

# Council



**Forest Heath**  
District Council

<b>Title of Report:</b>	<b>Budget and Council Tax Setting: 2016/2017 and Medium Term Financial Strategy</b>	
<b>Report No:</b>	<b>COU/FH/16/004</b>	
<b>Report to and date/s:</b>	Cabinet Council	10 February 2016 24 February 2016
<b>Portfolio holder:</b>	Councillor Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01638 660518 Email: <a href="mailto:Stephen.edwards@forest-heath.gov.uk">Stephen.edwards@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Head of Resources and Performance Tel: 01638 719245 Email: <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	This report sets out details of the Council's proposed revenue and capital budget for 2016/17. The Council is required to consider the 2016/17 budget for the authority and to set the level of Council Tax required to fund this budget.	

<p><b>Recommendations:</b></p>	<p><b>It is <u>RECOMMENDED</u> that:-</b></p> <p><b>(1) Having taken into account the information received by Cabinet on 10 February 2016 (report CAB/FH/16/005) including the Report by the Head of Resources and Performance (S151 Officer) set out in Attachment C, together with the up to date information and advice contained in this report, the level of Band D Council Tax for 2016/17 be set at £137.43.</b></p> <p><b>(2) Subject to (1) above, the following formal Council Tax resolution be adopted:-</b></p> <ul style="list-style-type: none"> <li><b>i. The revenue and capital budget for 2016/17 attached at Attachment A, and as detailed in Attachment D, Appendix 1-5 and Attachment E, be approved;</b></li> <li><b>ii. The MTFs projected budget position for 2017/18 to 2019/20, as detailed in Attachment D Appendix 1, be noted;</b></li> <li><b>iii. A general fund balance of £2 million be agreed to be maintained, as detailed in paragraph 1.9.2;</b></li> <li><b>iv. The statutory calculations under Section 30 to 36 of the Local Government Finance Act 1992, attached as Attachment G, be noted;</b></li> <li><b>v. The Suffolk County Council and Suffolk Police Authority precepts issued to Forest Heath District Council, in accordance with Section 40 of the Local Government Finance Act 1992 and outlined at paragraphs 2.5 and 2.6 below, be noted;</b></li> <li><b>vi. In accordance with Section 30(2) of the Local Government Finance Act 1992, the amounts shown in Schedule D of Attachment F be agreed as the amount of Council Tax for the year 2016/17 for each of the categories of dwellings shown; and</b></li> <li><b>vii. The Head of Resources and Performance be authorised to amend where necessary the amounts in Attachment F and G in accordance with any changes notified by Newmarket Town Council, to the provisional precept.</b></li> </ul>
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|  | <p><b>(3) The Head of Resources and Performance, in consultation with the Portfolio Holder for Resources and Performance, be authorised to transfer any surplus on the 2015/16 revenue budget to the Invest to Save Reserve as detailed in paragraph 1.9.4, and to vire funds between existing Earmarked Reserves (as set out at Attachment D, Appendix 3) as deemed appropriate throughout the year.</b></p> <p><b>(4) 100% disregard of War Pension's, War Widower's Pensions and Armed Forces Compensation Payments or any other successor scheme, be approved in the calculation of Housing Benefit, as set out in paragraphs 1.4.3 to 1.4.5 below;</b></p> <p><b>(5) The revised Minimum Revenue Provision (MRP) policy, as set out in section 1.8 and Attachment D Appendix 4, is adopted; and</b></p> <p><b>(6) Where the Council has usable capital receipts that are not needed for other purposes, delegated authority be given for the section 151 officer to apply, where prudent to do so, some or all of it to meet capital expenditure incurred in the current year or previous years under paragraph 23 of the 2003 Regulations to reduce or eliminate any MRP that might need to be set aside. Subject to the year-end outturn, unallocated usable capital receipts are used to meet the full Capital Financing Requirement (CFR) value during 2015/16, thus eliminating the need for an MRP charge in 2016/17 and until such time that the CFR calculation requires one.</b></p> |
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<b>Key Decision:</b>	<i>Is this a Key Decision and, if so, under which definition?</i> No, it is not a Key Decision - <input checked="" type="checkbox"/>
<b>Consultation:</b>	<ul style="list-style-type: none"> <li>As detailed in the body of this report</li> </ul>
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>The Council is legally required to set a balanced budget.</li> </ul>
<b>Implications:</b>	
<i>Are there any <b>financial</b> implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>As detailed in the body of this report</li> </ul>
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>Staffing implications are considered as part of any proposed structure changes.</li> </ul>
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>As detailed in the body of this report</li> </ul>
<i>Are there any <b>equality</b> implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>To be considered as part of implementation of service changes</li> </ul>
<b>Risk/opportunity assessment:</b>	A risk assessment is included at Attachment C as part of the report by the Head of Resources and Performance (Chief Finance Officer). The Head of Resources and Performance's conclusion is that overall the estimates are robust, taking into account known risks and mitigating strategies and the reserves are adequate for the 2016/17 budget plans. Cabinet and Council are advised to have regard to this report when making their decisions on the 2016/17 budget.
<b>Ward(s) affected:</b>	All Wards

