*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. **8**

TITLE OF REPORT: CORPORATE BUSINESS PLANNING - DRAFT BUDGET 2017/18

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE
PORTFOLIO HOLDER: COUNCILLOR T.W. HONE

1. SUMMARY

1.1 To consider the draft budget for 2017/18 and the main factors which contribute to the determination of the North Hertfordshire District Council (NHDC) Tax level and to recommend the appropriate level to the meeting of the Council on the 9 February 2017.

1.2 To consider the key factors, both of known and unknown amount, which could impact on NHDC finances within the period of the medium term financial strategy (2017 – 2022).

2. RECOMMENDATIONS

2.1 That Cabinet notes the expected Central Government funding levels, but that New Homes Bonus could be significantly affected by changes to the way that it is calculated.

2.2 That Cabinet notes the estimated position on the Collection Fund and how this will be funded.

2.3 That Cabinet notes the uncertainty in relation to Business Rates income.

2.4 That Cabinet notes that there is likely to be an option of a £5 increase in Council Tax and that two options (1.9% and £5) will be presented in the budget proposals.

2.5 That Cabinet provides a view on the appropriate level of Council Tax for 2017/18.

2.6 That Cabinet notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £1.569 million is recommended.

2.7 That Cabinet notes and comments on the inclusion of the savings and investment proposals in the draft budget.

2.8 That Cabinet notes the remaining uncertainty in relation to savings and investments.

2.9 That Cabinet notes and comments on the inclusion of the capital investment proposals.

2.10 That Cabinet provides a view on the recommendation that Capital Reserves continue to be used to fund the Capital Programme.

2.11 That Cabinet notes the potential to use the Capital Receipts direction for the revenue costs in relation to decommissioning pavilions and play areas, and the lease buy-out.

2.12 That Cabinet notes that the NHDC Sustainability Plan will be reviewed as part of the final draft budget to be presented to Cabinet at the January meeting.

3. REASONS FOR RECOMMENDATIONS

3.1 To ensure that all relevant factors are taken into consideration when arriving at the proposed Council Tax precept for 2017/18.

3.2 To ensure that the Cabinet recommends a balanced budget to Council on 9 February 2017.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 During September and October, Political Groups were asked for savings ideas that they wanted Officers to investigate further. These have been combined with ideas generated by Officers. The total value of the ideas presented is less than the funding gap that needs to be met over 4 years. This means that currently there are not any alternative options available.

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD COUNCILLORS

5.1 All Councillors were given opportunity to comment on the efficiency and investment proposals at the Budget Workshops.

5.2 The Cabinet will consult on the proposals in this report with the Business Rate Payers Group in January 2016. This is the only statutory consultation that is required.

5.3 Any savings that have an impact on a specific area (or areas) will be referred to that Area Committee(s) during January.

6. FORWARD PLAN

6.1 This Report contains a recommendation on a key decision to be taken by Council on 11 February 2016 that was first notified to the public in the Forward Plan in June 2015.

7. BACKGROUND

7.1 The Medium Term Financial Strategy (MTFS), which provides the financial background to the Corporate Business Planning process for 2017-2022, was adopted by Full Council on the 1 September 2016 following recommendation by Cabinet.

7.2 The MTFS included a number of assumptions, which will be updated as better information becomes available. The final budget will still contain some assumptions, and this is why monitoring reports are provided to Cabinet on a quarterly basis.

7.3 In anticipation of the decline in future funding, NHDC has increased the level of general fund reserves. This allows for some cushioning in the delivery of savings. Although even using around **£3.4 million** of general fund reserves over the next 4 years and increasing Council Tax by 1.9%, there is still a need to deliver at least **£2.75 million** of savings. This is effectively a **£6.15 million** funding shortfall. The current forecast is that the general fund balance will be £5.9 million at 1st April 2017 and will decrease to £3.6 million by 31st March 2021. The Council is legally required to have adequate reserves and the estimate is that these should be at least £1.6 million.

