

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder for Finance and the Executive Director
Commercialisation (S.151)

To: Cabinet

Author: Christine Marshall – Executive Director of Commercialisation

Subject: Draft Budget, Medium Term Plan and Capital Strategy

Purpose: To consider the General Fund and Housing Revenue Account
2017-18 draft revenue and capital estimates and the draft Financial
Medium Term Plan.

Recommendations:

1. To recommend to Full Council:
 - a. That the revenue estimates for the General Fund, Housing Revenue Account and Spalding Special Expenses for 2017-18 (as set out in Appendices A, B and C) are approved.
 - b. That the use of reserves as set out in Appendix D is approved.
 - c. That Housing Revenue Account weekly dwelling rents reduce by 1% over the 2016-17 rent with effect from Monday 3rd April 2017. This is in line with current government guidelines and legislation.
 - d. That the fees and charges shown in Appendix H are approved for adoption from 1 April 2017.
 - e. That the Council Tax for a Band A property in 2017-18 be set at £109.89, a £3.33 per annum increase on 2016-17 levels (band D £164.84, a £5 per annum increase on 2016-17 levels).
 - f. That the Spalding special expense for a Band A property be set at £15.38, £15.33 in 2016-17 (Band D £23.07, £22.99 in 2016-17).
 - g. That the Medium Term Financial Plan (Appendices A and B) is approved.
 - h. That the capital strategy and capital programme (Appendices E and F) are approved.
 - i. That the Treasury Management Strategy, including the Minimum Revenue Provision policy and annual investment strategy in appendix G is approved.
2. That delegated authority be given to the Executive Director Commercialisation (S.151), in consultation with the Portfolio Holder for Finance, to make any necessary amendments to the budget prior to Council due to late notifications.

1.0 BACKGROUND

- 1.1 The appendices to this report outline the 2017-18 revenue and capital estimates for the General Fund and Housing Revenue Account, the proposals for the setting of discretionary fees and charges, the outline position to 2020-21, the medium term financial plan and the capital strategy. The medium term financial plan sets out the framework within which the budget is to be set to ensure that it enables the Council to achieve its corporate objectives. The capital strategy sets out the framework for the capital budget setting.
- 1.2 The Medium Term Plan sets out the current and forecast future costs of the Council and is linked to the Corporate Plan, which sets out the aims and ambitions of the Council, agreed with our partners, to:
- be a financially independent Council and free of reliance on Government Funding by 2019-20,
 - transform Council Services through the Moving Forward Programme to:
 - generate additional revenue streams via **commercial activities** (Welland Homes, Garden Waste etc.), **investment assets** (Investment and Growth reserve, Holbeach Food Enterprise Zone), and **economic and housing growth** (funded through an Investment & Growth reserve) and
 - invest in service improvements to improve value for money through **Digitalisation** (online payments, improvements in ICT), **partnership and collaboration** (Co-location, Breckland District Council, Directorate of Works and Pensions and Priory Road project) and **organisational design** (10% reduction in costs over 4 years).
- 1.3 In response to the 2016-17 Local Government Finance Settlement, the Council successfully applied for the Government's four year Local Government Finance Settlement offer, using the Moving Forward programme as the basis of the efficiency plan.
- 1.4 Key assumptions made within the current 4 year MTFP include:
- An annual £5 per annum increase in Council Tax and
 - Maximising income generation through Investment & Growth, funded through New Homes Bonus.
- 1.5 The Moving Forward Transformation Programme builds on prudent financial management of the council and innovative income generation. Following on from this the MTFP has been positioned to secure a sustainable financial future across the medium term with no dependency on reserves. This position will give the Council time to develop a clear financial strategy in the longer term after delivery of the more complex transformational changes which will need to meet performance targets to meet the significant financial challenges of future years.

- 1.6 In 2015/16 £1.1m of funding was agreed and set aside to provide up-front investment for the transformation programme, which is in progress and no further funding requirements have been identified at this stage.
- 1.7 This complex change programme is now embedded within the Council with further savings achieved ahead of budget forecast in 2016-17. This draft budget continues the principal of reducing reliance on RSG and providing funding for a growth fund to deliver on-going revenue income streams over the medium term. Reducing the reliance on uncertain sources of funding will make the council a more stable organisation able to deliver services to residents with more certainty in the longer term.
- 1.8 The draft four year capital programme has been amended to reflect revised budgets and scheme forecasts.
- 1.9 The programme includes provision for Investment and Growth linked to the Council's Strategic objectives. Final decisions on individual projects will be subject to Council approval and detailed business cases.
- 1.10 The provisional 2017-18 Local Government Finance Settlement consultation paper for 2017-18 was released on 15 December 2016. The key components of the settlement are:
- **Revenue Support Grant (RSG) & Four Year Settlement** - The value of the four year RSG settlement has not changed so there is no impact compared to the budget set last year,
 - **New Homes Bonus (NHB)** - The consultation includes a number of changes to New Homes Bonus which will reduce the amount the council receives by £511k over the medium term which will impact on resources available for Investment and Growth,
 - **Rural Services Delivery Grant (RSDG)** - This grant is to remain although to date the actual amounts have not been released,
 - **Business Rates** - The recent valuation for business rates takes effect from 1 April 2017. This is a revenue neutral exercise nationally, however at a local level bills and income may rise or fall, dependent on the mix of businesses in an area.
- 1.11 This draft budget includes assumptions for these areas and these will be updated once further information becomes available.
- 1.12 Despite the challenges of reduced funding and economic uncertainty, the Council remains in a relatively secure financial position across the medium term with no dependency on reserves.
- 1.13 The MTFP includes annual savings of over £1.5m by 2020/21 as a result of targeted action and investment through the Council's Moving Forward Programme.
- 1.14 Efficiencies implemented through the Moving Forward Programme mean that the Council is able to produce a balanced budget in 2017-18 .

