Revenue Budget 2017/18 - Medium Term Financial Plan and Capital Programme

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Purpose of Report

1. To seek approval for the proposed 2017/18 Revenue Budget, Medium Term Financial Plan (Revenue Budgets for 2017/18 to 2021/22).

Public Interest

2. This report sets out the budget for South Somerset District Council for 2017/18 and the estimated budgets for the following four years. It also asks members to note that the approval of capital schemes has been deferred until the Council Plan Annual Action Plan has been approved for 2017/18.

Recommendation

3. That Full Council:

   (a) approve the overall Revenue Budget for 2017/18 of **£17,379,200** and the Revenue Account Summary as shown at Appendix A and note future year projections outlined in paragraph 33;

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

   (c) approve the increase of £5.00 per annum in the Council Tax for 2017/18 for South Somerset District Council, which will result in a Band D charge of £157.48;

   (d) approve the transfer of £109,729 to the Somerset Rivers Authority;

   (e) approve the additional expenditure for budget pressure bids and removal of 16/17 once offs as shown in Appendix C;

   (f) approve the savings proposals in Appendix D in conjunction with the equalities checks;

   (g) note the current position and future estimation of reserves and balances as shown in paragraphs 53-57;

   (h) note the deferral of new capital schemes pending the finalisation of the Council Plan 2017/18 Annual Plan;

   (i) note the Minimum Revenue Provision (MRP) Statement and Capital Prudential Indicators as attached at Appendix E

Background

4. District Executive and Scrutiny Committee have received update reports on the draft 2017/18 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.

5. This report sets out the final proposals approved by District Executive on 23rd February 2017. The District Executive has delegated authority to manage and monitor the budget once it has been approved by Council.

The Council Plan

6. SSDC approved a new Council Plan in March 2016. The Plan is set over 5 years but the Action Plan is approved annually as part of budget setting to ensure it is affordable. Work is still ongoing to finalise the 2017/18 Action Plan and therefore all new capital bids will be held pending that update.

Medium Term Financial Strategy

7. 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.

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

Expected Outcomes from the Strategy and Plan

9. 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.

10. The Council 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.

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

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

Efficiency Strategy

13. Members approved an Efficiency Strategy in September 2016. This approved the use of up to £0.5 million in capital receipts to be utilised partially to fund revenue costs of the Transformation project. Members will be updated through capital quarterly monitoring reports. To date £0.1 million from the sale of properties has been allocated towards this three year target.

14. A revised strategy may be replaced by another during the year and requires the approval of Full Council.

Capital Strategy

15. This Capital Strategy outlines how SSDC will utilise its capital resources to deliver the Council Plan and key strategies. SSDC held £35 million in capital receipts at the end of the 2015/16 financial year. However, once commitments are taken into account the authority has approximately £15 million unallocated to spend on new schemes. A review of possible bids for the next five years has shown a need of approximately £21.2 million.

16. The authority has a considerable requirement for capital resources through its Transformation, Regeneration, and Income Generation Boards. Some of these require considerable revenue costs to set up as well as capital. It is therefore important that SSDC is able to take up the offer of "Flexible Capital Receipts" to ensure that its ambitions can be delivered. Therefore the strategy will be as follows:-

    - Each project will be reviewed initially on a commercial basis so that schemes will be considered on the basis that both capital and interest at PWLB rates is repaid;

    - SSDC will utilise its own internal cash wherever possible to maximise its treasury management efficiency and minimise costs in the short to medium term. The Council will retain the budget to finance the capital project as outlined in paragraph 18 to minimise the financial risks of rising interest rates. The Treasury Management Strategy currently allows borrowing of up to £12 million;

    - SSDC will utilise the ability to 2019/20 to use new receipts from property, plant, and equipment for revenue expenditure as outlined in the Efficiency Strategy approved in September 2016;

    - The Minimum Revenue Provision (MRP) Statement and Prudential Indicators that apply to capital spend are attached at Appendix E for members to note;

    - The level of capital receipts will be monitored to ensure that non-commercial (essential and those with community and social value) can continue to be funded from available resources;

17. District Executive has delegated authority to approve the use of up to 5% of capital receipts in any one year (approx. £900k). Approvals beyond this sum must be agreed through full Council.

Strategy for New Homes Bonus

18. 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 it is top-sliced from Revenue Support Grant and then reissued as New Homes Bonus.

