Revenue Budget 2016/17 - Medium Term Financial Plan and Capital Programme

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Purpose of Report

1. To seek approval for the proposed 2016/17 Revenue Budget, Medium Term Financial Plan (Revenue Budgets for 2016/17 to 2020/21) and the Capital Programme that will be recommended to Full Council.

Forward Plan

2. This report appeared on the District Executive Forward Plan for February 2016.

Public Interest

3. This report sets out the budget for South Somerset District Council for 2016/17 and the estimated budgets for the following four years. It also asks members to approve capital schemes for funding in 2016/17.

Recommendation

4. That the District Executive recommends to Council the following:

   (a) approval of the overall Revenue Budget for 2016/17 of **£17,291,300** and the Revenue Account Summary as shown at Appendix A and note future year projections outlined in paragraph 44;

   (b) approval of the detailed budgets for the District Executive and four Area Committees as shown at Appendix B;

   (c) approve the increase of 1.95% (£2.88 per annum) in the Council Tax for 2016/17 for South Somerset District Council, which will result in a Band D charge of **£150.63**;

   (d) approve a further increase of 1.25% (£1.85 per annum) to cover the precept for the Somerset Rivers Authority, producing an overall increase of 3.2% (£4.73 per annum) in the Council Tax for 2016/17 for South Somerset District Council, which will result in an overall Band D charge of **£152.48**;

   (e) approval of the additional expenditure for budget pressure bids as shown in Appendix C;

   (f) approval of the savings proposals in Appendix D in conjunction with the Equalities Impact Schedule at Appendix F;

   (g) approve the once-off items of expenditure as shown in Appendix E;

(h) note the current position and future estimation of reserves and balances as shown in paragraphs 69-72;

(i) approval of the revised Capital Programme as shown in Appendix H;

(j) approval of the new schemes to be included in the Capital Programme as shown in Appendix I;

(k) note the scoring of new capital schemes outlined in Appendix K;

(l) note the proposed funding of the Capital Programme as shown in paragraph 83;

(m) note the detailed Capital Investment appraisal forms for new schemes, as shown at Appendix J;

(n) approve the setting aside of £2.5 million for transformation costs to be delegated to District Executive;

(o) approval in principle the use of new capital receipts to fund revenue costs pending a detailed report to District Executive.

Background

8. District Executive and Scrutiny Committee have received update reports on the draft 2016/17 budget, Medium Term Financial Strategy and Medium Term Financial Plan. The drafts were subject to final amendments whilst awaiting clarity around Government grants and funding.

9. This report sets out the final proposals to be agreed by District Executive prior to submission to Council on 25th February 2016. The District Executive has delegated authority to manage and monitor the budget once it has been approved by Council.

The Council Plan

10. The authority approved the Council Plan in February 2012. The Medium Term Financial Strategy, Capital Strategy and Medium Term Financial Plan will need to reflect the revised Council Plan in due course.

Medium Term Financial Strategy

11. The Medium Term Financial Strategy (MTFS) outlines how the Medium Term Financial Plan (MTFP) i.e. the budget that will be delivered over the medium to long-term. The MTFP at South Somerset spans three years with a further two years added to show the likely longer-term picture. The Medium Term Financial Strategy links the resources required to deliver the Council Plan and the Council's strategies.

12. Currently the MTFP shows a projected budget gap for each year of the plan. The figures include all estimates for pay awards, council tax, business rates, Government grant, and inflation.

13. In October 2014 members agreed a two year savings plan to balance the budget over a two year period 2015/16 and 2016/17. Savings are to be achieved through the following key projects:-

- **Optimising Income –** actively increasing our income, earning income through new sources, and marketing existing services.
- **Service Redesign** – process improvement, EDM, specialist roles, channel shift and sharing (includes continuation of the Lean programme).
- **Contracts and Procurement –** reviewing how procurement is delivered and reducing spend on contracts.
- **Asset Savings –** identifying savings from council owned assets (land and buildings).

In addition to this budgets will continue to be reviewed in light of economic conditions, interest rates, and underspends.

