

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 10 JANUARY 2017
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

GENERAL FUND BUDGET 2017/18

1 Executive Summary

- 1.1 This report presents members with a first view of the General Fund revenue budget for 2017/18. This will then go on to be considered by Resources Overview and Scrutiny Committee on 19 January 2017. On the 24 January 2017 Cabinet will review any recommendations from Resources Overview and Scrutiny Committee along with any other changes and make a budget recommendation to Council, for its meeting on 6 February 2017.
- 1.2 The purpose of this report is to outline the prospects for the General Fund budget in 2017/18, within the context of the financial projections for the medium term.
- 1.3 The General Fund Medium Term Financial Strategy identifies the 3 year financial projections for the General Fund budget, demonstrating the sustainability of the Council's financial planning in the medium term; with reference to actions to be taken, challenges to be faced, the level of reserves and funding. The MTFS considers the external (national and international) factors affecting the Council's finances, service demand and funding levels.
- 1.4 The MTFS review, reported to Cabinet on 2 August 2016, illustrated that the Council was in a strong financial position at the beginning of 2016/17, with General Fund balances of £10.2 million and HRA balances of £13.9 million. This provides a financial cushion for the Council to be able to plan and implement new ways of delivering services more effectively for less cost and provide financial flexibility as fundamental changes to Local Government finance and increased devolvement of service delivery nationally are implemented in the medium term.
- 1.5 The revenue budget proposals in this paper integrate with the Capital Programme 2017/18 to 2021/22, the Treasury Management Strategy for 2017/18 and reflect the Medium Term Financial Strategy (MTFS).
- 1.6 The appendices attached provide details of service budgets, items of growth and savings/efficiencies that have been built into the budget, and an overview of the three year revenue financial projections from 2017/18 to 2019/20; to enable Members to consider the proposals in light of the MTFS.
- 1.7 The budget proposals have been developed after in-depth discussions with members and officers.

2 Recommendation(s)

- 2.1 That Cabinet approve the general fund revenue budget for 2017/18 of £14.8m, as detailed in appendix A, and in particular the following specific items contained within the budget estimates:
- One-off Growth of £0.479m, On-going Growth of £0.645m and Savings of £1.268m, as listed in Appendix B
 - The drawdown from general fund and earmarked reserves of £0.473m.
 - A contribution to the collection fund of £0.320m to reflect the Council's share of the estimated net deficit on the collection of Council Tax and Business Rates.
 - A total grant of £28k to be apportioned between all the Parish and Town Councils in recognition of the cost of the Council Tax Reduction Scheme.
 - 2017/18 Fees and Charges, as listed in Appendix D
 - Planned Maintenance Programme, as listed in Appendix E
 - The detailed department budgets, as shown in Appendix F
- 2.2 That cabinet note the proposal to increase the average Band D council tax rate by £5 to £201.61.
- 2.3 That Cabinet note the Medium Term Financial positions for the period 2017/18 to 2019/20, as shown in appendix C.
- 2.4 That Cabinet note the results of the budget consultation, appendix G.
- 2.5 That Cabinet delegate authority to the Executive Director in consultation with Executive Member, Resources, to approve and return the NNDR1 data form to DCLG by 31 January 2016.

3 Explanation

General Fund Revenue Budget – Financial Framework

- 3.1 The Government's austerity measures to bridge the national deficit continue to impact significantly on local authorities. The Council is facing a decline in the grant income from central government, as funding for services is increasingly being derived from local funding (i.e. Council Tax, Business Rates and charges for services); at the same time local demand on Council services has increased.
- 3.2 The requirement to set a balanced budget demands a stringent process to deliver efficiencies, preserve as far as possible the quality of front line services, and retain the ability to generate income and to recognise the increasing demand on key services.
- 3.3 The proposed draft budget (before contribution to/from reserves) i.e. net operating expenditure, for 2017/18 totals £14.8m (excluding Parish precepts) and is £0.54m (3.5%) lower than the 2016/17 original budget of £15.4m reported to Members in February 2016. The movement between years is shown in summary in table 1.

