

Council



Forest Heath
District Council

Title of Report:	Budget and Council Tax Setting: 2018/2019 and Medium Term Financial Strategy 2018-2022	
Report No:	COU/FH/18/006	
Report to and date/s:	Cabinet	13 February 2018
	Council	21 February 2018
Portfolio holder:	Councillor Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01799 530325 Email: stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	This report sets out details of the Council's proposed revenue and capital budgets for 2018-2022 for Cabinet's consideration and recommendation to Council.	

Recommendation:	It is recommended that:- (1) Having taken into account the information received by Cabinet on 13 February 2018 (report CAB/FH/18/013) including the Report by the Assistant Director (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 2018/19 be set at £147.33. (2) Subject to (1) above, the following formal Council Tax resolution be adopted:- <ul style="list-style-type: none">i. The revenue and capital budget for 2018-2022 attached at Attachment A and as detailed in Attachment D, Appendices 1-5, Attachment E and Attachment F be approved;ii. A general fund balance of £2 million be agreed to be maintained, as detailed in paragraph 1.11.2;iii. The statutory calculations under Section 30 to 36 of the Local Government Finance Act 1992, attached as Attachment I, be noted;iv. The Suffolk County Council and Suffolk Police Authority precepts issued to St Edmundsbury Borough 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; andv. In accordance with Section 30(2) of the Local Government Finance Act 1992, the amounts shown in Schedule D of Attachment H be agreed as the amount of Council Tax for the year 2018/19 for each of the categories of dwellings shown. (3) The Assistant Director (Resources and Performance), in consultation with the Portfolio Holder for Resources and Performance, be authorised to transfer any surplus from the 2017/2018 revenue
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	<p>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.</p> <p>(4) The offer to participate for Forest Heath in the Business Rate Pilot for 2018-19 as set out in paragraphs 1.2.7-1.2.9 of this report is accepted.</p> <p>(5) Approval is given to the AD (HR, Legal and Democratic), in consultation with the relevant service AD, to determine the establishment and the employment arrangements to deliver the councils priorities within agreed budgets and the principles of the MTFs.</p> <p>(6) Approval is given to the Flexible Use of Capital Receipts Strategy as set out in Attachment G.</p>
Key Decision:	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
Consultation:	<ul style="list-style-type: none"> As detailed in the body of this report
Alternative option(s):	<ul style="list-style-type: none"> The council is legally required to set a balanced budget.
Implications:	
<p>Are there any financial implications? If yes, please give details</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> As detailed in the body of this report
<p>Are there any staffing implications? If yes, please give details</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> Staffing implications are considered as part of any proposed structure changes. Additional resources and capacity is included within the medium term budgets to reflect the West Suffolk Councils ambitious strategic projects.
<p>Are there any ICT implications? If yes, please give details</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> Additional ICT resource is included within the medium term budgets to reflect the West Suffolk Councils transformation programme
<p>Are there any legal and/or policy implications? If yes, please give details</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> As detailed in the body of this report

<p>Are there any equality implications? If yes, please give details</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> To be considered as part of implementation of service changes
<p>Risk/opportunity assessment:</p>	<p>A risk assessment is included at Attachment C as part of the report by the Assistant Director (Resources and Performance) (Chief Finance Officer). The conclusion is that overall the estimates are robust, taking into account known risks and mitigating strategies and the reserves are adequate for the 2018/19 budget plans. Cabinet and Council are advised to have regard to this report when making their decisions on the 2018/19 budget.</p>
<p>Ward(s) affected:</p>	<p>All Wards</p>
<p>Background papers: (all background papers are to be published on the website and a link included)</p>	<p>Report No: CAB/FH/18/013 – Budget and Council Tax Setting: 2018/19 and Medium Term Financial Strategy 2018-2022 – 6 February 2018</p> <p>West Suffolk Medium Term Financial Strategy 2016-2020</p> <p>Report No: PAS/FH/17/038 Delivering a Sustainable Budget 2018-2021: 29 November 2017</p> <p>Report No: PAS/FH/18/007 Delivering a Sustainable Budget 2018-2021: 31 January 2018</p>

Documents attached:

Attachment A – Revenue Budget Summary

Attachment B – Summary of major budget changes

Attachment C – Report by the Assistant Director (Resources and Performance)

Attachment D (*not attached – see link below*) – Medium Term Financial Strategy (MTFS) 2016-20

[West Suffolk Medium Term Financial Strategy 2016-2020](#)

Appendix 1 - 5 Year Revenue Budget (MTFS)

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 – Capital Strategy

Attachment G – Flexible Use of Capital Receipts Strategy 2018/19

Attachment H – Council Tax Schedules (A – D)

Attachment I – Council Tax Resolution

1. Key issues and reasons for recommendation(s)

1.1 Local government funding

1.1.1 In the history of local government there have been few times that have seen such a transformation in the funding of local services as the current decade. The changes are numerous and continuous, and there is little doubt that the 2020s will bring even more changes.

