*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. **6C**

TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 19 DECEMBER 2016 – DRAFT BUDGET 2017/18

The following is an extract from the Draft Minutes of the Finance, Audit and Risk Committee meeting held on 19 December 2016.

55. DRAFT BUDGET 2017/18

The Head of Finance, Performance and Asset Management presented the report and addendum report of the Strategic Director of Finance, Policy and Governance in respect of the Draft Budget for 2017/18.

The Head of Finance, Performance and Asset Management referred to Section 8.1 of the report regarding Central Government funding. At the time of writing the report, the major uncertainty concerned the future of the New Homes Bonus. The Provisional Finance Settlement from Central Government has subsequently been received on 16 December 2016, and the details were set out in the addendum report.

The Head of Finance, Performance and Asset Management explained that the Provisional Settlement contained confirmation of the fact that the period over which the New Homes Bonus would be paid had been reduced from 6 to 4 years. A 0.4% baseline would also be introduced, so that for the first element of new housing growth, the Council would receive no New Homes Bonus, and therefore the Bonus would only apply to new homes above that baseline level.

The Head of Finance, Performance and Asset Management commented that, by using the estimated future housing projections for NHDC, it had been calculated that the impact would mean a reduction in funding of approximately £750,000 by 2020/21. Therefore, the £2.75Million savings to be delivered up to 2020/21 would be increased to £3.5Million. With the use of reserves and savings, the £6.15Million shortfall over the period would increase to around £7Million.

In respect of Section 8.2 of the report regarding Council Tax and Business Rates, the Head of Finance, Performance and Asset Management advised of the uncertainty brought by Business Rates revaluation. There was already a large provision for Business Rates appeals, which was an on-going risk. The Provisional settlement also gave Local Authorities the option of increasing Council Tax by either 2% or £5, and Table 3 in the report showed the financial impact of both options.

In relation to Section 8.3 of the report regarding Balances and Reserves, the Head of Finance, Performance and Asset Management stated that combining the risk allowances for specific and unknown risks meant that a General Fund balance of at least £1.569Million should be maintained. The current General Fund balance was above this total and allowed the smoothing of the impact of future savings.

The Head of Finance, Performance and Asset Management drew attention to the chart at Figure 7 in the report, which though based on information before the Provisional Finance Settlement, already showed a declining level of General Fund balance up to 2020/21.

The Head of Finance, Performance and Asset Management commented that an application had been made to the Government for the capitalisation of a lump sum payment to the Pension Fund. If agreed, this would reduce the funding gap over the next three years. However, the forthcoming review of pay scales could well result in an overall increase to the salaries budget. Neither of these matters had been included in the savings and investment figures.

The Head of Finance, Performance and Asset Management referred to Section 8.5 of the report in respect of Capital Programme and funding, and advised that the Council's Capital reserves were forecast to fall below £20Million during the last quarter of 2016/17. As set in the Medium Term Financial Strategy, this meant that there should be a review of how the Council continued to fund capital expenditure going forward. It was proposed that capital reserves would be used for this purpose, on the basis that the Council had an insufficient revenue budget to fund the Capital Programme from revenue.

The Head of Finance, Performance and Asset Management concluded by stating that there was now an opportunity for new capital receipts to be used to fund the up front revenue costs of projects where there would be on-going revenue savings generated. Two potential examples were set out in Paragraph 8.5.8 of the report.

The Committee considered the Revenue efficiency and investment proposals set out in Appendix 3 to the report, and commented as follows:

- E14/15 – Corporate Restructuring – concerns about whether this would maintain sufficient staff resources to run services, and especially key projects;
- E25 – Replace Area Committees with a more informal alternative – it was premature/speculative at the current time to identify a savings figure, without a fully costed alternative; and
- E30 – Frequency of Outlook Magazine – publication should be reduced to twice a year; be subject to an effectiveness review; and corporate sponsorship/advertising be explored with a view to the magazine becoming cost neutral.

The Committee also debated the issue of a 1.9% or £5 increase in Council Tax for 2017/18. In view of the ongoing financial pressures on the Council, the Committee agreed to recommend to Cabinet that it was in favour of the £5 increase option.

RECOMMENDED TO CABINET:

(1) That, in relation to the Revenue efficiency and investment proposals set out in Appendix 3 to the report:

  - E14/15 – Corporate Restructuring – concerns about whether this would maintain sufficient staff resources to run services, and especially key projects;
  - E25 – Replace Area Committees with a more informal alternative – it was premature/speculative at the current time to identify a savings figure, without a fully costed alternative; and
  - E30 – Frequency of Outlook Magazine – publication should be reduced to twice a year; be subject to an effectiveness review; and corporate sponsorship/advertising be explored with a view to the magazine becoming cost neutral.

(2) That, in view of the ongoing financial pressures on the Council, a £5 increase in Council Tax for 2017/18 be approved.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Draft Budget for 2017/18.