

Agenda Item No:	9	
Committee:	Council	
Date:	23 February 2017	
Report Title:	General Fund Budget 2017/18 and Capital Programme 2017-20	

## Cover sheet:

### 1 Purpose / Summary

To consider the Cabinet recommendations in relation to the General Fund Revenue Budget 2017/18 and Capital Programme 2017-20.

### 2 Key issues

- Funding for the corporate priorities;
- Projected Outturn for 2016/17;
- Details of the Medium Term Financial Strategy and Capital Programme;
- All the required savings, £601k for 2017/18 have been identified and implemented;
- Further savings of around £231k are required over the period 2019/20 – 2020/21;
- The changes to the New Homes Bonus methodology will lead to significantly less allocations over the medium term;
- Details of the Treasury Management and Investment Strategy 2017/18;
- 1.98% increase in Council Tax for 2017/18;
- The forecast capital programme over the medium term to 2019/20 is dependent on significant future capital receipts from asset sales;
- The liability relating to the Pilots' National Pension Fund will crystallise in 2016/17 with a consequential impact on the Council's resources (reserves and/or capitalisation directive);

### 3 Recommendations

- **It is recommended by Cabinet that:-**
  - (i) the General Fund revenue budget for 2017/18 as set out in paragraphs 11 and Appendix A be approved;
  - (ii) the Capital Programme and funding statement as set out in Appendix C be approved;
  - (iii) the Medium Term Financial Strategy as outlined in this report be adopted;
  - (iv) the Treasury Management, Minimum Revenue Provision, Investment Strategy, Prudential and Treasury Indicators for 2017/18 as set out in paragraph 16 and Appendix D be approved;
  - (v) the expenses detailed in paragraph 13 be treated as general expenses for 2017/18;

- (vi) the Port Health levy for 2017/18 be set as shown in paragraph 14;
- (vii) the Band D Council Tax level for Fenland District Council Services for 2017/18 be set at £255.42, an increase of £4.95 (1.98%) on the current year.

<b>Wards Affected</b>	All
<b>Portfolio Holder(s)</b>	Cllr John Clark, Leader Cllr Chris Seaton, Portfolio Holder, Finance
<b>Report Originator(s)</b>	Rob Bridge, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
<b>Contact Officer(s)</b>	Paul Medd, Chief Executive Rob Bridge, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
<b>Background Paper(s)</b>	Finance settlement – Department for Communities and Local Government (DCLG). Medium Term Financial Forecasts working papers.

The structure of the report is as follows:-

<b>Section</b>	<b>Content</b>
1.	Business Plan and Introduction
2.	Projected Outturn 2016/17
3.	Consultation
4.	Autumn Statement 2016
5.	Fenland Comprehensive Spending Review
6.	Efficiency Plan
7.	Local Government Finance Settlement
8.	New Homes Bonus
9.	Business Rates
10.	Devolution
11.	Budget 2017/18 and Medium Term Financial Strategy
12.	Fees and Charges 2017/18
13.	Special and General Expenses
14.	Port Health
15.	Capital Programme
16.	Treasury Management and Investment Strategy 2017/18
17.	Review of General Fund Balance and Specific Reserves
18.	Council Tax – Overall Levels 2017/18

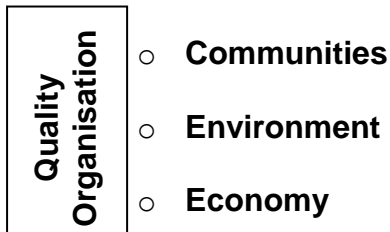
### **Appendices**

A.	(i) General Fund Revenue Estimates - Summary (ii) General Fund Revenue Estimates – Individual Services
B.	Medium Term Financial Forecasts
C.	Capital Programme
D.	Treasury Management Strategy, Minimum Revenue Provision Strategy, Investment Strategy and Prudential Indicators
E.	Parish Precepts
F.	Earmarked Reserves
G.	Robustness of Estimates and Adequacy of Reserves
H.	Shared Services List

## Report:

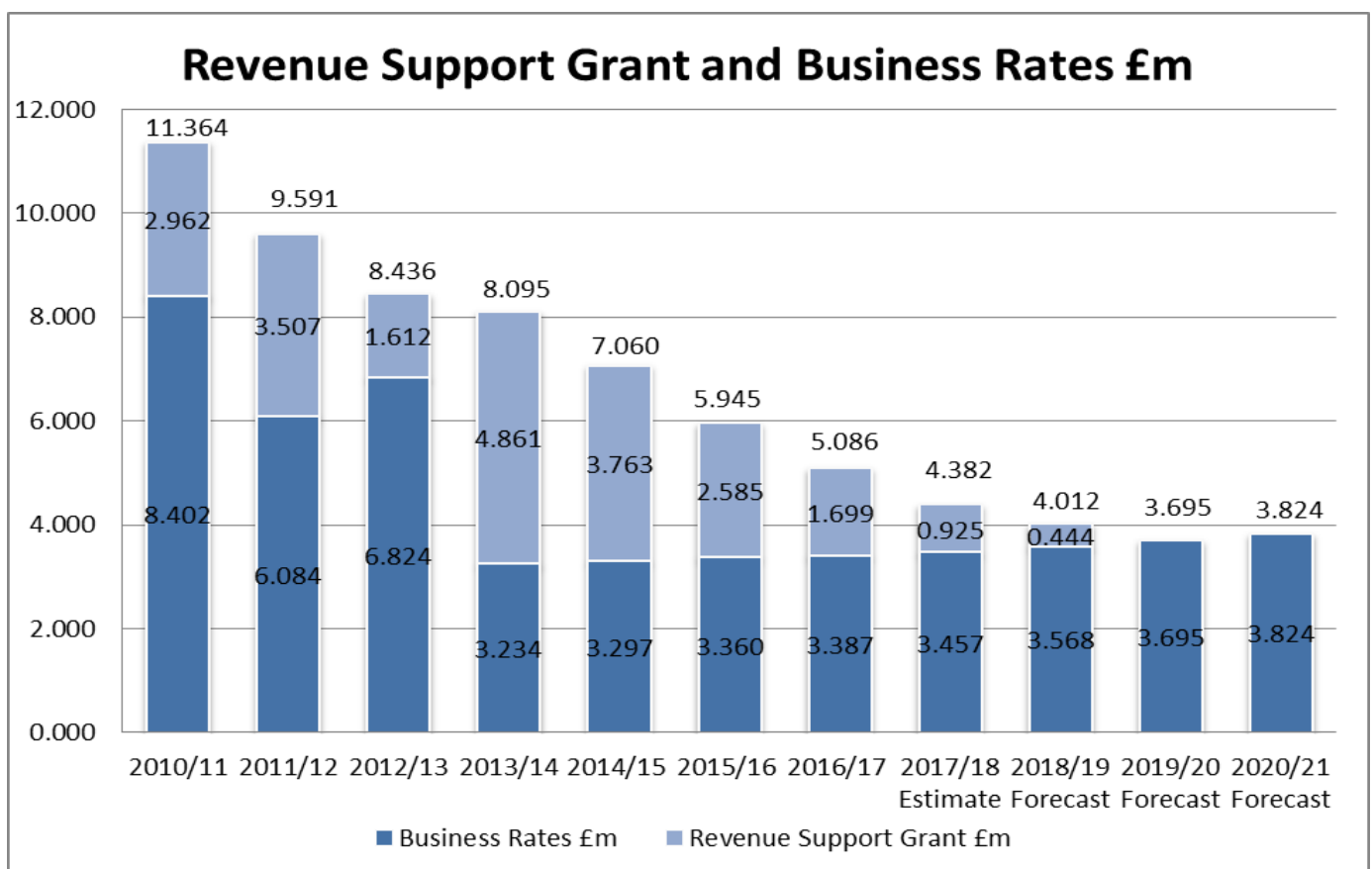
### 1 BUSINESS PLAN AND INTRODUCTION

1.1 This report is the culmination of the service and financial planning cycle for 2017/18. It brings together all general fund revenue estimates, all capital estimates, and recommends a level of Council Tax for 2017/18. The budget for 2017/18 and financial forecasts are based on the following Corporate Priorities as set out in the Business Plan, with an overarching focus on improving the Quality of Life for the residents of Fenland:-



1.2 These priorities have informed the development of the Council's Business Plan and have led to the budget proposals set out in this report. Full details of the Council's plans to improve the Social, Economic and Environmental well-being of the District are set out in the Business Plan 2017/18 earlier in the agenda for this meeting.

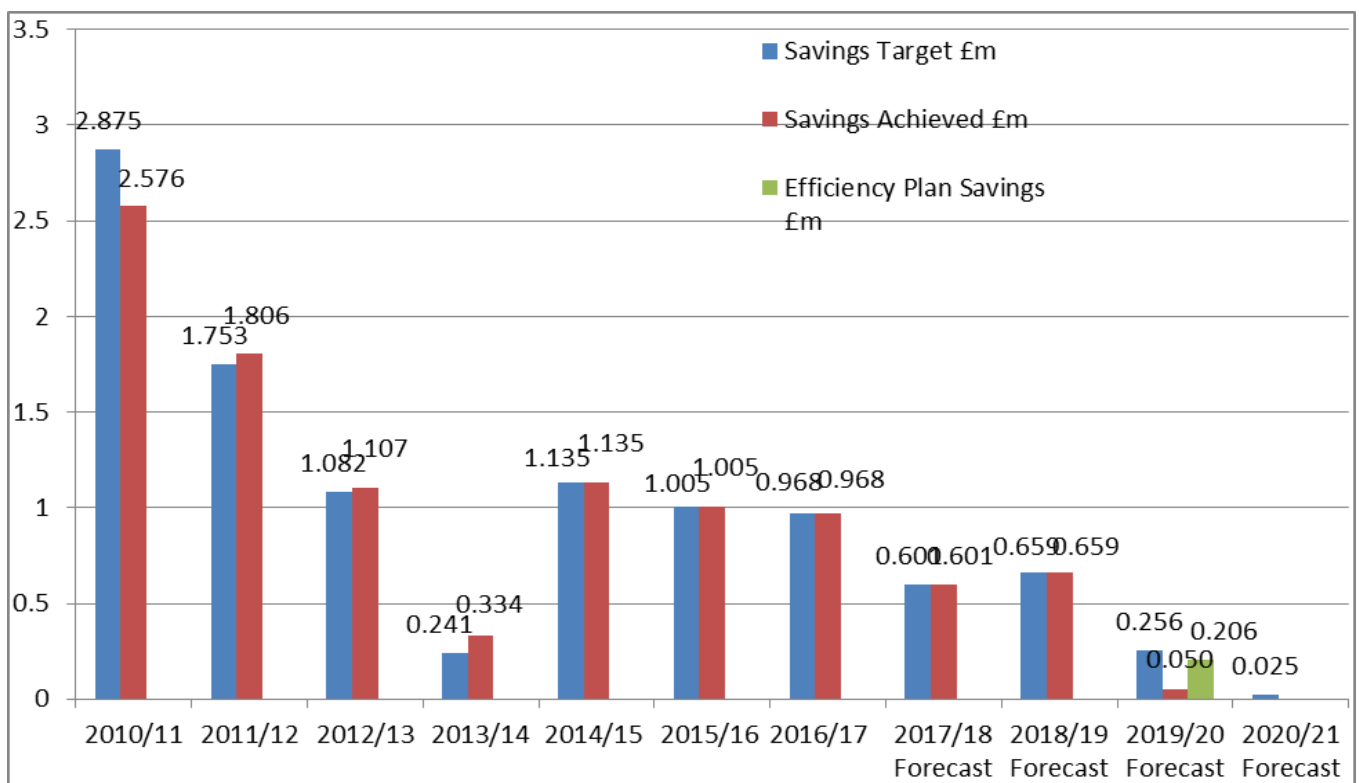
1.3 Local Government has been at the forefront of the austerity measures introduced by the government following the General Election in 2010, to reduce the national deficit. This Council has seen significant grant reductions since 2010 and by the end of 2016/17 we will have delivered around £9m of savings. This is exemplified in the graphs below:



(Note: The new Business Rates Retention system was introduced in 2013/14. Prior to that, the government used a different formula to calculate the allocation of business rates. Consequently, the split between business rates and RSG for these years could vary)

considerably between years, although the overall allocation reduced significantly. Since 2013/14, the graph shows the continuing trend of reducing RSG, within an overall reduced funding allocation, until it is phased out completely in 2019/20 with the introduction of 100% business rates retention).

- 1.4 Revenue Support Grant (RSG) and Business Rates will have reduced by 61% between 2010/11 and 2017/18, with forecast reductions of 8% in 2018/19 and a further 8% reduction in 2019/20 as RSG is reduced to zero as part of the government's strategy for local government to keep 100% of business rates revenues by the end of this Parliament.
- 1.5 The following graph illustrates how successful the Council has been in delivering therequired savings targets over the last 7 years. With the exception of 2010/11, where as a result of the emergency budget following the general election, substantial reductions in government grants were announced in year (this Council's savings target increased by £1.525m in the year, of which £1.226m was achieved, a significant achievement), the savings targets have been met in every year.



The above table effectively shows that the required savings over the period to 2019/20 have either been achieved or identified, consistent with the proposals within the FDC-CSR process and the Council's approved Efficiency Plan.

During these years, Members have been very clear, that where possible, front line services should be protected. The Council's strategy of identifying savings 12 months in advance of the financial year has led to the successful delivery of the required savings targets and means the Council are in a good position to meet the challenges of 2017/18 and beyond. These savings have been achieved through a number of ways, such as Management and Service reviews, shared services, procurement and income generation.

## **2 PROJECTED OUTTURN 2016/17**

- 2.1 As part of the budget setting process for 2016/17, approved by Council on 25 February 2016, £0.968m of savings were required in order to achieve a balanced budget.
- 2.2 As reported during the course of this year through the monthly monitoring reports to all Members and at previous Cabinet meetings, the required savings for 2016/17 have been identified and implemented. In addition, all the required savings for 2017/18 have also been identified.
- 2.3 Organisational efficiency changes (eg. Customer Access), Shared Service arrangements (Planning, Payroll and Internal Audit arrangements) and additional income (higher retained business rates and higher surplus on Council Tax collection fund) have enabled the savings target to be met for this year with significant contributions towards the savings target for 2017/18.
- 2.4 Given the size of savings required, this is a considerable achievement and demonstrates the focus from Cabinet and Officers in delivering a balanced budget. The savings identified to date have not significantly affected front-line services as the Council is determined to maintain the quality of these services during these difficult and challenging times.
- 2.5 The draft budget report to Cabinet in December 2016 forecast a surplus of £500k by the end of this year, mainly as a result of lower employee costs due to vacancies (£170k), higher fees and charges from services (£186k) eg. Planning, Marine Services (Wind Farm income), Trade Refuse and Leisure and higher receipts from the RTB/VAT sharing arrangement with Roddons (£140k). At that meeting, Cabinet agreed to transfer the projected £500k under-spend in 2016/17 to The Pilots' National Pension Fund reserve to provide funding towards the pending liability incurred as a result of triggering the S75 debt (see below).
- 2.6 The latest revised estimates for 2016/17 are detailed at Appendix A and shows net expenditure of £11.3m by the end of this year, £200k lower than the draft budget report in December 2016. This is due to further reductions in estimated employee costs (£53k), higher forecast income from services (£101k) eg. Marine Services (Wind Farm income) and Leisure and higher net Business Rates income (£39k). It is proposed that this additional £200k under-spend in 2016/17 also be transferred to the Pilots' National Pension Fund in order to give the Council maximum flexibility in its options regarding payment of the S75 debt.
- 2.7 At the present time, Corporate Management Team, Senior Managers and the Accountancy Team are managing and monitoring the position carefully and will continue to review spending levels to ensure where possible, this position is maintained at the year end.