Efficiency Strategy

14. Central Government has announced that local authorities will be able under certain circumstances to utilise capital receipts for revenue expenditure for certain purposes. These include:-
    - Sharing back-office and administrative services with one or more other council or public sector bodies;
    - Investment in service reform feasibility work, e.g. setting up pilot schemes;
    - Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
    - Sharing Chief-Executives, management teams or staffing structures;
    - Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
    - Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, selling services to others);
15. SSDC may benefit from this approach over the next three years once a decision is made regarding joint working, setting up commercial or alternative delivery models, and transformation. The key areas that could be funded from capital receipts but are classified as revenue expenditure are redundancy costs and the legal costs of setting up of commercial or alternative delivery models.
16. The requirement will be to list each project that plans to make use of the capital receipts flexibility, and that it details the split of up front funding for each project between capital receipts and other sources, with a project by project basis a cost benefit analysis is included to highlight the expected savings. The strategy in future years will monitor the performance of projects approved in previous years.
17. The Strategy must be approved by Full Council. A revised strategy may be replaced by another during the year. It is therefore recommended that Members approve that an Efficiency Strategy will be presented in due course once projects have been agreed and new capital receipts identified.

Expected Outcomes from the Strategy and Plan

18. The Council needs to deliver a balanced budget over the term of the plan. A balanced budget means that balances or reserves are not used to meet on-going expenditure commitments. SSDC will look to ensure sound plans are in place to balance the budget over the medium to longer term rather than year to year balancing.

19. The Council also needs to achieve as much stability as possible for both service delivery and staff in planning the moving of resources (both money and people) to areas of agreed priority.

20. SSDC also needs to continue the drive to make services as efficient as possible.

21. In addition the authority will need to continue to add value in procuring goods and services and manage its assets effectively.

Capital Strategy

22. The Capital Strategy allows new receipts to be released for new capital schemes. A further sum of capital receipts will be released to meet needs that deliver the Corporate Plan once the effect on revenue is assessed and can be funded within the Medium Term Financial Plan.

23. The "Spend to Save" scheme enables projects to come forward at any time which prove to give a return of the same or greater than the loss of interest that could be earned. This allows for individual schemes showing innovation, efficiencies, and income generation to be considered.

24. Schemes will also be considered utilising "Internal Borrowing" where bids can be made for loans that repay both capital and interest at PWLB rates.

25. Members approved a process for releasing Infrastructure Funding. This allows for funding outside of the normal annual budget process but all projects must outline the revenue implications when approved and these commitments will be added to the Medium Term Financial Plan.

26. District Executive has delegated authority to approve the use of up to 5% of unallocated capital receipts in any one year (approx. £0.8 million). Approvals beyond this sum must be agreed through full Council.

Strategy for New Homes Bonus

27. A sum equivalent to 80% of the average annual council tax is received in grant for every new home once occupied. This sum is payable for six years with an additional bonus of £350 for every affordable home occupied.

28. The agreed strategy for New Homes Bonus is to mainstream it with Revenue Support Grant to maintain services.

29. To ensure that risk is minimised the amount of NHB being used to fund the MTFP will be outlined each year. In addition it will always fund the current and next year's budget giving the authority time to make any cuts necessary in a measured way.

30. The current strategy for the use of NHB in priority order is as follows:

    - Supporting revenue spending to retain services that benefit the community;

    - Supporting costs (revenue and capital) of spending on infrastructure before and on the introduction of CIL;

    - Supporting capital spending for affordable housing (from the affordable housing element of NHB);

- Supporting business growth for the retention of business rates to stabilise and increase business rate income.

31. Currently NHB is being fully utilised to support revenue spending – this will be reviewed annually as part of the Medium Term Financial Strategy and Plan.

32. The current plan includes support of up to £3.0 million per annum from New Homes Bonus and assumed that NHB continued beyond the elections in 2015. At present SSDC has sufficient NHB to fund £3.0 million in 2016/17, up to £3.0 million in 2017/18 and £3.0 million for 2018/19.

33. The maximum support from NHB in any one year for ongoing expenditure has been set at £3 million (10% of SSDC's gross spend). The limit and forward funding has been set to ensure that a reduction or the removal of NHB can be managed successfully over a reasonable length of time.

34. The Government has released a consultation paper regarding amendments to NHB. This is likely to lead to a reduction for district authorities in future as the Government's aim is to utilise £800 million for adult social care. This would reduce SSDC's share to £2.1 million per annum (based on the provisional figure for 2016/17). However, the Governments profiling of the reduction shows that this would not fully impact on SSDC until 2018/19 which would still enable the Council to support revenue spend by £3 million over the current 5 year term of the plan.

