

Key Decision Required:	Yes	In the Forward Plan:	Yes
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**CABINET
20 JANUARY 2017**

REPORT OF THE FINANCE, REVENUES AND BENEFITS PORTFOLIO HOLDER

A.2 FINAL GENERAL FUND REVENUE BUDGET AND CAPITAL PROGRAMME 2017/18
(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek Cabinet's approval of the final budget proposals for 2017/18 (including Council Tax proposals) for recommendation to Council on 7 February 2017.

EXECUTIVE SUMMARY

- At the meeting on the 16 December 2016, Cabinet considered the Revised Financial Baseline 2017/18 and associated detailed budget proposals for 2017/18, which presented a budget 'gap' of **£0.603m**.
- Cabinet's budget proposals were subject to consultation with the Corporate Management Committee which met on the 19 December 2016 and 5 January 2017 to consider them and their comments are set out in this report along with the response from the Finance, Revenues and Benefits Portfolio Holder.
- Since the Cabinet's meeting on 16 December 2016, additional changes have been required, primarily as a result of new or revised information becoming available which includes the Government's Financial Settlement announcements. These have been included in the final budget proposals set out in this report, which together reduce the budget 'gap' to **£0.558m**. This figure may change as further adjustments could be required as part of finalising the budget for presenting to Council on 7 February 2017, with a delegation included in the recommendations to reflect this.
- Following the Government confirmation that Councils can increase their Council Tax by £5 instead of being limited to just 2%, the budget now reflects this change which in percentage terms equates to an increase of just under 3.3%.
- The remaining budget 'gap' of **£0.558** has been met by taking both the 2016/17 position and 2017/18 together across a 2 year budget cycle. The favourable variance in 2016/17 totals **£0.801m** which therefore more than offsets the **£0.558m** required in 2017/18, with the balance of **£0.243m** being a net contribution to the Building for the Future Reserve across both years.
- The above reflects the continuing challenging position of identifying the necessary savings whilst balancing wherever possible the aim of protecting services, a position that will be increasingly difficult to maintain going into 2018/19.
- Taking all of the changes into account, the Council Tax requirement has been revised to **£7.229m**, which is based on a £5 increase for this Council's services in 2017/18 with a Band D Council tax of **£157.64**.

- In line with legislative requirements the Section 151 Officer has confirmed the robustness of the estimates along with the adequacy of reserves.
- The Council's annual budget and the district and parish elements of the Council Tax will be considered by Full Council on 7 February 2017 with approval of the 'full' Council Tax levy for the year to be considered by the Council Tax Committee on the 22 February 2017.
- It has also been timely to set out proposed changes to Career Track and the Public Convenience Maintenance Contract with further details included later on in this report along with the inclusion of associated recommendations.
- This report also proposes to set aside funding from one-off budgets such as the New Homes Bonus to support the delivery of key priorities along with an associated recommendation.

RECOMMENDATION(S)

Cabinet approves:

(a) That if the financial position changes prior to Council considering the budget on 7 February 2017, delegation be given to the Corporate Director (Corporate Services) to adjust the budget, including the use of Reserves, in consultation with the Finance, Revenues and Benefits Portfolio Holder;

(b) that in consultation with the Leader and the Finance, Revenues and Benefits Portfolio Holder, the Corporate Director (Corporate Services) reports directly to Council in respect of the formal draft resolutions necessary to implement the Cabinet's budget proposals along with any late information or notifications received from Communities and Local Government etc. as may necessarily affect the budget;

(c) that the Corporate Management Committee be thanked for the work they have undertaken and continue to take in supporting the development of the budget and agrees the comments of the Finance, Revenues and Benefits Portfolio Holder in response to those of the Committee as set out in this report;

(d) That in respect of the proposals for the Career Track Service to seek to become a registered apprenticeship training provider:

(i) delegation be given to the Corporate Director (Corporate Services) to undertake the necessary activities to implement the revised delivery model;

(ii) delegation be given to the Head of Finance, Revenues and Benefits Services to undertake the necessary budget adjustments within the overall approved net budget to reflect the revised delivery model;

(e) That in respect of the proposals to bring the maintenance of Public Conveniences in-house:

(i) delegation be given to the Corporate Director (Operational Services) to undertake the necessary activities to facilitate and implement the in-house delivery model;

(ii) delegation be given to the Head of Finance, Revenues and Benefits Services to undertake the necessary budget adjustments within the overall approved net budget to reflect the in-house solution;

(f) That in respect of supporting the delivery of Council priorities, the budget is amended to reflect the setting aside of amounts from one-off budgets as set out in Table 3 of this report.