7.4 Significant savings have been delivered in recent years (e.g. £5.2 million since 2011/12). This means that the opportunity for savings from reducing resources and staffing levels is now extremely limited. Instead the focus is now on service transformation and making best use of capital assets.

7.5 The meeting of Full Council in September gave delegated responsibility to the Strategic Director of Finance, Policy and Governance (in consultation with the Executive Member for Finance and IT) to submit a 4 year efficiency plan. This was submitted and an acceptance letter has been received. This confirms the previously announced allocations for 2017/18 to 2019/20 subject to any transfer of responsibilities or exceptional circumstances.

7.6 NHDC's funding is split between revenue (i.e. the day-to-day running costs) and capital (i.e. creating and improving assets). The general rule is that capital funding can not be used for revenue expenditure. However in the 2015 Spending Review, the Chancellor announced the "flexible use of Capital Receipts direction". Subject to certain conditions this allows Local Authorities to use Capital Receipts to fund the revenue costs of reform projects.

8. ISSUES

8.1 Central Government funding

8.1.1 On the 23 November, the Chancellor made his Autumn Statement. This announcement provides an update on the current state of public finances and the latest economic forecasts. None of the announcements had a significant specific impact on NHDC. The relaxation of Central Government's ambition to deliver a budget surplus by the end of the parliament does mean that were no additional reductions in funding for Local Government.

8.1.2 It is expected that there will be further adjustments and announcements in respect of the following. The timing of these is not known.

- New Homes Bonus- this has previously been paid for six years for each new home built. A consultation was published earlier this year which proposed reducing the period down to four years and introducing dead-weight (i.e. the bonus will only be paid on homes above an historic base level). For the purposes of estimating funding, it has been assumed that the period reduction will be introduced over two years (i.e. we will get 5 years worth in 17/18 and 4 years worth from 18/19) and that dead-weight will not be introduced.

8.1.3 The current estimates of non-specific Central Government is detailed in table 1 below. By submitting an efficiency plan (as referenced in paragraph 7.5), the totals for Revenue Support Grant, Transitional Funding and Business Rates baseline for the next three years should not change. This funding is used towards NHDC's base budget. The totals are not significantly different from the forecasts included in the September report to Council.

Table 1: Estimated Central Government Funding for 2016/17
(All amounts in £ millions)

2016/17		**2017/18**	**2018/19**	**2019/20**	**2020/21**
821	Revenue Support Grant	0	0	(1,070)	(1,125)
145	Transitional Funding	140	0	0	0
2,495	Business Rates Baseline (share income less tariff)	2,544	2,619	2,703	2,757
3,461	**Funding Assessment**	**2,684**	**2,619**	**1,633**	**1,632**
2,718	New Homes Bonus	2,173	1,626	1,576	1,846
6,179	**Total non-specific funding**	**4,857**	**4,245**	**3,209**	**3,478**
	Change on previous year	(1,322)	(612)	(1,036)	269

8.1.4 Cabinet is asked in Recommendation 2.1 to note the expected Central Government funding levels, but that New Homes Bonus could be significantly affected by changes to the way that it is calculated.

8.1.5 NHDC also receives grants for specific purposes. These grants are built in to service budgets and have therefore already been taken in to account when determining spend forecasts, so can not be used towards funding the base budget. However as detailed in table 2 below some of the amounts are uncertain. Therefore any reductions in the amounts received are likely to create a spending pressure that would need to be met from general base budget funding.