19. Previously 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 £280 (80% of £350) for every affordable home occupied. The Government has laid out the following as part of the annual financial settlement:-

    - The introduction of national baseline for housing growth of 0.4% and NHB will only be paid for new homes built and occupied above this (so SSDC will not receive NHB for around the first 300 new homes built each year).

- From 2018/19 the Government will consider “withholding New Homes Bonus payments from local authorities that are not planning effectively, by making positive decisions on planning applications and delivering housing growth”.

- The Government will also consider withholding payments for homes that are built following an appeal although this will follow further consultation;

- A reduction will be made in the number of years for which payments are made from 6 years to 5 years in 2017/18, and to 4 years from 2018/19.

20. SSDC has set a limit of a maximum £3 million per annum (10% of gross spend) to support the budget each year. However, with the reductions outlined above the strategy has been amended to reduce the Council’s dependency by £250k per annum from 2019/20.

Strategy for Non Domestic Rates Retention (NDR)

21. The budget will be set based on the NDR1 or the best estimate if this cannot be completed on time. The main risks are still around economic growth, the NHS request for NDR relief, and appeals. NDR remains one of the authorities greatest financial risks therefore the NDR Volatility Reserve will need continual assessment to ensure that sufficient funds are held to ensure that the inherent volatility of business rates does not impact on service delivery.

22. The Somerset NDR Pool as was has ceased for 2017/18 because of the risks around revaluation and the NHS request for NDR Relief. The Council may wish to join a pool in 2018/19 but pools are likely to cease in 2019/20 because of the introduction of 100% retention of business rates being introduced.

Strategy for Balances and Reserves

23. 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

24. 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.

The Government Settlement

25. The Medium Term Financial Strategy and Plan was set out in September 2016. SSDC agreed to accept the four-year settlement as did 97% of all local authorities.

26. The Provisional Settlement was received on the 15th December 2016 but has not yet been finalised. MPs will not decide on the final settlement until after the 20th February and therefore there is a small chance that the figures for South Somerset will change. The figures outlined in this report reflect the provisional figures and four year settlement.

The Medium Term Financial Plan

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

Note the table has been updated to reflect the business rates (NDR1) budget.

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Base Budget	**17,291.3**	**17,379.2**	**16,716.2**	**16,302.4**	**16,250.0**
Additional payroll requirement	580.2	570.8	215.9	202.2	198.9
Inflation allowance on contracts	129.8	163.5	166.8	170.1	173.5
Unavoidable budget pressures	718.8	286.9	162.8	319.8	322.8
Change in interest receivable	(89.7)	0.0	0.0	0.0	0.0
Planned savings	(950.1)	(1,046.5)	(680.1)	(72.5)	328.8
Revenue effects of Capital Programme	90.9	99.2	4.7	30.3	(5.9)
Once-off expenditure	(392.0)	0.0	0.0	0.0	0.0
Total Budget Requirement	**17,379.2**	**17,453.1**	**16,586.3**	**16,952.4**	**17,268.2**
Financed by:					
Revenue Support Grant	802.6	268.9	0.0	0.0	0.0
Council Tax Reduction Scheme Grant to Town and Parish Councils	(104.1)	(34.9)	0.0	0.0	0.0
Rural Services Delivery Grant	133.4	102.6	133.4	0.0	
Transition Grant	57.0				
Council Tax precept	9,340.3	9,770.9	10,221.9	10,493.7	10,772.2
Council Tax Funding for the Somerset Rivers Authority	(109.7)	(111.3)	(112.9)	(113.7)	(114.4)
Surplus on Collection Fund (Council Tax)	74.8				
Business Rate Income	17,335.0	17,280.0	17,680.0	17,740.0	17,740.0
Business Rate tariff	(13,138.8)	(13,560.0)	(14,040.0)	(14,040.0)	(14,040.0)
Business Rates Levy	(566.0)				
Business Rates Collection Fund Surplus	518.7				
S31 Grant	1,117.4				
S31 Grant and net surplus to Business Rate Volatility Fund	(1,546.3)				

Negative Revenue Support Grant to be deducted from Business Rate income			(330.0)	(330.0)	(330.0)
Confirmed New Homes Bonus to support revenue budget	3,000.0	3,000.0	2,750.0	1,508.0	
New Homes Bonus Requirement Future Years	0.0	0.0	0.0	992.0	2,250.0
MTFP support from balances	464.9				
Deferred pension contribution from balances	324.0				
Contribution to Transformation Reserve	(324.0)				
Once-offs funded from revenue balances	0.0	0.0	0.0	0.0	0.0