Strategy for Non Domestic Rates Retention (NDR)

35. The budget set for Non Domestic Rates has historically been set around the central Government baseline. The most prudent level to set NDR for any authority is at the safety net level as this is the guaranteed level of income for any authority. However, taking this course of action requires more budget savings from services that may ultimately not be required. The strategy is therefore to assess the expected outturn for 2015/16 and the budget for 2016/17 and set the budget based on the most reasonable set of assumptions at that time. The main risks are still the around economic growth and appeals.

36. SSDC has agreed to participate in the Somerset NDR Pool for 2016/17. The other member authorities of the pool are Bath and North East Somerset, North Somerset, Somerset County Council, Mendip District Council, Sedgemoor District Council, and Taunton Deane District Council. The pool enables the partners to retain more income from local growth by reducing the levy paid to central Government

Strategy for Balances and Reserves

37. Reserves are set aside for specific purposes whereas balances are retained to meet unforeseen risks. A regular review of financial risks to assess the optimum levels of balances and reserves will be reported to members every quarter. This ensures that the authority has sufficient funds to meet its key financial risks. The strategy remains that balances remain at a level that covers these key risks.

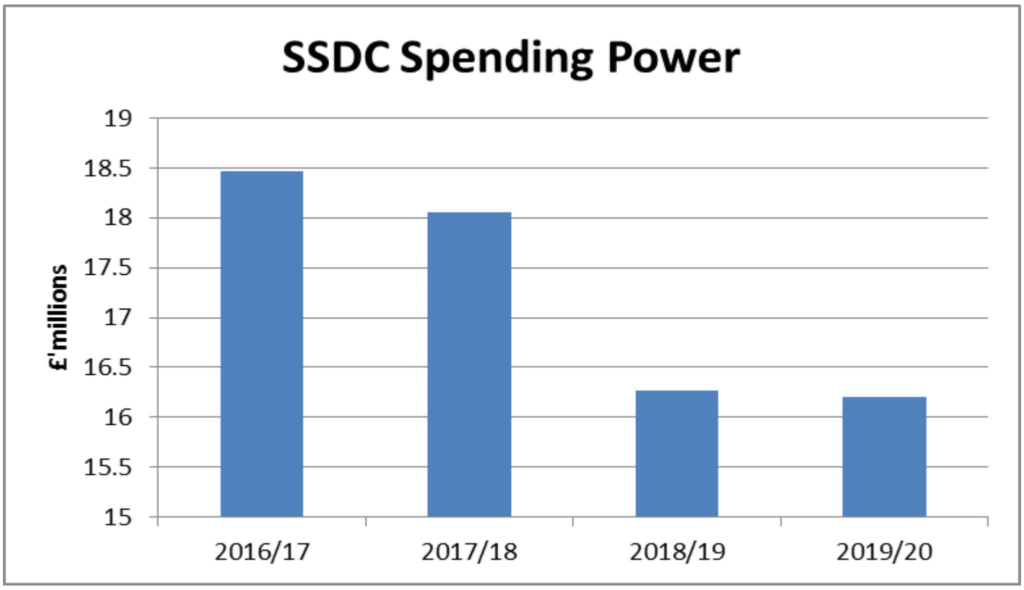
Reviewing the Strategy

38. This strategy will be reviewed annually to take into account changes within and external to the organisation. In more uncertain times the strategy will be reviewed more frequently.

Analysis of the Government Settlement

39. The Medium Term Financial Strategy and Plan was set out in October 2015. At that time there were no Government figures available to assess what the financial outlook would be for local authorities. The November Autumn Statement in set out some high level changes but the details were only made available with the Provisional Settlement announced on the 17th December 2015.

40. The Government outlined that overall “Spending Power” for local authorities would only reduce by 0.5% over the next four year period. “Spending Power” is calculated by adding together income such as New Homes Bonus, Modified Settlement Funding Assessment (Revenue Support Grant and Retained Business Rates), Rural Services Grant, and Council Tax (an average increase of 1.75% plus expected tax base growth). The Government’s figures are shown in the graph below for SSDC:-



41. It shows that SSDC’s “Spending Power” is expected to reduce by 12.3% over the next four years. This is mainly due to New Homes Bonus (i.e. an assumption that the consultation changes are put in place) and Settlement Funding Assessment reducing to a negative £330k. The biggest change is shown in 2018/19 which I assume means that there will be a transition in the reduction of New Homes Bonus with a smaller cut in 2017/18 with the full impact only being implemented in 2018/19. If this is the case SSDC should be able to continue to use £3 million per annum to support the MTFP over the next five years.