### **Pilots' National Pension Fund (PNPF)**

- 2.8 Members will be aware of the Council's current and potential future liability to The Pilots' National Pension Fund. Last month, the Council effectively triggered a 'cessation event' with the PNPF, which means we no longer have any active members in the fund, or are likely to have in the near future. Consequently, this will result in a lump sum being due to the PNPF as a result of the statutory S75 debt calculation together with a payment due in accordance with fund rules. Previous estimates of this lump sum were around £2.5 million and we are currently awaiting confirmation of the actual sum due. Officers are currently in discussions with the PNPF regarding payment options for the lump sum and will be seeking the most financially advantageous arrangement for the Council.
- 2.9 Irrespective of how the Council repays the lump sum, we will need to recognise the full amount in the 2016/17 accounts which means the current projected surplus will show as a deficit in the final accounts for this year. This will be a one-off adjustment in this year and we will need to ensure we have the required resources to be able to fund this deficit

at the year-end. As a result of the decision by Cabinet in December 2016, to transfer the £500k projected under-spend in 2016/17 to the Pilots' National Pension Fund Reserve, there is £2.151 million set-aside in this reserve for the impending liability.

- 2.10 Subject to Cabinet's approval to transfer the additional £200k under-spend in 2016/17 to this reserve (2.6 above), there will be £2.351 million set aside by the end of this year.
- 2.11 Officers are also in discussion with DCLG regarding a potential 'capitalisation directive' which would effectively allow the Council to borrow to fund the lump sum due. Borrowing to fund revenue expenditure is not normally allowed, however, in exceptional circumstances, where the expenditure would put the authority in significant financial difficulties, DCLG in conjunction with HM Treasury can give approval.
- 2.12 If a 'capitalisation directive' is not forthcoming, the Council will need to fund the difference between the lump sum due and what has been set-aside in the PNPf reserve from other earmarked reserves at the year-end. The Council is currently paying around £90,000 per annum to the PNPf as its' deficit contribution and as this amount would not be required in future years, it would be available to either replenish any reserves used to fund the balance of the lump sum or be available to fund any borrowing resulting from a 'capitalisation directive' if approved.
- 2.13 As a result of the above, the General Fund Balance is forecast to remain at £2.394m at the end of 2016/17.

### **3 CONSULTATION**

- 3.1 The draft budget proposals for 2017/18 were approved for consultation by Cabinet on 15 December 2016. These proposals were discussed and considered at the meeting of the Overview and Scrutiny Panel on 16 January 2017. The Panel confirmed their overall support for the budget strategy.

### **4 AUTUMN STATEMENT 2016**

- 4.1 The Autumn Statement on 23 November 2016 reaffirmed the government department spending plans set out in Spending Review 2015 covering the period to 2019/20. Departmental revenue spending will continue to grow with inflation in 2020/21, as set out in Budget 2016. Departmental spending will also grow with inflation in 2021/22. Individual departmental spending limits up to 2019/20 were set out in the Spending Review and Autumn Statement 2015. Detailed information for subsequent years will be set out in a future spending review.
- 4.2 Consequently, there was little in the statement which had a direct impact on this Council over the medium term, which hadn't been announced in previous statements. Announcements regarding the impact of business rates revaluation and New Homes Bonus were made as part of the Provisional Local Government Finance Settlement in December 2016 and confirmed in February 2017.
- 4.3 Although not specifically mentioned in the statement, it is clear from previous government announcements that funding Adult Social Care is seen as a high priority. This includes allowing local authorities who are responsible for social care the ability to raise council tax by up to 2% per year (there is now flexibility to increase by up to 3%, although the cumulative increase over three years cannot exceed 6%), above the existing referendum threshold, to spend exclusively on adult social care. In addition, the government has consulted on the transfer of £800 million from the New Homes Bonus funding to social care (predominately from 2018/19 onwards) and the outcome of that consultation was announced with the Provisional Finance Settlement. As a result of the well-publicised funding crisis in Adult Social Care, the government has brought forward the transfer of funds from the NHB to 2017/18 (£240m), with a consequential impact on this Council's resources.

## **5 FENLAND COMPREHENSIVE SPENDING REVIEW**

- 5.1 In July 2015, the Council voted to establish a Fenland District Council Comprehensive Spending Review (FDC-CSR) in light of the significant further savings of approximately £1.8 million the Council would have to find from 2016-19. This savings target was subsequently increased to £2.133m covering the period 2017-20.
- 5.2 FDC-CSR means the Council will be looking at everything we do to assess all of the options available to make savings and generate income to ensure we meet our savings targets and remain a sustainable organisation in to the future.
- 5.3 In November 2015, Councillors received a pack of information outlining the range of options available and were tasked with indicating their preferences of which options should be worked up into full business cases for delivery, if viable. Members completed this process by December 2015 and convened to confirm their priorities in January 2016. These were included in the 2016/17 Business Plan and Budget, approved by Council in February 2016.
- 5.4 The total estimated savings generated from these proposals is £1.667m. During this year, Members have received detailed business cases on several proposals which are now progressing. These include the following:
- Community House external funding
  - Ceasing YDC
  - Garden Waste charging
  - Leisure Centre management options
  - Contact Centre review
  - Internal Audit Partnership
  - New Horizons Bus
  - Local Council Tax Support Grant to Parish Councils withdrawn
- 5.5 The savings generated from these and other CSR proposals are included within the Medium Term Forecasts detailed at Appendix B and have significantly contributed to a forecast 'balanced budget' for the next two years.

## **6 EFFICIENCY PLAN**

- 6.1 At the time of the announcement of the 2016/17 Finance Settlement in February 2016, the government also announced multi-year settlement figures (up to and including 2019/20), which it invited local authorities to accept upon publication of an Efficiency Plan. The offer covered the Revenue Support Grant (RSG), Transitional Grant and Rural Services Delivery Grant where appropriate. In addition, tariffs and top-ups (part of the Business Rates Retention system) for the period 2017/18 – 2019/20 would not be altered for reasons related to relative needs of local authorities and in the final year may be subject to the implementation of 100% Business Rates Retention.
- 6.2 This Council decided to accept the multi-year settlement offer (Cabinet 15 September 2016), published its' Efficiency Plan and sent it to DCLG to meet the deadline of 14 October 2016. On 16 November 2016, DCLG formally notified the Council that it is now on the multi-year settlement and we can expect to receive the allocations published as part of the 2016/17 local government finance settlement in 2017/18, 2018/19 and 2019/20. This results in RSG being withdrawn completely in 2019/20. 97% of councils have applied to be on the multi-year settlement.
- 6.3 The Council's published Efficiency Plan details how the estimated savings over the period to 2019/20 would be achieved through a combination of the FDC Comprehensive Spending Review, additional resources from Council Tax (higher tax-base through

dwelling growth and less Council Tax Support awarded) and Business Rates (higher receipts from growth and initiatives such as HM Treasury deal) together with targeted use of reserves and balances.

- 6.4 The current Medium Term forecasts detailed at Appendix B reinforce the Efficiency Plan objectives to achieve a break-even position over the period to 2019/20 with a small savings requirement in 2020/21.
- 6.5 As part of the efficiency plans over the past few years, the Council has commissioned and shared a number of services which continue to contribute towards the savings target over the medium term in conjunction with the FDC – CSR process. These shared service/commissioning arrangements are detailed at Appendix H.

## 7 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 7.1 The Final Finance Settlement for 2017/18 is expected to be announced on 22 February 2017 and the anticipated settlement is set out below. It is expected that there will be no significant changes to the provisional figures announced on 15 December 2016 which set out the Settlement Funding Assessment for 2017/18 and indicative allocations of funding up to 2019/20. For 2020/21, an inflationary increase has been assumed in line with the Autumn Statement announcement on overall government departmental spending totals.

**Table 1 – Expected Final Settlement Funding Assessment – February 2017**

	<b>Actual 2016/17 £000</b>	<b>Estimate 2017/18 £000</b>	<b>2017/18 % Reduction</b>
Revenue Support Grant	1,699	925	
Business Rates Baseline Funding	3,387	3,457	
<b>Settlement Funding Assessment</b>	<b>5,086</b>	<b>4,382</b>	<b>-13.84%</b>

- 7.2 As detailed last year, the multi-year settlement announced this year, will result in RSG disappearing by 2019/20 with the Business Rates Baseline Funding increasing by inflation. The Medium Term Forecasts detailed in Appendix B exemplify this position by reducing the overall Settlement Funding Assessment by 14% in 2017/18, 8% in 2018/19, 8% in 2019/20 with an inflationary increase in 2020/21. These are consistent with previous forecasts.
- 7.3 This phasing out of Revenue Support Grant (RSG) could be partly compensated by the announcement that local authorities will keep 100% of business rates income by 2020/21 (currently 50% - Fenland 40%, County Council 9% and Fire Authority 1%). However, this has not been modelled in the medium term forecasts, as there is no guarantee that additional resources will be forthcoming to District Councils from whatever distribution mechanism will be in place for business rates.
- 7.4 The Government have referred to the 'Core Spending Power' of a local authority in its settlement announcements. This definition is calculated by taking the Settlement Funding Assessment (in table 1 above), and for district councils adding to it the Council Tax Requirement (including an estimate of growth), additional revenue from the maximum £5 council tax referendum principle for districts, New Homes Bonus allocations and the Rural Services Delivery Grant. Nationally the 'Core Spending Power' is increasing for the period 2016/17-2019/20 by 2.6%, however for district councils it is reducing and for Fenland over this period is a reduction of -10.6%.



## 8 NEW HOMES BONUS

- 8.1 Following the government's consultation, during March 2016, on changes to the New Homes Bonus (NHB), details of the new allocation mechanism was announced with the Provisional Finance Settlement in December 2016.
- 8.2 The reforms key focus is to reduce the payments from 6 years to 5 years in 2017/18 and to 4 years from 2018/19. In addition, from 2017/18 a national baseline for housing growth of 0.4% has been introduced, below which New Homes Bonus will not be paid, reflecting a percentage of housing that would have been built anyway. The Government will retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.
- 8.3 Actual and forecast NHB allocations, based on the previous system, but also including an overall estimated reduction based on the above reforms (based on exemplifications provided as part of the multi-year settlement figures), which are included in the medium term forecasts are as follows:

**Table 2: New Homes Bonus Illustration – Based on previous allocation methodology, reduced based on the proposed reforms**

		Financial Year of Payment									
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast
		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Year of Delivery	Yr 1 (Oct 2009-10)	290	290	290	290	290	290				
	Yr 2 (Oct 2010-11)		323	323	323	323	323	323			
	Yr 3 (Oct 2011-12)			247	247	247	247	247	247		
	Yr 4 (Oct 2012-13)				356	356	356	356	356	356	
	Yr 5 (Oct 2013-14)					347	347	347	347	347	347
	Yr 6 (Oct 2014-15)						479	479	479	479	479
	Yr 7 (Oct 2015-16)							393	393	393	393
	Yr 8 (Oct 2016-17)								350	350	350
	Yr 9 (Oct 2017-18)									350	350
	Yr 10 (Oct 2018-19)										350
	<b>Total NHB allocation (previous method)</b>	<b>290</b>	<b>613</b>	<b>860</b>	<b>1,216</b>	<b>1,563</b>	<b>2,042</b>	<b>2,145</b>	<b>2,172</b>	<b>2,275</b>	<b>2,269</b>
	<b>NHB Reforms estimated impact</b>							<b>-496</b>	<b>-911</b>	<b>-1,065</b>	<b>-1,059</b>
	<b>Revised NHB allocations</b>	<b>290</b>	<b>613</b>	<b>860</b>	<b>1,216</b>	<b>1,563</b>	<b>2,042</b>	<b>1,649</b>	<b>1,338</b>	<b>1,210</b>	<b>1,210</b>

- 8.4 New Homes Bonus allocations for 2017/18 were announced as part of the Provisional Finance Settlement in December 2016. The reductions in future years are estimated at this stage based on the proposed reforms and illustrative figures announced as part of the Provisional Settlement. For 2017/18, the actual allocation is £455k less than the December Cabinet report. However, this has been off-set by changes resulting from the

Business Rates revaluation exercise and the inclusion of a vacancy factor in the 2017/18 estimates.

## **9 BUSINESS RATES**

- 9.1 Members will be aware that the Business Rates Retention system was introduced in April 2013. Under this system, authorities would benefit if their actual Business Rates income collected in a year was higher than the baseline funding determined by government.
- 9.2 There has been real business rates growth in Fenland over the last three years, however how this impacts on the resources available to this Council is complex, due to the rules surrounding the Business Rates Retention system.
- 9.3 Additional business rates growth over and above the Baseline Funding level results in a levy payable to the government equivalent to 50% of this growth amount. This amount is payable to the government in the financial year to which it relates. However, this Council's share of growth together with calculations for bad debts and appeals provision is included in the Business Rates Collection Fund for the year and any surplus on the Collection Fund at the year end, is then available to the Council in the following financial year.
- 9.4 In addition, the government announced various measures which reduced the amount of business rates receivable over the period 2014/15 - 2016/17 - capping increases to 2% and a series of 'reliefs'. However, authorities are being compensated by the government through a separate grant payment for any loss of business rate income resulting from these measures.
- 9.5 This Council is also part of a pilot scheme agreed between the Treasury and Cambridgeshire and Peterborough Councils, whereby the authorities will keep 100% of business rates generated above forecast levels (currently shared 50/50 with Central Government). This trial began in 2015/16 and the Council received an additional £319k of business rates in that year as a result of the pilot scheme. For the period 2016/17 onwards, we are forecasting around £203k of additional business rates per annum. We are awaiting further information regarding how this pilot scheme interacts with the government's announcement on authorities keeping 100% of business rates income by 2019/20. For the purposes of this report, it has been assumed that the trial will continue as originally agreed and the forecast additional rates income has been included in the medium term forecasts. There is, however, a risk that the trial will not continue past 2017/18, which could have a negative impact on the Council's overall business rate income for the years 2018/19 and 2019/20, depending on when the government introduces the 100% business rate retention scheme.
- 9.6 All of the above interact with each other producing a very complex assessment of the impact on the Council's resources. Although the Treasury deal is good news for the Councils involved, other factors within the overall business rates income projections result in an overall deficit being projected on the collection fund at the end of 2016/17. This is a result of a significant increase in the appeals provision being required due to a Valuation Tribunal decision regarding purpose built doctors surgeries, which has significantly reduced their rateable values (backdated to 1 April 2010). The amount of backdated refunds resulting from these appeals amounted to around £1.3 million and reduced the overall business RV by £575k. This means we will be collecting around £286k less rates income per annum in the future.
- 9.7 This demonstrates the volatility within any forecast of future business rates income. The projected deficit on the collection fund in 2016/17 (£253k) is carried forward and is a cost within the 2017/18 estimates. This Council's share of the deficit (40%) is estimated at around £101k.

