

# Performance and Audit Scrutiny Committee



<b>Title of Report:</b>	<b>Delivering a Sustainable Medium Term Financial Strategy 2017-2020</b>	
<b>Report No:</b>	<b>PAS/FH/17/005</b>	
<b>Report to and date/s:</b>	<b>Performance and Audit Scrutiny Committee</b>	25 January 2017
	<b>Cabinet</b>	14 February 2017
<b>Portfolio holder:</b>	Stephen Edwards Portfolio Holder for Resources and Performance <b>Tel:</b> 01638 660518 <b>Email:</b> <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 <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	The purpose of this report is to update members on progress made towards delivering a balanced budget for 2017/18 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 2017/18 and sustainable budget in the medium term.	
<b>Recommendation:</b>	<b>It is <u>RECOMMENDED</u> that members:</b>  (i) <b>Note</b> the progress made on delivering a sustainable medium term financial strategy 2017-2020.  (ii) <b>Recommend</b> to Cabinet the inclusion of the proposals, as detailed in <b>Table 1</b> at paragraph 1.2.1 of this report.	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> 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"/>	
<b>Consultation:</b>		<ul style="list-style-type: none"> <li>Leadership team (LT), Portfolio Holders and staff are consulted during this budget process</li> </ul>	
<b>Alternative option(s):</b>		<ul style="list-style-type: none"> <li>Other options could be proposed and considered by members. They would need to take into account core principles such as deliverability, affordability and risk.</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"/> As detailed in the body of this report	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<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"/> Whilst it should be stated that this is an unlikely event there is a requirement under The Local Government Finance Act 1988 (S114) - for the Chief Finance Officer to report to councillors if there is or is likely to be an unbalanced budget.	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> To be considered as part of implementation of service changes	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Impact of changing financial circumstances is different across the two West Suffolk councils potentially in the longer terms, leading to diverging strategies (e.g. different focus by the councils on service impacts or investment projects).	High	A single leadership team working with the two councils' Cabinets to take an overview; spotting pressure points and possible innovative approaches; and recommending appropriate actions to members. Consider further shared working, joint decisions etc.	Medium
Savings/income projections are not achieved resulting in budget deficit.	Medium	Budgetary control, including reporting of variances to members. Use of general fund reserves to cover budget deficits.	Low

The business rate retention scheme underachieving the yield assumed in the MTFS which impacts on the budget gap requirement.	High	Work with the Anglia Revenues Partnership team to monitor the position and deliver a realistic forecast.	Medium
Adverse changes in the assumptions, for example changes to the provisional formula grant settlement, used in the MTFS resulting in a larger budget gap.	Medium	The assumptions are regularly monitored and updated. Use of general fund reserves to cover budget deficits.	Low
100% Business rates Retention implementation prior to 2019/20 and rules therein.	Medium	Constant monitoring of guidance issued and reflection in assumption	Low
<b>Ward(s) affected:</b>	All Wards		
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>	<a href="#">COU/FH/16/004</a> Budget and Council Tax Setting 2016/17 <a href="#">CAB/FH/15/038</a> West Suffolk Strategic Plan and Medium Term Financial Strategy 2016-2020 <a href="#">FH OAS/FH/16/022</a> Report - Approach to delivering a sustainable medium term financial strategy 2016 - 2020 and consideration of the four year settlement offer from central government <a href="#">PAS/FH/16/032</a> Report – Delivering a Sustainable Medium Term Financial Strategy 2017-2020		
<b>Documents attached:</b>	None		

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

### **1.1 Position at January 2017**

- 1.1.1 The interaction between the West Suffolk Strategic Plan and West Suffolk Medium Term Financial Strategy (MTFS) continues to be increasingly important in the setting of budgets, as the council's priorities will need to be used to inform real choices about the allocation of limited resources.
- 1.1.2 Our MTFS document also sets out the approach that Forest Heath District Council will take to the sound management of its finances over the medium term, in particular the next three years 2017-2020.
- 1.1.3 In November 2016, the Committee received report PAS/FH/16/032 - Delivering a Sustainable Medium Term Financial Strategy 2017-2020 which set out the context of the 2016/17 budget and MTFS, including details of savings targets, budget assumptions and known pressures for 2017-2020. This report gives an update on that position.