1.1.2 Changes include reductions in grant funding from the Government, including removal of the revenue support grant, more business rates being retained locally (and the uncertainty around how that was going to work), plus the introduction, and then reduction, of New Homes Bonus. Alongside those reductions is the lowest bank base rate for years, so the Council's income from interest is significantly reduced. In addition there is an increased demand for some services, such as support and advice relating to housing options and homelessness. Council Tax increases have been capped at 3% (previously 2%) but this local tax raises just a fifth of our income for local services. National policy encourages councils to grow their local, and therefore UK, economy by supporting business, investment and housing to bring in income. Bridging the gap between income and demand remains the single biggest challenge facing local government across the country.

1.1.3 At a local level the two councils, Forest Heath and St Edmundsbury, working in partnership as West Suffolk have been tackling these changes together since 2010. The councils identified joint priorities and set up a joint staffing structure to deliver services. We saved in excess of £4m annually through sharing services and are continuing this savings and transformation journey through the creation of a new single Council from April 2019, with a further £800k of savings and efficiencies planned.

1.1.4 This not only helps meet our financial targets but brings wider benefits for our communities, allowing us to invest in initiatives to support our residents and meet our priorities set out in the Strategic Framework 2018-2020. Councils can no longer traditionally just deliver services if they are to meet the financial challenges and be able to continue to serve their communities. Our Councils have recognised and taken a proactive investment role, not only to meet the challenges brought by funding for councils, but also importantly to manage growth and ensure prosperity for our communities. We must, therefore, maintain the income we receive now but also deliver our investment projects, enable the building of homes and increase our business base so that we deliver new income streams to replace those lost, which will enable us to continue delivering the services and wider community support which people value and make West Suffolk an attractive place to live, work and invest.

1.1.5 As we move into 2018/19 our financial plans see further reliance on delivery of our strategic projects. As we continue to shape those projects, focusing in and around our growth agenda, we also see our Overarching Investment Strategy

working towards adoption in February 2018, with the following key pieces of further work now starting to progress:

- our property asset strategy including property acquisitions, disposals, maximising the value of our existing stock, and
- place investment plans.

1.1.6 Some of the projects will need considerable investment, both in money - including creating new funds where needed through borrowing (supported by robust business cases) - resources and time, but that investment will build a more financially resilient and self-sufficient council, with less reliance on uncertain national, or other, funding. That focus on income-generating projects, which may span several years before they deliver a return, means we no longer look simply to balance a budget for one year. Importantly these economic growth projects will bring wider long term benefits to our areas than purely financially robust councils, such as jobs, better health outcomes and investment in working with communities and place based initiatives. The Growth Investment Strategy, considered elsewhere on this agenda will explain in more detail how these new ways of working will link in with the Councils democratic process including frameworks, safeguards and the involvement of members.

1.1.7 While we are now setting out a medium term budget position, which takes us to 2021/22, we must look beyond that date and be ready for what may come. Local government's funding challenges will change, but they will continue. The Government is encouraging Council Tax increases to fund local social care, for example, and much of the income raised from business rates will be kept locally from 2020. The relationship between residents, businesses and their local government services will continue to evolve as we work together to invest in the future.

1.2 Local Government Provisional Finance Settlement 2018/19

1.2.1 The provisional Local Government Finance Settlement for 2018/19 was announced on 19 December 2017. This confirmed our figures from the four year Revenue Support Grant settlement last year and confirmed details of the New Homes Bonus figure and rules, following a recent consultation.

1.2.2 There is no change to the way New Homes Bonus (NHB) legacy payments (from previous years housing growth) will be calculated and the baseline of 0.4% increase in the number of dwelling (converted to Band Ds) will remain.

1.2.3 The council's total formula grant for 2018/19 (including Revenue Support Grant and Baseline Funding from retained business rates – before growth) is £2.387m.