42. The actual financial settlement itself outlines that by 2019/20 SSDC will fall into negative RSG of £330k. SSDC is one of 146 District Councils that will fall into negative RSG in 2019/20. The negative RSG will be deducted from SSDC’s local share of business rates. The reduction in funding has been calculated by taking into account each Council’s council tax raising ability i.e. income from council tax. This would seem to indicate further central Government control over local authority’s income streams.

43. The Government has outlined a four year projection of funding and this has been extremely useful for financial planning purposes. SSDC will be given an

opportunity to agree this as a four year fixed settlement. A report will follow in due course once the terms and conditions of acceptance are known.

The Medium Term Financial Plan

44. The table below summarises the MTFP projections, showing future commitments over the current year's base budget:-

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Base budget	17,389.6	17,291.3	16,172.9	16,081.4	15,894.5
Additional payroll requirement	568.9	401.2	390.9	168.0	158.8
Inflation allowance on contracts	68.1	211.4	215.6	220.0	224.4
Unavoidable Budget Pressures	273.4	385.3	293.9	322.8	319.8
Change in Interest Receivable	(100.0)	0.0	0.0	0.0	0.0
Growth Bids	0.0	0.0	0.0	0.0	0.0
Savings	(1,234.4)	(78.0)	0.0	0.0	0.0
Revenue effects of Capital Programme	71.1	170.1	4.7	30.3	(5.9)
Once-Off Expenditure	254.6	(392.0)	0.0	0.0	0.0
Growth available	0.0	0.0	0.0	0.0	0.0
Total Budget Requirement	**17,291.3**	**17,989.3**	**17,078.0**	**16,822.5**	**16,591.6**
Financed by:					
Revenue Support Grant	1,675.5	797.5	269.6	0.0	0.0
Council Tax Reduction Scheme Grant to Town and Parish Councils	(314.1)	(103.4)	(35.0)	0.0	0.0
Council Tax Precept	8,926.5	9,058.8	9,326.8	9,584.5	9,841.4
Council Tax Funding for the Somerset Rivers Authority	(108.5)				
Surplus on Collection Fund (Council Tax)	189.6				
Business Rate Income	17,993.5	17,760.0	18,290.0	18,880.0	19,397.2
Business Rate Tariff	(14,065.3)	(14,340.0)	(14,770.0)	(15,240.0)	(15,697.2)
Business Rates Collection Fund Deficit net of S31 Grant	(2,643.6)				
Business Rates - Contribution from Volatility Fund	843.7				

Estimated Business Rates Safety Net Contribution from Somerset Pool (based on q3)	179.0				
Negative Revenue Support Grant to be Deducted from Business Rate Income				(330.0)	(330.0)
Confirmed New Homes Bonus to Support Revenue Budget	3,000.0	3,000.0	3,000.0	395.9	
New Homes Bonus Requirement Future Years	0.0	0.0	0.0	2,604.1	3,000.0
Once-offs funded from revenue balances	1,615.0	0.0	0.0	0.0	0.0

	17,291.3	**16,172.9**	**16,081.4**	**15,894.5**	**16,211.4**
Budget Shortfall	**0.0**	**(1,816.5)**	**(996.6)**	**(928.0)**	**(380.1)**

<u>Assumptions Made</u>

45. There are several assumptions in line with the MTFS as part of the overall estimates contained therein:

	2016/17	**2017/18**	**2018/19**	**Notes**
Inflation	Contractual Obligations	Contractual Obligations	Contractual Obligations	Assumes inflation remains below 2%
Council Tax	1.95% £2.88 per Band D	1.99% £3.00 per Band D	1.99% £3.11 per Band D	Assumes remains broadly in line with inflation. Excludes the SRA element.
Pay	1%	1%	1%	In line with Government guidlines
Pensions	13.9% plus £1,040k	13.9% plus £1,240k	13.9% plus £1,440k	Assume employers contributions increases as per actuarial valuation
Investment Income	Base 0.5%	Base 0.5%	Base 0.5%	Assume earnings will be 1.01% for 2016/17. Interest rates may increase in 2016.
Revenue Support Grant	-38.2% -£1.03m	-52.4% -£0.9m	-66.2% -£0.5m	Based on provisional figures
Non-Domestic Rates	18.0% £599.8k	-12.94% -£508.2k	2.92% £100.0k	As per NDR1 for 2016/17 and then Government baseline
New Homes Bonus	£4.6m	£3.9m	£2.1m	Based on provisional figures and then reduced in line with Government reductions in “Spending Power”

Revenue Budget 2016/17

46. Appendix A shows the General Revenue Budget Summary for 2016/17, which totals £17.291 million. Appendix B provides the detailed budgets for the four Area Committees and the District Executive. Once approved by Full Council, these

represent the financial plans that the Executive will manage under their delegated authority and monitor in accordance with the Financial Procedure Rules.