Table 1: Reconciliation of 2016/17 to 2017/18 Original Budget

	£'000
2016/17 Original Budget	15,352
Less: 2016/17 one-off growth	(755)
Less: Reduction in interest payable	(179)
Add: Reduction in interest receivable	55
Add: 2017/18 One-off Growth	479
Add: 2017/18 ongoing growth	645
Less: 2017/18 savings	(1,268)
Add: Pay inflation	142
Add: Contract Inflation	341
2017/18 Original Budget	14,812

3.4 Whilst all of the detailed work around service budgets is now complete (Net Cost of Service budget line), the Council awaits confirmation of the following to firm up full budget implications and the impact on Council Tax levels for 2017/18:

- Final financial settlement announcement from Government (expected by early February to confirm Settlement Funding Assessment and other Government Grant income, council tax referendum thresholds)
- Parish Precepts,
- Finalisation of the Business Rates revaluation and associated rate multipliers.
- Final pension contribution rate following the transfer of the pension fund of the Community Housing Trust

3.5 The development of the budget for 2017/18 has consisted of detailed consideration of all aspects of spending and charging and also the impact of the Autumn Statement 2016. There continues to be budget pressures within services. The continuing low interest rates and a tighter treasury management framework continue to impact on the Council's investment income, despite the Council receiving the income benefit of higher than expected cash balances in the short term.

3.6 Growth has been offset from savings, efficiencies and a re-direction of resources to reflect the priorities set out in the Welwyn Hatfield Borough Council Business Plan.

Settlement Funding Assessment and other Corporate Grant Income

3.7 The Council received confirmation from Central Government that its submission for the Multi Year Settlement Offer was accepted. Therefore as part of the Local Government Finance Provisional Settlement announcement, received on the 15 December 2016, the Council has received settlement figures for 2017/18, 2018/19 and 2019/20.

3.8 The Autumn Statement was announced on 23 November 2016. The Chancellor confirmed that local authorities finance settlements for 2017/18 will be in line with the 2015 Spending Review.

- 3.9 The Chancellor announced the following national budget changes which may have an impact on the Council's finances:
- An increase in the 'national living wage' to £7.50 per hour,
 - An increase in Insurance Premium tax of 2% with effect from June 2017, and
 - Changes to Business Rates reliefs for rural businesses and new fibre infrastructure properties.
- 3.10 Officers have assessed the impact of the changes for the Council's finances and there is sufficient provision within the proposed budget for 2017/18 to fund the changes.
- 3.11 The Local Government Finance Provisional Settlement outlines the funding level from government. This is consistent with the indicative multi-year settlement announced in February 2016. For 2017/18 Revenue Support Grant has reduced by 57% to £558k and the business rates baseline has increased by 2% to £2.716million, as shown in the table below. The final settlement announcement is expected sometime in early February.

Table 2: Provisional Settlement for 2017/18

	Final Finance Settlement 2016/17 £'000	Provisional Finance Settlement 2017/18 £'000	% Change
Revenue Support Grant	(1,307)	(558)	-57%
Business Rates Baseline	(2,664)	(2,716)	+2%
Total: Settlement Funding Assessment	(3,971)	(3,274)	-18%

- 3.12 Once the final settlement figures are available, the Council will be certain on the amount of Revenue Support Grant it will receive in 2017/18 to 2019/20. However, the amount of funding received as a result of the funding assessment will depend on the actual amount collected from Business Rates and this will be influenced by amongst other factors, the Business Rates collection rate, business growth across the District and also the provision for successful appeals.
- 3.13 The impact of the national revaluation of Business Rates and its outcome locally will also impact on collection rate and appeals provision for Business Rates. This is all estimated in the National Non Domestic Rates 1 form which will be submitted at the end of January 2017. It is these estimates which will form the budgeted estimate for retained business rates in 2017/18, rather than the business rates baseline shown above.
- 3.14 Draft information from the Valuation Office indicates a 6% increase in the gross local rateable value. This is used to calculate the net rates payable using a nationally set multiplier and then applying reliefs as applicable. Nationally, the revaluation is intended to result in a net nil change in gross business rates.
- 3.15 At the time of writing the estimated retained business rates is as follows:

Table 3: Retained Business Rates

		Original Budget 2016/17 £000	Estimate 2017/18 £000
A	Business Rates Collectable (after assumption for appeals)	60,042	58,810
B	Government share @ 50%	-30,021	-29,405
C	HCC share @ 10%	-6,004	-5,882
D	Tariff payable to Government	-19,911	-19,157
E1	Welwyn Hatfield share before Levy (A+B+C+D)	4,106	4,366
E2	Adj. for Small Business Rate Relief and Shops and Empty Property reliefs'	474	319
E3	Welwyn Hatfield adjusted share	4,580	4,686
F	Baseline funding level	2,664	2,716
G	Welwyn Hatfield adj. share less baseline funding level (E3-F)	1,916	1,970
H	Levy payable to Government @ 50% (G * 0.5) (*)	-958	-985
J	Retained business rate income (E1+H)	3,148	3,381

*The amount of levy for 2016/17 will be dependent on the performance of the Hertfordshire Business Rate Pool.