1.2.4 There has been confirmation that there will be no change to the reduction of revenue support grant funding down to zero in 2020/21.

1.2.5 The implementation towards the new 75% Business Rates Retention (BRR) scheme and the review of the needs based assessment/formula that underpins our financial needs settlement from central government are both planned to be implemented from April 2020. Both changes create significant uncertainty to the council's medium term financial planning assumptions.

- 1.2.6 The worst case scenario for the review of the BRR scheme could be to completely re-set (although government now talk of a partial re-set) the baseline position to our current level of business rate income, thus removing the majority of the growth Forest Heath has generated since 2013 under the current 50% BRR scheme. This would remove a significant amount of income (worst case - £0.4m) from the budget in 2020/21. At this stage it is not possible to model the outcome of the needs based assessment review, however, this could have a further impact on the income assumptions currently in the MTFs. This situation will be monitored and reviewed as information becomes available. We will continue to lobby and input into DCLG consultations in order to make our position clear, including the recent 'Fairer Funding Review - consultation'.
- 1.2.7 Suffolk have been awarded 100% Business Rates pilot status for 2018-19 based on the proposal submitted on the 27 October 2017. The proposal builds on the Business Rates Retention pool Suffolk has successfully operated since 2013. In all pilot areas, the councils within the pool have to forego the funding streams of revenue support grant and rural services delivery grant in return for higher shares of business rates. The Suffolk pilot is based on a no detriment to each of the council's and therefore the risk to the Council's budget of not achieving the business rates anticipated in the 2018-19 budget is low. Any additional business rates collected in Suffolk will be invested in inclusive growth. This is unique nationally and reflects our 'place based' way of working which better supports both the urban and rural areas
- 1.2.8 Based on the proposal submitted, West Suffolk is looking to receive a one off benefit in 2018/19 of approximately £2.6m (this budget figure will be reviewed as part of submitting our statutory NNDR1 return at the end of January) as a result of the pilot. The detailed agreement with our partners across Suffolk means that the Leaders in West Suffolk will first need to endeavour to reach agreement on the activities to be funded from that pot with the Leader of Suffolk County Council but if agreement cannot be achieved then the District will retain 75% of the pot and the County Council 25% of the pot.
- 1.2.9 This is a one off, one year pilot (at this stage). For budgetary purposes it is assumed that the benefit of the pilot (estimated £2.6m across West Suffolk) is transferred to a new earmarked reserve, where its utilisation will be determined through agreement of the West Suffolk District/Borough and County Leaders. Some of the emerging and current projects for West Suffolk could potentially benefit from the additional funds. The actual benefit value of the pilot won't be known until completion of the 2018/19 end of year statutory NNDR3 return (submitted in summer 2019). It is therefore proposed that the West Suffolk councils assume the £2.6m is available during 2018/19 and underwrite the cash flow and receipt risk within its overall prudent reserves assessment.

1.3 Council Tax referendum requirements 2018/19

- 1.3.1 In December 2017, the government announced an increase of the referendum limit to 3% (previously 2%) or £5 threshold (whichever is the higher) for council tax increases for 2018/19 for shire districts. 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 3% increase in an average Band D property for Forest Heath would equate to income of approximately £77,000 for 2018/19, a £5 increase £89,000.

1.3.2 The current budget figures assume a £4.95 increase in Band D council tax for 2018/19, which equates to an increase of 3.5% per year. This assumption is in line with the approved business case for a new Single Council for West Suffolk.

1.4 Setting the budget – 2018/19 and across the medium term to 2021/22

1.4.1 Performance and Audit Scrutiny committee scrutinised and recommended the approach to our medium term planning 2018-2021 (Report Nos PAS/FH/17/038 and PAS/FH/18/007).

1.4.2 The starting position is from the existing MTFs which is balanced for each year from 2017/18 out to 2019/20. This has enabled the methodology for revising this outlook to be focussed on three areas:

- 1 Challenging the pre-existing assumptions and updating these to reflect new knowledge and information.
- 2 Collating new items that are required to support the delivery of West Suffolk Councils Strategic Plan.
- 3 Reflect any changes in the wider macro environment which require a change in approach from Forest Heath.

1.4.3 The process to validate each of these areas has been driven by workshop sessions to understand the trends and drivers behind each of the income and expenditure lines within each service area and project. The outcome of the sessions has then been reviewed at an overall council level by the Leadership Team to ensure a collective, corporate view.