Revenue Support Grant

47. The provisional grant for 2016/17 was announced on the 17th December. The figures show a £1.03 million (38.2%) reduction from 2015/16. The Government also outlined figures for 2017/18, 2018/19, and 2019/20 that shows a reduction in Revenue Support Grant to a negative £330k over that period. The negative Revenue Support Grant will in effect reduce the amount of local business rates that the Council retains.

48. The Government also announced that local authorities could accept the four year settlement to mitigate future risks. It is not known as yet if the offer will consider other elements of grant or will be limited to Revenue Support Grant only.

Savings

49. Savings plans are outlined in Appendix D. All service savings over £25,000 will be monitored in 2016/17 and reported as part of the budget monitoring process.

50. There are no proposals within the 2016/17 budget to increase car parking fees. At Full Council on Thursday 16th July it was “agreed to investigate a change to the Council Car Parking Policy to enable an initial free period of up to 2 hours of parking to be made available, where parking is currently charged at a timed rate”. Those findings were presented to District Executive as part of the budget update in January 2016. Those findings are attached at Appendix G.

Unavoidable Budget Pressures

51. Unavoidable budget pressures are detailed in Appendix C.

Somerset Rivers Authority and Council Tax Impact

52. The Government has amended the Somerset Council Tax Levels to a notional amount to allow each of the Somerset authorities to raise 1.25% (£1.85 per band D for SSDC) interim funding for the Somerset Rivers Authority. This enables the Somerset authorities to raise council tax for other service needs up to the referendum limits. Members agreed at full council on the 21st January to precept for the additional sum and to passport it to the SRA.

53. The intention is that the amount will then be reduced when the SRA becomes a separate precepting body. The amount raised by South Somerset will then transfer to the SRA to ensure that taxpayers are not in effect levied twice.

Band D Equivalent Council Tax

54. The MTFP has been prepared on the basis of 1.95% increase in Council Tax for 2016/17 and the Band D Council Tax charge will increase by £2.88 to **£150.63**. Once the SRA element is included the charge will increase by 3.2% overall **to £152.48** (an increase overall of £4.73 per Band D Council Tax charge). The tax base for 2016/17 is 58,543.00, an increase of 1,399.3 from 2015/16.

55. As billing authority, SSDC has to calculate a basic level of tax based on its own spending plans, to which is added the precepts from Somerset County Council,

Devon and Somerset Fire Authority, Avon and Somerset Police Authority and any town/parish council.

56. The actual total of Council Tax for South Somerset residents will be calculated once all precepting authorities have notified SSDC of their proposals. The total Council Tax will be approved at Full Council on 25th February 2016.

57. The Government has not offered a council tax freeze grant for 2016/17. The Government outlined that an increase greater than 2% will result in a local referendum.

Estimates for Future Years Band D Council Tax

58. The current estimate within the Medium Term Financial Plan and Medium Term Financial Strategy is that Council Tax levels will remain in line with inflation estimated at 1.99% per annum for 2017/18, 2018/19, and 2019/20.

Council Tax Reduction Scheme

59. Council approved the scheme for 2016/17 in January 2016. The Medium Term Financial Plan currently assumes the same number of recipients as at the end of November 2015 will continue into 2016/17. This reflects a further reduction in claimants and the estimated budget is £8.478 million compared to £8.707 million in 2015/16.

60. The tax base was set before the announcement was made that the Somerset Authorities could precept for the SRA and SCC had not made a decision at the time around the precept for Adult Social Care. It has been estimated that this would add £195k to the costs of CTRS in the year. Sufficient funds have been retained within the Collection Fund to fund this in 2016/17 but it will reduce the tax base for 2017/18.

61. The Government grant to support the Council Tax Reduction Scheme for local authorities and town and parish councils has been absorbed into Revenue Support Grant and cannot be identified separately. Members approved in October that £314,110 would be passported to Town and Parish Councils for 2016/17.

62. Since the Government announced the Provisional Settlement showing that all Revenue Support Grant will cease a letter has been sent to all of the Town and Parish Councils outlining that their grant will reduce to zero by 2019/20 to enable them to plan ahead for their budgets.