- 3.16 The estimated amount of business rates retained by the Authority after payment of a levy in 2017/18 is £3.381million and is £665k higher than the baseline. This will mean that the growth in retained business rates only goes part of the way to offset the reduction in revenue support grant and the overall reduction year on year is estimated to be £516k or 13%:

Table 4: Net Reduction in Business Rates and Revenue Support Grant

	Estimated Funding 2016/17 £'000	Estimated Funding 2017/18 £'000	% Change
Revenue Support Grant	(1,307)	(558)	-57%
Retained Business Rates (after levy)	(3,148)	(3,381)	+7%
Total	(4,455)	(3,939)	-13%

- 3.17 It should be noted that since the start of the Government's austerity programme in 2010 the Council has delivered efficiency savings in the region of £11m. Despite a reduction in government grant over the same period of 59%, offset partly by the locally retained business rates, the average Band D Council Tax rate has been frozen. The Council's General Fund reserves have, however, remained strong as at 1st April 2016 of £10.2m.

The New Homes Bonus (NHB)

- 3.18 The New Homes Bonus Scheme was introduced in 2011/12 as a way to encourage local authorities to facilitate housing growth. For every additional property built or brought back into use, the government agreed to match fund the additional council tax, with an additional amount for affordable homes, for the following six years.
- 3.19 On the 15 December 2016 the government announced the results of the consultation on reforms to the bonus and has decided to reduce the length of payments from 6 to 5 years in 2017/18 and then to 4 years in 2018/19 and also to only award a bonus for a growth in homes above 0.4% per annum. These changes have allowed to transfer of some funding from District and Boroughs to top tier authorities for the provision of social care. From 2018/19, the government will consider withholding payments from local authorities that are not *“planning effectively, by making positive decisions on planning applications and delivering housing growth”*. Further, a consultation is planned regarding withholding payments for homes that are built following an appeal.
- 3.20 In line with the MTFS the reliance on New Homes Bonus income to support base budget expenditure is being reduced, with the transfer of 25% in 17/18 and then 50% in each year thereafter, to the Strategic Reserve. This is to fund one off growth for projects which will create capacity for service transformation, deliver improved efficiency and generate sustainable additional income.
- 3.21 The New Homes Bonus grant is calculated based on the average Band D council tax rate multiplied by the net increase in tax base adjusted for demolition and empty properties. The Council will receive £2.2million New Homes Bonus funding in 2017/18. This is £0.2million less than the amount received in 2016/17. It is estimated there will be a further drop in funding to £1.4 million in 2018/19.

2017/18 Budget Assumptions

- 3.22 The 2017/18 budget has been built using the following inflation and service assumptions:
- Pay – the 2017/18 budget anticipates a 1% pay increase for the financial year.
 - Employers Contribution to the Pension Fund – 17.9% of annual pay budget (subject to confirmation following transfer of pension fund of the Community Housing Trust).
 - The Autumn Statement published on 23 November 2016, increased the ‘national living wage’ from £7.20 per hour to £7.50 per hour, the impact on the General Fund budget is estimated to be immaterial; as the current wage rate is £7.49 per hour for 70 council workers.
 - Major Council Contracts –inflation has been included in the budget in line with agreed contract indices.
 - Utilities - inflation has been budgeted in line with contract prices.
 - National revaluation of Business Rates – As detailed at paragraph 3.14 an increase of 21.5% has been included in the budget proposals for Council owned properties.
 - Insurance Costs –for insurance budgets, in line with advise, a 30% increase has been added to property related insurances and a general insurance increase of 10%. This provision will cover the cost of the 2% increase in

insurance premium, announced in the Autumn Statement effective from June 2017.