<p><b>Background papers:</b>  <i>(all background papers are to be published on the website and a link included)</i></p>	<p><b>CAB/FH/16/005</b>  Budget and Council Tax Setting: 2016/17 and Medium Term Financial Strategy  10 February 2016  <b>PAS/FH/15/025</b>  Delivering a Sustainable Budget 2016-17 -24 September 2014  <b>PAS/FH/15/035</b>  Delivering a Sustainable Budget 2016-17 -25 November 2015  <b>PAS/FH/16/005</b>  Budget Monitoring 1 April 2015 – 31 December 2015  -28 January 2016  <b>West Suffolk Medium Term Financial Strategy</b>  Included as Attachment D</p>
<p><b>Documents attached:</b></p>	<p>Attachment A – Revenue Budget Summary  Attachment B – Summary of major budget changes  Attachment C – Report by the Head of Resources and Performance  Attachment D – Medium Term Financial Strategy (MTFS) 2016-20  Appendix 1 - 5 Year Revenue Budget  Appendix 2 – 5 Year Capital Budget  Appendix 3 – Earmarked Revenue Reserves  Appendix 4 – Prudential Code for Capital Finance  Appendix 5 – Scenario Planning and Sensitivity Analysis  Attachment E – Strategic Priorities and Medium Term Financial Strategy (MTFS) Reserve  Attachment F – Council Tax Schedules  Attachment G – Council Tax Resolution</p>

## **1. Key issues and reasons for recommendation(s)**

### **1.1 Local government funding**

1.1.1 The financial landscape for central government funding continues to remain one of uncertainty. The December Autumn Statement outlined further reductions in the Local Government Department spending, with steeper reductions in Revenue Support Grant and changes to Council Tax Freeze Grant proposed.

### **1.2 Local Government Finance Settlement 2016/17**

1.2.1 The Local Government Finance Settlement for 2016/17 was announced on 8 February 2016. In previous years the settlement figures only covered one year, with an indicative figure for the following year. In the settlement, the Secretary of State for Communities and Local Government proposed to offer a guaranteed four year budget settlement to cover the period up to 2019/20, to those councils which could demonstrate ongoing efficiency savings for 2016 to 2020. At this stage it is uncertain as to what the criteria for these savings and efficiencies will be but officers will continue to review the details as they become available and will report to members in due course.

1.2.2 The council's total formula grant for 2016/17 (including Revenue Support Grant, Baseline Funding from retained business rates, Local Services Support Grant and prior years Council Tax Freeze grant) is £2.838m.

1.2.3 The council has seen a 62% cumulative cut in revenue support grant funding over the three years from 2013/14 to 2016/17. Further cuts to the Revenue Support Grant element (including Council Tax Freeze Grant) in subsequent years have been outlined in the settlement and, based on the four year settlement referred to above, it is forecast that there will be minimal Revenue Support Grant available to the district by 2019/20.

### **1.3 Council Tax freeze and referendum requirements 2016/17**

1.3.1 In previous years the Government awarded a Council Tax Freeze Grant to those councils that agreed to freeze their council tax levels, taking effect from 2011/12. This incentive has not been included in the settlement for 2016/17 onwards, and there is an assumption in the Local Government Finance Settlement that councils will raise their council tax levels in line with the referendum limits (the higher of 2% or £5 for shire district councils).

1.3.2 The prior years' Council Tax Freeze Grant has been factored into the 2016/17 Revenue Support Grant figures, and reduced in line with the overall savings requirements. As such it is also anticipated that the prior years' freeze grant will also not be available to the district by 2019/20, in line with the main Revenue Support Grant.