That subject to the above, Cabinet recommends to Full Council:

(a) That following the consideration of the comments from the Corporate Management Committee and the responses from the budget consultation activities undertaken, the following final budget proposals be made (based on a £5 increase in a Band D Council Tax for district services):-

i) That the detailed budgets as per Appendix A of this report be approved which provide for a Council Tax Requirement for 2017/18 of £7.229m (£6.855m for 2016/17) (excluding parish precepts).

ii) That the Council agrees and formally approves:

a) The specific recommendations, calculations and other matters in respect of the Council's requirements – Appendix C

b) The Council Tax for this Council's services – Appendix F.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

This report will have direct implications on the Council's ability to deliver on its key objectives and priorities and in particular on the speed with which the Council can deliver its priorities, rather than the priorities themselves.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are set out in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets, IT etc.

Risk

There are clearly risks associated with the financial forecast. The actions to achieve a fully funded budget, including limiting budgets to previous years prices where applicable and

restricting cost pressures, give rise to the potential for items that have not been funded to emerge or for increases in income not to materialise in reality. This is particularly so given the current economic climate, the reductions in the availability of public sector funding, the Government's programme of change for Councils' services and the impact on the Council's core funding streams.

In view of the above, it is important that the Council has a sufficient level of uncommitted reserves set aside to support the approach identified within the financial forecast. An uncommitted reserve of approximately **£4.000m** (including the **£1.600m** minimum working balance) has been approved previously and remains in place as part of the detailed estimates for 2017/18.

The Council also maintains a NDR Resilience Reserve and Benefits Reserve of **£1.459m** and **£1.100m** respectively to act as a 'buffer' if associated risks arise during the year. In respect of 2017/18, **£0.150m** has been 'called down' from the NDR Resilience Reserve with further details set out later on in this report. The figure above is after taking this latest adjustment into account.

Although impact assessments will be undertaken for significant savings strands as they are developed over the coming months, it is important to highlight that no specific risk assessment on the deliverability of the savings proposed in the budget have been completed to date. Given the significant budget 'gap' that remains, it is important that the savings identified are delivered, which include the decommissioning of assets, which must be undertaken in such a way as to ensure all financial liabilities are ceased including business rates. If any savings included in the budget are not delivered there will be an increased call on reserves which will require additional on-going savings to be identified in 2018/19 and beyond.

However it must be acknowledged that Members are faced with some difficult and challenging decisions to secure the savings required in 2018/19 and beyond. This risk has been highlighted in the Council's Corporate Risk Register as any delay in delivering the required savings will require one-off contributions from reserves or other one-off amounts to balance the budget. Such an approach, if continued over a longer period of time, would be against the advice of the Council's Auditors who raised the use of reserves in such a way (along with the level of council tax) as key issues that the Council must continue to remain alert to.

LEGAL

The current arrangements for setting and agreeing a budget and for the setting and collection of Council Tax are defined in the Local Government Finance Act 1992. The existing legislation defining the arrangements for charging, collecting and pooling of Business Rates is contained within the Local Government Finance Act 1988. These were both amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.

The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Rates Retention Scheme and the Localisation of Council Tax Support.

The Calculation of Council Tax Base Regulations 2012 set out arrangements for the calculation of the Council Tax base following implementation of the Local Council Tax Support Scheme. These arrangements resulted in a lower tax base for the District Council, major preceptors and town and parish councils.

The Localism Act 2012 introduced legislation around the right of veto for residents on excessive Council Tax increases.

In respect of special expenses that form part of the budget setting process, expenditure is classed as a Special Expense if it satisfies the requirements of the Local Government Finance Act 1992, Section 35. The only category relevant to this Council is contained within Section 35(2)(d) relating to concurrent functions with Parish and Town Councils. Under the Local Government Finance Act 1992, the Council must identify as its Special Expense, proposed expenditure on those functions which the Council performs in part of the district but which Parish or Town Councils perform elsewhere in the District. If, in the Council's view, a special expense should properly be charged over the whole of the district's area, the Council may pass an express resolution to this effect (known as a **contrary resolution**).

In order for expenditure to be a Special Expense, there are two conditions that must be fulfilled:

1. Expenditure is estimated to be incurred by the District Council in the whole or part of its area on the provision of a function;
2. Expenditure on the provision of the same function is to be incurred by at least one parish/town council elsewhere in the district.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

These implications have no impact on the budget itself. However, they are taken account of in the delivery of individual services and projects.

Special expenses are based on the principle of ensuring there is equality across the district in levying Council Tax to residents based on services and facilities provided by Town and Parish Councils in specific areas that are also provided by the District Council.