## **Business Rates Revaluation – April 2017**

- 9.8 The draft revaluation list was published in October 2016. This showed that overall, the total increase in Business Rateable Value was 1.8%. However, as with all revaluations, the Business Rate multiplier will be adjusted by government in order for the changes to be fiscally neutral nationwide. The multiplier will be reduced by 3.5%.
- 9.9 Although the revaluation exercise is notionally fiscally neutral, the impact on individual authorities will vary and therefore another adjustment will be made to authorities top ups and tariffs. However, due to the complexities within the whole system, it is almost inevitable that there will be winners and losers across the country.
- 9.10 Taking all of the above into consideration, the total forecast income from business rates for 2017/18 is expected to be around £231k higher than forecast for 2016/17 with total income then rising with inflation from 2018/19 onwards.
- 9.11 Should the actual impact of the revaluation be greater than included in the Medium Term Forecasts, then the use of the Local Government Resource Reserve (balance £500k) may be required to smooth out the impact over the medium term.

### **100% Business Rates Retention**

- 9.12 During the summer of 2016, a consultation was carried on initial principles for local authorities to retain 100% of business rates in their area. The proposals will include a way of distributing funds fairly across the country (through the top up and tariff regime) and also suggests new responsibilities will be passed on to councils in return for keeping 100% of the business rates.
- 9.13 The proposals are being developed by a National Steering Group and four national sub-groups:- Roles and Responsibilities; System Design; Needs and Accounting and Accountability.
- 9.14 The government received nearly 700 responses to the consultation and the key points to be determined relate to new responsibilities, changes to the two tier split, appeals, how often to reset the system, impact of needs balanced against growth and the proposal for no levy. A further technical consultation and subsequent legislation will be issued in 2017.
- 9.15 The effect of this new system on Fenland District Council is unknown at this stage and therefore no adjustments have been made to the business rates funding within the MTFs. It is proposed that the new system will be in place by the end of this parliament but there is still uncertainty whether this will be 2019/20 or 2020/21.
- 9.16 The Local Government Finance Bill currently progressing through Parliament, provides a framework to allow local government to retain 100% of business rates. A detailed technical consultation on the new scheme is expected in the early part of 2017.
- 9.17 The ongoing impact of the Business Rates Revaluation, the introduction of 100% Business Rates Retention and the reforms to the New Homes Bonus are the major risk areas for this Council over the medium term.

## **10 DEVOLUTION**

- 10.1 Following the decision by all local Councils and the local LEP to vote to progress a devolution deal for Cambridgeshire and Peterborough a Shadow Combined Authority has been formed to take forward the process.
- 10.2 The Government will now seek to establish in law the basis on which to create an Elected Mayor and Combined Authority for Cambridgeshire and Peterborough. There will also be an election for the Elected Mayor of the Combined Authority in May 2017.
- 10.3 As detailed in the Council report on 17 November 2016, the running costs of the Mayor's Office and the Combined Authority will come at no cost to local councils. It will be paid for out of the new funding from government already set out in the devolution deal.

Consequently, no specific funding for these costs are included in the budget for 2017/18 and the medium term forecasts.

- 10.4 It is anticipated that for each £1 spent to run the Mayoral Combined Authority for the next five years, the devolution deal will generate new funding of at least £45 to be invested in Cambridgeshire and Peterborough mainly on housing and improved infrastructure. The full details of the devolution deal are contained in various reports and member briefings over the last nine months.

## 11 BUDGET 2017/18 AND MEDIUM TERM STRATEGY

- 11.1 The Council's Medium Term Financial Strategy (MTFS) ensures that the commitments made in the Business Plan are funded not only in the year for which the formal approval of the budget is required (2017/18) but for forecast years as well, within a reasonable level of tolerance.
- 11.2 The Council's Medium Term Forecasts (MTF) are shown at Appendix B and summarised in Table 3 below. The table also exemplifies the impact of an indicative 1.98% Council Tax increase per annum from 2017/18.

**Table 3 - Medium Term Forecast - 1.98% CT increase in 2017/18 onwards**

	Estimate 2017/18 £000	Forecast Illustrations and Subject to Change		
		Forecast 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000
Council Tax-base	28,397	28,682	28,972	29,272
Assumed Council Tax increase	1.98%	1.98%	1.98%	1.98%
<b>Resources (Income)</b>				
Revenue Support Grant	925	444	0	0
Business Rates Baseline	3,457	3,568	3,695	3,824
	<b>4,382</b>	<b>4,012</b>	<b>3,695</b>	<b>3,824</b>
Council Tax	<b>7,253</b>	<b>7,471</b>	<b>7,696</b>	<b>7,930</b>
CT Collection Fund surplus	<b>141</b>			
BR Collection Fund deficit	<b>-101</b>			
<b>Total Resources</b>	<b>11,675</b>	<b>11,483</b>	<b>11,391</b>	<b>11,754</b>
<b>Forecast Net Expenditure</b>	<b>11,675</b>	<b>12,142</b>	<b>12,306</b>	<b>12,694</b>
<i>Original Savings Target</i>	<i>601</i>			
<i>Savings achieved to date (included above)</i>	<i>-601</i>			
Savings identified 2018/19		-659	-659	-659
Savings identified 2019/20			-50	-50
<b>Forecast Expenditure after identified savings</b>	<b>11,675</b>	<b>11,483</b>	<b>11,597</b>	<b>11,985</b>
<b>Cumulative Funding Gap</b>	<b>0</b>	<b>0</b>	<b>206</b>	<b>231</b>
<i>Approved Efficiency Plan savings</i>			-206	-206
<b>Funding Gap – In Year (after Efficiency Plan savings)</b>		<b>0</b>	<b>0</b>	<b>25</b>
Forecast General Fund Balance	2,394	2,394	2,394	2,394

- 11.3 Government grant figures for 2017/18 will be confirmed as part of the final finance settlement. Indicative figures for 2018/19 - 2019/20 will also be announced at the same time and are expected to be consistent with the multi-year settlement figures announced last year (as detailed in paragraph 6 above). The forecast for 2020/21 is consistent with spending announcements in the Autumn Statement 2016.
- 11.4 Within the government grant (Settlement Funding Assessment) figures for these years, the Business Rates Baseline Funding element is assumed to increase annually by RPI, whereas the Revenue Support Grant element is reduced to zero by 2019/20 in line with government announcements. This combines to produce an assumed overall reduction of 14% in 2017/18; 8% in 2018/19 and 8% reduction in 2019/20. Figures for 2020/21 assume an inflationary increase in line with the Autumn Statement 2016 announcements regarding overall government department revenue spending.
- 11.5 This will mean that in 2019/20, the Council will no longer receive any Revenue Support Grant. In order for Councils to continue to contribute to the financial austerity measures of Central Government, it has been proposed that an additional tariff adjustment is applied to councils who no longer receive Revenue Support Grant. This is forecast to be £94,000 for Fenland in 2019/20 and is included in the overall business rates income for that year. However this could change, pending the outcome of the consultation on 100% business rates retention during 2017.
- 11.6 No further increases in Business Rates have been included at this stage to reflect the move to 100% retention as there is no information available regarding the future distribution model to be used and what impact the government's re-balancing of the available funding towards social care and upper tier authorities will have on districts generally and this Council in particular.
- 11.7 The level of net expenditure for 2017/18 is currently estimated to be £11.675 million after all identified savings are included. This includes the assumptions detailed at para. 11.16 below.
- 11.8 The forecasts include all proposed savings from the FDC-CSR process over the next three years together with assumptions regarding additional receipts from Council Tax and Business Rates as detailed in paragraph 6 above. These formed part of the Council's published Efficiency Plan which identified how the previously forecast savings of £2.133 million over the period 2017/8 – 2019/20 (Budget report in February 2016) would be achieved.
- 11.9 Taking these into account, the forecasts now show a funding gap of £231k to the end of 2020/21. Part of the Efficiency Plan strategy to balance the budget over the medium term was the targeted use of reserves and balances and this relatively small forecast funding gap could be funded from balances unless further revenue savings are identified in future years.
- 11.10 The forecasts are based on a proposed 1.98% Council Tax increase in 2016/17 and over the medium term. A Council Tax freeze in 2017/18 would increase the savings required over the medium term by an additional £589,000.
- 11.11 The current strategy is not to use the general fund balance to fund the projected deficits in future years. This will ensure the balance is kept above the target minimum level of £2m. However, due to the uncertainties relating to future resource and expenditure forecasts, the level of reserves and the minimum level of the general fund balance will be reviewed as we progress through the budget setting process (see also section 17 below).
- 11.12 Taking into account the proposals in the above tables, the estimated level of expenditure in 2017/18 is detailed in Appendix A. The level of forecast resources available to the Council and the estimated levels of expenditure over the medium term are set out in detail in Appendix B.

**11.13 The forecasts for the years 2018/19 – 2020/21 are volatile and should be treated with extreme caution. Future Finance Settlement announcements and consultation outcomes will also determine government funding for these years. In addition, the forecasts are dependent on achieving the savings identified through the Fenland CSR process.**

11.14 The Business Plan for 2017/18 continues the Council's successful improvement programme for all services. The funding for the majority of the priorities is included by rolling forward costs in this year's budget without the requirement for any specific "growth" to be identified.

11.15 These financial forecasts are based on the following strategic objectives and guidelines:-

- that the Council's expenditure plans will follow the medium term priorities set by the Council (as shown at paragraph 1.1.) and contained in the business plan,
- that the level of the general fund reserve will be reduced if necessary, over the period of the MTFs to provide the resources necessary to deliver priority services,
- that the level of the general fund reserve will be kept above a target minimum level of £2 million during the current uncertain economic conditions. This minimum level will be kept under review over the next few years.

### **Assumptions built into Budget and Medium Term Forecasts**

11.16 Within the forecasts are a number of assumptions which are necessary to produce the overall budget strategy. However, there is an element of risk associated with this process although we aim to mitigate these risks as detailed in paras 11.17 – 11.20. The main assumptions are as follows:

- 1.98% Council Tax increase for 2017/18 and thereafter;
- 1.65% increase in Council Tax base in 2017/18 and 1.00% thereafter;
- 1% pay award per annum for 2017/18 and thereafter;
- Allowance for pay increments;
- Implementation of the increase to the National Living Wage from April 2017;
- Increase in Employer's Pension Contributions (as determined by the latest triennial valuation of the Cambridgeshire Pension Fund in 2016). The current years' contribution takes the form of a percentage of pay (17%) together with a lump sum payment of £817,000. For 2017/18 the percentage of pay has increased to 17.4% although the lump sum payment has reduced to £785,000. For 2018/19 and 2019/20, the percentage of pay remains at 17.4% with the lump sum payments increasing to £825,000 and £865,000 respectively;
- Inclusion of the Apprenticeship Levy from April 2017 at an annual cost of around £33,000;
- Inclusion of a vacancy factor in 2017/18, equivalent to a reduction in staff costs of £92,400 (0.75%);
- 0% general inflation for the period of the Medium Term Forecasts;
- Specific allowance for inflation for business rates, external contracts, energy and water, drainage board levies;
- Investment interest rates to stay at current rates until second quarter of 2019 when market rates are forecast to begin rising slowly;
- Continuing impact of 2016/17 in year income pressures;

- Assumptions regarding forecast income levels from fees and charges have been included. These are a combination of fee increases (where applicable) and review of activity levels;
- Allowance has been made for higher non-collection rates for Council Tax due to the impact of the local Council Tax Support Scheme;
- The New Homes Bonus for 2017/18 onwards has been included as detailed in Table 2 above.

### **Risk Assessment**

- 11.17 There is an element of risk inherent in any process that looks into the future to make forecasts, particularly in the current economic climate. The Council has a strong track record in good financial management as recognised in the recent Annual Audit Letter. This risk is further minimised by adopting the following methodology when preparing the draft estimates:-
- Service managers and the Accountancy Team working together to define likely service income/expenditure patterns matched with service delivery plans
  - Maintaining “earmarked” reserves for potentially unbudgeted expenditure,
  - Adopting clear guidelines and control systems (revenue monitoring procedures, Financial Regulations etc.) to alert service managers, and members should variances become significant,
  - Using professional and expert advice and economic forecasts where these are available, e.g. treasury management, interest rates,
  - Maintaining a rolling review of forecast estimates beyond the current year.
- 11.18 2017/18 will continue to see risks imposed upon the Council with the Business Rates Retention system and the Local Council Tax Support scheme. Both of these have significant risks associated with them particularly around growth forecasts and collection rates. In addition, the uncertain future of the New Homes Bonus could also pose significant risks to future resources. There is also a risk to local government resources in the future around the outcome of the Brexit negotiations. The Council will seek to minimise these risks by adopting the methodology detailed in 11.17 above together with robust in-year monitoring systems.
- 11.19 These assumptions are made with all available information, but are necessarily calculated based on some broad criteria. In the current economic climate, some of these assumptions are particularly volatile. The MTFs will be prepared annually on a rolling basis so that as information becomes more certain the figures will be updated and consideration can be given to any action or changes in direction that may be required.
- 11.20 Appendix G sets out the Chief Finance Officer’s statutory report on the robustness of the estimates and adequacy of reserves.

### **Council Tax Referendum**

- 11.21 As part of the 2017/18 Local Government Finance Settlement announcement in February 2017, the government has again proposed that local authorities will be required to seek the approval of their local electorate in a referendum if they set council tax increases in 2017/18 that exceed the government set limit. This limit has been set at 2% for 2017/18 for District Councils (or £5 if you have lowest quartile council tax levels).

## Parish Precepts

- 11.22 The level of parish precepts set throughout Fenland are provided for information at Appendix E. These will be reported to Council as part of the Council Tax setting process.
- 11.23 As part of the Fenland CSR process, Cabinet agreed at its July 2016 meeting, to phase out the Local Council Tax Support Grant funding to Parish Councils by 2019/20, the year this Council's Revenue Support Grant (RSG) from government also ceases. This reduced the grant payments to Parish Councils from £89,260 in 2016/17 to £59,507 in 2017/18, £29,753 in 2018/19 and zero in 2019/20. The individual grant amounts have been notified to all Parish Councils and have been taken into account by them when setting their individual precepts for 2017/18.

## 12 FEES AND CHARGES 2017/18

- 12.1 The Overview and Scrutiny Panel reviewed fees and charges at their meeting on 16 January 2017. The recommended changes to fees and charges were reported to Cabinet on 19 January 2017. All of these recommendations have been included in the financial forecasts.

## 13 SPECIAL AND GENERAL EXPENSES

- 13.1 For the purposes of Section 35 of the Local Government Finance Act 1992, the Council needs to pass appropriate resolutions for each financial year to determine how expenses which could legally be regarded as special should be treated.
- 13.2 If expenses are treated as special expenses then they must be charged against the parts of the Council's area to which they relate.
- 13.3 Parish precepts are special expenses and cannot be treated as general expenses.
- 13.4 Drainage Board and Port Health levies which affect only part of the Council's area are treated as general expenses unless the Council resolves otherwise. These are currently treated as general expenses and it is recommended that this position continues for 2017/18.
- 13.5 Expenses incurred by the Council in performing, in part of its area, a function performed elsewhere by a parish council are special expenses unless the Council determines otherwise. Currently, these are treated as general expenses. To maintain this position it is recommended that the Council determines that such expenses should not be treated as special expenses for the financial year 2017/18.

