9.1 The setting of the budget and the Council Tax will directly impact on how Council services are to be delivered to both the residents and businesses of Huntingdonshire. Consequently the delivery of the 2018/19 Budget, when approved, will be proactively managed via the Council's budgetary monitoring processes throughout the year. In addition to the budget itself, it is essential that the Council maintains adequate reserves to ensure that it has an effective safety net to meet unforeseen risks.

## **10. TIMETABLE FOR IMPLEMENTATION**

- 10.1 The 2018/19 Budget forms an integral part of the service planning process for 2018/19 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 The Council is currently consulting with the Business and Voluntary Community and the results of this consultation will be available for the February Cabinet meeting

### **13. LEGAL IMPLICATIONS**

- 13.1 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 2018/19 so the setting of the Council Tax at the level mentioned within the report is appropriate.

### **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 Cabinet to approve and understand:
- the changes to the Draft 2018/19 Budget and MTFS as approved by Cabinet on 18 January 2018.
  - The risks and impacts of these changes on the 2018/19 Final Budget and MTFS.

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

**Appendix 1:** 2018/19 Final Budget & Medium Term Financial Strategy 2019/20 to 2022/23.

**Appendix 2:** Changes to the Draft Budget 2018/19.


**Appendix 3:** Plan on a Page.

### **BACKGROUND PAPERS**


Working papers in Resources; Accountancy Services

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