1.4.4 The six approved MTFs themes below continue to be at the forefront of Forest Heath District Council's financial strategy for delivering a sustainable medium term budget:

1. aligning resources to both West Suffolk councils' Strategic Framework and essential services;
2. continuation of the shared service agenda and transformation of service delivery;
3. behaving more commercially;
4. considering new funding models (e.g. acting as an investor);
5. encouraging the use of digital forms for customer access; and
6. taking advantage of new forms of local government finance (e.g. business rate retention).

1.4.5 The Performance and Audit Scrutiny Committee has a key role in the scrutiny of the budget process and proposals for achieving a balanced budget. The lists of proposals were presented to members of the Performance and Audit Scrutiny Committee in November 2017 (Report No PAS/FH/17/038, 'Delivering a Sustainable Medium Term Financial Strategy 2018-2021').

1.4.6 The committee received a further update and additional proposals at its meeting in January 2018 (Report No PAS/FH/18/007, 'Delivering a Sustainable Medium Term Financial Strategy 2018-2021').

1.4.7 The only additional changes proposed in the medium term budgets from those reported to Performance and Audit Scrutiny relate to additional resources and capacity detailed in paragraph 1.7, funded through the utilisation of existing budgets and reserves.

1.4.8 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 2018/19. The total proposed net revenue expenditure in 2018/19 is £7.639 million.

1.5 Capital programme 2018-2022

1.5.1 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.

1.5.2 It is estimated that £41.490 million will be spent on capital programme schemes during 2018/19 which are to be funded by a combination of grants and contributions (£5.425 million), earmarked revenue reserves (£5.824 million), the usable capital receipts reserve (£1.176 million) and external borrowing (£29.065 million).

1.5.3 Looking ahead, the total value of the capital programme over the next four years is approximately £54.987 million. Attachment D, Appendix 2 shows the planned capital expenditure in financial year 2018/19 and future years, together with information on the funding of that expenditure (that is, grants and contributions, use of earmarked revenue reserves, useable capital receipts reserve and external borrowing) and is summarised in Table 2 below.

1.5.4 **Table 2: Planned capital expenditure over four years to 2021/22**

	2018/19 millions	2019/20 millions	2020/21 millions	2021/22 millions	Total millions
Gross capital expenditure	£41.490	£11.643	£1.379	£0.475	£54.987
Funded by:					
Grants and contributions	£5.425	£0.175	£0.175	£0.175	£5.950
Earmarked revenue reserves	£5.824	£0.305	£0.984	£0.080	£7.193
Capital receipts reserve	£1.176	£0.220	£0.220	£0.220	£1.836
External borrowing	£29.065	£10.943	£0.000	£0.000	£40.008
Total	£41.490	£11.643	£1.379	£0.475	£54.987

1.5.5 As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of non-housing assets to fund the revenue costs of service reform and transformation. The recent Local Government Finance Settlement extended this offer out to 2022/23 (see Attachment G).

1.5.6 This capital programme contains the assumption that we will make use of this flexibility to fund the transition costs (£250k) to a single council through use of capital receipts.

1.6 Disposal of assets

1.6.1 Part of the funding arrangements for the capital programme has been the disposal of surplus assets. The Council has plans to review its programme of asset disposals, as part of the development of its Asset Management Strategy. Table 3 below is a summary estimate of the likely level of income from asset disposals over the period 2018/19 to 2021/22.

Table 3: Estimated income from asset disposals 2018-22

	2018/19	2019/20	2020/21	2021/22
Council share of Right to Buy receipts	£200,000	£200,000	£200,000	£200,000
Asset disposals subject to Mildenhall Hub business case	-	-	£1,350,000	-
Total	£200,000	£200,000	£1,550,000	£200,000

1.6.2 The above capital programme and asset disposals programme, along with the repayment of the loan given to Barley Homes (£2.975m), will, in the short to medium term, move the Council’s useable capital receipts reserves from £0.996 million to £4.285 million. This assumes that all borrowing included within current and future business cases will be drawn down.

1.6.3 The calculation of interest income used in the medium term plans are based on the use of existing and anticipated capital expenditure and receipts, and external borrowing where the business cases assuming funding would come from borrowing. 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 across the medium term provided the savings and income streams indicated in the MTFS are implemented.