## 14 PORT HEALTH

- 14.1 The Port Health levy for 2017/18, based on expected expenditure, is recommended as shown in Table 4 below.

**Table 4: Port Health Levy 2017/18**

<b>Description</b>	<b>£</b>
a) Port Health anticipated expenditure	13,897
b) Port Levy	
Fenland District Council	12,299
South Holland District Council	973
King's Lynn and West Norfolk Borough Council	625
Total	13,897



## **15 CAPITAL PROGRAMME**

- 15.1 Capital Expenditure and Income plans have been prepared through the Council's service and financial planning cycle. The Council's capital resources are dependent on government funding, external grants or through the ongoing disposal of assets.
- 15.2 A fully updated Capital Programme for 2017-20 is presented at Appendix C for approval. All known and expected levels of capital receipts have been taken into account in the resources statement. These include the net usable receipt from the stock transfer and income from land sales. This includes significant amounts from the future disposal of land at Nene Waterfront and other sites in the district.
- 15.3 The level of these capital receipts can be subject to some potential variability and risk. Officers are working on a variety of options to bring vacant sites to the market but there remains considerable uncertainty as to when these will be realised and capital receipts have been re-profiled accordingly. Even after this re-profiling the Council is still reliant on realising capital receipts of £2.945 million between now and 2020 to fund the programme at Appendix C.
- 15.4 Should resources from external funding and/or capital receipts not generate the level of receipts forecast, or there is a delay in disposal of assets, then the capital programme will need re-visiting to ensure funding is sufficient to meet proposed expenditure. Reviews of the programme and resources available are carried out regularly during the year.
- 15.5 Appendix C shows a cumulative funding deficit of £129k by the end of 2017/18; £389k in 2018/19 and £674k in 2019/20. This funding deficit will only be met if potential future capital receipts are realised to the same extent. Appendix C also shows that the uncommitted balance on the Capital Contribution Reserve is £484k.
- 15.6 Consequently, the future projects identified by members not currently included in the existing programme (detailed in Appendix C) will not proceed until sufficient funding is identified.
- 15.7 Alternative methods of funding the capital programme, such as prudential borrowing, may require consideration. These methods, however, will incur significant additional annual revenue costs on the Council which will need consideration in the context of the Council's forecast financial position.
- 15.8 No further new schemes have been included in the programme, however there are a number of essential projects currently being assessed by Officers which may result in new schemes being put forward for member's consideration during the next financial year. These include maintenance and improvement of assets (mini-factories, car parks, industrial estates, open spaces, leisure centres etc.) as detailed in the Asset Management Plan 2017-20 presented to Council on 15 December 2016.
- 15.9 Members are also reminded of the impact on the revenue account of using uncommitted capital resources. Whilst they remain uncommitted, the resources are invested and generate revenue income to the general fund. Consequently, for every £1m spent the revenue account loses around £6,000 per annum at current interest rates. Based on the average interest rates projected over the Medium Term Financial Strategy (1 -1.5%), this equates to a reduction in investment interest of between £10,000 - £15,000 per annum for every £1m of capital resources spent.
- 15.10 The Local Government Act 2003 introduced a new Prudential Borrowing regime. This requires all Councils to set and monitor indicators relating to capital expenditure, external debt and impact on council tax. The recommended indicators for Fenland District Council from 2016/17 are included in the Treasury Management Strategy detailed below and in Appendix D.

## **16 TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2017/18**

- 16.1 Full details of the proposed Treasury Management and Annual Investment Strategy for 2017/18 are contained in Appendix D. The proposed strategy was presented to and endorsed by Corporate Governance Committee on 14 February 2017.
- 16.2 The key issues relating to this strategy and its impact on the Medium Term Financial Strategy are as follows:-
- Continuing compliance with CIPFA's Treasury Management Code of Practice and the CLG's Investment Guidance;
  - The Prudential and Treasury indicators detailed in paragraphs 2 – 10 of Appendix D, show that the Council's capital investment plans are affordable, prudent and sustainable;
  - The MRP policy sets out how the Council will make prudent provision for the repayment of borrowing needs over the medium term forecast;
  - The treasury management strategy has been organised so that the Council will have sufficient cash resources to meet capital expenditure plans and operational cash flows;
  - Total external interest which includes finance lease interest payments; revised estimate for 2016/17 is £507,995. The estimate for 2017/18 is £512,225;
  - Levels of investments are projected to remain fairly constant over the medium term forecast, between an estimated £18.5m to £19m;
  - Base rates are expected to remain unchanged at 0.25% until Quarter 2 2019 before increasing gradually to reach 0.75% by Quarter 1 2020;
  - Limited opportunities exist to repay or reschedule debt due to the premiums that would become payable on redeeming external debt early;
  - Due to the Council's long term PWLB debt portfolio (£4.5m at 31/03/17) currently attracting excessive premiums it is not financially advantageous for the Council to comply with the Gross borrowing and Capital Financing Prudential Indicator;
  - The aim of the Council's annual investment strategy is to provide security of investment whilst minimising risk; investment returns are commensurate with the Council's low risk appetite. The Council achieves these objectives through differentiating between "specified" and "non-specified" investments and through the application of a creditworthiness policy;
  - Total investment income is estimated at £160,000 for 2016/17 and £140,000 for 2017/18.

## **17 REVIEW OF GENERAL FUND BALANCE AND SPECIFIC RESERVES**

- 17.1 An important part of any budget strategy is the review and consideration of reserves. The strategy applies a robust but prudent use of these balances to cushion the impact of the economic climate, but maintaining the minimum level of reserves for the Council over the medium term.
- 17.2 The current strategy is not to use the general fund balance to fund the projected deficits in future years from 2017/18 onwards. This will ensure the balance is kept above the target minimum level of £2m. However, due to the uncertainties relating to future resource and expenditure forecasts, this strategy will be reviewed as we progress through future budget setting processes.
- 17.3 Sufficient levels of reserves are necessary to provide for various and unplanned for contingencies that may include:-

- significant increased costs of providing statutory services
- significant increased contractual costs
- an unexpected and/or significant event or disaster, e.g. civil emergency
- the need to make significant payments in relation to prior year adjustments under the direction of the external auditor

17.4 The Council's current forecast uncommitted General Fund Balance at 31 March 2017 is £2.394m. The target minimum level for this reserve is £2m and the current strategy is not to use this balance to fund the projected deficits in future years. However, as detailed earlier in this report, the Council may be required to utilise the Local Government Resource Review Reserve (for fluctuations in business rates income over the next few years) and the PNPf Reserve in relation to the S75 debt liability.

17.5 A full analysis of earmarked reserves is shown at Appendix F and have been reviewed to enable the Council to meet potential future costs of transformation and potential future costs.

17.6 Appendix G of this report sets out the Chief Finance Officer's statutory report on the adequacy of reserves.

## **18 COUNCIL TAX – OVERALL LEVELS 2017/18**

18.1 After the estimates of expenditure and income have been prepared, and the external sources of grant have been notified from the Government, the next step is to set the level of council tax for 2017/18 for Fenland District Council's share of services. This is the final piece of the "jigsaw" that provides the balance of the resources required to fund the Council's services.

18.2 When deciding the level of council tax to set for 2017/18 it is prudent to be mindful of the forecast resources available to the Council over the period of the medium term – 2017 to 2021. In order to meet the objectives and guidelines set out in the MTFS and based on the assumptions shown at Appendix B, the following council tax levels are anticipated :-

<b>YEAR</b>	<b>INCREASE FOR PLANNING PURPOSES</b>
• 2017/18	1.98%
• 2018/19	1.98%
• 2019/20	1.98%
• 2020/21	1.98%

18.3 It is expected that these increases together with the achievement of the identified efficiency savings, would provide the resources required to fund the current level of service provision in 2017/18. Over the period of the MTFS efficiency savings as detailed in Appendix B will be identified during the 2018/19 budget process.

- 18.4 Table 5 shows the Band D Council Tax for spending at the level proposed, together with Council Tax levels from the major preceptors.

**Table 5: Council Tax Levels 2017/18**

COUNCIL TAX BASE	2017/18 28,397		2016/17 27,935	
	£	Band D £	£	Band D £
Fenland District Council Budget Requirement	11,675,172	411.14	12,000,126	429.57
Less Government Grants	-4,382,022	-154.31	-5,086,628	-182.09
Net cost of Fenland Services	7,293,150	256.83	6,913,498	247.48
Minus Council Tax Collection Fund surplus	-140,900	-4.96	-156,790	-5.61
Add Business Rates Collection Fund deficit	101,052	3.55	240,257	8.60
Precept on Collection Fund	<u>7,253,302</u>		<u>6,996,965</u>	
<b>Fenland District Council Tax</b>		<b>255.42</b>		<b>250.47</b>
<i>FDC Increase</i>		<b>1.98%</b>		<b>1.98%</b>
MAJOR PRECEPTORS				
County Council	<i>(2.00%)</i>	1,190.43		1,167.12
Police & Crime Commissioner	<i>(1.97%)</i>	186.75		183.15
Fire Authority	<i>(1.92%)</i>	66.78		65.52
Sub Total BAND D TAX		1,699.38		1,666.26
Increase over 2016/17 (excluding Parishes)		<b>£33.12</b> <b>(1.99%)</b>		<b>£30.78</b> <b>(1.88%)</b>
Parish Councils-average (Appendix E)	<b>(3.87%)</b>	44.37		42.72
Total average Band D Tax		1,743.75		1,708.98
<b>Total average increase over 2016/17</b>		<b>£34.77 ( 2.03% )</b>		

- 18.5 The proposed County Council increase for 2017/18 includes 2% for the Adult Social Care precept (£23.31) and a freeze on the general council tax. These figures are to be confirmed following the County Council meeting on 14 February 2017.
- 18.6 This Council's Band D Council Tax for 2017/18 is proposed at £255.42, an increase of £4.95 (1.98%) on the current year. However, the majority of properties in the district are within Bands A-C (83.7%) and therefore the increase will be proportionately less (although the percentage increase will be the same). Table 6 below shows the proposed Council Tax levels for each property band and the relevant increase.

**Table 6: Proposed FDC Council Tax levels 2017/18 by Property Band**

<b>Property Band</b>	<b>Proportion to Band D</b>	<b>% of Properties</b>	<b>Proposed 2017/18 Council Tax £</b>	<b>Current 2016/17 Council Tax £</b>	<b>Increase per annum £</b>	<b>Increase per week pence</b>
<b>A</b>	6/9	37.55	170.28	166.98	3.30	6p
<b>B</b>	7/9	27.05	198.66	194.81	3.85	7p
<b>C</b>	8/9	19.10	227.04	222.64	4.40	8p
<b>D</b>	<b>9/9</b>	<b>9.94</b>	<b>255.42</b>	<b>250.47</b>	<b>4.95</b>	<b>10p</b>
<b>E</b>	11/9	4.71	312.18	306.13	6.05	12p
<b>F</b>	13/9	1.26	368.94	361.79	7.15	14p
<b>G</b>	15/9	0.36	425.70	417.45	8.25	16p
<b>H</b>	18/9	0.03	510.84	500.94	9.90	19p

## FENLAND DISTRICT COUNCIL

## Summary of Revenue Estimates

Service Summary	Approved Estimate 2016/17 £	Revised Estimate 2016/17 £	Estimate 2017/18 £
Growth & Infrastructure	1,425,725	1,359,145	1,529,745
Housing, Environment, Leisure & Community	4,840,620	4,794,188	4,549,130
Planning, Resources & Customer Services	6,427,448	6,383,761	6,228,660
Policy & Governance	1,408,540	1,411,780	1,437,410
Capital Charges	2,475,000	1,907,000	2,148,000
<b>NET COST OF GENERAL FUND SERVICES</b>	<b>16,577,333</b>	<b>15,855,874</b>	<b>15,892,945</b>
<b>Corporate Items</b>			
Contributions to/ (from) Earmarked Reserves	-91,230	-94,050	-345,420
Revenue Contribution to Capital	70,000	70,000	418,000
RTB/VAT Sharing Income	-270,000	-270,000	-130,000
Capital Charges Reversal	-1,721,483	-1,158,320	-1,365,770
Investment Income	-160,000	-160,000	-140,000
New Homes Bonus	-2,042,320	-2,042,320	-1,649,140
New Homes Bonus Adjustment	-7,710	-7,710	0
Transition Grant	-1,580	-1,580	-1,580
Council tax Support - <i>Payments to Parish Councils</i>	89,260	89,260	59,500
Apprenticeship Levy	0	0	33,000
Vacancy Factor	0	0	-92,400
Business Rates - net additional income above baseline <i>(after levy payable to Government)</i>	-942,144	-981,028	-1,003,963
Corporate Adjustments	<b>-5,077,207</b>	<b>-4,555,748</b>	<b>-4,217,773</b>
<b>Net Expenditure before savings</b>	<b>11,500,126</b>	<b>11,300,126</b>	<b>11,675,172</b>
Original Savings target 2017/18			-601,000
<i>Savings identified to date (included above)</i>			601,000
<i>Savings identified (not yet included above)</i>			0
<b>Net Expenditure after Savings</b>	<b>11,500,126</b>	<b>11,300,126</b>	<b>11,675,172</b>
Contribution to Pilots' National Pension Fund Reserve	<b>500,000</b>	<b>700,000</b>	<b>0</b>
<b>NET EXPENDITURE after use of balances/reserves</b>	<b>12,000,126</b>	<b>12,000,126</b>	<b>11,675,172</b>
<b>Settlement Funding Assessment</b>			
Revenue Support Grant	-1,698,731	-1,698,731	-924,958
Business Rates Baseline Funding	-3,387,897	-3,387,897	-3,457,064
<b>Council Tax Collection Fund Surplus(-)</b>	<b>-156,790</b>	<b>-156,790</b>	<b>-140,900</b>
<b>Business Rates Collection Fund Deficit(+)</b>	<b>240,257</b>	<b>240,257</b>	<b>101,052</b>
<b>COUNCIL TAX REQUIREMENT</b>	<b>6,996,965</b>	<b>6,996,965</b>	<b>7,253,302</b>
Forecast General Fund Balance - 31st March	2,393,637	2,393,637	2,393,637
Balance 1st April 2016	2,393,637		

<b>GROWTH AND INFRASTRUCTURE</b>			
<b>Service</b>	<b>2016/17 Current Approved Estimate £</b>	<b>2016/17 Projected Outturn £</b>	<b>2017/18 Original Estimate £</b>
<b>Direct Services</b>			
Marine Services	-33,540	-140,940	-4,750
Drainage (District)	1,550	1,550	1,550
Highways	170,850	181,700	160,200
Car Parks	169,900	176,190	173,150
Sewage Treatment Works	33,900	36,450	31,570
Parish Council Concurrent Functions	42,155	42,155	42,155
Miscellaneous (Clocks, Monuments)	2,950	2,950	3,450
Economic Estates	-97,110	-102,330	-103,800
Planning Policy	113,350	123,350	114,350
Transport Development	116,100	116,100	116,950
Economic Development	126,950	128,050	137,850
Arts Development & Culture	46,650	46,100	81,330
Tourism Development	35,640	36,890	36,960
HLF- High St Wisbech	0	0	0
<b>Total Direct Services</b>	<b>729,345</b>	<b>648,215</b>	<b>790,965</b>
<b>Support Services</b>			
Asset & Project Services	415,850	419,700	394,500
Fenland Hall	253,700	251,350	280,280
The Base	96,830	104,880	104,000
<b>Total Support Services</b>	<b>766,380</b>	<b>775,930</b>	<b>778,780</b>
<b>Net Cost of Services</b>	<b>1,495,725</b>	<b>1,424,145</b>	<b>1,569,745</b>
<b>Less Support Services Recharges to Capital Schemes</b>	<b>-70,000</b>	<b>-65,000</b>	<b>-40,000</b>
<b>TOTAL GROWTH AND INFRASTRUCTURE</b>	<b>1,425,725</b>	<b>1,359,145</b>	<b>1,529,745</b>

## Notes:

1. Within all the Service Estimates detailed in Appendix A(ii), Support Services costs have not been reallocated with the exception of recharges to Capital Schemes.
2. Similarly, Capital Charges have not been reallocated as these 'costs' are reversed out within the Corporate Items section of the estimates, thereby having no impact on the Budget Requirement and Council Tax.
3. Estimates for 2017/18 include the assumptions on pay, expenditure and income detailed at paragraph 11.16 of the main report.