	17,379.2	**16,716.2**	**16,302.4**	**16,250.0**	**16,277.8**
Budget Shortfall	**0.0**	**(736.9)**	**(283.9)**	**(702.3)**	**(990.4)**

Assumptions Made

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

	2017/18	**2018/19**	**2019/20**	**Notes**
Inflation	contractual obligations	contractual obligations	contractual obligations	Assumes inflation remains below 2%
Council Tax	£5.00 per Band D	£5.00 per Band D	£5.00 per Band D	Assumes that an additional £5 is added each year
Pay	1%	1%	1%	
Pensions	16.1% plus £1.24m lump sum	16.1% plus £1.62m lump sum	16.1% plus £1.66m lump sum	Assume employers contributions increases as per actuarial valuation
Investment Income	Base 0.25%	Base 0.25%	Base 0.25%	Assume no change to interest rates
Revenue Support Grant	-52.1% -£0.88m	-66.5% -£0.53m	-223.1% -£0.6m	Based on the accepted government multi-year settlement
Non-Domestic Rates	6.06% £268.0k	-11.35% -£476.2k	-2.15% -£80k	Updated to reflect 2017/18 NDR1 figures
New Homes Bonus	£3.9m	£2.5m	£2.7m	Based on Government figures for 2017/18 and then reducing from 6 to 4 years and housing growth above 0.4%.

Revenue Budget 2017/18

29. Appendix A shows the General Revenue Budget Summary for 2017/18, which totals £17.379 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.

Pensions

30. SSDC received provisional pension figures on the 8th December 2016. These indicated an overall increase in pension costs of £749k compared to 2016/17 and £549k more than budgeted for in the MTFP reported in September 2016. An agreement has been reached to defer £324k of the increase until 2018/19 to ease the pressure on SSDC budgets and will be recouped over a longer period of time.

31. The SCC officers managing the Pension Fund have provided the following as context to the rise in pension costs:-

- Benefits and employee contribution rates are set by central government with no discretion for the Somerset Fund or individual employers.

- Under the regulations the actuary sets the assumptions for the valuation and the resulting employer contribution rates and there is no right of appeal.

- Returns on assets, particularly Gilts and corporate bonds have moderated, reducing the assumed future investment returns.

- The actuary has chosen to be more cautious/prudent in their assumptions than at the last valuation. This makes the scheme more expensive now but reduces (but not remove) the risk of further increases at future valuations.

- Part of the reason for the additional caution by the Actuary is the introduction of a review by the Government Actuary Department of all LGPS valuations/contributions under Section 13 of the Public Sector Pensions Act (2013). In extremis the Government could compel additional contributions from funds that they deem to be under providing.

- If employer costs continue to rise cost sharing principles agreed as part of the 2013 regulation will allow the Government to alter (increase) the level of employee contributions to maintain an approximate ratio between employees and employers, although this is a long term not short term process.

Revenue Support Grant

32. SSDC's Efficiency Statement was approved by the DCLG. This ensures that the funding for the next three years is as follows:-

Financial Year	Revenue Support Grant (RSG) £'m	Rural Services Delivery Grant £'m
2017/18	0.803	133.4
2018/19	0.269	102.6
2019/20	-0.330	133.4

Savings

33. Savings plans are outlined in Appendix D. All service savings over £25,000 will be monitored in 2017/18 and reported as part of the budget monitoring process.

34. Transformation savings have been reprofiled in line with the detailed business case, produced in October 2016, confirming that the £2 million already allocated to the MTFP is achievable. The proposed timetable for implementation has required £357k of balances to be proposed to be utilised in 2017/18 due to the timing of savings being achieved. The detailed business case outlined that further investment in the project may be required to deliver it within the timetable set out and to maximise the customer and efficiency benefits. This is not certain at this stage and will depend on a number of factors including the outcome of the technology procurement process. An updated report will be presented to District Executive and full Council for further funding once figures for the procurement of the ICT have been obtained. There is still an allowance within the capital programme of £1.2 million if required. In the meantime the project is continuing without locking into long-term contracts as stopping the project at this point will delay savings further, with resultant pressures on the budget.

35. Income generation savings are being added but only when the project has been confirmed. Therefore the “target” of £800k is not included in the MTFP at the current time.

36. The revised waste collection and recycling model savings have been included in the MTFP as well as an allowance for an increase in costs once the service is retendered in 2021.