1.6.4 During 2018/19 the Council will further develop its Capital Strategy as attached at Attachment F and in line with the CIPFA Prudential Code for Capital Finance in Local Authorities 2017. This strategy is intended to give a high-level overview of how capital expenditure and financing plans are decided upon and how they contribute to the delivery of the Councils Strategic Priorities and Medium Term Financial Strategy and its overall service delivery.

1.7 Project skills and capacity

1.7.1 The project support, skills and capacity MTFS work package review, identified some skills and capacity challenges in supporting our range of services and growth projects, both in terms of current and future projects. The leadership team (LT) requires an increase in capacity, primarily in and around our growth agenda, and skills where it is needed to ensure we meet the income challenges faced by the Council. We will seek to do so within the overall capital and revenue budgets/reserves in the first instance.

1.7.2 Being mindful of delivering a resources solution that reflects value for money and that gives maximum control over delivery, LT's proposal is one that primarily relates to creating capacity through making appropriate additions to our staffing establishment. The solution is not a one size fits all though, for some specialist or hard to recruit resources/skills, a commissioning approach may be adopted following the Councils contract procurement rules. The proposals are not limited to the growth team itself, but also recognises the role of our support teams in driving forward our ambitious agenda - such as property, legal, communications, planning.

1.7.3 The following proposals are included within the medium term budgets at Attachment A.

Area:	What: £000 pa (Resource Request)	Why: (Outcomes)	Funding plan (OPE/Rev/Strat Plan)
Growth, planning policy and support services (including communications, property, legal)	675	Delivery of growth projects detailed above. Need to have flexible funds to recruit and resource appropriate capacity and skill including place programme leads, surveyor and planning specialists	*Use of £40m Growth capital fund (capitalised against projects) and £2m Growth revenue funds; plus OPE funding;
Apprenticeships	110	Up to 10 additional apprentices	*Use of £2m Growth revenue funds already established
Planning	215	Additional resources to deal with increased workload; support growth agenda; increase pre-app advice	(National) 20% increase in planning fees
ICT, Elections, HR/Payroll	230	Technical officers to support IT transformation programme and Single council support work Review of elections service, and support for Single council	Growth to salary establishment budget funded from Invest to Save (Capital Budget/Revenue Reserves), Elections and Single council transitional costs fund
Total	1,230	To ensure timely delivery of growth and transformation agenda	To recruit permanently to establishment and review after 2 years in order to mitigate risk re inadequate capacity, skills to deliver and overall long term requirements/funding

1.7.4 Existing delegations in the councils' constitution are inflexible in relation to the challenge of providing an agile and responsive workforce in a timely and effective way. There is a need for approval to be given to the Leadership Team to be able to flex the establishment and recruit the skills needed in a fast paced environment, and a challenging and competitive labour market, in order to mitigate the risk already identified in the councils' risk register of being unable to deliver the skills and capacity required. Approval is therefore sought to enable the Head of Paid Service and the AD (HR, Legal and Democratic Services), in consultation with the relevant service AD, to determine the establishment and

the employment arrangements to deliver the councils' priorities within agreed budgets and the principles of the MTFs.

1.7.5 Funding is confirmed within the overall capital (£40m Growth Investment Fund – allocated to projects) and revenue reserves (£2m Growth investment Fund, Invest to Save Reserve) across for the medium term plan (four years). A two year review (to be completed as part of the 2020/21 budget setting process) will take place to review the overall capacity and any long term establishment requirements.

1.7.6 If at the two year review, the conclusion is that some of these resources should become base budget funding, i.e. its felt the direction is highly likely to continue beyond the envisaged four year period and this is confirmed by the new West Suffolk Council then LT have collectively signed up to a review of the establishment alongside an appropriate savings programme to bring the councils base budget back into balance at the end of the four year funding plan if that is financially required.

1.7.7 It is proposed that any additional financial returns over and above those assumed to date from this approach and our ambitious projects will be directed back into reserves, into the council's strategic priorities and MTFs reserve. This could also act as a financial contingency in the event of potential risk of cost of change (for example redundancy costs). In the absence of any built up reserve balance, the general fund will act as the financial contingency for this cost risk.

1.8 Minimum Revenue Provision (MRP)

1.8.1 The Treasury Management and Annual Investment Strategy (Report CAB/FH/18/010) 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 2018/19.