1.3.3 The Government has maintained the 2% threshold for council tax increases for 2016/17, with a £5 threshold for shire district councils such as Forest Heath. Any council tax rise above this would trigger a local referendum, thus giving the local electorate the opportunity to approve or veto the increase. For information - a 2% increase in an average Band D property for Forest Heath District Council would equate to income of approximately £47,000 for 2016/17,

whilst a £5 increase would equate to income of approximately £86,000 for 2016/17.

- 1.3.4 Should Council decide to set a 0% increase on council tax, the Council will have frozen council tax for the last six years.

#### 1.4 **Business rates**

##### 1.4.1 **Business rates retail relief 2016/17**

The Government has continued, as announced in the Autumn Statement 2014, to offer support for business rate bills in 2016/17 by offering small business rate relief for an extra year.

##### 1.4.2 **Housing Benefit Local Scheme for War Pensioners and War Widows**

- 1.4.3 Housing Benefit rules provide for a statutory disregard of the first £10 of War Pensioners and War Widows pensions; the remaining income is then deducted from means tested Housing Benefit assessments. Regulations provide for an additional discretionary scheme disregard, known as a Local Scheme, for a Council to determine to disregard the remaining income. Such approval must be made by Council resolution. Presently, Forest Heath District Council's Local Scheme does not fully disregard all income types received by these customers.

- 1.4.4 Housing Benefit rules provide for DWP Benefits Subsidy of 75% of the Local Scheme disregard; currently, for a small number of cases this equates to the Council supporting the scheme by less than £2,000.

- 1.4.5 Members are asked to adopt a Local Scheme from 1 April 2016 to fully disregard 100% of any War Pension or War Widow's Pension in the calculation of Housing Benefit entitlement. Such approval will bring the Council's Local Scheme into harmony with the Council's Local Council Tax Support Scheme and with partner Council's schemes within the Anglia Revenues Partnership. Furthermore, the additional cost to support the scheme will be offset by the administrative burden of the existing scheme; will harmonise rules for a customer's Housing Benefit and Local Council Tax Support Scheme, whilst supporting the Council's Armed Forces Covenant in recognition of the injuries received by members of the Armed Forces whilst in military service.

#### 1.5 **Setting the budget - 2016/17**

- 1.5.1 The Council continues to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending. In this context, and like many other councils, difficult financial decisions have to be made. The Council has an excellent track record of achieving substantial year-on-year budget savings and generating new income.

- 1.5.2 The report 'Delivering a Sustainable Budget 2016/17', which was presented to the Performance and Audit Scrutiny Committee on 24 September 2015, identified several significant additional budget pressures that had arisen since the 2015/16 budget process which increased the original budget gap from £0.688 million to £1.058 million. These pressures were as follows:

1.5.3

<b>Forest Heath District Council</b>	<b>2016/17 £000s</b>	<b>2016/17 £000s</b>
Original Budget Gap from 2015/16 budget process		688
Reduction in organic waste recycling credits and increased tipping charges	163	
Increased Blue Bin tipping charges following changes in worldwide commodity prices	21	
Loss of VAT Shelter income due to Flagsgip contract delivery changes	100	
Timing difference in delivery of the Sam Alper development in Newmarket	41	
Reduced Building Control income arising from loss of market share	45	
Additional Budget Pressure		370
<b>Revised Budget Gap</b>		<b>1,058</b>

1.5.4 The scale of financial changes that need to be made to ensure that Forest Heath's shared priorities can be delivered in 2016/17 is significant, especially as the projected £1.06 million budget gap for 2016/17 is on top of the savings delivered locally by the district over the years and the £4 million annual shared service savings already delivered across West Suffolk with St Edmundsbury Borough Council.

1.5.5 As a result, a considerable amount of work has already begun on identifying potential savings and income generation ideas in order to secure a balanced budget for 2016/17 and prepare for the medium term up to 2019/20.

1.5.6 In previous years, Forest Heath has addressed the need for financial savings by sharing the burden across all services. As with the 2015/16 budget process, rather than allocating a proportion of the £1.06 million savings to all areas of the council's business, the approach has been that the council's resources for 2016/17 should be allocated according to its strategic priorities. In practice, this will mean prioritising the projects, actions and themes outlined in the West Suffolk Strategic Plan, as well as statutory functions.