<b>HOUSING, ENVIRONMENT, LEISURE &amp; COMMUNITY</b>			
<b>Service</b>	<b>2016/17 Current Approved Estimate £</b>	<b>2016/17 Projected Outturn £</b>	<b>2017/18 Original Estimate £</b>
<b>Direct Services</b>			
Housing Strategy	117,420	118,260	111,110
Private Sector Renewals	96,370	96,690	99,920
Housing Standards	20,720	20,730	21,730
Care & Repair	58,160	58,160	58,630
CCTV	146,280	149,760	143,660
Safer Fenland	84,010	86,550	83,080
Licensing	-47,830	-37,230	-27,030
Housing Options	213,800	213,100	193,130
Community Development	175,090	175,110	124,830
Community House	3,870	3,950	6,860
Travellers Services	-89,260	-62,060	-91,460
Pollution Reduction	109,510	95,130	127,780
Public Health	279,950	272,290	278,100
Food Safety	120,650	108,270	128,240
Health and Safety	60,920	56,830	73,540
Refuse Collection - Domestic	1,379,050	1,395,060	1,163,010
Refuse Collection - Trade Waste	-109,580	-113,240	-110,810
Street Cleansing	746,630	741,330	756,400
Streetscene	241,380	246,300	245,270
Public Conveniences	29,890	38,350	32,400
Leisure Centres	501,740	459,100	410,730
Sports Development	85,130	75,250	89,440
Parks and Open Spaces	514,050	480,300	498,100
Cemeteries	-25,940	-9,440	-13,650
Markets and Fairs	-1,880	-2,710	1,510
Community Events	87,900	81,210	100,070
Vehicle Workshop	42,590	47,138	44,540
<b>TOTAL HOUSING, ENVIRONMENT, LEISURE &amp; COMMUNITY</b>	<b>4,840,620</b>	<b>4,794,188</b>	<b>4,549,130</b>



<b>PLANNING, RESOURCES AND CUSTOMER SERVICES</b>			
<b>Service</b>	<b>2016/17 Current Approved Estimate £</b>	<b>2016/17 Projected Outturn £</b>	<b>2017/18 Original Estimate £</b>
<b>Direct Services</b>			
Development Management	-74,090	-100,260	-134,940
Building Control	56,390	56,390	60,000
Conservation	35,710	37,200	37,710
Planning Compliance	140,630	132,060	75,840
Technical Support	167,210	167,750	172,020
Miscellaneous Central Services	166,540	166,540	158,540
Drainage Board Levies	1,393,930	1,393,930	1,435,790
Unfunded Pension Costs	892,500	892,500	862,800
Corporate Management	652,410	649,860	653,770
Council Tax Cost of Collection	89,730	89,760	40,800
Business Rates Cost of Collection	-17,815	-17,815	-9,400
Housing Benefits	79,113	87,756	163,930
ICT Direct Service Costs	534,750	534,750	515,690
Emergency Planning	61,500	62,250	62,550
<b>Total Direct Services</b>	<b>4,178,508</b>	<b>4,152,671</b>	<b>4,095,100</b>
<b>Support Services</b>			
Accountancy	527,110	527,880	536,680
Information & Communication Technology	370,280	369,550	375,060
Customer Access	1,019,700	1,010,470	914,670
Corporate Health & Safety	16,260	650	1,150
Human Resources	315,590	322,540	306,000
<b>Total Support Services</b>	<b>2,248,940</b>	<b>2,231,090</b>	<b>2,133,560</b>
<b>TOTAL PLANNING RESOURCES AND CUSTOMER SER</b>	<b>6,427,448</b>	<b>6,383,761</b>	<b>6,228,660</b>

<b>POLICY AND GOVERNANCE</b>			
<b>Service</b>	<b>2016/17 Current Approved Estimate £</b>	<b>2016/17 Projected Outturn £</b>	<b>2017/18 Original Estimate £</b>
<b>Direct Services</b>			
Policy	244,650	228,250	222,000
Land Charges	-81,980	-92,860	-98,580
Elections & Electoral Registration	174,210	197,380	174,090
Democratic Services	527,560	524,200	541,040
<b>Total Direct Services</b>	<b>864,440</b>	<b>856,970</b>	<b>838,550</b>
<b>Support Services</b>			
Post & Reprographics	260,400	258,950	255,950
Internal Audit	79,370	88,370	89,700
Legal Services	204,330	207,490	253,210
<b>Total Support Services</b>	<b>544,100</b>	<b>554,810</b>	<b>598,860</b>
<b>TOTAL POLICY AND GOVERNANCE</b>	<b>1,408,540</b>	<b>1,411,780</b>	<b>1,437,410</b>

## GENERAL FUND MEDIUM TERM FINANCIAL FORECAST

RESOURCES STATEMENT	Approved Estimate 2016/17 £000	Projected Outturn 2016/17 £000	Forecast Estimate 2017/18 £000	Forecast Illustrations and Subject to Change		
				Forecast Estimate 2018/19 £000	Forecast Estimate 2019/20 £000	Forecast Estimate 2020/21 £000
<b>A Resources</b>						
(i) <b>Central Government</b>						
Revenue Support Grant	1,699	1,699	925	444	0	0
Business Rates Baseline Funding	3,387	3,387	3,457	3,568	3,695	3,824
	5,086	5,086	4,382	4,012	3,695	3,824
			-14%	-8%	-8%	3%
(ii) <b>Council Tax</b>						
Council Tax Payers	6,997	6,997	7,253	7,471	7,696	7,930
Collection Fund Surplus	157	157	141	0	0	0
(iii) <b>Business Rates</b>						
Collection Fund Deficit(-)	-240	-240	-101	0	0	0
<b>Use of Balances</b>						
(iv) General Fund	0	0	0	0	0	0
(v) Contribution to PNPf Reserve	-500	-700	0	0	0	0
<b>Total Use of Resources</b>	<b>11,500</b>	<b>11,300</b>	<b>11,675</b>	<b>11,483</b>	<b>11,391</b>	<b>11,754</b>
<b>B Spending Levels</b>						
(i) Budget	13,542	13,342	13,324	13,403	13,516	13,904
New Homes Bonus	-2,042	-2,042	-1,649	-1,261	-1,210	-1,210
<i>Original Savings Target 2017/18</i>			-601			
<i>Savings Achieved to date (included above)</i>			601			
			0			
Savings Identified 2018/19				-659	-659	-659
Savings Identified 2019/20					-50	-50
<b>Budget after efficiency savings</b>	<b>11,500</b>	<b>11,300</b>	<b>11,675</b>	<b>11,483</b>	<b>11,597</b>	<b>11,985</b>
<b>Cumulative Funding Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>206</b>	<b>231</b>
<i>Approved Efficiency Plan savings</i>					-206	-206
<b>Funding Gap - in Year (after Efficiency Plan savings)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25</b>
<b>C Council Tax Increase</b>			<b>1.98%</b>	<b>1.98%</b>	<b>1.98%</b>	<b>1.98%</b>
<b>D Forecast Balances</b>						
(i) General Fund	2,394	2,394	2,394	2,394	2,394	2,394

## Assumptions

- 1 Council Tax base increase 2017/18 1.65%, 2018/19 onwards 1.00%
- 2 Government Support - 2017/18 - 2019/20 as per multi-year Finance Settlement, resulting in zero RSG in 2019/20.
- 3 2020/21 will be the first year of 100% Business Rates Retention system. No details available to enable forecast of impact of this system so 2020/21 forecasts based on current Business Rates system.

APPENDIX C

CAPITAL PROGRAMME AND FUNDING 2017 - 2020

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<b>CURRENT FORECAST EXPENDITURE</b>	<b>3,427</b>	<b>1,906</b>	<b>1,180</b>	<b>1,130</b>
<b>RESOURCES AVAILABLE</b>				
<b>General Fund Resources</b>				
Capital Grants	925	845	845	845
Usable Capital Receipts - In Year	465	135	75	0
Usable Capital Receipts - B/fwd	1,130	0	0	0
Reserves used in year to fund Capital	70	418	0	0
Section 106's	63	0	0	0
Finance Leases	330	0	0	0
Borrowing - Internal	823	0	0	0
<b>Total Resources</b>	<b>3,806</b>	<b>1,398</b>	<b>920</b>	<b>845</b>
Net Financing Need For The Year	(379)	508	260	285
<b>Cumulative Financing Need before use of Uncommitted and Future Resources</b>	<b>(379)</b>	<b>129</b>	<b>389</b>	<b>674</b>
<b>Uncommitted and Future Resources</b>				
Uncommitted Capital Contribution Reserve	(484)			
Potential Future Capital Receipts		(370)	(950)	(950)
<b>Cumulative Potential Funding available</b>	<b>(863)</b>	<b>(725)</b>	<b>(1,415)</b>	<b>(2,080)</b>
<i>Future Potential Capital Projects</i>				<u>1,276</u>

**CAPITAL PROGRAMME SUMMARY 2017 - 2020**

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
<b>Leisure Centres</b>								
1 Energy Plan - RE:FIT	823				<b>823</b>	823		£823k Internal Borrowing
2 Essential Buildings Safety Improvements	17				<b>17</b>	17		
<b>Regeneration Programmes</b>								
3 Fenland Renaissance and Place Shaping	51				<b>51</b>	51		
4 Heritage Lottery Fund - Match Funding bid		100	50		<b>150</b>	150		
5 Heritage Lottery Fund - 24 High Street, Wisbech	30	120			<b>150</b>	150		
<b>Parks and Open Spaces</b>								
6 Wenny Road,BMX Track	19				<b>19</b>	12	7	£7k Section 106
7 Wisbech Park, Bandstand	38				<b>38</b>	0	38	£30k WREN; £8k Section 106
8 Benwick Play Scheme	98				<b>98</b>		98	£50k WREN; £48k Section 106
<b>Highways</b>								
9 Street Light Improvements - FDC	50	66			<b>116</b>	116		
10 Street Light Improvements - Parishes (Categories 1 & 2)	50	121			<b>171</b>	171		£171k Capital Reserve
11 Street Light Improvements - Wimblington Road, March	10				<b>10</b>	10		£10k Capital Reserve
12 Street Name Plates/District Facilities Signage	24				<b>24</b>	24		
<b>Port</b>								
13 Mooring & Fuelling Facilities, Sutton Bridge	182				<b>182</b>	182		
<b>Vehicles and Plant</b>								
14 Vehicles	785	157	170	170	<b>1,282</b>	1,282		£330k Finance Lease Facility
<b>Office Refurbishments</b>								
15 Fenland Hall - Upgrade Alarm System	5				<b>5</b>	5		
16 Fenland Hall - Overflow Car Park	26				<b>26</b>	26		
<b>ICT System Replacement Programme &amp; Upgrades</b>								
17 Replacement & Upgrade Programme	142	75	75	75	<b>367</b>	367		
<b>Improvement of Assets</b>								
18 Sewage Treatment Works Refurbishment	39				<b>39</b>	39		
19 Energy Plan - Invest to Save Projects	26				<b>26</b>	26		
20 Land Drainage Improvements - Birch Fen	8				<b>8</b>	8		
<b>Markets</b>								
21 Service Tower Replacements	20				<b>20</b>	20		
<b>Economic Estates</b>								
22 Mini-Factories Refurbishment	45				<b>45</b>	45		
<b>Sub -Total</b>	<b>2,488</b>	<b>639</b>	<b>295</b>	<b>245</b>				

**CAPITAL PROGRAMME SUMMARY 2017 - 2020**

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
<b>B/FWD</b>	<b>2,488</b>	<b>639</b>	<b>295</b>	<b>245</b>				
<b>Community Fund</b>								
23 March Athletics Club		8			<b>8</b>	8		
24 Estover Playing Field Sports Provision, March		100			<b>100</b>	100		£100k Management of Change Reserve
<b>Rural Community Fund</b>								
25 Christchurch Parish Council - Sports Pavilion	38				<b>38</b>	38		
26 Coates Athletic Football Club - Changing Facilities	14				<b>14</b>	14		
27 Friday Bridge Play/Skate Park & MUGA		77			<b>77</b>	77		
<b>Community Safety</b>								
28 Wireless CCTV		167			<b>167</b>	167		£167k Management of Change Reserve
29 Alarm Receiving Centre		30			<b>30</b>	30		£30k Management of Change Reserve
<b>Private Sector Housing Support</b>								
30 Private Sector Renewal Grants	42	40	40	40	<b>162</b>	162		
31 Disabled Facilities Grants	845	845	845	845	<b>3,380</b>	0	3,380	£3.380M Govt Grant
<b>Total - Current Approved Programme</b>	<b>3,427</b>	<b>1,906</b>	<b>1,180</b>	<b>1,130</b>	<b>7,643</b>	4,120	3,523	

## CAPITAL PROGRAMME SUMMARY 2017 - 2020

	£000
<b>Leisure Centres</b>	
1 Chatteris Leisure Facilities - contingency	900
2 George Campbell Leisure Centre - Improvements	221
<b>Regeneration Programmes</b>	
3 Tourism Initiatives	75
<b>Market Towns Fund</b>	
4 Contingency	80
<b>TOTAL - Future Strategic Allocations</b>	<b>1,276</b>

## Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2017/18

### 1 Introduction

- 1.1 The Council is required to operate a balance budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:
- "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and pursuit of optimum performance consistent with those risks."
- 1.4 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by Corporate Governance Committee and Cabinet before being recommended to the Council.
- 1.5 **Prudential and Treasury Indicators and Treasury Strategy** (this report), the first and most important report covers:
- the capital plans (including prudential indicators);
  - a Minimum Revenue Provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
  - the Treasury Management Strategy (how investments and borrowings are to be organised) including treasury indicators; and
  - an Investment Strategy (the parameters on how investments are to be managed).
- A Mid-Year Treasury Management Report** - This will update Members with the progress of the capital position, amending prudential indicators as necessary and whether any policies require revision.
- An Annual Treasury Report** - This provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 1.6 The Strategy covers two main areas:
- Capital issues;**
- the capital plans and the prudential indicators;
  - the MRP policy.