- Sales, Fees and Charges – either set by statute or market conditions. The Council has a policy of maximising income from fees and charges, subject to local circumstances. The full fees and charges schedule is listed in Appendix D
- Grants and subsidies – in line with relevant guidance.

Re Integration of the Housing Service

- 3.23 In September 2016, Cabinet proposed that the housing service currently delivered by the Housing Trust should be brought back into full council control, with the aim of delivering service transformation and efficiencies for both General Fund and Housing services over the medium term. Following consultation, Cabinet confirmed this decision on the 6 December.
- 3.24 Budgets in the general fund and HRA for 2017/18 reflect this changed arrangement with no management agreement with the Trust. This has required a comprehensive review of recharging between the HRA and the general fund. Further the merging of the senior management team and support services has resulted in a number of staffing posts transferring between the HRA to the general fund. Overall the £500k efficiency target built into the base budget through the 2016/17 budget process has been achieved through these means.

2017/18 Net Cost of Service Budget

- 3.25 Based on the budget assumptions detailed at paragraph 3.21, appendix A summarises the budgets by Director for the cost of services net of service income generation (Net Cost of Service).

Employment Budgets

- 3.26 The original salaries and wages budget for 2016/17 was approximately £11.4m, comprising 255.89 FTE's, the proposed 2017/18 budget is £11.7m representing 259.17 FTE's; an increase of £0.3m in the budget and an increase of 3.28 FTE's.
- 3.27 The draft results of the Council's 2016 Pension Fund triennial valuation have been used to update the employer pension contribution rates for the next three years, with effect from 1st April 2017. Contribution rates will be dependent on the impact of the transfer of the pension fund for the Community Housing Trust.
- 3.28 The recommended approach to manage the Pension Fund Deficit is subject to the combined actuaries valuation report but is currently budgeted to be:
- An additional lump sum payment of up to a maximum of £2.235m in financial year 2016/17 to be funded from general fund reserves to bring forward some of the "secondary rate" payable into the fund to help towards the pension deficit.
 - Future employer's contribution rate to the pension fund to be fixed at 17.9% of pay plus an annual lump sum of £888k in each of the next three years (2017/18 to 2019/20).
 - The Executive Director will confirm the above approach to be taken with the administering authority on 7 February 2017.

In order to progress with the preparation of the draft 2017/18 budget report, the proposals within this report assume a lump sum contribution of up to £2.235m to be funded from the General Fund reserve in 2016/17.

Budget Variations

3.29 The key variations compared to the 2016/17 original budget approved by full council in February 2016 are as follows:

- Pay – a 1% pay increase equates to approximately £83k. The financial impact of pay increments and movement on posts has also been included in the budget proposals, and totals approximately £282k; 3% of the total salaries budget;
- Major Council Contracts –an inflationary increase for key contracts, including utilities will be £116k.
- National Revaluation of Business Rates –the budget includes £169k to cover the additional cost of the revaluation on Council owned properties. The budget pressure was not included in the MTFs reported to Cabinet in August 2016, as the local data to estimate the impact was not available.
- Insurance Costs – an additional cost of approximately £65k has been included based on the insurance inflation assumptions.
- Other minor net budget increases totalling £17k.
- Previously capitalised salaries – the cost of staff employed to help deliver the Council's capital schemes can be capitalised when the work completed is deemed to meet the requirements of the accounting code of practice. For prudence these costs of £127k are budgeted for in revenue and will be reviewed as work is completed during the year.
- Sales, Fees and Charges – either set by statute or market conditions. The Council has a policy of maximising income from fees and charges, subject to local circumstances. The full fees and charges schedule is listed in Appendix D

Growth and Savings

3.30 Inevitably the key emphasis has been on identifying budget savings and efficiencies in 2017/18 and the ensuing 3 years up to 2019/20 to deliver a balanced budget and an organisation that is fit for purpose in meeting the challenges ahead. This has also involved consideration of increased budget pressures.

3.31 All submissions from Heads of Service were subject to a stringent review by both Directors and Members through a vigorous challenge process. To ensure that items were considered in terms of:

- a statutory requirement
- linked to the Council's Corporate priorities
- health and safety implication

- equality impact and risk assessment

3.32 Appendix B provides details of all savings/efficiencies and growth items that are summarised at Table 5.

Table 5: Savings and Growth Items for 2017/18

	2017/18 £'000
Savings	(1,268)
One-off Growth	479
Ongoing Growth	645
Net Impact	(144)

Savings

3.33 The Council aims to protect frontline services as much as possible. The savings schedule is mainly focused on income generation either from the Council's commercial activities or fees and charges, along with efficiencies from procurement. The level of savings incorporated into the 2016/17 budget are expected to be achieved overall at this stage on an ongoing basis.