37. As there are a number of risks to the timing of delivery of Transformation savings and the unexpected increase pension contributions, savings should continue to be sought in year that will ease this pressure and also meet the £737k gap for 18/19. A few areas that should be explored are fees and charges to ensure that they are keeping pace with inflation such as car parking fees as well as looking at charging for services such as re-inspections and advice that is currently not charged for.

Unavoidable Budget Pressures

38. Unavoidable budget pressures are detailed in Appendix C.

Somerset Rivers Authority and Council Tax Impact

39. The Government amended the Somerset Council Tax Levels in 2016/17 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 agreement will continue in 2017/18 with no uplift other than tax base growth and therefore the precept per Band D property will continue to be £1.85.

40. 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

41. The MTFP has been prepared on the basis of a £5.00 increase in Council Tax for 2017/18 to £157.48. The tax base for 2017/18 is 59,313.04, an increase of 770.04 from 2016/17.

42. 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.

43. 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 23rd February 2017.

44. The Government outlined that an increase greater than £5.00 will result in a local referendum.

Estimates for Future Years Band D Council Tax

45. The current estimate within the Medium Term Financial Plan and Medium Term Financial Strategy is that Council Tax levels will remain in line with expected Government increases of £5.00 for 2018/19 and 2019/20.

Council Tax Reduction Scheme

46. Council approved the scheme for 2017/18 in January 2017. The Medium Term Financial Plan currently assumes the same number of recipients as at the end of November 2016 will continue into 2017/18. The budget is £8.556 million compared to £8.478 million in 2016/17.

47. The Revenue Support Grant passported to the Town and Parish Councils will reduce to zero by 2019/20.

Non-Domestic Rates

48. 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 2017.

49. The current MTFP has now been updated post District Executive to reflect the 2017/18 NDR1. The overall surplus of £1.5 million above the estimate that was provided will be transferred to the NDR Volatility Reserve which will be depleted at the end of 2016/17 because of the previous year's Collection Fund deficit.

New Homes Bonus

50. SSDC had already made a prudent assessment of future payments and with 2017/18 provisional figures can fund £3 million within the MTFP up to and including 2019/20. However, it is expected that further cuts will be made and therefore the Council's dependence on this income should be reduced. The MTFP therefore reflects a reduction of £250k per annum reliance on NHB from 2019/20. This would mean that even if SSDC did not receive any further NHB the MTFP would still be supported by £1.5 million in 2020/21.

Public/Stakeholder Consultation

51. 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

52. 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

53. 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 2017 once the budget figures had been completed, and general balances should be retained within the range of £2.8 to £3.1 million at the start of the new financial year. The current estimate of revenue balances by the year-end is £3.4 million. The remaining sum is within the range to cover key risks in 2017/18. 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. Increased demand on the Council Tax Support Scheme
    m. Reduction in business rate income

54. 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 31/03/17 £000**
Balance 1/4/16	8,267
Allocations from balances 2016/17	(4,101)
Estimated underspend on Revenue Budget 2016/17	71
Estimated Unallocated General Fund Balance at 31 March 2017	**4,237**
Use of Balances for 2017/18 Budget once-offs including Collection Fund Surplus	(792)
Estimated Unallocated General Fund Balance at 1st April 2017	**3,445**

55. A review of reserves has returned £280k back to general fund balances and deferring the pension fund liability has been used to reduce the remaining requirement for funding for the current approved Transformation project. The shortfall that remains to be funded is now £657k with a further £400k requirement from capital receipts that can be used for revenue purposes.

56. 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 2017 £'000**
Usable Capital Receipts (note approximately £15m remains uncommitted)	27,518
Capital Reserve	1,092
Cremator Replacement Capital Reserve	651
Elections Reserve	125
Risk Management Reserve	11
Wincanton Sports Centre Reserve	21
Local Plan Enquiry Reserve	82
Yeovil Athletic Track Repairs Fund	125
Planning Delivery Reserve	26
Bristol to Weymouth Rail Reserve	16
Local Authority Business Growth Incentive Reserves	32
Yeovil Vision Reserve	110
IT Replacement Reserve	17
Insurance Fund	53
Transformation Reserve	1,589
Treasury Management Reserve	100
Local Plan Implementation Fund	124
Revenue Grants Reserve	628
MTFP Support Fund	6,396
Council Tax/Housing Benefit Reserve	583
Closed Churchyards Reserve	11
Health Inequalities Reserve	31
Deposit Guarantee Claims Reserve	9
Park Homes Replacement Reserve	165
Planning Obligations Admin Reserve	35
LSP Reserve	95
Artificial Grass Pitch Reserve	62
Business Support Scheme	158
Infrastructure Reserve	935
NNDR Volatility Reserve (Note updated post NDR1)	0
Ticket Levy Income	60
Total Reserves	**40,860**