1.5.7 The process of allocating resources according to priorities and essential services has helped to identify areas of the Council's work which could either be scaled back or where further opportunities for generating more income could be pursued. The process then focused on non-priority areas, and challenged whether the Council should continue with the activities at all, or in their current form, in order to ensure they provided value for money to council tax payers.

1.5.8 A significant number of the proposals identified are relatively straightforward to implement with minimal impact on service delivery as these items fall mainly in

the categories of contract, supplies and service efficiencies, further shared service savings and income generation opportunities from making better use of council assets. However, other proposals require more detailed analysis in order to develop options and to provide clarity as to the potential savings/income.

- 1.5.9 The lists of proposals were presented to members of the Performance and Audit Scrutiny Committee in September 2015 (report PAS/FH/15/025, 'Delivering a Sustainable Budget 2016-17') with their recommended saving proposals through to Cabinet and Full Council on 9 December 2015 (report COU/FH/15/040). These savings proposals are included within the proposed budget for 2016/17 as contained at Attachment A, and have been summarised in Attachment B for ease of reference.
- 1.5.10 The Performance and Audit Scrutiny Committee has a key role in the scrutiny of the budget process and proposals for achieving a balanced budget. At the 25 November 2015 meeting the committee received report PAS/FH/15/035, which detailed the remaining saving/income proposals required in order for a balanced budget to be achieved.
- 1.5.11 Attachment A is the revenue budget summary, which provides an overview of the proposed net service expenditure, (net revenue position after income, expenditure and recharges) for 2016/17. The total proposed net revenue expenditure in 2016/17 is £8.175 million.

## 1.6 **Capital Programme**

- 1.6.1 The capital expenditure of the Council has an impact on the revenue budget and is part of the overall preparation of the revenue proposals for the coming year.
- 1.6.2 It is estimated that £9.314 million will be spent on capital programme schemes during 2016/17 which are to be funded by a combination of grants and contributions (£0.504 million), earmarked revenue reserves (£2.100 million) and the useable capital receipts reserve (£6.710 million).
- 1.6.3 Looking ahead, the total value of the capital programme over the next four years is approximately £15.022 million. Attachment D, Appendix 2 shows the planned capital expenditure in the current year, 2016/17 and future years, together with information on the funding of that expenditure (that is grants and contributions, use of earmarked revenue reserves and usable capital receipts reserve) and is summarised in Table 1 below.

1.6.4 **Table 1: Planned capital expenditure over four years to 2019/20**

	<b>2016/17 millions</b>	<b>2017/18 millions</b>	<b>2018/19 millions</b>	<b>2019/20 millions</b>	<b>Total millions</b>
<b>Gross capital expenditure</b>	<b>£9.314</b>	<b>£4.568</b>	<b>£0.628</b>	<b>£0.512</b>	<b>£15.022</b>
<b>Funded by:</b>					
Grants and contributions	£0.504	£0.195	£0.195	£0.195	£1.089
Earmarked revenue reserves	£2.100	£1.098	£0.208	£0.092	£3.498
Capital receipts reserve	£6.710	£3.275	£0.225	£0.225	£10.435
<b>Total</b>	<b>£9.314</b>	<b>£4.568</b>	<b>£0.628</b>	<b>£0.512</b>	<b>£15.022</b>

1.7 **Disposal of assets**

1.7.1 Part of the funding arrangements for the capital programme is the disposal of surplus assets. The Council has an agreed programme of asset disposals, which has already been affected by the national economic situation. Table 2 is a summary estimate of the likely level of income from asset disposals over the period 2016/17 to 2019/20.

1.7.2 **Table 2: Estimated income from asset disposals 2016/17 to 2019/20**

	<b><u>2016/17</u></b>	<b><u>2017/18</u></b>	<b><u>2018/19</u></b>	<b><u>2019/20</u></b>
Estimated income from asset disposals – Council share of Right to Buy receipts	£200,000	£200,000	£200,000	£200,000

1.7.3 The above capital programme and asset disposals programme will, in the short to medium term, reduce the District Council's usable capital receipts reserves from £13.2 million to £3.6 million. However consideration of the affordability of any new major capital expenditure proposals, including options for funding, will need to be included in the options and investment appraisals for these projects.

1.7.4 The Council has a number of projects on the horizon that have the potential to require capital investment. Consideration of the affordability of these major capital expenditure proposals, including options for funding, will need to be included in the options and investment appraisals for these projects and will be subject to Full Council decisions.