Table 2: Forecasts in relation to Specific Government Grants

	2016/17 amount expected £'000	Expectation for 2017/18
Housing Benefit Subsidy	38,210	An estimate will be available late January 2017.
Discretionary Housing Payments	218	Announcement expected in December 2016 / January 2017.
Benefits Administration and Fraud Initiative	551	An announcement to confirm the funding for 2017/18 is expected in December 2016.
Section 31 Grants to reimburse the impact of Business Rate reliefs and caps.	595	This grant is to compensate for the cost of changes to the business rates system announced in the 2016 Autumn Statement. This amount is likely to increase with the extension of the qualifying criteria for Small Business Rate Relief.
Waste minimisation – HCC contribution via the Alternate Financial Model.	336	While the total funding 'pot' is planned to reduce by a total of £1m over the next four years, the most recent projection provided by HCC indicated that NHDC annual funding will remain similar to the current expectation in the medium term estimates. Actual AFM funding received will however depend on the annual recycling performance of NHDC relative to the corresponding performance of the other Hertfordshire waste collection authorities.
Public Health Fund	33	It was originally expected that NHDC would receive the full £100k grant in 2015/16 however, due to spending cuts in the public health budget announced by the government, North Herts has instead received £33.3k in 2015/16, £33.3k in 2016/17 and will receive £33.3k in 2017/18. The total funding amount received of £100k must be spent by the end of March 2018.
NNDR Administration Grant	184	This will become known as the NNDR 1 for 2017/18 is completed in January.
Get Active	98	The Get Active North Herts programme will receive a total of £250k from Sport England over three calendar years, starting from 2016.
Total Revenue Grants	**40,225**	

8.2 Council Tax and Business Rates

8.2.1 NHDC is required to maintain a Collection Fund to account for the income received and costs of collection for Council Tax and Business Rates. Estimates of the net income are made at the start of the year and based on this money is transferred out of the fund to the NHDC general fund and other precepting bodies. The Fund is required to break even over time and any surplus or deficit is transferred to the NHDC general fund and other precepting bodies.

8.2.2 The amount of Council Tax that is collected is dependent on the actual number of properties, eligibility for paying a reduced amount (Council Tax Reduction Scheme) and the success in collecting what is owed. The amount of Business Rates that are collected in dependent on the number and type of business premises in the area, the success in collecting what is owed, eligibility for relief and the number of successful appeals. Assumptions on these factors are made in forecasting the level of income from Council Tax and Business Rates in future years.

8.2.3 Current forecasts are that the Business Rates collection fund will have a deficit at the end of the year. This is due to the level of appeals and rate reliefs. NHDC will need to fund its share of the deficit. The section 31 grant that NHDC receives for business rate reliefs and caps will be used for this purpose (see table 2). It is expected that the Council Tax collection fund will have a small surplus.

8.2.4 **Cabinet is asked in recommendation 2.2 to note the estimated position on the Collection Fund and how this will be funded.**

8.2.5 A business rate revaluation has just been completed, that will take effect from 1st April 2017. This has involved reassessing the rateable value of all business premises across the country. The rateable value is multiplied by a set poundage rate to determine the rates that a business will pay. The poundage will be reset so that the overall gain from the revaluation at a national level is zero (after allowing for inflation and an appeals provision). For Local Authorities the business rate tariff is adjusted to maintain the baseline funding at the same level. A new appeals process (known as check, challenge, appeal) is also being introduced, and it is hoped that this will reduce the volumes of appeals and the funding uncertainty that this creates.

8.2.6 The increases in rateable values for North Hertfordshire are less than the national average, which is due to the national average being significantly driven by London. This means that the average increases in rates for North Hertfordshire businesses are fairly low at around 0.5%. The rateable value is set based on the assumption that 4.7% of rates will be lost to appeals. Given the small increase, it is possible that there will be fewer successful appeals than the 4.7% which would be a gain in funding. However the opposite could also happen. The impact of appeals can take a number of years to come through. The level of income is also dependent on the number and type of businesses.

8.2.7 Cabinet is asked in recommendation 2.3 to note the uncertainty in relation to Business Rates income.

8.2.8 There has not yet been any confirmation on the proposal that Local Authorities could raise Council Tax by up to 2% or £5. However it is assumed that this will be confirmed at some point. For lower tier authorities, £5 tends to be more than 2% and therefore provides an opportunity to increase available funding, without the need for a referendum. Table 3 highlights the forecast difference in funding and impact on households from a £5 increase compared to a 1.9% increase. Given the overall funding pressures, Cabinet is asked to consider whether future medium term modelling should be based on a £5 increase.

