

Cabinet



Forest Heath
District Council

Title of Report:	Recommendations of the Performance and Audit Scrutiny Committee: 24 November 2016 – Delivering a Sustainable Budget Medium Term Financial Strategy 2017-2020	
Report No:	CAB/FH/16/056	
Reports to and dates:	Cabinet	13 December 2016
	Council	21 December 2016
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Lead Officer:	Rachael Mann Head of Resources and Performance Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	On 24 November 2016, the Performance and Audit Scrutiny Committee considered Report No: PAS/FH/16/032 , which updated Members on progress made towards delivering a balanced budget for 2017-2018 and sustainable budget in the medium term, and to recommend to Cabinet inclusion of the proposals in the report to progress securing a balanced budget for 2017-2018 and sustainable budget in the medium term.	

Recommendation:	It is <u>RECOMMENDED</u> that: <ol style="list-style-type: none"> 1) The proposals, as detailed in Section 5 and Table 2 at paragraph 5.1 of Report No: PAS/FH/16/032, be included, in securing a balanced budget for 2017-2018. 2) The items as detailed in paragraph 5.3 of Report No: PAS/FH/16/032 are treated as pending budgets that will require the necessary approvals before they can be committed. 3) The items as detailed in paragraph 5.5 and Table 3 of Report No: PAS/FH/16/032 be removed from the capital programme. 4) The reserve transfers as detailed in paragraph 5.7 and Table 4 of Report No: PAS/FH/16/032, be approved. 		
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/> (As it is a full Council decision)		
Consultation:	<ul style="list-style-type: none"> • See Report No: PAS/FH/16/032 		
Alternative option(s):	<ul style="list-style-type: none"> • See Report No: PAS/FH/16/032 		
Implications:			
<i>Are there any financial implications? If yes, please give details</i>		<ul style="list-style-type: none"> • See Report No: PAS/FH/16/032 	
<i>Are there any staffing implications? If yes, please give details</i>		<ul style="list-style-type: none"> • See Report No: PAS/FH/16/032 	
<i>Are there any ICT implications? If yes, please give details</i>		<ul style="list-style-type: none"> • See Report No: PAS/FH/16/032 	
<i>Are there any legal and/or policy implications? If yes, please give details</i>		<ul style="list-style-type: none"> • See Report No: PAS/FH/16/032 	
<i>Are there any equality implications? If yes, please give details</i>		<ul style="list-style-type: none"> • See Report No: PAS/FH/16/032 	
Risk/opportunity assessment: <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>			
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
See Report No: PAS/FH/16/032			
Wards affected:		All Wards	

<p>Background papers: <i>(all background papers are to be published on the website and a link included)</i></p>	<p>Cabinet: 1 September 2015 CAB/FH/15/038 – West Suffolk Strategic Plan and Medium Term Financial Strategy 2016-2020.</p> <p>Council: 24 February 2016 COU/FH/16/004 Budget and Council Tax Setting 2016/17</p> <p>Overview and Scrutiny Committee: 15 September 2016 OAS/FH/16/022 Report - Approach to delivering a sustainable medium term financial strategy 2016 - 2020 and consideration of the four year settlement offer from central</p> <p>Performance and Audit Scrutiny Committee: 24 November 2016 Report No: PAS/FH/16/032 and Appendix A</p>
<p>Documents attached:</p>	<p>None</p>

1. Key issues and reasons for recommendation

1.1 Future budget pressure and challenges

- 1.1.1 Forest Heath District Council continues to face considerable financial challenges as a result of increased cost and demand pressures and constraints on public sector spending.
- 1.1.2 The Medium Term Financial Strategy 2016-2020, approved by Council on 24 February 2016 (Report: COU/FH/16/004 refers) sets out the current and future financial pressures and challenges facing Forest Heath.
- 1.1.3 The budget gap for years 2017-2018 to 2019-2020 were projected in Table 1 of the report. The current budget assumptions for 2017-2018 to 2019-2020 and for the period of the Medium Term Financial Strategy were detailed in Appendix A.
- 1.1.4 The report "*West Suffolk Operational Hub*" (Report No: CAB/FH/16/023 refers), approved by Council on 29 June 2016, sought approval for the allocation of capital project funding. The ongoing revenue implications in respect of this project had been included in the budget gap figures.
- 1.1.5 The report "*Approach to Delivering a Sustainable Medium Term Financial Strategy 2016*" (Report No: CAB/FH/16/041 refers), approved by Council on 28 September 2016, included a number of funding requests in respect of Economic Development and growth funding. These had also been taken account of in the budget gap figures.
- 1.1.6 Report No: PAS/FH/16/032 provided the Performance and Audit Scrutiny Committee with information on the future budget pressures and challenges; budget gap and budget assumptions; methodology for securing a balanced budget 2017/2020; budget proposals for 2017-2020; pending project proposals and capital programme 2017-2020; business rates revaluation and proposed budget timetable.
- 1.1.7 **Extract from Report No: PAS/FH/16/032**

5. Budget proposals for 2017-2020

*5.1 The Performance and Audit Scrutiny Committee is asked to support and recommend to Cabinet the **inclusion of the following proposals**, as detailed in **Table 2** below, in order to progress securing a balanced budget for 2017-2018.*