## Treasury management issues;

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

## 2 Capital Prudential Indicators 2017/18 to 2019/20

- 2.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.
- 2.2 The capital expenditure prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously and those forming part of this budget cycle. The table below summarises the capital expenditure plans and how these are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Programme	2015/16 Actual	2016/17 Revised Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£000	£000	£000	£000	£000
<b>Forecast Capital Expenditure</b>	<b>2,965</b>	<b>3,427</b>	<b>1,906</b>	<b>1,180</b>	<b>1,130</b>
Financed by:					
Capital Receipts	566	465	135	845	845
Capital Grants	790	925	845	75	0
Capital Reserves	944	1,207	411	0	0
Section 106 Contributions	78	63	0	0	0
<b>Total Financing</b>	<b>2,378</b>	<b>2,660</b>	<b>1,391</b>	<b>920</b>	<b>845</b>
<b>Net Financing Need For The Year</b>	<b>587</b>	<b>767</b>	<b>515</b>	<b>260</b>	<b>285</b>

- 2.3 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure shown above, which has not immediately been paid for will increase the CFR.
- 2.4 The CFR does not increase indefinitely, as each year the Council is required to pay off an element of the capital spend (including finance leases) through a statutory revenue charge (MRP). This has the effect of reducing the Council's (CFR) broadly over the assets life.

- 2.5 The CFR includes any other long term liabilities (finance leases). A finance lease is a commercial arrangement between the Council and a lessor (finance company), where in consideration for a series of payments the Council has the right to use an asset (e.g. refuse vehicle, leisure equipment) for the lease duration (typically 3 to 7 years). The annual lease payment is made up of a capital and interest repayment.
- 2.6 Although legally the Council doesn't own the asset during the lease duration, International Accounting Standards require that the Council capitalise the asset and liability on its balance sheet, much like a loan. Whilst this increases the CFR, the nature of the finance lease agreement doesn't require the Council to separately borrow to fund the asset.

<b>Capital Financing Requirement</b>	<b>2015/16 Actual</b>	<b>2016/17 Revised Estimate</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>CFR at 1 April</b>	<b>663</b>	<b>1,063</b>	<b>1,588</b>	<b>1,832</b>	<b>1,865</b>
<b>Movement in CFR</b>	<b>400</b>	<b>525</b>	<b>244</b>	<b>33</b>	<b>52</b>
Net financing need for the year	587	767	515	260	285
Less MRP	(187)	(242)	(271)	(227)	(233)
<b>Movement in CFR</b>	<b>400</b>	<b>525</b>	<b>244</b>	<b>33</b>	<b>52</b>

### **3 Minimum Revenue Provision (MRP) Policy Statement**

- 3.1 The Council is required to pay off an element of the accumulated capital spend each year (the CFR) through a revenue charge (the minimum revenue provision), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision).
- 3.2 CLG regulations have been issued which require full Council to approve an MRP statement in advance each year. A variety of options are provided to Councils, so long as there is a prudent provision. For all unsupported borrowing (including finance leases) the MRP policy will be the asset life method - MRP will be based on the estimated useful life of the assets, in accordance with regulations. This option provides for a reduction in the borrowing need over approximately the asset's life. Repayments included in finance leases are applied as MRP.

### **4 The Use of Council's Resources and the Investment Position**

- 4.1 The application of resources (capital receipts, reserves etc) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc). Detailed below are estimates of the year end balances for each resource.

<b>Year End Resources</b>	<b>2015/16 Actual</b>	<b>2016/17 Revised Estimate</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fund balances / reserves</b>	<b>(7,788)</b>	<b>(8,190)</b>	<b>(7,889)</b>	<b>(7,889)</b>	<b>(7,889)</b>
<b>Capital receipts</b>	<b>(1,130)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital Grants Unapplied</b>	<b>(46)</b>	<b>(46)</b>	<b>(46)</b>	<b>(46)</b>	<b>(46)</b>
<b>Total core funds</b>	<b>(8,964)</b>	<b>(8,236)</b>	<b>(7,935)</b>	<b>(7,935)</b>	<b>(7,935)</b>
<b>Expected investments</b>	<b>(18,550)</b>	<b>(18,500)</b>	<b>(19,000)</b>	<b>(19,000)</b>	<b>(18,500)</b>

## 5 Affordability Prudential Indicators

- 5.1 The previous sections cover the overall capital and control of borrowing prudential indicators; also within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators.
- 5.2 This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

<b>Financing Costs to Net Revenue Stream</b>	<b>2015/16 Actual</b>	<b>2016/17 Revised Estimate</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>
	%	%	%	%	%
<b>General Fund</b>	<b>2.35</b>	<b>3.03</b>	<b>3.19</b>	<b>3.33</b>	<b>3.18</b>

The estimates of financing costs include current commitments and the proposals in the budget.

### 5.3 Estimates of the incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget but will invariably include some estimates.

<b>Incremental impact of capital investment decisions on the band D council tax</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>
	£	£	£
<b>Council tax band D</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## 6 Treasury Management Strategy

- 6.1 The capital expenditure plans set out in section 2 provide a summary of future level of spend. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this activity. This will involve both the organisation of cash flow and where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.
- 6.2 The Council's treasury portfolio position at 31 March 2016, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR).

	<b>2015/16 Actual</b>	<b>2016/17 Revised Estimate</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Debt at 1 April</b>	<b>7,800</b>	<b>7,800</b>	<b>7,800</b>	<b>7,800</b>	<b>7,800</b>
<b>Expected change in debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other long term liabilities (OLTL)</b>	<b>626</b>	<b>1,013</b>	<b>1,101</b>	<b>860</b>	<b>688</b>
<b>Expected change in OLTL</b>	<b>387</b>	<b>88</b>	<b>(241)</b>	<b>(172)</b>	<b>(178)</b>
<b>Actual debt at 31 March</b>	<b>8,813</b>	<b>8,901</b>	<b>8,660</b>	<b>8,488</b>	<b>8,310</b>
<b>Capital financing requirement (CFR) at 31 March</b>	<b>1,063</b>	<b>1,588</b>	<b>1,832</b>	<b>1,865</b>	<b>1,917</b>
<b>Borrowing less CFR – 31 March</b>	<b>7,750</b>	<b>7,313</b>	<b>6,828</b>	<b>6,623</b>	<b>6,393</b>

6.3 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This allows some flexibility for limited early borrowing for future years and ensures that long term borrowing is not undertaken for revenue purposes.

6.4 As a result of the Council's long term Public Works Loan Board (PWLB) debt portfolio of £4.5m (31/03/17) currently attracting excessive premiums (£3.12m at the time of writing this report), if it were prematurely repaid and the Lender Option Borrower Option (LOBO) debt of £3.3m (31/03/2017), attracting a premium charge on application to prematurely repay, it is not financially advantageous for the Council to fully comply with this prudential indicator. This has been the case since the housing stock transfer in 2007 and has been acknowledged and approved by Council since then. In addition, the Council's external auditors have also acknowledged this situation and have not raised any issues with our strategy.

6.5 Interest repayments associated with the external debt (including finance leases) above are shown below.

<b>YEARS</b>	<b>INTEREST DUE £</b>
2016/17	507,995
2017/18	512,225
2018/19	512,225
2019/20	512,225

6.6 The operational boundary is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt.

<b>Operational Boundary</b>	<b>2016/17 Revised Estimate £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>
<b>Debt</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>Other long term liabilities</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>
<b>Total</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>

- 6.7 The authorised limit is a key prudential indicator, which represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term but is not sustainable in the longer term.
- 6.8 This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all council's plans, or those of a specific council, although this power has not yet been exercised. The Council is asked to approve the following authorised limit.

<b>Authorised limit</b>	<b>2016/17 Revised Estimate £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>
<b>Debt</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>
<b>Other long term liabilities</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>
<b>Total</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>

## 7 Prospects for Interest Rates

- 7.1 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Capita Asset Services central view.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
<b>Bank rate</b>	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
<b>5yr PWLB rate</b>	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
<b>10yr PWLB rate</b>	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
<b>25yr PWLB rate</b>	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
<b>50yr PWLB rate</b>	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

- 7.2 The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in December and on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth.
- 7.3 During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to

0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

- 7.4 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments. However it is expected investment returns are to remain low during 2017/18 and beyond.
- 7.5 The other key factor in forecasts for Bank Rate is inflation where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017. This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall. This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.
- 7.6 The overall longer run trend is for gilt yields and PWLB rates to gently rise. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy.
- 7.7 Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.
- 7.8 PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.
- 7.9 In the Eurozone, the ECB commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it

also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%.

- 7.10 Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

## **8 Borrowing Strategy**

- 8.1 The Council will not borrow more than or in advance of its needs purely in order to profit from investment of the extra sums borrowed. Any decision to borrow in advance will be within approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 8.2 The Council's estimated CFR at 31<sup>st</sup> March 2017 is £1.588m (including finance lease borrowing facilities). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.
- 8.3 During 2016/17 the council has approved the use of £0.823m of cash flows in lieu of borrowing (internal borrowing) to support investment in the RE:FIT leisure energy programme. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.
- 8.4 The Chief Finance Officer will monitor capital plans and interest rates in financial markets and adopt a pragmatic approach to funding the capital programme. Any borrowing decisions and budget consequences would be reported to Cabinet at the earliest opportunity.
- 8.5 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing the risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:
- upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
  - upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
  - maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

<b>Interest rate exposures</b>	<b>2017/18 Upper £000</b>	<b>2018/19 Upper £000</b>	<b>2019/20 Upper £000</b>
<b>Limits on fixed interest rates based on net debt</b>	<b>(7,000)</b>	<b>(7,000)</b>	<b>(7,000)</b>
<b>Limits on variable interest rates based on net debt</b>	<b>(10,200)</b>	<b>(10,200)</b>	<b>(10,200)</b>
<b>Limits on fixed interest rates:</b>			
• Debt only	10,000	10,000	10,000
• Investments only	(17,000)	(17,000)	(17,000)
<b>Limits on variable interest rates:</b>			
• Debt only	3,300	3,300	3,300
• Investments only	(13,500)	(13,500)	(13,500)

<b>Maturity structure of fixed interest rate borrowing 2017/18</b>	<b>Lower %</b>	<b>Upper %</b>
<b>Under 12 months</b>	<b>0</b>	<b>20</b>
<b>12 months to 2 years</b>	<b>0</b>	<b>50</b>
<b>2 years to 5 years</b>	<b>0</b>	<b>75</b>
<b>5 years to 10 years</b>	<b>0</b>	<b>75</b>
<b>10 years and above</b>	<b>0</b>	<b>100</b>

<b>Maturity structure of variable interest rate borrowing 2017/18</b>	<b>Lower %</b>	<b>Upper %</b>
<b>Under 12 months</b>	<b>0</b>	<b>100</b>
<b>12 months to 2 years</b>	<b>0</b>	<b>100</b>
<b>2 years to 5 years</b>	<b>0</b>	<b>100</b>
<b>5 years to 10 years</b>	<b>0</b>	<b>100</b>
<b>10 years and above</b>	<b>0</b>	<b>100</b>

## **9 Debt Rescheduling / Repayment**

9.1 The Council has sufficient cash balances set aside to pay off its external debt.

9.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings;
- helping to fulfil the treasury strategy;
- enhancing the balance of the portfolio by flattening the maturity profile.

9.3 Limited opportunities exist to repay debt early because of the penalty position which would arise from early redemption of the external debt.

9.4 The Council's debt rescheduling position will be monitored throughout 2017/18.

## **10 Annual Investment Strategy**

10.1 The Council's investment policy has regard to the Communities and Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:

- the security of capital;
- the liquidity of its investments;



- return on its investments.
- 10.2 The intention of the strategy is to provide security and minimise risk.
- 10.3 Legislation and guidance requires the Council to differentiate its investments between specified and non-specified types (these are categorised below). Counterparty limits will be set through the Treasury Management Schedules.
- 10.4 **Specified Investments** – These investments are sterling investments (meeting the minimum ‘high’ quality criteria where applicable) of not more than one year maturity, or those which could be for a longer period but where the Council has the right to repay within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. Investment instruments identified for use in the financial year are as follows:
- term deposits with part nationalised banks and local authorities;
  - term deposits with high credit criteria deposit takers (banks and building societies);
  - callable deposits with high credit criteria deposit takers (banks and building societies);
  - money market funds
  - Debt Management Agency Deposit Facility (DMADF);
  - UK Government gilts, custodial arrangement required prior to purchase.
- 10.5 **Non-Specified Investments** – These are any other type of investment (i.e. not defined as specified above). Investment instruments identified in both “specified” and “non-specified” categories are differentiated by maturity date and classed as non-specified when the investment period and right to be repaid exceeds one year. Investment instruments identified for use in the financial year are as follows:
- term deposits with high credit criteria deposit takers (banks and building societies);
  - term deposits with local authorities;
  - callable deposits with high credit criteria deposit takers (banks and building societies);
  - Debt Management Agency Deposit Facility (DMADF);
  - UK Government gilts, custodial arrangement required prior to purchase.
- 10.6 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Bank rate is forecast to remain unchanged at 0.25% before starting to rise from quarter 2 of 2019. Bank rate forecasts for financial year ends (March) are:
- 2017/18 0.25%
  - 2018/19 0.25%
  - 2019/20 0.50%
- 10.7 The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace. Forecast average investment interest rates for the next three years are as follows:

- 2017/18 0.57%
- 2018/19 0.53%
- 2019/20 0.61%

10.8 Estimated investment income is shown below.

YEARS	INTEREST RECEIVED £
2016/17	160,000
2017/18	140,000
2018/19	130,000
2019/20	150,000

10.9 **Investment treasury indicator and limit** – total principal funds invested for greater than 364 days. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year end.

	2017/18 £000	2018/19 £000	2019/20 £000
<b>Maximum principal sums invested &gt; 364 days</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>

10.10 For its cash flow generated balance, the Council will seek to utilise its call accounts and short dated deposits (overnight to 100 days) in order to benefit from the compounding interest.

10.11 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## 11 Creditworthiness Policy

11.1 The Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard & Poor’s. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

11.2 The modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system, which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to

determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- yellow 5 years;
- dark pink 5 years for enhanced money market funds with a credit score of 1.25;
- light pink 5 years for enhanced money market funds with a credit score of 1.5;
- purple 2 years;
- blue 1 year (only applies to nationalised or semi nationalised UK banks);
- orange 1 year;
- red 6 months;
- green 100 days
- no colour not to be used.

- 11.3 The Capita Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.
- 11.4 Typically the minimum credit ratings criteria the Council use will be short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use
- 11.5 The Council's own bank currently meets the creditworthiness policy. However, should they fall below Capita Asset Services creditworthiness policy the Council will retain the bank on its counterparty list for transactional purposes, though would restrict cash balances to a minimum.
- 11.6 All credit ratings are monitored weekly and prior to any new investment decision. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services creditworthiness service.
- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
  - In addition to the use of credit ratings the Council will be advised of information in movements in credit default swaps against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
- 11.7 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to justify its decision making process.
- 11.8 To further mitigate risk the Council has decided that where counterparties form part of a larger group, group limits should be used in addition to single institutional limits. Group limits will be as set through the Council's Treasury Management Practices – schedules.
- 11.9 The Council currently only invests in UK banks as it lacks detailed knowledge about investments in other sovereign rated countries. It should be noted that in some cases these banks are subsidiaries of foreign banks but these are of the highest credit quality.