1.7.5 The calculation of interest income used in the MTFs is based on the use of existing and anticipated capital expenditure and receipts. Changes in the level and timing of these cash flows have a direct impact on investment returns and revenue funding requirements. However, the Interest Equalisation Reserve does allow for some change in the budgeted levels of income from interest to be accommodated. The Prudential Code for Capital Finance and matters relating to the affordability of the Capital Programme are addressed in

Attachment D, Appendix 4. The revenue cost of the capital programme is achievable without significant council tax rises provided the savings indicated in the MTFS and set out in Attachment D, Appendix 1 are implemented.

1.8 **Minimum Revenue Provision (MRP)**

1.8.1 Members will be aware that while depreciation is charged to the net cost of services there is an adjustment to replace these costs with the Minimum Revenue Provision (MRP).

The MRP included in the revenue estimates is as follows:

**Table 3: Minimum Revenue Provision over four years to 2019/20**

<b>Minimum Revenue Provision (MRP)</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
MRP	133	130	128	126

1.8.2 The Treasury Management and Annual Investment Strategy included elsewhere on this agenda (Report No COU/FH/16/003) and the Prudential Indicators (Attachment D Appendix 4), provide a framework within which borrowing limits for the Council are established and will confirm our MRP policy for 2016/17.

1.8.3 It is proposed that the following sections of the MRP policy for 2016/17 are updated. The justification for the proposed changes are included below.

1. Loans

Taking into account only the underlying statutory duty to determine a prudent MRP, it would be reasonable to conclude that a loan made to another party with security that guarantees the principal is not at risk, would not require a MRP. This is because there is no prospect that the authority would make any loss and therefore there is no need for resourcing.

The Council's justification for taking this approach is as follows:

The Council may make loans to other parties to fund their capital expenditure. Government guidance is that MRP should be charged on the outstanding amount of any loan, based on amortising the loan principal over the estimated life of the assets in relation to which the other parties' expenditure is incurred. This is because lending to other parties has the same impact on the underlying need for an authority to borrow as expenditure on acquiring property. However, in circumstances where a loan is secured and there is no risk of default, the Council will not charge MRP because the principal sum of such a loan will have no consequences for the Council's revenue expenditure and it would be over-prudent to provide for the loan.

Where the loan is unsecured the Council will consider the requirement for an MRP on a case by case basis.

## 2. Capital Investment with a Defined Life

It is proposed to have a number of different bases for calculating MRP within our policy, provided that the overall charge is prudent and none of the bases contradict each other. A common approach, which we are looking to adopt, is to focus a policy on making a charge linked to equal instalments or on an annuity basis, where a 4% reducing balance amount would under-recover the expenditure over its useful life.

## 3. MRP, Capital Receipts and Borrowing

The DCLG Guidance is clear throughout its contents that it only applies to expenditure that has not been financed from other sources, primarily capital receipts and grant funding. Where an authority has a balance of usable capital receipts, it can at any time apply some or all of it to meet capital expenditure under paragraph 23 of the 2003 Regulations. The capital expenditure does not need to have been incurred in the current financial year.

Authorities therefore have the ability to revise their MRP policies at any time that alternative resources might be available. Capital receipts can be set aside to either:

- generally reduce the CFR, reducing the annual charge resulting from applying the 4% formula under Option 2 (or removing it altogether if the CFR is reduced to zero);
- finance the outstanding balance on an Option 3 scheme.

Where an authority has taken out external borrowing, there is no requirement to pay off any loans in excess of the CFR. The capital financing system operates with a concept of debt, the underlying need to borrow. MRP is designed to reduce this underlying need. If the underlying need is reduced, then conditions may be conducive to reducing actual borrowings. However, the statutory arrangements leave it to authorities to manage this position, taking into account their overall cash management position. For instance, there would be no suggestion that an authority with a zero CFR should repay an outstanding PWLB loan, as the repayment would incur a penalty charge.

It is proposed that the following is added to our MRP policy:

- 1.8.4 The DCLG Guidance only applies to expenditure that has not been financed from other sources, primarily capital receipts and grant funding. Where the Council has usable capital receipts that are not needed for other purposes, it can at the discretion of the section 151 officer to apply where prudent to do so some or all of it to meet capital expenditure incurred in the current year or previous years under paragraph 23 of the 2003 Regulations to reduce or eliminate any MRP that might need to be set aside.
- 1.8.5 It is proposed that usable capital receipts that are unallocated are applied to meet, where balances allow, the full CFR value for Forest Heath during 2015/16, thus eliminating the need for an MRP charge in 2016/17 and until such time that the CFR calculation requires one.