3.34 The savings schedule for 2017/18 totals £1.268m of further savings and comprises the following strategies:

- review of operations and structures - £0.2m
- reduction in corporate projects £0.1m
- income generation - £0.771m. Including increased garage rents to reflect market demand to generate £0.144m and the introduction of a charge for collection of garden waste to generate £0.400m.
- procurement efficiencies and contract savings - £0.109m.
- electoral service saving as no election in 2017/18 - £0.073m.
- Other savings/efficiencies totalling £0.015m.

Growth

3.35 There are ongoing revenue growth items that amount to £0.645m, which include £0.1m for the pensions auto-enrolment review which will be undertaken in 2017, £0.140m to reflect changes in demand/market position for the recycling scheme, £0.044m for IT investment, £0.044m reflects a further reduction in Housing Benefit grant for administration of the scheme and £0.080m for the delivery of a fly tipping service. Other growth items total £0.237m.

3.36 There are also a number of one-off growth items amounting to £0.479m in 2017/18. This includes £0.345m for investment in planning services; the planning inspection period being extended from 4 to 6 weeks and the budget includes an estimate of the associated cost of potential legal challenge. It is

proposed that this service investment is funded from the Strategic Reserve in 2017/18. A proposed budget of £0.1m has been included for retirement costs associated with further reorganisation.

Council Tax support funding for parish and town councils

- 3.37 The council tax support funding for billing authorities is provided through the business rates retention system. It should be noted that the funding is not ring-fenced and that the town and parish element of the funding is no longer identifiable. There is also no legislative duty for billing authorities to pass down funding.
- 3.38 Given the pressure on the Council's resources and the continued reduction in grant funding from Government it is proposed to further reduce the council tax support grant passed to parish and town councils in 2017/18 and 2018/19, by the same amount as the reduction in revenue support grant provided by Government with no grant funding in 2019/20. The following table shows the grant to be allocated to each parish and town council in each financial year.

Table 6: Council Tax Support Grant to Parishes and Town Councils

	2015/16 Council Tax Support Grant £	2016/17 Council Tax Support Grant £	2017/18 Council Tax Support Grant £	2018/19 Council Tax Support Grant £
Parish and town council areas	Actual	Budget	Indicative	Indicative
Ayot St Lawrence	2.82	1.70	0.73	0.14
Ayot St Peter	0	0	0.00	0.00
Essendon	742.15	447.62	191.08	35.68
Hatfield	85,479.25	51,556.15	22,008.83	4,109.71
North Mymms	7,206.38	4,346.47	1,855.47	346.47
Northaw & Cuffley	4,709.51	2,840.50	1,212.58	226.43
Welwyn	10,666.98	6,433.71	2,746.49	512.85
Woolmer Green	1,150.07	693.66	296.12	55.29
Total	109,957.16	66,319.81	28,311.30	5,286.57

- 3.39 Parishes within the District have been advised formally of the changes to include in their budget assessment.
- 3.40 A planned and responsive maintenance schedule of works are included in appendix E and total £0.905m for 17/18.

Interest receivable and payable

- 3.41 Interest from investment income is an integral part of the budget considerations. The current economic forecast predicts that the Bank of England base rate will remain at its current low of 0.25% in the medium term. As reported in the Treasury Management Strategy for 2017/18 the Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held and it is expected that investment balances are likely to range between £35 and £60 million in the 2017/18 financial year.
- 3.42 In addition the Treasury Management and Investment Strategy operates within a tighter framework to minimise the risk on investments. As a consequence of this the estimate for investment income will remain relatively low in 2017/18 to reflect the current market situation. The estimate for 2017/18 is £0.294m, a reduction on the original budget for 2016/17 of £34k. The level of interest is also being influenced by the capital programme and the level of capital receipts held.
- 3.43 Interest payable amounts to £0.32m and relates to finance leases and the minimum revenue provision related to internal borrowing taken out to support a number of capital projects.