Table 3: Comparing a 1.9% and £5 Council Tax increase

2016/17		2017/18	2018/19	2019/20	2020/21
211.96	Band D Council Tax (£), increasing at 1.9% per year	215.99	220.09	224.27	228.53
	Band D Council Tax (£), increasing at £5 per year	216.96	221.96	226.96	231.96
	Increase as a %	2.4%	2.3%	2.3%	2.2%
10.172	Council Tax income to NHDC, at 1.9% (£m)*	10.365	10.562	10.762	10.967
10.172	Council Tax income to NHDC, at £5 (£m)*	10.412	10.652	10.892	11.132
	Difference in Council Tax income to NHDC (£m)*	0.047	0.090	0.130	0.165

* Based on a Council Tax base of 47,990 Band D equivalent properties. No growth is assumed for the purposes of a like-for-like comparison

8.2.9 It should be noted that this only represents the District Council element of the Council Tax bill for households. Table 4 below shows the constituent elements of the 2016/17 Council Tax bill for a Band D property (excluding any Parish precept).

Table 4: Band D Council Tax 2016/17 (excluding Parish precepts)

	2016/17	Share of bill
	£	
District	211.96	13.7%
County Council	1,163.80	75.3%
County Council- Social Care Precept	22.82	1.5%
Police and Crime Commisioner	147.00	9.5%
Total	**1,545.48**	**100.00%**

8.2.10 Cabinet is asked in recommendation 2.4 to note that there is likely to be an option of a £5 increase in Council Tax and that two options (1.9% and £5) will be presented in the budget proposals.

8.2.11 Cabinet is asked in recommendation 2.5 to provide a view on the appropriate level of Council Tax for 2017/18.

8.3 Balances and Reserves

8.3.1 Before setting the budget, it is necessary to review the position of balances and reserves. This determines the extent to which the current budget can be supported by use of reserves, or requires a budget to be set that includes an allowance for increasing reserves. In addition to the General Fund balance, NHDC has specific reserves and provisions. Specific reserves are amounts that are set aside for a determined purpose. This purpose can arise from a choice made by the Council, or where it is felt that there is an obligation. Provisions are where there is a requirement on the Council to meet future expenditure, and a reasonable estimate can be made of the amount and timing. In determining the risks that may need to be met from the General Fund, it is important to know which risks will already be covered by amounts that are set aside as a specific reserve or provision.

8.3.2 A full list of specific reserves and forecast balances is shown in table 5.

Table 5: Specific Reserves
All amounts in £000

	Balance at 1 April 2016	Forecast balance at 31 March 2017
Cemetery Mausoleum	118	118
Children's Services	10	7
Climate Change Grant	30	30
Community Development	1	1
Community Right to Bid	45	45
DCLG Grants	549	571
DWP Additional Grants	13	3
Environmental Warranty Reserve	209	209
Growth Area Fund	53	53
Homelessness	33	33
Housing Planning Delivery Reserve	370	133
Information Technology Reserve	82	82
Insurance Reserve	36	36
Leisure Management Reserve	89	109
Local Authority Mortgage Scheme	82	107
Museum Exhibits Reserve	13	13
Neighbourhood Plan Reserve	55	11
Office Move IT Works	7	7
Paintings Conservation	13	13
Personal Search Fees	179	108
Property Maintenance	58	68
S106 Monitoring	84	69
Special Reserve	1,720	1,720
Street Furniture	6	10
Street Name Plates	8	8
Taxi Licences Reserve	6	6
Town Centre Maintenance	34	34
Town Wide Review	222	222
Waste Reserve	480	499
Total Specific Reserves	**4,605**	**4,325**

8.3.3 As at the 31 March 2016 there was a total of £955k held as provisions. These comprised of:

- Business Rates appeals- the NHDC share of outstanding business rates appeals. This makes up £910k of the total.
- Insurance- covers the uninsured aspect of outstanding insurance claims
- Baldock Road Pavilion- for the rebuilding of the pavilion which burnt down a number of years ago. The monies were received from an insurance payment.