2.0 OPTIONS

- 2.1** That the draft capital and revenue budget estimates, the medium term financial plan and the capital strategy are recommended to Council for approval.
- 2.2** There are no alternative options presented, however amendments may be made by Cabinet before release to Council.

3.0 REASONS FOR RECOMMENDATION

- 3.1** To comply with the budgetary and policy framework.

4.0 EXPECTED BENEFITS

- 4.1** To set an affordable and balanced budget for 2017-18 that ensures delivery of the priorities of the Council

4.0 IMPLICATIONS

4.1 Financial

- i) The report is of a financial nature and further financial details are included within the appendices.
- ii) An assessment of the 2016-17 out turn has been revised and presented as part of the Quarter 3 monitoring report. This will inform the reliance placed on the baseline used for setting the 2017-18 estimates. Based on the position at 31 December 2016, various pressures, transformation items and efficiencies have been identified, forecasting a net spend below budget of £301k as an overall result. Recurring savings and one-off efficiencies are proposed to be used to offset Medium term budget pressures to allow time for the Moving Forward transformation programme to grow. Ongoing efficiencies and recurring savings have been reflected in the medium term plan. The Council will continue to review the financial performance of its services throughout the year.
- iii) Only a small amount of the Local Government Settlement is now received in the form of Revenue Support Grant (RSG). From 1 April 2013 a new model is in use which is geared towards the local raising of funds and from 2016-17 looks at the core spending power of the Council. Changes to schemes in respect of non-domestic rates (NDR) and localised council tax reduction scheme (LCTRS) have brought a greater degree of risk and variability to the Council's funding. The budget presented for approval is in line with the draft Local Government Settlement issued in December 2016. The final settlement is due in February 2017. The budget assumes an

accelerated further reduction for the medium term, taking our reliance on RSG to nil by 2019-20.

- iv) Unavoidable growth relates primarily to a 1% salary increase and staff increments.
- v) Assumptions around investment income have been reduced to reflect current returns in 2016-17. Projected balances and revised investment returns are examined further in appendix A.
- vi) A detailed review has been carried out on all major budgets and cost reductions / increased income projections agreed with Budget holders.
- vii) The HRA general balance is projected at £9.1m at 31st March 2018 (Appendix 1 of the report) with £2.0m considered to be a reasonable level consistent with the risks on the service. The MTFP therefore includes a balanced budget for the period.
- viii) The HRA Capital Programme includes an Affordable Housing Programme totalling £15.6m over the next 4 years to replace lost rent from Right to buy sales and changes planned in the National Rent policy.
- ix) The use of reserves in the HRA is to be considered in 2017-18 as details of the potential for dwelling purchase and New Build properties emerge. The HRA also has the capacity to borrow (£) up to a limit of £74.701m which was introduced as part of the self financing regime set up in March 2012.

4.2 Risk Management

4.2.1 Risks are highlighted within the appendix.

4.3 WARDS/COMMUNITIES AFFECTED

4.3.1 Budget implications affect all wards.

5. ACRONYMS

5.1	AGS	Annual Governance Statement
	CPBS	Compass Point Business Services
	CSU	Construction Services Unit
	DCLG	Department for Communities & Local Government
	DFG	Disabled Facilities Grant
	ESIF	European Structural Investment Funding
	HRA	Housing Revenue Account
	ICT	Information & Communications Technology
	IDB	Internal Drainage Boards
	LCC	Lincolnshire County Council
	LCTRS	Local Council Tax Reduction Scheme
	MTFP	Medium Term Financial Plan
	NHB	New Homes Bonus
	NHS	National Health Service

NI	National Insurance
NNDR	National Non Domestic Rates (Business Rates)
RSDG	Rural Services Delivery Grant
RSG	Revenue Support Grant
RTB	Right to Buy

Background papers:- - None

Lead Contact Officer

Name/Post: Christine Marshall Executive Director of Commercialisation

Telephone Number: 01775 764567

Email: mastbury@sholland.gov.uk

Key Decision:

Yes/No

Exempt Decision:

Yes/No

Appendices attached to this report:

Appendix A - General Fund Budget 2017-18 and Financial Medium Term Plan 2017-18 to 2020-21

Appendix B - General Fund and Housing Revenue Account Summary 2017-18 to 2020-21

Appendix C - Spalding Special Expenses

Appendix D - Reserves

Appendix E - General Fund Capital Programme 2017-18 to 2020-21

Appendix F - Capital Strategy

Appendix G - Treasury Management Strategy Statement

Appendix H - Fees and Charges