

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: 2018/19 Budget and Medium Term Financial Strategy
(2019/20 to 2022/23)

Meeting/Date: Council – 21st February 2017

Executive Portfolio: 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 2018/19 Budget and the Medium Term Financial Strategy (MTFS) for the period 2019/20 to 2022/23.
- The Fees and Charges schedule for 2018/19.
- The Treasury Management Policy, Strategy & Prudential, Treasury Management and Commercial Investment Strategy Indicators for 2018/19.
- The Annual Minimum Revenue Provision Policy 2018/19.
- The formal resolution to determine the Council Tax for 2018/19.

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

Recommendation(s):

It is recommended that Council approves the:

- Overall Budget 2018/19 and MTFS 2019/20 to 2022/23, and **Appendix 1** includes the Revenue Budgets at Section 2; the Capital Programme at Section 3 and the 2018/19 Fees and Charges at Section 7, Annex A.
- The increase of 2% Council Tax for 2018/19 i.e. the Band D charge will increase to £138.56 (£135.84 2017/18), and **Appendix 1**, paragraph 1.3; the formal resolution on the Council Tax, Section 6, Item (a) to (e).
- Future savings targets of £1.0m of Net Expenditure by 2022/23, and **Appendix 2**, Revised Plan on a Page.
- 2018/19 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 2018/19 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 2018/19.

2. BACKGROUND

2.1 During January 2018 and February 2018, the respective Overview & Scrutiny Panels (Performance and Customers) and Cabinet received draft and then final budget proposals:

- detailing the savings and growth proposals for 2018/19 and the MTFS (2019/20 to 2022/23)
- an increase in Council Tax of 2% for 2018/19 and for the duration of the MTFS,
- Final Capital Programme 2018/19 to 2022/23,
- Final 2018/19 Budget and MTFS (2019/20 to 2022/23).

2.2 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 £956k by 2022/23. This is a significant reduction from the £1.4m which was reported last year.

3. 2018/19 Budget and MTFS (2019/20 to 2022/23)

3.1 The detailed 2018/19 Budget & MTFS (2019/20 to 2022/23) is shown in **Appendix 1**. The key elements that members should note are as follows:

- i. Paragraph 1.3.1, this shows that for 2018/19:
 - Net expenditure for the Council is £17.3m.
 - The Budget Requirement for the Council is £20.3m.
 - A budgeted contribution to reserves of £3.0m (£1.9m to the General Fund Reserve and £1.1m to the CIS Earmarked Reserve).
 - Council Tax Requirement for the Council is £8.5m.
 - Council Tax Base is 60,984 (see also paragraph 6.2).
 - Council Tax per Band D property is £138.56.

This represents a Council Tax increase of 2% for 2018/19.

- For the MTFS period, 2019/20 to 2022/23, Council Tax per Band D property increases by an average of 2.0% each year for the period of the MTFS.
- ii. Paragraph 1.4.1, this shows that:
 - for 2018/19, 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, 2022/23, 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 £17.3m for 2018/19 (£17.2m 2017/18).
- iv. Paragraph 3.1 details the proposed Capital Programme for 2018/19 at £5.6m (£11.9m, forecast outturn 2017/18) and the details for the period 2019/20 to 2022/23.
- 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 an opening balance of £70.5m in 2018/19 to a closing balance of £56.3m in 2022/23 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 2018/19 Council Tax Resolution, with Paragraph 6.2 illustrating the Council Tax Base. Paragraph 6.3 and 6.4 will show the:
 - 2018/19 Council Tax by Property Band for each Precepting Authority, and the Billing Authority, and the
 - Total 2018/19 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 2018/19.

- vii. Paragraph 7.0 and **Annex A** details the Fees and Charges Schedule for 2018/19. 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 2018/19 should not give Members any significant concerns over the Council's financial position. In respect of the MTFs 2019/20 to 2022/23; with changes in direct government funding (RSG being withdrawn in 2019/20) 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 MOSAIC Transformation programme it is fair to conclude that the Council is taking proactive action to manage its budgetary concerns.

3.2 On an annual basis the Council is required to consult with the Business Community in respect of the budget. This year, the Council undertook a slightly different approach in that it incorporated the budget consultation survey into the December Business Newsletter and as well as being distributed to all businesses in the area, it was also distributed to the voluntary sector. Further, the consultation was also included on the "InvestHuntingdonshire" website. In summary, although the newsletter was distributed to 970 contacts, only 3 organisations accessed the survey; none of whom completed the survey. The briefing note that was presented to Cabinet on the 8th February 2018 is shown at **Appendix 3**.

