

## **COUNCIL – 14 FEBRUARY 2017**

### **SERVICE & RESOURCE PLANNING 2017/18 – 2020/21**

#### **Report by the Director of Finance**

#### **Introduction**

1. This report is the culmination of the Service & Resource Planning process for 2017/18 to 2020/21. It sets out the Cabinet's proposed budget for 2017/18, medium term financial plan and capital programme, together with a number of statements/policies that the Council is required to approve for the 2017/18 financial year.
2. The report is divided into four main sections which are outlined below:  
  
Section 1 – Leader of the Council's overview  
Section 2 – Council Vision  
Section 3 – Statutory Report by the Director of Finance (Chief Finance Officer)  
Section 4 – Budget Strategy and Capital Programme
3. This report provides an update to the report to Cabinet on 24 January 2017 following the receipt of business rates figures from district councils.
4. The budget proposals set out in section 4 have been updated in the light of this information. Changes since the report to Cabinet on 24 January 2017 are set out in section 4.2.1.

#### **Section 1 – Leader of the Council's overview**

5. Section 1 sets out the Leader's speech on the proposed budget.

#### **Section 2 – Council Vision**

6. Section 2 sets out the new vision for Council. The Council will not have a new Corporate Plan until after the May 2017 elections.

#### **Section 3 – Statutory Report by the Director of Finance (Chief Finance Officer)**

7. Under Section 25 of the Local Government Act 2003, the Chief Finance Officer is required to report on the robustness of the estimates made in determining the council tax requirement and on the adequacy of the proposed financial reserves. This assessment is set out in section 3 of the report. Council is required to have regard to this report in making their decisions on the budget.

## **Section 4 – Budget Strategy and Capital Programme**

8. This section sets out the detailed 2017/18 budget and the 2017/18 – 2020/21 medium term financial plan and capital programme, together with the strategies which underpin these such as the treasury management strategy. It includes those matters that the Council must approve as part of the budget setting process, including the council tax requirement and council tax amount for a band D property.

### **Updated Financial Information**

#### Final Local Government Finance Settlement

9. The parliamentary debate on the 2017/18 local government finance settlement has been moved from 8 February 2017 to 20 February 2017, after the parliamentary recess. There are still no details on when the final settlement will be published, but it is unlikely that it will be announced ahead of the Council meeting on 14 February 2017.
10. For the purposes of setting the budget on 14 February 2017, Revenue Support Grant and Business Rate Top-up allocations remain as those published at the time of the provisional settlement. As the Council has had confirmation that it is formally on a four year settlement, it is not expected that there will be any significant change from the provisional settlement. With this in mind, it is recommended that any variation as a result of the final Local Government Finance settlement is dealt with through a transfer to/from balances.
11. The Special Educational Needs & Disabilities Reform Grant for 2017/18 has been announced and the Council will receive £0.5m. The MTFP had assumed that this grant and corresponding expenditure would cease. Additional expenditure to match the grant is included in the Additional and Special Educational Needs Service.
12. The transitional element of the Education Services Grant is £0.6m higher than estimated. This will be added to the Looked After Children's placement budget as the 2016/17 overspend has increased further since the original assessment of the 2017/18 pressures.

#### Collection Fund Surplus

13. Final estimates of the County Council's share of the council tax collection fund surplus were received by the end of January 2017. The amounts have now been confirmed and the Council will receive £7.3m in 2017/18, £0.4m more than the forecast position reported in January 2017.

#### Business Rates

14. Final estimates of the County Council's local share of business rates were received on 1 February 2017. The forecast provided by district councils for 2017/18 is £31.2m of business rates income plus £1.2m grant to compensate for the various business rate reductions set out in previous Autumn Statement and

Budget announcements. In total this is £0.9m more than the previous forecast position. In addition, the Council is expected to meet a share of the estimated deficit on business rates collection for 2016/17 of £0.5m. A £0.5m contribution from the business rates reserve in 2016/17 will offset the deficit on the collection fund.

### Flood Defence Levy

15. The Flood Defence Levy for 2017/18 has been confirmed as £551,421. This is an increase of £10,528 from the 2016/17 amount.