## **12 External Service Providers**

- 12.1 The Council uses Capita Asset Services, Treasury Solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the authority at all times and will ensure that undue reliance is not placed upon our external service providers.
- 12.2 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.



PARISH PRECEPTS 2017/18

<b>TAX BASE (Equated Band D Properties)</b>	<b>PRECEPT 2016/17 £</b>	<b>COUNCIL TAX PER BAND D PROPERTY £</b>	<b>PARISH</b>	<b>TAX BASE (Equated Band D Properties)</b>	<b>PRECEPT 2017/18 £</b>	<b>COUNCIL TAX PER BAND D PROPERTY £</b>	<b>INCREASE FROM 2016/17 %</b>
326	10,715	32.87	<b>BENWICK</b>	339	10,715	31.61	-3.8
3,181	126,000	39.61	<b>CHATTERIS</b>	3,228	137,000	42.44	7.2
251	12,500	49.80	<b>CHRISTCHURCH</b>	255	13,200	51.76	3.9
769	45,500	59.17	<b>DODDINGTON</b>	778	46,500	59.77	1.0
1,117	49,150	44.00	<b>ELM</b>	1,138	52,936	46.52	5.7
369	14,377	38.96	<b>GOREFIELD</b>	373	15,000	40.21	3.2
1,081	50,000	46.25	<b>LEVERINGTON</b>	1,071	50,000	46.69	0.9
756	65,063	86.06	<b>MANEA</b>	766	66,010	86.17	0.1
6,318	267,000	42.26	<b>MARCH</b>	6,411	267,000	41.65	-1.5
223	7,770	34.84	<b>NEWTON</b>	230	10,500	45.65	31.0
428	17,330	40.49	<b>PARSON DROVE</b>	419	18,565	44.31	9.4
369	21,000	56.91	<b>TYDD ST GILES</b>	376	21,000	55.85	-1.9
4,929	158,682	32.19	<b>WHITTLESEY</b>	5,015	171,015	34.10	5.9
747	59,000	78.98	<b>WIMBLINGTON</b>	753	61,450	81.61	3.3
6,024	235,554	39.10	<b>WISBECH</b>	6,149	265,374	43.16	10.4
1,047	53,732	51.32	<b>WISBECH ST MARY</b>	1,096	53,732	49.03	-4.5
<b>27,935</b>	<b>1,193,373</b>	<b>42.72</b>	<b>GRAND TOTAL</b>	<b>28,397</b>	<b>1,259,997</b>	<b>44.37</b>	<b>3.87</b>

**EARMARKED AND GENERAL RESERVES - Projected 2016/2017 and Estimated 2017/18**

Reserve Name	Balance 01.04.16 £	Applied Capital £	Contributions to/(from) 2016/17 £	Projected Balance 31.03.17 £	Applied Capital £	Contributions to/(from) 2017/18 £	Estimated Balance 31.03.18 £	Comments / Conditions of Use
Travellers Sites	233,241	10,000	22,000	255,241		71,780	327,021	Can only be used for specific future maintenance liabilities.
Station Road, Whittlesey - Maintenance	2,800		2,800	5,600		2,800	8,400	Required for future road maintenance.
CCTV - Plant & Equipment	88,780		10,000	98,780		10,000	108,780	Available for future CCTV maintenance & replacement liabilities.
Invest to Save	120,521			120,521			120,521	To provide resources for schemes which will deliver future efficiencies. £50k committed to energy efficiency schemes match funded by Salix Finance, as part of the Council's 'Keen to be Green' strategy.
Conservation	54,124			54,124			54,124	Available for the purchase, renovation and subsequent re-selling of difficult properties of local importance where intervention by this Council is seen as the only solution.
Management of Change	1,197,992			1,197,992	297,000	(297,000)	900,992	Available for the effective management of any organisational changes required to meet the Council's future priorities.
Neighbourhood Planning Reserve	195,156			195,156		(10,000)	185,156	Available to assist the Council with delivering the 'Neighbourhood Planning' objective and delivery of the Core Strategy.
Specific Government Grants (received in previous years)	399,729		(59,150)	340,579		(2,000)	338,579	Available to fund specific spending commitments in future years.
Personal Search Fees	124,725		(9,700)	115,025			115,025	Available to off-set restitution claims associated with the revocation of the personal search fees of the local land charges register.
Community Projects Reserve	12,431			12,431			12,431	Available for small-scale community projects. Previously used to assist Parish/Town Councils to fund Diamond Jubilee Celebrations.
Local Government Resources Review Reserve	500,000			500,000			500,000	Available to assist the Council in delivering the local council tax support scheme and business rates retention system from 2013/14.
Capital Contribution Reserve	664,675	60,000	(60,000)	604,675	121,000	(121,000)	483,675	Available to fund specific spending commitments in future years.
Port - Bouy Maintenance	149,431			149,431			149,431	Available for future buoy maintenance to service windfarms.
Pilots' National Pension Fund	1,651,178		700,000	2,351,178			2,351,178	Available to off-set future liabilities arising from Pilots' membership of the Pilots' National Pension Fund.
<b>TOTAL EARMARKED RESERVES</b>	<b>5,394,782</b>	<b>70,000</b>	<b>605,950</b>	<b>6,000,732</b>	<b>418,000</b>	<b>-345,420</b>	<b>5,655,312</b>	
General Fund Balance	2,393,637			2,393,637			2,393,637	Unallocated general reserve required for various and unplanned for contingencies, to mitigate risks associated with future financial planning as well as for general day to day cash flow needs.
<b>TOTAL RESERVES</b>	<b>7,788,419</b>	<b>70,000</b>	<b>605,950</b>	<b>8,394,369</b>	<b>418,000</b>	<b>-345,420</b>	<b>8,048,949</b>	

NB: In accordance with the Council's Financial Rules and Scheme of Financial Delegation ( Part 4, Rule 6 of the Constitution), paragraphs B57 - B60 delegates authority to the Chief Finance Officer to approve expenditure from these reserves in accordance with their approved use as detailed above.

## **ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF THE RESERVES**

### **1. Introduction**

Section 25 of the Local Government Act 2003 requires that the Chief Finance Officer is required to report to Members on the following matters:

- a) the robustness of the estimates made for the purposes of the budget calculations, and
- b) the adequacy of the proposed financial reserves.

The majority of the material required to meet the requirements of the Act has been built into the key reports prepared throughout the corporate budget cycle, in particular:

- a) The Medium Term Financial Strategy (MTFS),
- b) The Revised Budgets,
- c) The final Business Plan and budget report to Cabinet.

This reflects the fact that the new requirements incorporate issues which the Council has, for many years, adopted as key principles in its financial strategy and planning, and which have therefore been incorporated in the key elements of the corporate decision-making cycle.

This also reflects the work in terms of risk assessment and management which is built into all the key aspects of the Council's work.

### **2. Robustness of Estimates**

Through regular reporting mechanisms to members and at Corporate Management Team, the on-going impact of the current economic climate and the implementation of the identified savings have been incorporated into the projected outturn for 2016/17. A savings target of £0.968m had originally been set as part of the budget setting process for 2016/17. Through tight and effective financial management, the required savings have been achieved without any use of balances. This is a considerable achievement.

The revised budget process has been informed by:

1. The revised Service and Financial Planning process, the development of a new Business Plan incorporating extensive public consultation.
2. The budget monitoring process which has highlighted areas of risk, and, on a monthly basis, has subjected them to a greater degree of scrutiny. Budget monitoring has been used to highlight under-spending, budgets where demand has exceeded the current resources available and areas where revenue streams have been under pressure.



3. The outcome of the Local Government Finance Settlement for 2017/18.

4. The Fenland Comprehensive Spending Review process.

These present the Council with considerable challenges. The assumptions and risks taken into account in developing the budget are shown in the Table below.

<b>Budget assumption</b>	<b>Financial standing and management</b>
<p>1</p> <p>The treatment of the current economic climate</p>	<p>The Council's much admired 'one team' culture plays an important part in keeping tight control of expenditure commitments and achieving the necessary efficiency savings. This will ensure the continuation of excellent services and delivery of the key priorities within the Business Plan.</p> <p>In addition, the prudent use of balances/reserves to smooth out the more significant effects of the recession will help ensure (together with the actions above) that council tax increases are kept to a reasonable level (1.7% in 2013/14; 0% in 2014/15 and 2015/16; 1.98% in 2016/17; 1.98% proposed for 2017/18; indicative 1.98% thereafter in the MTF, below the Government's anticipated referendum levels).</p> <p>The actions above will also ensure that the Council is well placed to bounce back quickly when the economy improves.</p>
<p>2</p> <p>The treatment of inflation and interest rates</p>	<p>No allowance for general inflation has been provided for in the 2017/18 budget and over the Medium Term forecasts, although allowances for contractual pay increases, pension cost increases, external contracts, business rates, energy costs, fuel, drainage board levies etc have been included. Specific increases are included for certain elements if known.</p> <p>Corporate Management Team has once again re-assessed the vacancy factor [VF] to be built into the medium term forecasts, in the light of current experience. Consequently, the VF built into the 2017/18 budget and over the Medium Term is 0.75% (around £92k). The Council is seeing an increase in turn-over, however the savings from this are offset by recruitment and temporary staff costs. Officers will continue to monitor this and assess whether the current VF is suitable for future years.</p> <p>Average interest rates for 2017/18 have been assumed at 0.57% for investments and 3.00% for new borrowing. The effect of each 1% change in interest rates (on investment income) is approximately <math>\pm</math> £150,000.</p>

Budget assumption	Financial standing and management
<p>3</p> <p>The impact of Government Grants and achievement of savings target</p>	<p>The Local Government Finance Settlement has had a significant impact on the Council's resources over the Medium Term. This has resulted in General Government Support (Settlement Funding Assessment reducing by £704k in 2017/18 (-13.84%). Within this, Revenue Support Grant will reduce by £774k (-45.56%) and this will be phased out to zero by 2019/20. This means that the overall Settlement Funding Assessment reductions continue at 8% in both 2018/19 and 2019/20. In 2020/21, an inflationary increase has been allowed.</p> <p>The impact on the Council's Net Revenue Expenditure (excluding use of balances) is a reduction from £13.114m in 2015/16 to £11.675m in 2017/18, a cumulative reduction of £1.439m (11%) over two years, at the same time as the Council faces considerable cost and income pressures.</p> <p>The Corporate Management Team with guidance and direction from Cabinet and the Council, have achieved the required savings in 2017/18 (£601k).</p> <p>The Final Settlement also gave indicative illustrations of funding levels for 2018/19 and 2019/20. In 2019/20, it has also been proposed that an additional tariff adjustment (£94k for this Council) is applied to councils who no longer receive Revenue Support Grant to contribute to the Government's financial austerity measures.</p> <p>No indicative allocations were given for 2020/21, although the Autumn Statement 2016 stated that overall government departmental spending totals would increase by inflation and this has been allowed for in the forecasts.</p> <p>A Fenland Comprehensive Spending Review has begun and members of the Council have identified options to deliver of £1.667m towards the required savings target over the period to 2019/20. This has resulted in a modest residual savings target by the end of 2019/20 of £206k and a further estimated £25k in 2020/21.</p> <p>These proposals involve changes to current structures, service transformation, systems and processes which needs managing effectively in order to minimise the possibility of slippage and disruption in the transition from old to new arrangements.</p> <p>However, the achievement of ongoing significant savings during 2016/17 without significant impact on front-line services has been a considerable achievement by the Corporate Management Team and Senior Managers with direction from Cabinet and Members.</p> <p>Robust and timely monitoring of savings delivery plans with ongoing contingency planning will be critically important throughout the year, as it has successfully been in the last 12 months. Corporate Management Team and Senior Managers are aware of the budgetary implications around deliverability of the savings plan.</p>

Budget assumption	Financial standing and management
<p>Business Rates Retention System</p>	<p>Business Rates income is now one of the major financial risks to the Council following the introduction of the Business Rates Retention System from April 2013. The Council now shares the risk associated with appeals and growth with the government. As well as producing potential benefits to the Council over the medium term the risks associated with appeals will potentially limit this benefit and could cause volatility in Business Rates income over the medium term.</p> <p>Since 2013/14, there has been real growth in business rates income and the Council will benefit in 2017/18 and thereafter, from its' share of the growth over and above the baseline funding level. Net additional income above the baseline funding level is estimated at around £1m in 2017/18 and future years. This also includes additional growth funding as Fenland is part of the pilot scheme with the Treasury to keep 100% of business rates generated above forecast levels. The Council also retains 100% of business rates from new renewable energy projects (since 2013/14) which amounts to an estimated £253k in 2017/18.</p> <p>The volatility of business rates is such that a 1% variance in income would result in the Council either gaining or losing £100,000 in resources.</p> <p>Within the business rates retention system, is a safety net mechanism whereby the government will reimburse Council's for loss of business rates income if this falls below 92.5% of the baseline funding level. Based on the forecast business rates income for 2017/18, total income would have to fall by around £650,000 (the Council's share being £260,000) before the Council would receive any safety net payment.</p> <p>CMT will continue, over the coming months, to carefully monitor the Business Rates Retention system, to ensure that any volatility in this area is identified in a timely manner and plans put in place to ensure the Council's Medium Term Forecasts are robust and sustainable. In addition, the Council has established the Local Government Resource Review Reserve (current balance £500k) to mitigate the impact of any in-year variations in income.</p> <p>In addition, during 2016, the Government consulted on councils retaining 100% of business rates by 2019/20. Further consultations are planned during 2017. No additional funds have been anticipated from this yet as no information or details on how this will work have been finalised. There will still be a need for business rates to be redirected across the country for fairness, and also to re-balance funding towards social care. Officers will review and respond to further consultation exercises to maximise the opportunity this new policy will bring to the Council.</p>
<p>New Homes Bonus (NHB)</p>	<p>Following the government's consultation, during March 2016, on changes to the New Homes Bonus (NHB), details of the new allocation mechanism was announced with the Provisional Finance Settlement in December 2016 and confirmed in February 2017. This represents a considerable risk to the Council's resources over the medium term.</p>