### **1.2 Latest Budget Projections**

- 1.2.1 **Table 1** below sets out additional pressures and the progress made to date in achieving the 2017-2020 savings target. These are proposed to be incorporated into the budgets, over and above those items brought to members' attention in November 2016 as part of report PAS/FH/16/032.

#### **Table 1: Further savings and budget pressures identified**

Description	2017/18 Pressure/ (Saving) £000	2018/19 Pressure/ (Saving) £000	2019/20 Pressure/ (Saving) £000
<b>Remaining Budget Gap per report to PASC in November 2016 (PAS/FH/16/032)</b>	<b>266</b>	<b>524</b>	<b>1,005</b>
<b>Budget saving Proposals</b>			
Garden Waste -work towards cost neutral position by 2019/20	(50)	(100)	(200)
Council Tax - anticipated surplus at year end on Collection Fund	(76)	0	0
ICT - additional Service Level Agreement income taking into account the approved cost sharing model with St Edmundsbury BC	(25)	(25)	(25)
Additional reserve contribution to reflect funding for the Council's S106 Officer	0	(20)	(20)
<b>Further pressures identified</b>			
Business Rates - impact of 2017 Revaluation on council owned properties	(7)	4	13
Additional Reserve Contribution - Vehicle Renewals to fund replacement schedule requirements	100	100	130
Additional Reserve Contribution - Asset Management Plan requirements, further funding in the medium/longer term likely to be required.	80	80	80
Apprenticeship Levy - budget amended to reflect final scheme details now known	8	8	8
ARP - amendment to reflect final partnership budget position	35	35	35
<b>Other Budget Changes</b>			
Property Services - structural changes to reflect recruitment challenges and additional capacity to support councils programme of projects	38	38	38
<b>Projects</b>			
Leisure Management Fee - profile savings (estimated) linked to approved strategic investment fund - Report CAB/FH/16/049 refers	0	(135)	(224)
Housing Company Business Case benefit - Report CAB/FH/16/054 refers	(6)	(50)	(315)
<b>Other minor changes</b>	<b>(34)</b>	<b>(73)</b>	<b>(90)</b>
<b>Revised Budget GAP</b>	<b>329</b>	<b>386</b>	<b>436</b>

1.2.2 The councils Pension contribution rate has decreased from 30% to 29% in 2017/18 following the triennial review. This has been reflected within the existing salary budgets.

1.2.3 Work is continuing on the property and projects work packages and will be concluded for the main Budget and Council Tax Report to Cabinet and Council in February 2017. The aim being to achieve a balanced position across the medium term and to use reserves and one off budgetary savings, if necessary,

(for example from savings on borrowing costs budgeted for, through use of existing cash balances) to balance the budget in the short term.

### **1.3 Budget proposals for 2017-20**

1.3.1 The Performance and Audit Scrutiny Committee is asked to support and recommend to Cabinet the **inclusion of the above proposals**, as detailed in Table 1 above in order to progress securing a balanced budget for 2017/18 and delivering a Sustainable medium Term Financial Strategy 2017-2020.

### **1.4 Budget timetable**

1.4.1 The table below outlines the timetable of budget information through the committees and to Full Council.

**Table 2: Committee timetable for budgets**

<b>Task</b>	<b>Date</b>
Member Development Session - Taking control of our financial future	10 and 19 January 2017
Performance and Audit Scrutiny Committee - updated report on 'Delivering a Sustainable Budget 2017/18'	25 January 2017
2017/18 Budget and Council Tax Setting - Cabinet.	14 February 2017
2017/18 Budget and Council Tax Setting - Full Council.	22 February 2017