57. 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 and have been updated to reflect the NDR1:

Year	Non-Earmarked Balances at Year End £'000	Capital Reserves at Year End £'000	Revenue Reserves at Year End £'000
2016/17	4,237	27,518	13,342
2017/18	3,445	19,081	15,296
2018/19	3,445	17,295	14,019
2019/20	3,445	17,607	13,735

Robustness of 2017/18 Revenue Budget

58. 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.

59. 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.

60. There has been a significant degree of scrutiny of the proposed budgets and savings for 2017/18 by:

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

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

62. There remains however some key risks inherent in the 2017/18 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. Any loss of principal would need to be found from revenue balances and reserves. *(S151 Officer*)

(b) Business Rates has been estimated as a final valuation list has not been received for the work on NDR1 to take place – therefore the final budget and surplus or deficit will have to be reported in-year. The request from the local NHS Foundation Trusts continues its challenge for mandatory relief. The NDR Volatility Reserve will require review once the NDR1 has been finalised. *(S151 Officer)*

(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. It also carries risks of possibly receiving less central government funding for example infrastructure grants if it does not go ahead. *(Chief Executive)*

(d) The Council Tax Reduction Scheme carries risks of additional demand and non-collection. This will continue to be monitored through budget monitoring reports in 2017/18. *(S151 Officer)*

(e) Housing Benefit Subsidy is administered on behalf of Central Government by SSDC and a grant reimburses for expenditure incurred. Approximately £43m 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. *(S151 Officer)*

(f) A downturn in the economy for example through Brexit would impact on our key income streams including business rates. A 5% reduction in development control, car parking, and building control alone would result in the loss of £152k per annum. *(S151 Officer)*

(g) The Westlands Leisure Centre will become operational in March 2017. A net budget of £62,500 has been set for this however, it will require close monitoring in its first year of operation to monitor that spend and income remain within the business case agreed. *(Director – Commercial Services and Income Generation)*

(h) The Transformation budget will require review once the technology solution has been assessed as to whether it is sufficient. The profile of savings have been amended in the 2017/18 budget but will need monitoring to ensure that savings are going to be delivered on time and the impact on balances of any delays. The current business case still requires funding of £0.7 million in revenue and £0.4 million in capital receipts that can be utilised as revenue to deliver the project. This should be considered a priority once the year-end position is known. *(Deputy Chief Executive)*

(i) The 2018/19 budget requires further savings of £ 0.7 million at a time when the Council will be delivering the Transformation programme. Members and Officers will need to start addressing this gap as soon as possible *(Chief Executive).*

63. **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. However, the budget has been balanced in 2017/18 through the use of once-off funds and deferment of pension liabilities. There remains a need to focus on the outstanding financial requirement of £1.1 million to fund the current business case for transformation as well as the need to deliver the key saving of £2 million by 2019/20. This is in addition to a further £2.7 million in savings will be required over the period of the MTFP.**

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 2017/18 to 2021/22

64. Requests for capital will be presented once the Council Plan Action Plan has been completed for 2017/18. An allowance of £20k has been made within the budget to cover any revenue implications.

65. A capital sum of £2.5 million was set to one side to fund the transformation programme. £1.3 million of this has already been approved and £1.2 million remains for any further capital funding required.

66. The Prudential Indicators that apply to capital spend are attached at Appendix E.

Corporate Priority Implications

67. The budget is aligned to the current Council Plan. There needs to be a clearer focus on priorities as the Council moves forward and radical reduction in dependency on central Government funding as it moves forward.

Carbon Emissions & Adapting to Climate Change Implications (NI188)

68. 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.

Appendices:

- Appendix A - Revenue Budget Summary 2017/18
- Appendix B - Detailed Revenue Budget Summary 2017/18
- Appendix C - Budget Pressures & Once Offs
- Appendix D - Savings & Equalities Check
- Appendix E - MRP Statement & Capital Prudential Indicators

Background Papers:

- District Executive Outturn Report July 2016
- District Executive MTFP Report Sept 2016, Jan & Feb 2017