Budget assumption	Financial standing and management
	<p>The reforms key focus is to reduce the payments from 6 years to 5 years in 2017/18 and to 4 years from 2018/19. In addition, from 2017/18 a national baseline for housing growth of 0.4% has been introduced, below which New Homes Bonus will not be paid, reflecting a percentage of housing that would have been built anyway. The Government will retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.</p> <p>These reforms have effectively reduced the Council's NHB by around £500k in 2017/18 and by around £1m per annum in the following years. These reductions have largely been off-set by additional business rates income (see above) and the introduction of a modest vacancy factor in 201/18.</p> <p>There is however a considerable risk to future year's allocations if housing growth (completions) falls below the average of the last four years and/or the baseline for housing growth increases above 0.4%.</p>
<p>4</p> <p>Estimates of the level and timing of capital receipts.</p>	<p>The capital programme for 2016/17 and 2017/18 is reliant on £970k of receipts. The future capital programme is reliant on substantial amounts of capital receipts (£1.975m for 2018/19 to 2019/20). As land values have decreased during the current climate, disposals of surplus land will be delayed if necessary to ensure the Council maximises its return on these assets.</p> <p>The capital investment plan will therefore need to be reviewed and re-phased should the level or timing of capital receipts vary from that anticipated, to ensure funding is sufficient to meet proposed expenditure.</p>
<p>5</p> <p>The treatment of demand led pressures</p>	<p>All members of Corporate Management Team have reviewed their base budgets to reflect the Council's revised priorities set out in the Business Plan 2017/18 including demand led pressures. Service Teams are expected to put forward management and policy actions to manage the additional demand within the relevant legislation either within the relevant budget or reprioritising within their budgets. If this is not possible, and underspendings, management action or policy actions in other Service Teams are not sufficient to cover the additional demand, then further savings and service reductions would have to be made.</p>
<p>6</p> <p>The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments</p>	<p>Approval of new capital spending is dependent on the identification of the appropriate levels of revenue and capital funding, demonstrating their affordability.</p> <p>The existing test of affordability for capital spending has been reinforced by the introduction of the Prudential Code, with effect from 1 April 2004. The indicators identified as part of the Code have been included with the final budget reports, and have been taken into account in arriving at the final recommendations on the Capital Programme.</p>

Budget assumption	Financial standing and management																																	
7 The availability of other funds to deal with major contingencies	The minimum level of reserves assumes that management and policy actions will be taken to address major contingencies. Should these be insufficient, the minimum level of reserves may have to be used temporarily and restored to at least their minimum prudent level or the optimal level through future budgets.																																	
8 The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates etc)	<p>The Council budgets prudently for its level of borrowing, avoiding external borrowing where cash resources allow. No new borrowing (other than finance leases) is anticipated in the MTF as detailed in the Treasury Management Strategy 2017/18.</p> <p>The assumed Council Tax collection rate for 2017/18 onwards is high, at 98.5%. This reflects the anticipated collection rates as a consequence of the new Local Council Tax Support Scheme.</p> <p>The Council Tax collection fund is forecast to be in surplus at the end of 2016/17. Consequently, a surplus of £141k is included in the final budget proposals for 2017/18.</p> <p>The Business Rates collection fund is forecast to be in deficit at the end of 2016/17, mainly due to the outcome of appeals resulting from the Valuation Tribunal decision regarding purpose built doctor surgeries which has significantly reduced their rateable values (backdated to 1 April 2010). A deficit of £101k is included in the final budget proposals for 2017/18.</p>																																	
9 The authority's track record in budget and financial management.	<p>The Council's recent track record in budget and financial management shows under-spends of -0.05% to -0.9% of the net budget :</p> <table border="1" data-bbox="475 1312 1353 1776"> <thead> <tr> <th></th> <th>Amount £000</th> <th>% of budget</th> </tr> </thead> <tbody> <tr> <td>• 2006/07 - under spent by</td> <td>-£62</td> <td>-0.4</td> </tr> <tr> <td>• 2007/08 - under spent by</td> <td>-£149</td> <td>-0.9</td> </tr> <tr> <td>• 2008/09 - under spent by</td> <td>-£47</td> <td>-0.3</td> </tr> <tr> <td>• 2009/10 - under spent by</td> <td>-£60</td> <td>-0.3</td> </tr> <tr> <td>• 2010/11 - under spent by</td> <td>-£101</td> <td>-0.6</td> </tr> <tr> <td>• 2011/12 – under spent by</td> <td>-£102</td> <td>-0.6</td> </tr> <tr> <td>• 2012/13 – under spent by</td> <td>-£25</td> <td>-0.2</td> </tr> <tr> <td>• 2013/14 – under spent by</td> <td>-£93</td> <td>-0.6</td> </tr> <tr> <td>• 2014/15 – under spent by</td> <td>-£7</td> <td>-0.05</td> </tr> <tr> <td>• 2015/16 – under spent by</td> <td>-£8</td> <td>-0.06</td> </tr> </tbody> </table> <p>However this has been achieved by considerable management and policy actions to ensure spending is in line with the budget each year.</p> <p>Base budget under provision, the full year effect of previous decisions, demographic growth, legislative change and the impact of the current recession have been identified and will continue to be identified during the budget and the revised Medium Term Planning process.</p>		Amount £000	% of budget	• 2006/07 - under spent by	-£62	-0.4	• 2007/08 - under spent by	-£149	-0.9	• 2008/09 - under spent by	-£47	-0.3	• 2009/10 - under spent by	-£60	-0.3	• 2010/11 - under spent by	-£101	-0.6	• 2011/12 – under spent by	-£102	-0.6	• 2012/13 – under spent by	-£25	-0.2	• 2013/14 – under spent by	-£93	-0.6	• 2014/15 – under spent by	-£7	-0.05	• 2015/16 – under spent by	-£8	-0.06
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Budget assumption	Financial standing and management
<p>10</p> <p>The authority's capacity to manage in-year budget pressures</p>	<p>The performance management framework during 2016/17, consisting of monthly financial management reports to CMT, monthly briefing of portfolio holder's and budget monitoring reports to Cabinet and Overview and Scrutiny, ensures that current performance is challenged, and the need for any remedial measures identified at the earliest opportunity.</p> <p>The impact of the Autumn Statement and Settlement Announcements were anticipated early in 2016/17 with regular reports to members. Under the guidance of Cabinet and the whole Council through the 'Fenland Comprehensive Spending Review' process, Corporate Management Team have continued a thorough and detailed efficiency review of all service area budgets. This together with the FDC-CSR process has led to the identification and implementation of £601k of financial savings for 2017/18, a further £0.659m in 2018/19 and a further £50k in 2019/20.</p>
<p>11</p> <p>The authority's virement and end of year procedures in relation to budget under/overspends at authority and Service level.</p>	<p>The Council's virement and carry forward rules are clearly set out in the Financial Regulations. The Council is operating management disciplines to ensure management and policy actions are considered in relation to overspending budgets. Generally virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of general fund reserves.</p>
<p>12</p> <p>The adequacy of the authority's insurance arrangements to cover major unforeseen risks.</p>	<p>The Council's insurance arrangements are a balance between external insurance premiums and internal risk in some areas. Premiums and internal risks are reactive to external perceptions of the risks faced by the Council which includes both risks that are generic to all organisations eg Sept 11<sup>th</sup> and those specific to the Council / Local Government eg "no win - no fee" companies.</p> <p>Both those issues produced large increases in risk and thus premiums / costs in recent years have risen. Trend analysis indicates that these have now settled and provide confidence that no substantial increases in risks and costs should be seen in the near future. However, by its very nature, insurance is a service to manage unforeseen risks and reserve levels must be kept under constant review in this area.</p>

### **3. Adequacy of the reserves**

The minimum prudent level of reserves that the Council should maintain is a matter of judgement. It is the Council's safety net for the unforeseen or other circumstances and must last the lifetime of the Council unless contributions are made from future years revenue budgets. The minimum level of balances cannot be judged merely against the current risks facing the Council as these can and will change over time.

The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem or a series of events, the Council would run a serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way.

Reserves are established and maintained in line with the Code of Practice on Local Authority Accounting, and are reviewed annually by the Council's external auditors taking into account their knowledge of the Council's performance over a period of time.

There are two main categories of reserves to be considered:

- a) Earmarked reserves
- b) Unallocated general reserves ( the general fund balance)

#### **3.1 Earmarked Reserves**

Earmarked reserves are those which the Council builds up over a period of time to fund known or predicted liabilities. These are included in Appendix F of this report. The Council reviews the levels, contributions and appropriateness of these reserves annually as part of the budget process.

#### **3.2 Unallocated general reserves**

As part of its financial strategy during the current uncertain economic climate the Council has determined a minimum level of £2m for the general fund balance over the medium term (approximately 17% of future net expenditure levels) to deal with timing issues and uneven cash-flows and avoid unnecessary borrowing. This minimum level will be kept under review during the course of the medium term strategy.

The recommendation on the minimum prudent level and optimal level of reserves has been based on the robustness of estimate information. In addition, the other strategic, operational and financial risks taken into account when recommending the minimum level of unallocated General Fund reserves include:

- The Council will need to budget for provision for the cost of any redundancies necessary to achieve any budget savings and restructuring to the extent they are not contained in budget proposals.
- There is always some degree of uncertainty over whether the full effects of any economy measures and/or service reductions will be achieved. CMT have been prudent in their assumptions and that those assumptions, particularly about demand led budgets, will need to hold true in changing circumstances.

- The uncertainty over the extent of the impact of the current recession and when the economy is likely to improve. Although the assumptions built into the budgets are prudent, further action will need to be taken if circumstances change for the worse,
- The Bellwin Scheme Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. The local authority is able to claim assistance with the cost of dealing with an emergency over and above a threshold set by the Government. The assistance is usually 85% of any eligible costs over the threshold.
- The risk of major litigation, both currently and in the future.
- Changes in the methodology for central government grant allocations from 2017/18.
- Risks of grants being introduced mid year requiring authority contributions.
- Risks of government funding changes during year.
- Unplanned volume increases in major demand led budgets, e.g. homelessness and benefits.
- The need to retain a general contingency to provide for any unforeseen circumstances, which may arise.
- The need to retain reserves for general day to day cash flow needs

The level of the General Fund Balance is forecast to be £2.394m at both 31 March 2017 and 31 March 2018. No additional use of this balance is currently forecast over the Medium Term. This level may be increased by the utilisation of any earmarked underspending.

The main emphasis in future years is on achieving efficiency savings to balance the MTFs rather than continued use of balances.

The Council has a commitment to risk management, as a key element of effective internal control. This will form a significant part of the assurance framework to meet the requirements of the Annual Governance Statement in the Council's Statement of Accounts.

The Council's financial strategy also supports the provision of funding for known commitments, which commence beyond the specific budget year, as part of the prudence and sustainability concept. An example of this is the provision for increased employer's contributions to the Pension Fund, based on the latest actuarial advice, which has an ongoing impact in future years.

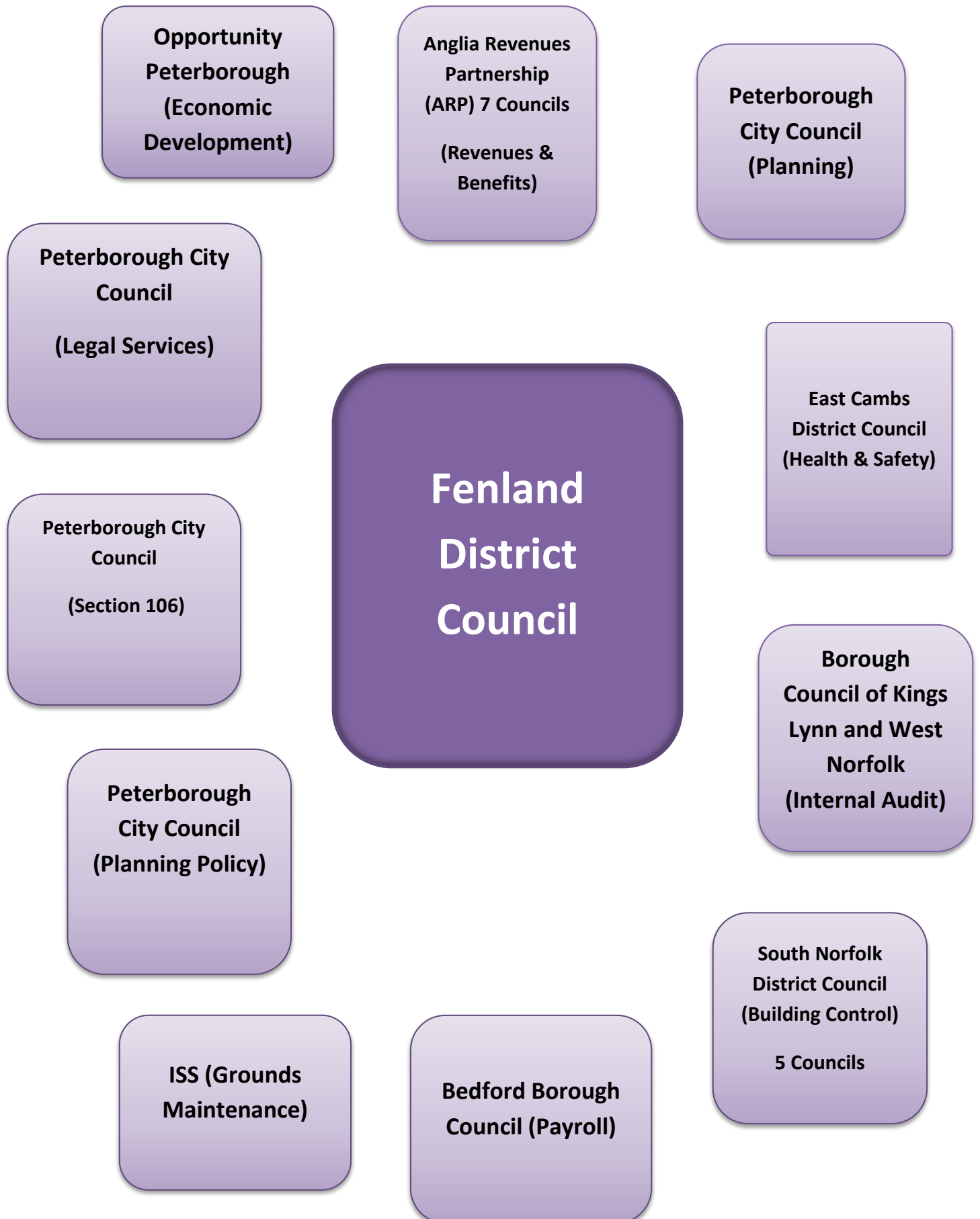
Part of the Council's established financial strategy is to ensure that funding for future spending is not dependent on the use of reserves (below the £2m minimum level), so as to demonstrate long-term sustainability.

#### **4. Chief Finance Officer's Statement**

Taking into account the above, together with all the proposals within the budget report, it is the Chief Finance Officer's view that the estimates for 2017/18 are robust and the proposed level of reserves is adequate.



## Shared Service/Commissioning arrangements



## Shared Services/Commissioning Arrangements

Service	Partner Organisation	Start date	Annual Savings	Review date
Revenues and Benefits	Anglia Revenues Partnership (ARP)	April 2014	£137k £50k (enforcement)	Annual Review through Overview and Scrutiny
Payroll	Bedford Borough Council	April 2016	£20k	3 years with yearly review
Planning	Peterborough City Council	November 2015	£136k	Annual Review through Overview and Scrutiny
CNC – Building Control	South Norfolk District Council	January 2015	£37k (+ £15k income)	N/A
Health & safety & Emergency Planning	East Cambs District Council	June 2016	£21k	2 years with yearly review
Internal Audit	King's Lynn and West Norfolk Borough Council	November 2016	£20k	Initial agreement for 1 year, annual review thereafter
Economic Development	Opportunity Peterborough	April 2016	£10k	Temporary
Legal Services	Peterborough City Council	August 2016	£40k	Interim arrangements
Section 106	Peterborough City Council	Part of Planning		
Planning Policy	Peterborough City Council	2012	£50k	Reviewed annually
Grounds Maintenance	ISS	November 2015	£90k	As per contract review