## 1.9 **Revenue reserves and balances**

### **General Fund**

- 1.9.1 The revenue budget, Attachment A, based on current budget projections, shows a balanced budget position for 2016/17. However, many of the assumptions supporting the budget projections for 2016/17 (and future years) are subject to significant uncertainty. This includes assumptions regarding:
- (a) sustainability of income stream estimates (including industrial unit rental income and planning income);
  - (b) impact of Business Rates Retention scheme and Suffolk pooling arrangements; and
  - (c) pay inflation and employers' pension liabilities.
- 1.9.2 The District Council holds General Fund balances as a contingency to cover the cost of unexpected expenditure during the year. As part of the 2014/15 budget process and development of the MTFs, it was agreed to hold a General Fund balance at the level of £2 million, which is 24% of the 2016/17 net expenditure. As in previous years, the Council can use balances above this minimum to support revenue expenditure and to reduce the level of council tax. As part of the 2016/17 budget process, it is proposed to utilise £118,000 of the General Fund balance in order to maintain the balance at the policy level.
- 1.9.3 The recommended level of general fund balance has been established by taking into account the following:
- (a) allowance for a working balance to cushion the impact of any unexpected events or emergencies;
  - (b) the new risks placed at a local level under the new business rates retention scheme, such as appeals;
  - (c) the addition of greater income targets linked to being 'more commercial' and the selling of councils' services; and
  - (d) other risks detailed in the Scenario Planning and Sensitivity Analysis provided at Attachment D, Appendix 5.
- 1.9.4 The budget monitoring report to the Performance and Audit Scrutiny Committee on 28 January 2016 (Report PAS/FH/16/005 refers) included an estimate of the year end position which is in line with the budget. It is proposed to transfer any final year-end surplus subsequently arising in its entirety to the Council's Invest to Save Reserve, in order to fund future efficiencies and initiatives which will help to mitigate any further risks or budget pressures going forward.

### **Earmarked reserves**

- 1.9.5 At the end of the 2016/17 financial year the Council will have an estimated £9.2 million in earmarked reserves. The current level of Earmarked reserves and contributions during 2016/17 has been reviewed and where appropriate annual contributions have been adjusted. Attachment D, Appendix 3, provides details of the proposed contributions to, and projected expenditure from, earmarked reserves during 2016/17.

### **Strategic priorities and MTFS Reserve**

- 1.9.6 This reserve will act as a one-off fund to provide the financial capacity, either through direct investment (revenue and/or capital) or through servicing external borrowing, for the West Suffolk authorities to drive forward the delivery of a sustainable Medium Term Financial Strategy (MTFS) and the West Suffolk Strategic Plan's priorities.
- 1.9.7 The Council received a total New Homes Bonus (NHB) grant of £0.562 million in 2011/12, £1.436 million in 2012/13, £1.679 million in 2013/14, £2.166 million in 2014/15, £2.437m in 2015/16 and expects to receive £2.644 million in 2016/17. These NHB allocations have all been put into this Strategic Priorities and MTFS reserve.
- 1.9.8 No assumptions have been made with regard to NHB allocations beyond 2016/17 as there is a likelihood that future payments of the NHB will be funded at a national level by cutting our funding elsewhere, such as top slicing revenue support grant or by retaining a proportion of business rate monies that otherwise would be retained locally. Consultation on reforms to the New Homes Bonus, including means of 'sharpening the incentive to reward communities' for additional homes and reducing the length of payments from 6 years to 4, will commence in 2016.
- 1.9.9 The 2016/17 budget and MTFS includes a number of proposed draws on this reserve, some of which are still to be quantified and will require a further report to Full Council. Attachment E summarises the proposed draws on this reserve as part of the 2016/17 budget.

### **Adequacy of reserves**

- 1.9.10 Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Head of Resources and Performance) to report to Council, as part of the tax setting report, her view of the robustness of estimates and the adequacy of reserves. The Council is required to take these views into account when setting the council tax. The full statement is attached in Attachment C.
- 1.9.11 In summary, the Section 151 Officer's overall assessment, is that the estimates are robust (taking into account known risks and mitigating strategies) and reserves are adequate for the 2016/2017 budget plans.