8.3.4 NHDC operates with a reserve balance for General Fund activities in order to provide a cushion against unexpected increases in costs, reductions in revenues and expenditure requirements. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) suggests that the revenue balances should be set at no less than 5% of net revenue expenditure, having taken account of the risks faced by the Authority in any particular year. As net expenditure is anticipated to be around £16.1 million, this means a minimum balance of about £800k. The minimum figure represents the cushion against totally unforeseen items. When setting the level of balances for any particular year, known risks which are not being budgeted for should be added to this figure, according to risk likelihood.

8.3.5 An assessment of the risks has been compiled for the coming year based on risks identified by each Head of Service/ Corporate Manager and cross-referenced to the risk register. The identified areas are where the financial impact is not wholly known, but an estimate can be made. The amount allocated is based on the forecast likelihood of occurrence. Where there is a high likelihood, 50% of the estimated financial impact is allowed for. For medium likelihood, it is 25%. For low likelihood, it is 0%. Table 6 summarises the risks, the forecast impact and the risk allowance to be made.

Table 6: Budget risks 2017/18

Category	**Number of risks**	**Forecast value of impact £000**	**Risk Allowance £000**
High	7	510	255
Medium	26	2,067	509
Low	34	3,329	0
Total	**67**	**5,906**	**764**

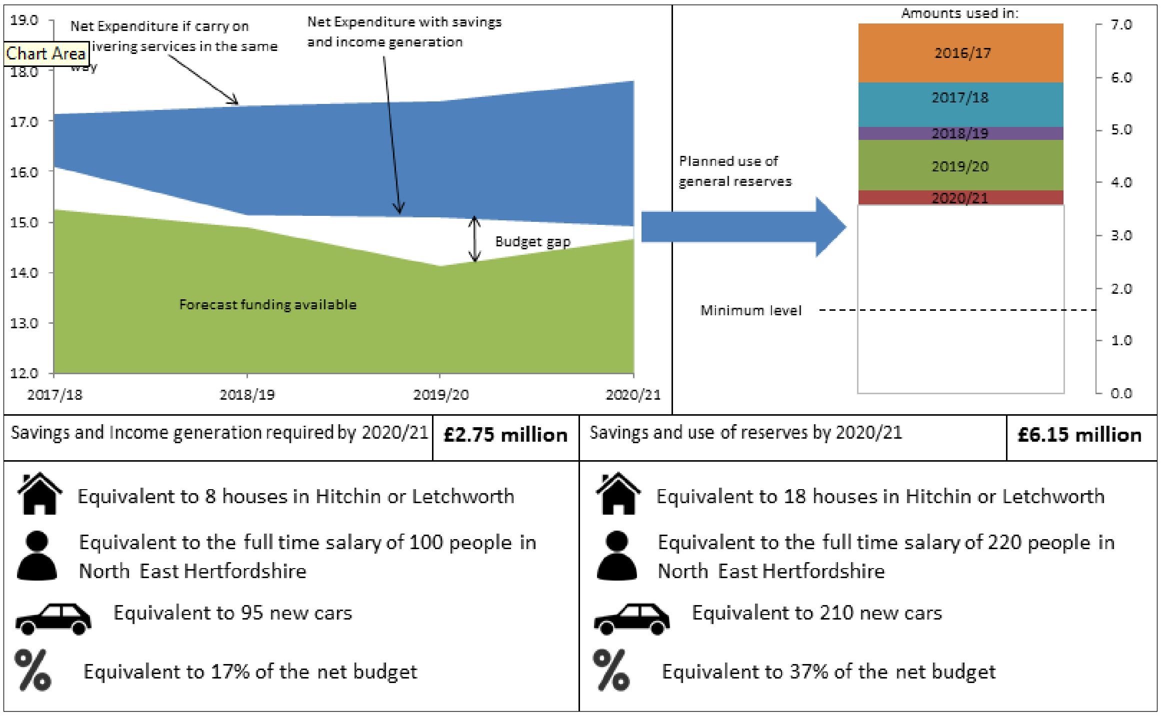
8.3.6 Combining the risk allowance for specific risks and unknown risks means that a General Fund balance of at least £1.569 million should be maintained.