4. Treasury Management Policy & Strategy and the Annual Minimum Revenue Provision for 2018/19

4.1 The Treasury Management Policy & Strategy and the Annual Minimum Revenue Provision for 2018/19 are detailed in **Appendix 4**. The key elements that members should note are as follows:

- i. The continued general investment strategy of keeping day-to-day investments highly liquid and lower risk, by investing in mainly money market funds (highly diversified and instantly accessible) and call accounts (overnight deposit accounts). We do have £4.0m invested long-term with the Church's, Charities and Local Authority Property Fund.
- ii. The treasury function and the MTFs is operating in an economic environment where:
 - Inflation has risen over the past few months; especially since the EU referendum, thus moving the UK into a new economic sphere.
 - The credit outlook is improving but still remains uncertain.
 - EU Brexit negotiations continue to add uncertainty as they progress.
 - Interest rates are very low but have started to increase, with the current rate being 0.5%. There is some discussion regarding some increases over the next few months but with current market volatility, only time will tell.
- iii. The inclusion of the CIS performance indicators against which the CIS investments will be monitored. Especially relevant for the forthcoming year as it will be the first year that the Council will have a full year effect following its first CIS investments that was part-financed by borrowing.
- iv. There are no significant changes to the Councils Minimum Revenue Provision (MRP) policies (the charge to revenue for the repayment of debt), except that the policy in respect of maturity loans and CIS investments has been broadened to also include housing assets. However, local government is expecting new guidance in respect of MRP; if this new guidance requires changes these will be reported to a future Council meeting.

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.
- uses capital investment as a key means by which it can support its economic development strategy.
- 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**). However, as a guiding principle (not a rule), the Council aims to maintain debt at less than 15% of Net Expenditure and as shown in **Table 1** below, net interest and debt does not exceed 15%.

Table 1	Analysis of Net Cost of Borrowing or Lending Activity v Net Expenditure				
	2018/19	Medium Term Financial Strategy			
	Budget	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Net Expenditure	17,282	17,394	17,677	18,086	18,253
Net Interest and Borrowing Costs					
ST Interest	112	152	197	197	197
MRP	2,169	2,439	2,437	2,444	2,283
Total	2,281	2,591	2,634	2,641	2,480
Does this Exceed 15%	No	No	No	No	No

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. This has included reflecting on comments and considerations made by Overview and Scrutiny (Performance & Customers) (e.g. the delay by 12 months of the Bus Station Levy and proposals for charging for Closed Church Yards).

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

- 6.1 The delivery of the 2018/19 budget will be managed via the Council's budget monitoring processes throughout the year.
- 6.2 However, by 2022/23, there are a number of key savings initiatives or additional income generation schemes that must be delivered in a timely fashion to secure the £956k (8%) savings required to ensure that the Council has a balanced budget.

7. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 7.1 The 2018/19 Budget forms an integral part of the service planning process for 2018/19. 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 and monitored through normal processes.

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 Over the Autumn of 2017 senior officers, along with their respective Executive Councillors undertook a review of their budgets, including the development of savings and investment proposals; all of which were then reviewed by all Executive Councillors during November and December 2017. Since January 2018, there has been full consultation with Overview and Scrutiny Panel (Performance & Customers), with the Draft Budget & MTFS being reviewed on the 10th January 2018 and the Final Budget & MTFS on the 31st January 2018.

Externally – Business and Voluntary Sector

- 9.2 Since December 2017 the Business and Voluntary Sector communities have been consulted on the budget. The results of this consultation are shown in **Appendix 3**.

10. LEGAL IMPLICATIONS

- 10.1 As per 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.
- 10.2 Over the period of the MTFS (2019/20 to 2022/23) it is forecasting savings are required from 2019/20 of £1.0m per year (average). However, there are sufficient reserves in the general fund to cover this. The Plan on a Page identifies savings by the end of the MTFS period of £956k per year.

11. RESOURCE IMPLICATIONS

- 11.1 The Council is required to set a balanced budget for 2018/19 and over the MTFS. **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:
- 2018/19 Budget and for the Council Tax to be set.
 - implications for the Council in respect of the MTFS for the period 2019/20 to 2022/23.

13. LIST OF APPENDICES INCLUDED

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

Appendix 2: Plan on a Page

Appendix 3: Budget consultation results – Business and Voluntary Sector


Appendix 4: Treasury Management Policy & Strategy and the Annual Minimum Revenue Provision Policy for 2018/19.

BACKGROUND PAPERS

None.

CONTACT OFFICERS

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