General Fund Reserves and Use of balances

- 3.44 As at 1 April 2016 the Council had available a total of £7.97m for general fund activities and £2.193m of general fund earmarked reserves.

General Fund Reserves

- 3.45 It is important the Council maintains a reasonable level of general fund reserves to cushion against unanticipated budget pressures. Given the funding risks around the retention of business rates and the associated business rates appeals provision; the proposed devolution of demand lead services and ongoing funding changes from Government. The key financial risks are listed in section 3.
- 3.46 Table 7 identifies the forecast movements on the General Fund Reserve to March 2018. In line with paragraph 3.32; the balance as at 1st April 2016 has been reduced to reflect the payment of the deficit lump sum of up to £2.235m. It is currently forecast that there will be no contribution to or from the reserve as a result of in year operations on general fund services. The balance is however expected to reduce by £139k during 2017/18 in order to meet all anticipated expenditure. The forecast balance as at 31st March 2018 is expected to be £5.596m.

Table 7: General Fund Reserve Forecast for period to 31st March 2018

	Actual Balance as at 1st April 2016 £'000	Pension Lump sum contribution payable 2016/17 £'000	Forecast Balance as at 31st March 2017 £'000	Forecast Balance as at 31st March 2018 £'000
General Fund Reserve	7,970	(2,235)	5,735	5,596

Earmarked Reserves

3.47 Table 8 identifies the forecast balances for General Fund Earmarked Reserves for the period to 31st March 2018. Earmarked reserves are retained for specific purposes and risks. The following proposals are made for the application of the reserves and transfers into the reserves:

- *Strategic Reserve*: for 2017/18 it is proposed to finance £0.345m of planning service investment from the reserve. This is a reasonable application of the reserve which has been built up through the transfer of New Homes Bonus (NHB) Grant, as detailed at paragraph 3.18. In line with this policy 25% of the 2017/18 NHB grant has been transferred to the reserve.
- *Resources Reserve*: for 2017/18 there is an estimated collection fund deficit of £320k to be funded by the general fund reserve. The Resources reserve consists of the gain in previous years in retained business rates as a result of a reduced levy calculation on the Hertfordshire Pool and is put aside to help mitigate the volatility in the collection fund of the collection of business rates.

Table 8: General Fund Earmarked Reserves for the period to 31st March 2018 as forecast as at Period 6 in 2016/17.

Earmarked Reserve	Purpose of Reserve	Balance as at 1 April 2016 £'000	Forecast Balance as at 1 April 2017 £'000	Forecast Balance as at 31 March 2018 £'000
<i>Strategic</i>	For use on one-off specific General Fund projects across the General Fund Services.	968	1,045	1,076
<i>Building Control</i>	Building Control accumulated balances.	(231)	0	0
<i>Resources</i>	To manage volatility in Business Rates income and changes to the Business Rates funding	1,103	1,082	762
<i>Planning</i>	Previous year surplus put aside for Development control projects.	171	171	171
<i>Performance Reward Grant</i>	Held for community inclusion projects as and when required	58	58	58
<i>Governance</i>	The electoral registration grant to be used for	61	61	29

	individual registration.			
<i>Public Health and protection</i>	Public Health Grant received from HCC held for relevant projects.	45	45	45
<i>Hackney Carriages*</i>	The reserve is necessary to account for in year surplus/deficit positions. The service must break-even over time.	6	-15	-28
<i>Other minor Earmarked Reserves (less than £7k each)</i>	Any unconditional grant received in advance of need will need to be held in an earmarked reserve.	12	12	12
Total Earmarked Reserves		2,193	2,459	2,125

*Hackney Carriages showed a deficit reserve balance when reported as at period 6. However, there has been a subsequent revision to the Fees and Charges following the reporting of the use of the reserve and the forecast is now potentially a small contribution to the reserve in both 2016/17 and 2017/18.

- 3.48 The Chief Finance Officer has reviewed the reserve position and advises that the current anticipated balances, together with the Council's plans for addressing the on-going and increasing budget gap, are adequate to ensure continued financial sustainability and a protection against unexpected financial shocks. This will need to be kept under close review over the course of the medium term financial strategy.