1.9 General Fund Balance

1.9.1 The revenue budget, Attachment A, based on current budget projections, shows a balanced budget position for 2018/19. However, many of the assumptions supporting the budget projections for 2018/19 (and future years) are subject to significant uncertainty. This includes assumptions regarding:

- (a) sustainability of income stream estimates (including commercial property rental income and planning income);
- (b) impact of Business Rates Retention scheme and Suffolk pooling arrangements; and
- (c) pay inflation and employer's 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. The District Council agreed as part of the 2014/15 budget process and development of the MTFs to hold a General Fund balance at the level of £2 million, which is around 26% of the 2018/19 net expenditure.

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 and project returns 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 31 January 2018 (Report PAS/FH/18/006) included an estimate of the year end budget position as breaking even. It is proposed to transfer any final year-end surplus 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. It is proposed that any year-end deficit is supported by a transfer from the Council general fund reserve.

1.10 Earmarked reserves

1.10.1 At the end of the 2017/18 financial year the Council will have an estimated £11.257 million in earmarked reserves. The current level of earmarked reserves and contributions during 2018/19 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 2018/19. At the end of 2021/22 these reserve balances are estimated to fall to £7.857 million.

1.11 Strategic Priorities and MTFS Reserve

1.11.1 This reserve acts 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 Council to drive forward the delivery of a sustainable Medium Term Financial Strategy (MTFS) and the West Suffolk Strategic Plan priorities.

1.11.2 Table 4 shows the total New Homes Bonus (NHB) grant payments made to the Council since the scheme began in 2011/12, including the expected receipt in 2018/19. These NHB allocations have all been put into this Strategic Priorities and MTFS reserve.

Table 4: New Homes Bonus – Grant Receipts

Year	£millions
2011/12	£0.562
2012/13	£1.436
2013/14	£1.679
2014/15	£2.166
2015/16	£2.437
2016/17	£2.644
2017/18	£1.278
2018/19	£0.718

The 2018/19 budget and MTFs includes a number of draws on this reserve as previously approved or under consideration through the democratic process.

- 1.11.3 Attachment E summarises the proposed draws on this reserve as part of the 2018/19 budget and the medium term budgets.

1.12 Adequacy of reserves

- 1.12.1 Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Assistant Director (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 at its meeting on 21 February 2018. The full statement is set out in Attachment C.

- 1.12.2 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 2018/19 budget plans.

2. Calculation of the Council Tax

- 2.1 At its meeting on 13 February 2018, the Cabinet recommended an increase of £4.95 (3.5%) on Forest Heath's council tax for 2018/19 to £147.33 for Band D properties (£142.38 for 2017/18).

- 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 2018/19 is 17,964.44 (compared to 17,575.33 for 2017/18).

- 2.3 Since the meeting of Cabinet on 13 February, the precepts of the other organisations have been received and these are detailed below and in the schedules at Attachment H and Attachment I.

- 2.4 The parish councils have set their own council tax requirements for 2018/19. These are detailed at Attachment H, Schedule A. The total Parish and Town Councils precepts for 2018/2019 amount to £1,602,987 which results in an average Band D parish council tax of £89.23.

- 2.5 Suffolk County Council met on 8 February 2018 and set its precept at £22,321,535.28 resulting in a Band D council tax of £1,242.54, a 4.99% increase (including 3% for the Adult Social Care precept).

- 2.6 Suffolk Police Authority set its precept of £3,392,045.56 at the Police and Crime Panel (SCC) meeting on 26 January 2018, resulting in a Band D council tax of £188.82, a 6.8% increase on the 2017/18 figure of £176.85.

- 2.7 Based on the figures above, the proportions of an average 2018/19 council tax bill will be:

- 2.8 Suffolk County Council: 74.49% Forest Heath District Council: 8.83%
Suffolk Police Authority: 11.33% Parish/Town Council: 5.35%

- 2.9 There are a number of statutory calculations that follow from this budgetary decision and these are detailed in Attachment I.
- 2.10 If the formal Council Tax Resolution is approved, the total Band D Council Tax will be as follows:

	2017/18	2018/19	Increase
Forest Heath District Council	£142.38	£147.33	3.48%
Suffolk County Council	£1,183.50	£1,242.54	4.99%
Suffolk Police Authority	£176.85	£188.82	6.77%
Sub-Total	£1,502.73	£1,578.69	5.05%
Town and Parish average	£87.05	£89.23	2.50%
Total	£1,589.78	£1,667.92	4.92%

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 21 February 2018. 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.