

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

Subject: REVENUE BUDGET 2017/18

All Wards
Portfolio Holder for Finance and Economic Development: Councillor P R Wilkinson

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of the report is to present at a strategic level the revenue budget proposals for the next financial year 2017/18.
- 1.2 The summary estimates in this report are shown at Annex 'A' and present the 2015/16 Actual; 2016/17 Original budget; 2016/17 latest Approved and 2017/18 Estimate budget. Commentary on the budget proposal is also contained in Annex 'A'. Theme budgets are shown at Annex 'B'.

2.0 BUDGET 2017/18:

- 2.1 The original estimate for 2017/18 shows a net budget of £7,210,600. This is £600,770 lower than the budget set in 2015/16 which was £7,811,370.
- 2.2 The decrease in the budget relates to two specific areas - the expected income to be earned for the charging of green waste and the income to be earned from the loan to the third party Housing Association.
- 2.3 Considering the financial climate in which the Council is currently operating, with cost pressures facing local government and a tighter funding position from a reduction of Government grants, this is a satisfactory budget position. The council continues to provide efficient and effective services for the community.

3.0 FINANCIAL STRATEGY:

- 3.1 The revenue budget estimate for 2017/18 is within the financial constraints of the Financial Strategy included previously on this Cabinet agenda.
- 3.2 The ten year Financial Strategy makes a number of assumptions around the level of grant support to be received by the Council, the business rate retention scheme and the level of Council Tax to be collected. These assumptions and the revenue budget provide a balanced position for 2017/18.

4.0 RISK ASSESSMENT:

- 4.1 The key financial risks and associated implications for the Revenue Budget 2017/18 are detailed below, a score of high, medium or low has been given to the likelihood of each risk occurring and the impact of risk on the Financial Strategy should it occur:-

| Risk | Implication | Probability | Impact | Total | Preventative action |
|---|--------------------|--------------------|---------------|--------------|--|
| The four year funding settlement is further reduced by the Government | Loss of funding | 3 | 5 | 15 | Continually search for other income generating options |

| Risk | Implication | Proba bility | Impa ct | Total | Preventative action |
|--|--------------------|-------------------------|--------------------|--------------|---|
| Under the Business Rate Retention scheme failure to meet the target for business rate collection set by Government represents a cost to the Council. Also, under this scheme the Government has transferred the risk of business rate no payment to the Council. | Loss of income | 3 | 5 | 15 | Monitor business growth and reduction through collection rates. Act as an enabler with partners on economic development initiatives |
| A forecast low Bank Base Rate of 0.5% impacts on the Council's ability to generate investment income from balances. | Loss of income | 5 | 3 | 15 | Look for other investment opportunities |
| Third Party Housing Association does not draw upon the offered loan according to the profile in 2017/18. | Loss of Income | 4 | 3 | 12 | This would result in a timing difference in interest received and reserves would be used and then replaced at a later date to support the budget. |

5.0 FINANCIAL IMPLICATIONS:

5.1 The financial implications are dealt with in the body of the report.

6.0 LEGAL IMPLICATIONS:

6.1 It is a legal requirement under the Local Government Finance Act 1992 to set a balanced budget and monitor the financial position throughout the year.

7.0 EQUALITY/DIVERSITY ISSUES:

7.1 There are no specific equality implications to this report.

8.0 RECOMMENDATIONS:

8.1 It is recommended that Cabinet approves and recommends to Council the revenue budget for 2017/18 at £7,210,600.

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Background papers: Budget Setting papers 2017/18; Financial Strategy 2017/18

REVENUE BUDGET – ESTIMATES 2017/18**1.0 ESTIMATES 2017/18**

- 1.1 The table below details the revenue budget for 2017/18 at a strategic level. It shows the restructure that has occurred during 2016/17 and therefore the change in the way the budget is portrayed.

| | 2015/16 Actual £ | 2016/17 Original £ | 2016/17 Latest £ | 2017/18 Estimate £ |
|-------------------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Customer and Leisure | 1,509,373 | 1,679,690 | 1,601,710 | - |
| Environmental and Planning Services | 4,130,261 | 4,835,750 | 4,958,170 | - |
| Support Services | 1,551,361 | 1,186,100 | 985,030 | - |
| Internal Drainage Boards | 105,379 | 109,830 | 107,490 | - |
| Net Budget | 7,296,374 | 7,811,370 | 7,652,400 | - |
| | | | | |
| Leisure & Environment | - | - | 5,288,360 | 4,758,820 |
| Economy & Planning | - | - | 1,169,430 | 1,183,990 |
| Finance | - | - | (54,210) | 39,190 |
| Law & Governance | - | - | 1,141,330 | 1,118,960 |
| Internal Drainage Boards | - | - | 107,490 | 109,640 |
| Net Budget | - | - | 7,652,400 | 7,210,600 |

- 1.2 The budget has been prepared in accordance with the Council's priorities reflected in the Council Plan.
- 1.3 A detailed schedule of service's budgets that constitute the total budget in each Department is shown at Annex 'B'.