8.3.7 Cabinet is asked in recommendation 2.6 to note the position relating to the General Fund balance and that due to the risks identified a minimum balance of £1.569 million is recommended.

8.4 Savings and Investment Proposals

8.4.1 The Medium Term Financial Strategy highlighted the need to find at least £2.75 million of savings within 4 years. Furthermore with the expected phasing of these savings, there would be a need to use £3.4 million of reserves. Figure 7 provides some context as to the level of savings that need to be found.

Figure 7: Level of savings to be identified and delivered



8.4.2 Budget proposals were put forward for discussion at Group workshops in November. To give the full context, these proposals included both savings and investment proposals. The comments made by the Groups are included as appendix 5. After seeing the Cabinet report on the Green Space Strategy, the Labour group provided an additional comment that it was a flawed strategy with a lack of public consultation. The net total of all the savings and investments identified is shown in table 8 below. If any savings are rejected then this will add to the remaining savings that need to be identified. By the of the four year period at least £0.68 million of further savings will need to be found.

Table 8: Savings and investments presented against target
(All amounts in £000 and are cumulative)

	2017/18	**2018/19**	**2019/20**	**2020/21**
Target Savings	800	1,500	2,150	2,750
Add: Investments reported to Budget Workshops	69	7	7	7
Less: Savings reported to Budget Workshops	(1,043)	(1,953)	(1,934)	(2,077)
Remaining Savings to be identified (positive total means more savings need to be found)	**(174)**	**(446)**	**223**	**680**

8.4.3 The pension fund triennial valuation report has now been received and the funding position is in line with what was expected. An application has now been made to the Department for Communities and Local Government (DCLG) for the capitalisation of a lump sum payment. Full Council in setting the budget for 2016/17 agreed that this application could be made. If the DCLG agree to this request, then it would reduce the funding gap over the next three years. This is not currently included in the above totals.

8.4.4 There is a forthcoming national review of pay scales on which our HAY scheme is based. The review is likely to result in increases to the pay scales to accommodate the new National Living Wage and also reflect that salaries are no longer in line with the general market. The Council is also already carrying out a review of its own pay scales as set out in the People Strategy and the Annual Pay Policy statement. An analysis of the councils pay scales carried out by Hay comparing the Council's median pay rates to the public sector comparators showed an average gap of 6.7%. Every 1% increase in salaries as a result of the review of national pay scales would cost around £125k per year. The potential impact of this is not currently included in the above totals.

8.4.5 The capital programme includes an allocation for the purchase of the vehicles to deliver the waste contract from 2018/19. This would generate savings on the revenue costs of the contract. The option will only be taken up if there is a good revenue return from the capital outlay, which will be dependent on the offer made by the successful tenderer. Even if the offer is not taken up, it is likely that there would be a requirement to capitalise an element of the contract cost, which would reduce revenue costs compared to the current arrangement. An annual saving of £500k is currently assumed from 2018/19.

8.4.6 The Senior Management Team will continue to identify any opportunities for savings that minimise the impact on service delivery. A high level update on the 2016/17 budget will be carried out at the end of November, which may identify some further impacts on the 2017/18 budget. Where applicable these will be presented in the final version of the budget for 2017/18.

8.4.7 Cabinet is asked at recommendation 2.7 to note and comment on the inclusion of the savings and investment proposals in the draft budget.