### Budget proposals

16. The changes to the 2017/18 budget and medium term plan are summarised in the following table.

Description	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total All £m
<b>Position in 24 January Cabinet Report</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
Council Tax Surpluses	-0.411	0.411			<b>0.000</b>
Deficit on Business Rates Collection Fund	0.461	-0.461			<b>0.000</b>
Contribution from the Business Rates Reserve	-0.461	0.461			<b>0.000</b>
Business Rates from Districts	-0.690				<b>-0.690</b>
Section 31 Grant for Business Rate Reliefs	-0.214				<b>-0.214</b>
Education Services Grant - transitional grant higher than expected.	-0.642				<b>-0.642</b>
Special Educational Needs and Disabilities Reform Grant	-0.471	0.471			<b>0.000</b>
Special Educational Needs and Disabilities Reform Grant - Expenditure Budget	0.471	-0.471			<b>0.000</b>
<b>Additional Funding</b>	<b>-1.957</b>	<b>0.411</b>	<b>0</b>	<b>0</b>	<b>-1.546</b>
Looked After Children's Demography - pressure for Corporate Parent responsibilities, including internal and external placements from 2016/17 and expected increase in placements each year.	0.600				<b>0.600</b>
Additional Grass Cutting activity	0.170				<b>0.170</b>
Pilot Communities Fund	0.250	-0.250			<b>0.000</b>
Contribution to Contingency	0.200				<b>0.200</b>
Contribution to Balances	0.700	-0.700			<b>0.000</b>
Flood Defence Levy - additional cost	0.011				<b>0.011</b>
Use of the Budget Reserve	0.026	0.539			<b>0.565</b>
<b>Proposed Use of Additional Funding</b>	<b>1.957</b>	<b>-0.411</b>	<b>0.000</b>	<b>0.000</b>	<b>1.546</b>
<b>TOTAL CHANGES TO BUDGET PROPOSALS</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

17. £0.2m has been added to the budget to carry out additional grass cutting activity and £0.3m of one-off funding will establish a Communities Fund for parishes and towns to bid for matched funding schemes.
18. The latest financial monitoring report to Cabinet in February 2017 shows the 2016/17 forecast position on balances as £15.1m. This is £2.5m lower than the risk assessed level of £17.6m. The budget proposals now include a contribution of £2.7m (increased from £2.0m in January) to bring the level of balances back to the risk assessed level and to allow for any changes following the Final Local Government Finance Settlement expected on or around 20 February 2017.

19. A further £0.2m will be added to contingency to keep the budget at the 2016/17 level of £4.5m.

### Capital Programme

20. A new National Productivity Investment Fund grant of £3.3m has been announced for 2017/18. This funding is for local highway and other local transport improvements to reduce congestion at key locations, upgrade or improve the maintenance of local highway assets to improve access to employment and housing, to develop economic and job creation opportunities.

### **Financial and Legal Implications**

21. This report is mostly concerned with finance and the implications are set out in the main body of the report.

### **Equality and Inclusion Implications**

22. The Equality Act 2010 imposes a duty on local authorities that when making decisions of a strategic nature, decision makers must exercise 'due regard to the need to eliminate unlawful discrimination... advance equality of opportunity... and foster good relations.'
23. The service and community impact assessments (SCIAs) setting out an assessment of the impact of the budget proposals is included in section 4.10.

### **RECOMMENDATIONS**

24. **The Council is RECOMMENDED to:**

**(a) have regard to the report of the Director of Finance (at Section 3) in approving recommendations b to e below;**

**(b) (in respect of revenue) approve:**

- (1) the council tax and precept calculations for 2017/18 set out in section 4.3 and in particular:
 
  - (i) a precept of £328,022,682;**
  - (ii) a council tax for band D equivalent properties of £1,345.59;****
- (2) a budget for 2017/18 as set out in section 4.4;**
- (3) a medium term plan for 2017/18 to 2020/21 as set out in section 4.1 (which incorporates changes to the existing medium term financial plan as set out in section 4.2);**
- (4) the use of Dedicated Schools Grant (provisional allocation) for 2017/18 as set out in section 4.7;**
- (5) virement arrangements to operate within the approved budget for 2017/18 as set out in section 4.8;**
- (6) that any variation as a result of the final Local Government Finance settlement is dealt with through a transfer to/from balances.**

**(c) (in respect of treasury management) approve:**

- (1) the Treasury Management Strategy Statement and Annual Investment Strategy for 2017/18 as set out in section 4.5;**
- (2) the continued delegation of authority to withdraw or advance additional funds to/from external fund managers to the Treasury Management Strategy Team;**
- (3) that any further changes required to the 2017/18 strategy be delegated to the Chief Finance Officer in consultation with the Leader of the Council and the Cabinet Member for Finance;**
- (4) the Prudential Indicators as set out in Appendix A of section 4.5**
- (5) the Minimum Revenue Provision Methodology Statement as set out in Appendix B of section 4.5;**
- (6) the Specified Investment and Non Specified Investment Instruments as set out in Appendix C and D of section 4.5;**
- (7) the Treasury Management Policy Statement as set out at Appendix E of section 4.5;**

**(d) (in respect of balances and reserves) approve:**

- (1) the Chief Finance Officer's recommended level of balances for 2017/18 as set out in section 4.6.1;**
- (2) the planned level of reserves for 2017/18 to 2020/21 as set out in section 4.6.2;**

**(e) (in respect of capital) approve:**

- (1) a Capital Programme for 2016/17 to 2020/21 as set out in section 4.9 including the Highways Structural Maintenance Programme 2017/18 and 2018/19 in section 4.9.1;**
- (2) the Flexible Use of Capital Receipts Policy as set out in section 4.9.4**

**LORNA BAXTER**

Director of Finance

Background papers: Nil

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