Non-Domestic Rates

63. In 2013 the Government introduced Non Domestic Rate (NDR) Retention that passed some of the risks and rewards from NDR to local authorities. Each local authority must set a budget for the NDR they expect to retain and in South Somerset this has been delegated to the S151 Officer (Assistant Director – Finance and Corporate Services) because of the considerable time constraints in place. Central Government requires the budget to be set by the 31st January 2016.

64. The budget has been set on the NDR1 figure. Current estimations are that SSDC will retain approximately £3.9 million as well as any share or deficit from the pool. This is £568k above the baseline. The figures thereafter reflect the Government

baseline which is the most prudent approach given the volatility of business rate income.

65. There is a substantial deficit of £3.4 million on the Collection Fund that will require funding in 2016/17. This can be offset by S31 Grants of £0.8 million which are paid separately to SSDC as a recompense for the various Government initiatives within business rates. It is recommended that £0.8 million of the shortfall is funded through the NDR Volatility Fund leaving £0.6 million for future years and the remainder from General Fund Balances. The impact of this is shown in paragraph 70.

New Homes Bonus

66. In October 2012 members agreed that New Homes Bonus would be mainstreamed as part of the overall funding package for SSDC services. This is because in effect the funding is top-sliced from grant and then reissued as New Homes Bonus. SSDC has now received a provisional figure of £4.658 million for 2016/17.

Public/Stakeholder Consultation

67. Individual savings and additional income plans that were approved in principle are individually consulted upon where there is partnership, economic, or equalities issues to consider. There are no issues as part of this exercise to report to members.

Diversity and Equality

68. Each saving put forward has been reviewed by the Equalities Officer to ensure that any impact the saving will have on diversity and equality has been assessed and to ensure that any issues are highlighted to members before a decision is made.

Revenue Balances and Contingency & Reserves

69. In addition to the funds available for the Revenue Budget, the Council has certain balances and reserves. The Financial Strategy is to retain sufficient general balances to meet its major financial risks. Risks were reviewed in January 2016 once the budget figures had been completed, and general balances should be retained within the range of £3.6 to £4.0 million at the start of the new financial year. The current estimate of revenue balances by the year-end is £5.4 million with £1.6 million being required to fund the NDR Collection Fund deficit and once-off costs. The remaining sum is within the range to cover key risks in 2016/17. The key risks that have been taken into consideration are:

    a. Sustainability of base budget
    b. Reduced income
    c. Civil emergencies
    d. Litigation
    e. Medium Term Financial Plan
    f. Assets and property
    g. Bad debts
    h. Additional use of capital funds
    i. Bank failure/ bail-in
    j. Redundancies
    k. National increases to pay

l. Reduction in business rates to the safety net
m. Risks of the Council Tax Support Scheme

70. General Fund Balances represent accumulated revenue surpluses. Within the total, however, are amounts that have been earmarked by the District Executive for specific purposes. The table below shows the current position on the General Fund Balance compared to that previously reported:

General Fund Balances	**Estimated As at 31/03/16 £000**
Balance 1/4/15	5,910
Allocations from balances 2015/16	(690)
Estimated underspend on Revenue Budget 2015/16	195
Estimated Unallocated General Fund Balance at 31 March 2016	**5,415**
Use of Balances for 2016/17 Budget once-offs including net Collection Fund Deficits	(1,615)
Estimated Unallocated General Fund Balance at 1st April 2016	**3,800**

71. Reserves are amounts that have been set aside from annual revenue budgets to meet specific known events that will happen in the future. An example of such a reserve is the amount set aside annually to meet the cost of the SSDC elections that occur every four years. The full list of specific usable reserves and the current balance on each is shown below: -

Reserve	**Expected Balance As at 31st March 2016 £'000**
Usable Capital Receipts	35,656
Capital Reserve	1,391
Revenue Support Fund	4,776
Cremator Replacement Capital Reserve	663
Infrastructure Reserve	967
Treasury Management Reserve	247
Voluntary Redundancy/Early Retirement Reserve	394
Housing Benefits Reserve	875
Revenue Grants Reserve	500
Local Plan Implementation Reserve	125
Local Plan Enquiry Reserve	79
Election Reserve	131
Yeovil Athletic Track Repairs Fund	137
LSP	105
Planning Delivery Reserve	26
Save to Earn Reserve	50
Yeovil Vision	100
Park Homes Replacement Reserve	145
Insurance Fund	40
Local Authority Business Grant Incentive (LABGI) Reserve	37
Artificial Grass Pitch Reserve	52