8.4.8 Cabinet is asked at recommendation 2.8 to note the remaining uncertainty in relation to savings and investments.

8.5 Capital programme and funding

8.5.1 This version of the budget does not include the full capital programme.

8.5.2 The Budget proposals that were put forward for discussion at Group workshops in November also included capital programme projects due to commence in 2017/18. The comments made by the Groups are included as appendix 6. The Labour Group also made a general comment about the capacity to deliver all the items and whether they reflected current priorities.

8.5.3 As referenced in paragraph 7.6, there are generally separate funding sources for Revenue and Capital. Where possible, external funding sources are sought for capital projects (e.g. developer contributions and grants), but the majority of the capital programme is funded from capital reserves. These reserves are made up of set-aside and capital receipts, and totalled £24.3 million at the start of 2016/17. Set-aside receipts are the amounts that NHDC received from the stock transfer of housing to North Herts Homes. Capital receipts are amounts that NHDC receive when it sells surplus assets. During the final quarter of 2016/17 it is expected that these reserves will fall below £20 million. As set out in the Medium Term Financial Strategy this requires a consideration of alternative funding options. The available funding options are:

- **Continue to use capital receipts**. This is the most prudent option as the funding is available from this source. There would then not be any direct revenue implications from agreeing the capital investment proposals. This is what is recommended.
- **Use revenue contributions**. As set out in this report, NHDC has a significant shortage of revenue funding and therefore this is unaffordable.
- **Borrow**. Whilst this could be possible, it would be seen as going against the current Treasury Management Strategy. The strategy states that the "Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed". Given the current low cost of borrowing, it would be difficult to justify that this was not being done for profit. If it did not generate a profit, then the cost of borrowing would be a further revenue cost.

8.5.4 As per the Medium Term Financial Strategy, the balance of capital reserves will be kept under review. The next review point is when set-aside receipts fall below £10 million.

8.5.5 Cabinet is asked at recommendation 2.9 to note and comment on the inclusion of the capital investment proposals.

8.5.6 Cabinet is asked at recommendation 2.10 to provide a view on the recommendation that Capital Reserves continue to be used to fund the Capital Programme.

8.5.7 As referenced in paragraph 7.6, the "flexible use of Capital Receipts direction" is now available. This flexibility only applies to capital receipts received since the 1st April 2016. NHDC have not yet had any capital receipts since that date, but it is expected that there will be receipts by or during 2017/18. The direction allows capital receipts to be used to fund the revenue costs of service change which will lead to ongoing revenue savings. Whilst there is some detailed guidance, it is for each Council to determine whether they meet the requirements that it contains. The main requirement is that any proposed use of the direction is agreed as part of the budget setting process agreed by Full Council.

8.5.8 There are two potential revenue costs identified that could be funded by the direction. Both of these would be subject to a detailed business case, but in summary they are:

- **Decommissioning of pavilions and play areas** as part of the green space strategy. The strategy itself is subject to consultation, but if it is adopted there would be up-front costs of removing the specified pavilions and play areas. These costs do not add to the asset and therefore would be revenue. However they do help to deliver service change that leads to ongoing cost reductions, and therefore would be expected to meet the conditions for using the Capital Receipts direction.
- **Buy-out of lease terms in the District Council Offices ground lease**. As part of the lease terms for the District Council Offices, Letchworth Garden City Heritage Foundation (LGCHF) is entitled to an annual payment of 20% of the lettings value of the office space. This term was included in the original lease as it was assumed that the building would be leased by an entity that would then sub-let the office space. Whilst this is now not the case (i.e. NHDC have the head lease and use the building), the term is still enforceable. This leads to a lot of time spent negotiating a notional lettings value. LGCHF are going to make a proposal of what it would cost to buy out this clause. This will be subject to a business case as it will involve swapping an up-front cost for an ongoing saving. It is expected that the up-front cost would meet the terms of the Capital Receipts direction.