Council Tax

- 3.49 The average Band D council tax rate is proposed to increase by £5 in 2017/18 to £201.61 from the 2016/17 level of £196.61. This equates to approximately a 2.5% increase per annum for residents, or 9.6 pence per week and is the maximum amount of increase allowable without triggering a referendum as per the draft principles issued by Government in the provisional settlement.
- 3.50 An increase in the council tax rate does have a compounding impact on income for the Council in future years. If a 2% increase in Council Tax had been applied each year since 2010 the Council would have collected around £3.4m more by the end of 2016/17 and the average Band D council tax rate would be £221 per annum. By not increasing the rate by at least inflation the Council has reduced its overall spending power. The government now includes the Council Tax requirement in its calculation of the Councils spending power, and anticipates a maximum increase each year in the settlement. As such, if we were not to increase there would be a reduction on the spending power that government assumes we have.
- 3.51 A £5 increase in Council Tax is estimated to generate an additional £201k in precept for the Authority in 2017/18. Each 1% increase equates to roughly a £80k increase in precept.

4 Budget Consultation

- 4.1 The Council has undertaken an online budget consultation. There were 47 respondents and the results are provided in Appendix G.

5 Housing Revenue Account (HRA)

- 5.1 The Housing Revenue Account Budget is presented as a separate report on the same agenda. An appropriate level of costs incurred in the general fund are recharged to the HRA to reflect the services provided. For example, a proportion of management costs and support services such as finance, HR and ICT.

6 Financial Implications

- 6.1 The financial implications are set out within this report.
- 6.2 The Council has a duty to set a balanced budget based on best estimates at the time of agreeing the budget. Consideration must also be given to the degree of uncertainty in the budget estimates and the environmental factors which could have a significant financial impact. We expect to receive the provisional settlement announcement sometime in December 2016, but are also aware that further proposed consultation and changes to the business rates retention scheme and the new homes bonus could have a material impact on our expectations. Other legislative changes around welfare reform may have a significant impact on expenditure budgets, e.g. homelessness and council tax support scheme, but are as yet not fully defined for us to provide an accurate forecast of the potential impact. As such, it is appropriate that the Council maintain a reasonable amount in reserves to cushion and smooth the impact so it is not necessary to take knee-jerk decisions in any particular year.

7 Link to Corporate Priorities

- 7.1 The subject of this report is primarily linked to the Council's Corporate Priority "Engage with our communities and provide value for money" but the budget sets the resources available to deliver all the Council's priorities for the forthcoming year. It should be noted that individual growth and savings items are also linked to the corporate priorities.

8 Legal Implication(s)

- 8.1 The Council is required by the Local Government Finance Act 1992 to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget and Council Tax. The amount of the budget requirement must be sufficient to meet the Council's legal and financial obligations, ensure the proper discharge of its statutory duties, and lead to a balanced budget. The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of both Council Tax payers and ratepayers on the one hand and the users of Council services on the other are both taken into account.

9 Climate Change Implication(s)

- 6.1 There are no direct climate change implications following the recommendations of this report. However, implications will have been considered individually by the relevant officer for specific budget efficiency and growth proposals. Any negative impact should be detailed in the description of the specific proposals.

10 Risk Management Implications

- 10.1 There are considerable risks to the council's short and medium term budget strategy including the impact of the economic climate, inflation and other changes in the national economy, spending exceeding budgets, income falling below budgets, pressures on existing budgets, further reductions in grant, legislative change demands for new spend. The budget process includes the recognition of these risks in determining the 2017/18 budget and relevant risk provisions are set out in the body of the report.
- 10.2 The Council has a minimum general fund reserve policy, as laid out in the medium term financial strategy. The general fund balance will be maintained at a balance no lower than £1.6million over the period of the MTFS.

11 Security & Terrorism Implication(s)

- 11.1 There are no direct implications to be considered within the proposals in this report.

12 Procurement Implication(s)

- 12.1 All expenditure will be procured in line with the Council's procurement rules.

13 Equality and Diversity

- 13.1 In developing individual budget proposals officers have undertaken an equality impact assessment, where applicable. The Council will follow its equality and diversity policy when implementing any of the changes listed within the budget.

Appendices

Appendix A: Budget Summary by Directorate

Appendix B: Efficiency Savings

Appendix B2: Growth Proposals

Appendix C: MTFS

Appendix D: Fees and Charges

Appendix E: Planned Maintenance Budgets

Appendix F: Budget Summary by Cost Centre

Appendix G: You Choose Consultation

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