Health Inequalities Reserve	31
Business Support Scheme	165
Bristol to Weymouth Rail Reserve	12
Deposit Guarantee Claims Reserve	5
Wincanton Sports Centre Reserve	21
Closed Churchyard Reserve	9
Risk Management Reserve	11
Flooding Reserve	80
Planning Obligations Admin Reserve	36
NNDR Volatility Reserve	1,459
Total Reserves	**48,325**

72. A review of balances and reserves and the likely three-year forward prediction has been made. The levels of balances will continually be reviewed and additions from in year savings may be made to ensure they remain at the required level. The levels expected are shown below:

Year	Non-Earmarked Balances at Year End £'000	Capital Reserves at Year End £'000	Revenue Reserves at Year End £'000
2015/16	5,415	35,656	12,669
2016/17	3,800	33,483	13,289
2017/18	3,800	20,369	14,522
2018/19	3,800	16,403	14,815

Robustness of 2016/17 Revenue Budget

73. Under Section 25 of the Local Government Act 2003 the S151 officer is required to report to Council on the robustness of the estimates made for the purpose of calculations of the budget and the adequacy of the proposed financial reserves.

74. The formulation of the budget has allowed for best estimates of inflation and commitments necessary to maintain service levels. With demand-led budgets this inevitably entails a degree of judgement.

75. There has been a significant degree of scrutiny of the proposed budgets and savings for 2016/17 by:

- The Finance team
- Management Board
- Portfolio Holders
- Scrutiny Committee

76. These examinations of the budgets have led to refinements and provide considerable assurance about the robustness of the estimates.

77. There remains however some key risks inherent in the 2016/17 Revenue Budget since the budget is a financial plan based on assumptions. The current key risks will be managed by the individual officers as shown in italics below:

(a) There remains substantial risk in the banking sector and the added risk of "bail-ins" protection of SSDC's principal sums continue to be our primary concern. The Finance team continues to take regular advice from its treasury advisors Arlingclose and are monitoring the situation closely. A loss of £4 million principal would mean a budget reduction of £36k through loss of interest and a £4 million reduction in revenue balances and reserves. *(Assistant Director – Finance and Corporate Services*)

(b) Business Rates has been set using our own estimates from the NDR1 return. This shows income to be £568.2 above the Government's baseline figure. Business Rates continues to be a volatile income stream mainly due to appeals. The net deficit of £2.6 million on the Collection Fund for 2015/16 demonstrates this. However one of the main reasons for the deficit is increasing the appeals provision for future years. A further risk has come forward since the decision to continue to pool was made regarding Foundation Trusts requesting mandatory rate relief. The pool has not been allowed to revisit its decision to remain in place by the DCLG as the request was made after the deadline had passed. This will require close monitoring during the year I have therefore financed the deficit in the main from General Fund Balances to leave the NDR Volatility Reserve with £0.6 million towards those risks. *(Assistant Director – Finance and Corporate Services)*

(c) SSDC are currently engaged in plans for Devolution. This may include joining some services and or joint funding. It may bring additional funding to the region as well as additional burdens *(Interim Chief Executive)*

(d) A Consultation document has been circulated regarding amending the distribution of New Homes Bonus. Although this should not affect SSDC in the short to medium term it will impact on the budget longer term if the proposals are implemented. *(Assistant Director – Finance and Corporate Services)*

(e) The new Council Tax Reduction Scheme carries risks of additional demand and non-collection. This will continue to be monitored through budget monitoring reports in 2016/17. *(Assistant Director- Finance and Corporate Services)*

(f) Housing Benefit Subsidy is administered on behalf of Central Government by SSDC and a grant reimburses for expenditure incurred. Approximately £44m in benefit is paid out and the grant normally accounts for 100% of this, however adjustments reducing the grant are made for local authority errors. *(Assistant Director – Finance and Corporate Services)*

(g) Planning income is still an area susceptible to economic downturn. A drop of 5% in income amounts to £63,750. (Assistant Director - *Economy)*

(h) Building Control income remains vulnerable to economic downturn. A 5% reduction in income is £24,830. (*Assistant Director - Environment)*

(i) Car parking income has continued to under achieve its budget in 2015/16. A further 5% reduction in usage across Yeovil car parks (which accounts for 70% of total income) is equivalent to £79,140 loss in car park income. Negotiations regarding the savings due to number plate recognition are yet to be finalised. If agreement cannot be reached there will be a shortfall of £200,000*. (Assistant Director - Environment)*

(j) The Government is planning to transfer some land charge searches to the Land Registry Dept. Any impact on income will be monitored during 2016/17 and the impact assessed for 2017/18 MTFP. *(Assistant Director – Legal & Corporate Services)*

78. In conclusion the process for the formulation of budgets, together with the level of challenge and sensitivity analysis undertaken provides a reasonable assurance of the robustness of the budget as presented.