8.5.9 Cabinet is asked at recommendation 2.11 to note the potential to use the Capital Receipts direction for the revenue costs in relation to decommissioning pavilions and play areas, and the lease buy-out.

8.6 Efficiency/ Sustainability plan

8.6.1 As referenced in paragraph 7.5, NHDC submitted an efficiency plan to the DCLG. This means that there is now greater certainty over Central Government funding for the next 3 years (2017/18 to 2019/20). As allowed by the guidance, the efficiency plan that was submitted was actually called a sustainability plan. This was to make the distinction that the level of savings required could not be met through efficiencies alone. The sustainability plan is published on the NHDC website (see background papers for the website link).

8.6.2 The sustainability plan should be a summary the Council's objectives and financial position. It was written following the September Full Council meeting, it already incorporates the agreed Corporate Plan and Medium Term Financial Strategy. Therefore it is not expected that there will need to be any significant changes. It will be reviewed as part of the final draft budget to be presented in Cabinet at the January meeting.

8.6.3 **Cabinet is asked at recommendation 2.12 to note that the NHDC Sustainability Plan will be reviewed as part of the final draft budget to be presented to Cabinet at the January meeting.**

8.7 Overall summary

8.7.1 Appendices 1 and 2 provide a summary of the forecast General Fund impact of the factors referenced in the previous sections of this report. Appendix A provides a summary based on increasing Council Tax by 1.9%. Appendix B provides a summary based on increasing Council Tax by £5.

9. LEGAL IMPLICATIONS

9.1 The Cabinet has a responsibility to keep under review the budget of NHDC and any other matter having substantial implications for the financial resources of NHDC.

9.2 Cabinet's terms of reference include recommending to Council the annual budget, including the capital and revenue budgets and the level of council tax and the council tax base. Council's terms of reference include approving or adopting the budget.

9.3 Members are reminded of the duty to set a balanced budget and to maintain a prudent general fund and reserve balances.

10. FINANCIAL IMPLICATIONS

10.1 As outlined in the body of the report.

11. RISK IMPLICATIONS

11.1 As outlined in the body of the report.

11.2 There are significant uncertainties and risks with regard to the funding of NHDC over the medium term. In particular in relation to the expected changes to how the New Homes Bonus Scheme operates. More detail may be available prior to finalising the budget in early 2017.

12. EQUALITIES IMPLICATIONS

12.1 The Equality Act 2010 came into force on the 1 October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5 April 2011. There is a General duty, described in 8.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.

12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.3 The proposals for efficiencies within this report do not unduly disadvantage one individual group within our local community more than another, although proposals relating to the staff, their terms and conditions or future employment will need to be subject to individual equality analysis in due course, as for any organisational or service restructure.

12.4 For any individual proposal comprising either £50k growth or efficiency, or affecting more than two wards, an equality analysis is required to be carried out; this will take place following agreement of efficiencies or growth.

13. SOCIAL VALUE IMPLICATIONS

13.1 There are no social value implications arising from the adoption of the Budget.

14. HUMAN RESOURCE IMPLICATIONS

14.1 A number of efficiency proposals will directly affect staff. It is important that all affected staff are consulted at the earliest opportunity and council policies and procedures are followed.

15. APPENDICES

15.1 Appendix 1 - General Fund estimates (1.9% Council Tax increase).
Appendix 2 - General Fund estimates (£5 Council Tax increase).
Appendix 3 – Revenue Efficiency and Investment proposals.
Appendix 4 – Capital Investment proposals.
Appendix 5 – Notes of November Member Workshops (Revenue savings and investments).
Appendix 6 – Notes of November Member Workshops (Capital).

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17. BACKGROUND PAPERS

17.1 Medium Term Financial Strategy 2017-22.

17.2 Sustainability Plan http://www.north-herts.gov.uk/home/council-performance-and-data/budgets-and-spending/sustainability-plan-2016-20