2.0 FINANCIAL STRATEGY:

- 2.1 The Council's latest Financial Strategy has been included previously on this Cabinet agenda. The revenue budget for 2017/18 is within the financial constraints set by the Financial Strategy.
- 2.2 A number of assumptions which underpin the Financial Strategy have been applied in setting the 2017/18 revenue budget, these include:-
- The revenue budget assumes that the Bank of England base will remain low at 0.25% throughout 2017/18 and the foreseeable future. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the Monetary Policy Committee will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in until quarter 2 2019; this will impact on the ability of the Council to generate investment income from balances;

- All fees & Charges have been reviewed for 2017/18, with an overall increase of 2.17%. This takes into consideration the nature of the services, the impact on commercial viability and local economic circumstances;
- A provision of 1% has been included for a pay award in 2017/8 in line with the national agreement;
- Contracts and Service Level Agreements have been increased by the appropriate rate of Consumer Price Index where applicable. Energy and vehicle fuel prices continue to be particularly volatile. Prudent provision has therefore been included for continued changes in charges for gas, electricity and vehicle fuel for 2017/18.
- Business Rate Retention Scheme enables the Council to keep a proportion of the business rates collected locally, providing an incentive for Councils to grow their local economy.
- A Council Tax increase of £5 on a Band D equivalent property; Council tax did not rise for five years up to 2016/17 as a result of Central Government offering a Council Tax Freeze Grant, however this has not been paid for 2016/17 or 2017/18 due to the reduction in local government funding.

2.3 Within the Financial Strategy it is estimated that the Council will lose 11.1% of its funding (revenue support grant, rural service delivery grant, new home bonus, business rates) over the 4 year period since the introduction of the four year funding settlement for 2016/17. In 2017/18 there is a loss of 6.2%.

2.4 These factors have been taken into account to balance the revenue budget and limit the Council's reliance on the Council Tax-Payer Reserve. The assumptions in the Financial Strategy on the level of income generated by these streams are made on a prudent basis.

3.0 RESERVES AND BALANCES:

3.1 As the revenue budget has been set within the constraints of the Financial Strategy, the assumed level of revenue reserves and balances at 31 March 2017 remain consistent with the Financial Strategy.

3.2 A summary of anticipated revenue reserves and balances at 31 March 2018 is set out below:-

| Reserve | Balance £ |
|------------------------------|----------------------|
| Council Tax-payers | 3,295,412 |
| Repairs and Renewals Fund | 2,060,767 |
| Computer Fund | 454,719 |
| Grants Fund | 164,012 |
| One-Off Fund | 172,664 |
| General Fund Working Balance | 2,000,000 |
| Economic Development Fund | 1,052,241 |
| TOTAL | 9,199,815 |

3.3 This reserve position is reliant on the income streams detailed in paragraph 2.3.

4.0 FINANCIAL OUTLOOK:

- 4.1 Although the revenue budget 2017/18 and Financial Strategy represent a robust position, the Council is not immune to the continued significant economic and financial challenges facing the whole of the public sector in the UK.
- 4.2 The changes to the Local Government Finance Settlement have seen a headline reduction of 12.46% in the Settlement Funding Assessment mainly due to a significant cut in Revenue Support Grant. Overall Core Spending Power nationally is expected to reduce by only 1.14% in 2017/18, where the cut in revenue Support Grant is offset by an expected increase in council tax, 5.60%. The Core Spending Power is the overall impact on local authorities of changes in funding and locally-raised council tax. It reflects the impact of changes on local authority budgets. For District Council's the Core Spending Power includes:
- Settlement Funding Assessment – revenue support grant, retained business rates, rural services delivery grant
 - New homes bonus
 - Council Tax
- 4.3 Reductions in spending power are greater in District Council's, nationally -5.19%, particularly due to the cuts in New Homes Bonus where districts have an 80% share in two tier areas. The Core Spending Power for this Council in 2017/18 has reduced by 6.2%.
- 4.4 The reduction to funding in 2017/18 was higher than anticipated due to the significant changes announced to new homes bonus grant. The reduction in new homes bonus grant for this Council in 2017/18 was £308,177. Future proposals from Government to withhold payments from authorities' not supporting growth (houses built after appeal, Local Plan) have been delayed until 2018-19. This Council will have published its 15 year Local Plan by the end of 2018/19 thereby will avoid reducing new homes bonus payments.
- 4.5 These reductions in Government grant support increase the Council's reliance on other revenue income streams such as:
- The consultation on the changes to the new business rates retention system will be issued in the Summer 2016, where Council's will retain 100% business rates locally but will receive increased burdens transferred from central government.
 - Increasing Council Tax by £5 on a Band D equivalent property.
 - Reviewing Fees and Charges across Council services.
 - Investment increase and loan interest.
 - Income generated from commercial opportunities.
- 4.6 In addition to the reduction in grant funding, it is also necessary to consider the volatility of inflation, the economic environment and BREXIT, changes in energy prices, reduced investment interest rates and the Council's ability to generate income.
- 4.7 The shortfall in funding and increase in costs presents a very challenging financial outlook for the Council. The Council continues to ensure services are provided in a cost effective way enabling the Council to continue to preserve its front-line services for the community at the present time.

- 4.8 Due to the Council's revenue reserve balances it is in a better financial position than most to deal with these financial challenges. It should be noted that as a result of the Local Government Finance Settlement over the 10 year financial strategy the revenue reserve balances continue to fall significantly. Therefore, to maintain the current reserve position it is vital that other income generating opportunities are identified and also efforts must be made in setting future budgets to, where possible, preserve these reserve levels and protect the Council's financial position.