### **1.10 Medium Term Financial Strategy (MTFS)**

- 1.10.1 It should be noted that by 2019/20 the projected budget gap amounts to £1.625 million for Forest Heath (that is, £0.949 million 2017/18, £0.452 million 2018/19, and £0.224 million 2019/20). Should any of the assumptions within the MTFS change significantly, the gap would also change.
- 1.10.2 The six themes within our agreed MTFS (as detailed in attachment D) relate to areas of the West Suffolk councils' business which will support sustainability in a more financially constrained environment.

### 1.10.3 The themes are:

- aligning resources to the councils' strategic plan and essential services;
- continuation of the shared services agenda and transformation of service delivery;
- behaving more commercially;
- encouraging more use of digital forms of customer access;
- taking advantage of new forms of local government finance (for example, business rate retention); and
- considering new funding models (for example, becoming an investing authority).

## 2. **Calculation of the Council Tax**

2.1 At its meeting on 10 February 2016, the Cabinet recommended a freeze in Forest Heath's council tax for 2016/17 of £137.43 for Band D properties.

2.2 The Council Tax is set for a Band D property and then adjusted for the other Council Tax bandings. The number of Band D equivalent properties (the Tax Base) is the national benchmark and for Forest Heath, the number of Band D equivalents for 2016/17 is 17,207.93 (compared to 16,651 for 2015/16).

2.3 Since the meeting of Cabinet on 10 February, the precepts of the other organisations have been received and these are detailed below and in the schedules at Attachment F and Attachment G.

2.4 The parish councils have set their own council tax requirements for 2016/17. These are detailed at Attachment F, Schedule A. The total Parish and Town Councils precepts for 2016/2017 amount to £1,471,818 which results in an average Band D parish council tax of £85.53. This includes a provisional sum for Newmarket Town Council subject to formal ratification at its meeting on 23 February.

2.5 Suffolk County Council met on 11 February 2016 and set its precept at £19,772,427.81 resulting in a Band D council tax of £1,149.03, a 2.00% increase relating entirely to a new charge for adult social care services.

2.6 Suffolk Police Authority notified the Council of its precept requirement on the 8 February 2016, an amount of £2,984,371.30, resulting in a Band D council tax of £173.43, a 1.96% increase on the 2015/16 figure of £170.10.

2.7 Based on the figures above, the proportions of an average 2016/17 council tax bill will be:

Suffolk County Council: 74.35%  
Forest Heath District Council: 8.89%  
Suffolk Police Authority: 11.22%  
Parish/Town Council: 5.54%

2.8 There are a number of statutory calculations that follow from this budgetary decision and these are detailed in Attachment G.

- 2.9 If the formal Council Tax Resolution is approved, the total Band D Council Tax will be as follows:

	<b>2015/16 £</b>	<b>2016/17 £</b>	<b>Increase %</b>
Forest Heath District Council	137.43	137.43	0.00%
Suffolk County Council	1,126.53	1,149.03	2.00%
Suffolk Police Authority	170.10	173.43	1.96%
<b>Sub-Total</b>	<b>1,434.06</b>	<b>1,459.89</b>	<b>1.80%</b>
Town and Parish average	85.74	85.53	-0.24%
<b>Total</b>	<b>1,519.80</b>	<b>1,545.42</b>	<b>1.69%</b>

### 3. **Legal implications**

- 3.1 The Local Government Act 2003 imposed duties on local authorities in relation to financial management which covers the following areas:

- a) A power for the Secretary of State to determine a minimum reserve level for local authorities by regulations. The Government has indicated that their preference is to keep this power in reserve.
- b) Section 25 of the Act places a requirement on the S151 Officer to report on the adequacy of reserves and robustness of budget estimates as part of the authority's annual budget setting process. The Council is required to take these views into account when setting the Council Tax at its meeting on 24 February 2016. This is included as Attachment C of the report.
- c) Sections 28 and 29 of the Act place a statutory duty on local authorities to monitor their budgets and take such action as considered necessary in the case of overspends and shortfalls of income.
- d) Section 30 of the Act relates to the provisions preventing local authorities entering into agreements following a Section 114 Report which a S151 Officer must produce when it appears that expenditure of the authority in a financial year is likely to exceed the resources available to meet the expenditure. No such report has been produced for Forest Heath this year.