Table 2: Budget proposals for 2017/2020

	2017/18 Pressure/ (Saving) £000	2018/19 Pressure/ (Saving) £000	2019/20 Pressure/ (Saving) £000
Budget Gap	949	1,356	1,580
Current proposals:			
Income Assumptions:			
Business Rates Income - revised figures based on latest ARP data	(95)	(166)	(197)
Local Land Charges Income, budget reinstated following removal from MTFS due to legislative changes	(111)	(111)	(111)
Car Park Income: volume increases based on current levels allowing for increased demand	(14)	(20)	(26)
Trade Waste Income: Revise budget assumption based on historical actuals	15	40	66
Service Level Agreements - additional income mainly from ACAS	(43)	(43)	(43)
Current Property Portfolio income assumption changes, following initial income review	(61)	(111)	(41)
Investment Income revisions resulting from interest rate reductions and capital programme changes	110	101	228
Planning & Building Regulation Fees - revised based on current levels	(43)	(58)	(71)
Community Energy Plan revised budget assumptions based on current levels	6	(22)	(22)
Council tax income - revised figures based on updated taxbase	28	86	146
Expenditure Assumptions:			
Waste Tipping Charges - increased gate fees	29	29	29
Leisure Management Fee Reductions as approved by Cabinet	(60)	(60)	(60)
Housing Benefit - rephasing of budget to achieve cost neutral position by 2020/21 in line with universal credit	0	50	100
Projects:			
Solar Farm Project projections (net position)	(283)	(350)	(385)
Continuation of the Small Business Support Grants Scheme	20	20	20
Other:			
Use of Strategic Priorities & MTFS Reserve to fund Locality Budgets and Community Chest	(163)	(163)	(163)
Other Budget Assumptions, pressures, income and contracts	(18)	(54)	(45)
Remaining Budget Gap *	266	524	1,005

* *The budget gap as reported in the table above is still subject to ongoing work as part of the budget setting process, and an updated position will be presented to this committee at its January meeting.*

5.2 *The introduction of the Garden Waste Collection Service in April has proved to be relatively successful. New processing contracts are working well, levels of participation are broadly as we had anticipated and supporting technology has been adopted within the operations teams. However, it is still early days and the full impact of this change in terms of waste collection and disposal are still to be fully understood. We will be reviewing data over the medium term to test the budget assumptions at county level and within our own MTFS. Members will recall that the financial arrangements that underpin these changes have been fixed for up to three years to provide sufficient time to fully understand the full impact of this change.*

Pending Project Proposals and Capital Programme 2017-2020

5.3 *The projects and review of capital programme work package has identified that Forest Heath have a number of projects in the pipeline, such as the Leisure Partnership Agreement and Housing Company projects, where full Business Cases have not yet been approved. Both the Leisure Partnership Agreement and Housing Company projects have business cases planned to be considered at December Council, at which point the capital and revenue returns will be included in the budgets going forward and the budget gap currently shown in table 1 above will be revised.*

5.4 *However, in order to plan over the medium term, provision should be also be made in the revenue and capital budget projections for those projects we are aware of but are yet to approve. The January committee report will therefore propose to add these as pending budgets which will require the necessary approvals before they can be committed.*

5.5 *A review of the capital programme has identified that there were some projects that required no further capital allocation. It is therefore proposed that the following projects are removed from the capital programme:*

Table 3: Capital programme – projects to be removed

Project Description	2016/17 Residual Budget £000s	Notes
Enterprise Hub/Innovation Park	1,450	Moved from short to medium term strategic priority list
Housing Strategy	150	Delivered through detailed projects and actions
Feasibility Studies	100	Move to Revenue, continued to be funded from the MTFS and Strategic Priorities Reserve

5.6 The project support, skills and capacity work package review identified some skills and capacity challenges in supporting our exciting, but complex, range of services and growth projects, both for in terms of current and future projects. The leadership team is therefore working to increase capacity and skills where it is needed and will seek to do so within the overall salary budget. It's critical that we ensure the right capacity and skills are in place to go beyond the 'planning' and into the 'delivery' phase in order to achieve the financial expectations in our Medium Term Financial Strategy and to deliver our sustainable, self-sufficient future.

5.7 As a result of the MTFs review, the following transfers between earmarked reserves have been proposed:

Table 4: Earmarked reserves – proposed transfers

Reserve Name	2016/17 Forecast Closing Balance £	Adjustment Proposed £	New balance £	Notes
ARP	311,789	(100,000)	211,789	To HB Equalisation
HB Equalisation	161,321	100,000	261,321	From ARP
Building Maintenance - Leisure	0	27,932	27,932	From Leisure
Leisure	27,932	(27,932)	0	To Building Maintenance - Leisure
Building Maintenance - Other	0	56,170	56,170	From Car Park Development
Car Park Development	56,170	(56,170)	0	To Building Maintenance - Other
Invest to Save	221,027	83,061	304,088	From reserves below
Local Land Charges	50,142	(50,142)	0	To Invest to Save
Staff Training	22,582	(22,582)	0	To Invest to Save
Planning Policy Statement Climate Change	2,579	(2,579)	0	To Invest to Save
Implementing Smoke Free Legislation	7,758	(7,758)	0	To Invest to Save
	861,300	0	861,300	

1.1.5 The Committee was further asked to consider that:

- 1) the items, as detailed in paragraph 5.3 (above) are treated as pending budgets that will require the necessary approvals before they can be committed.
- 2) the items as detailed in paragraph 5.5 (above) be removed from the capital programme; and
- 3) the reserve transfers as detailed in paragraph 5.7 (above) be approved.

1.2 **Performance and Audit Scrutiny Committee**

- 1.2.1 The Performance and Audit Scrutiny Committee scrutinised the report in detail and **noted** the budget assumptions outlined in Appendix A) and the budget timetable along with progress made to date on delivering a balanced budget for 2017-2018 and sustainable budget in the medium term.
- 1.2.2 The Performance and Audit Scrutiny Committee has put forward recommendations as set out on page 2 of this report.