79. The level of the Council's reserves and balances have been reviewed in light of the risks outlined above and are currently predicted to remain at the required level.

Capital Programme 2016/17 to 2020/21

80. Members are requested to approve capital bids totalling £6,884,900. These are spilt into £3,434,900 for 2016/17 and £3,450,000 for 2017/18. Full details of the revised Capital Programme are shown in Appendix H; new schemes are shown in bold type, with previously approved schemes in ordinary type. A summary of recommended schemes is included at Appendix I and the scoring of all bids at Appendix K. Attached at Appendix J are the Capital Investment Appraisal forms for all new schemes.

81. Members agreed in December 2013 to invest in infrastructure through the capital programme. The extension to Yeovil Innovation Centre as one of the highest priorities is included Appendix H.

82. A capital sum of £2.5 million has been set to one side to fund the transformation programme that will be brought forward to District Executive in the next financial year.

Funding the Capital Programme for 2016/17

83. The table below shows how the 2016/17 Capital Programme will be financed:-

	2016/17 £'000	**2017/18 £'000**	**2018/19 £'000**
Gross Capital Programme Spend	9,464	1,861	0
Gross Reserve Scheme Spend	6,684	2,450	2,450
Total Capital Programme to be Financed	**16,148**	**4,311**	**2,450**
Financed by:-			
Capital Grants, Contributions & Loan Repayments as detailed on Programme	1,085	345	345
Grants & Other Contributions in Reserves	1,836		
Useable Capital Receipts	13,227	3,966	2,105
Total Financing	**16,148**	**4,311**	**2,450**

84. If members agree the current capital programme it leaves £16.4 million of capital receipts to invest in other projects.

Impact of the Capital Programme on Prudential Indicators

85. The impact of the new capital schemes approved within the capital programme on the average Band D household is as follows:

Prudential Indicator 12	**2016/17 £**	**2017/18 £**	**2018/19 £**
Increase in Council Tax Band D	0.12	0.29	0.01

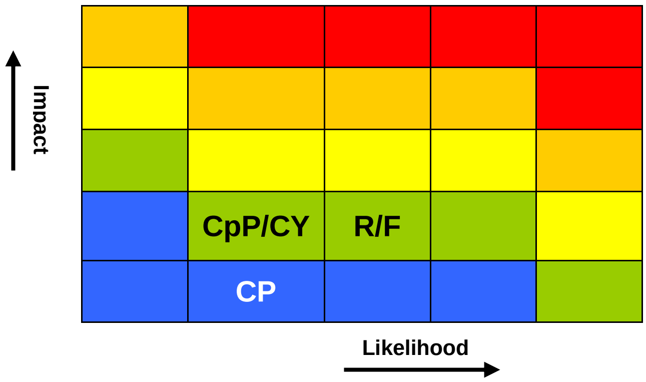
Corporate Priority Implications

86. The budget is aligned to the current Council Plan.

Carbon Emissions and Climate Change Implications

87. The budget is aligned to the Carbon Reduction Strategy and new capital projects to deliver the strategy will be included in the Capital programme once approved.

Risk Matrix



Key

Categories	**Colours** *(for further detail please refer to Risk management strategy)*
R = Reputation CpP = Corporate Plan Priorities CP = Community Priorities CY = Capacity F = Financial	Red = High impact and high probability Orange = Major impact and major probability Yellow = Moderate impact and moderate probability Green = Minor impact and minor probability Blue = Insignificant impact and insignificant probability

APPENDICES:-

Appendix A - Revenue Budget Summary 2016/17
Appendix B - Detailed Revenue Budget Summary 2016/17
Appendix C - Budget Pressures
Appendix D - Savings
Appendix E - Once Off Bids
Appendix F - Equalities Check for Savings
Appendix G - Car Parking Charges
Appendix H - Revised Capital Programme
Appendix I - New Bids with Interest
Appendix J - Capital Investment Appraisals for New Schemes
Appendix K - Capital Bid Scoring

Background Papers

District Executive Outturn Report June 2015
District Executive MTFP Report Oct 2015 & Jan 2016