Budget Consultation

Given the limited ability to reflect the significant financial challenges faced by the Council within the 'YouChoose' budget consultation tool that the Council has used over the past few years, a simplified approach was taken this year with the following questions asked of residents, visitors, businesses etc.:

1. ***Do you have any comments to make about the detailed estimates that were presented to Cabinet on 16 December 2016?***
2. ***If you have any specific ideas about how the council can save money and protect services, then please let us know.***

The consultation closed on 19 January 2017 and at the time this report was printed no responses had been received, which to some extent may reflect the difficult question that was asked about letting us know about ideas for saving money.

Comments on the Council's proposed budget for 2017/18 have also been specifically invited from businesses in the district which are also made available to members as part of their budget considerations.

PART 3 – SUPPORTING INFORMATION

CABINET'S FINANCIAL BASELINE AND DETAILED BUDGET PROPOSALS 2017/18

On 16 December 2016 Cabinet considered the Revised Financial Baseline and Detailed Budget Proposals for 2017/18 which had been updated since the Initial Financial Baseline had been considered on 5 August 2016 and resolved that (minute 135 refers):

(a) Cabinet agrees the updated Financial Baseline 2017/18 and the detailed budget proposals (including fees and charges and special expenses), as set out in the Appendices to item A.7 of the Report of the Finance, Revenues and Benefits Portfolio Holder;

(b) Cabinet requests the Corporate Management Committee's comments on the Updated Financial Baseline 2017/18 and detailed budget proposals (including special expenses); and

(c) all future expenditure in 2016/17 be in line with the proposed revised budget 2016/17 set out in the aforementioned Appendices, subject to final approval by Council at its meeting to be held on 7 February 2017, and that the corporate financial system be amended accordingly to reflect those changes along with any amendments arising from revisions to the code of practice relating to the presentation of the Council's annual Statement of Accounts.

The 2017/18 budget position as set out in the report mentioned above presented an initial budget 'gap' of **£0.603m**, with a Council Tax Requirement of **£7.139m** based on a 1.99% increase in a Band D Council Tax. This report now sets out the outcome of the finance settlement from the Government, the most up to date position with regard to income from business rates along with a proposed increase in Council Tax of £5 (3.28%), which together with other budget amendments and a call on reserves, enable a balanced budget to be set.

Cabinet's Council Tax and budget recommendations along with the parish element of the Council Tax will be presented to Full Council on 7 February 2017. The formal approval of the 'full' Council Tax levy for the year including the district amount approved by Full Council in February along with the Essex County Council, Police and Fire Authority precepts will be considered by the Council Tax Committee on the 22 February 2017.

CORPORATE MANAGEMENT COMMITTEE COMMENTS

In accordance with the Constitution, Cabinet has consulted with the Corporate Management Committee on the Updated Financial Baseline 2017/18 and Detailed Budget Proposals including Special Expenses.

The Corporate Management Committee met on 19 December 2016 and 5 January 2017 and their comments back to Cabinet are set out as follows along with responses from the Finance, Revenues and Benefits Portfolio Holder:

Table 1

Comment from CMC	Finance, Revenues and Benefits Portfolio Holder Response
(a) the Committee supports, in principle, a £5 increase in the Council's Council Tax precept for 2017/2018.	The Committee's comments are welcomed

	in support of this option. A £5 increase in council tax is proposed within the final budget proposals.
(b) to enable Parish and Town Councils to plan their budgets accordingly this Council should inform them that the Parish and Town Councils grant from this Council will be phased out in line with the reduction in this Council's RSG.	This will be considered as part of the Financial Strategy process for 2018/19.
(c) the Committee reiterates the corporate view that all work should be placed through the Print Unit and not externally.	Noted – This is being reflected in the work currently being undertaken by the Head of Customer and Commercial Services as part of the wider service transformation agenda.
(d) the Committee supports and endorses the Cabinet's prudent decision to use £2.646m from Reserves to meet the cost of paying the three year pension deficit amount in one payment.	The Committee's comments are welcomed in support of this approach.
(e) the Council should look to help the Tendring CAB become more financially self-supporting and ensure that this Council's contribution is spent at 100% efficiency once the Officers have clarified the ongoing issues at the CAB.	The funding provided to the CAB remains a 'live' issue that was identified as part of the relevant Portfolio Working Party and will be revisited during 2017.
(f) the Committee urges Cabinet that, with regard to any individual projects that come forward, however attractive they may appear, due attention must be paid to any ongoing revenue cost implications that may be included within the business case.	Noted. The consideration of any on-going revenue impact will remain an important part of any business case put forward in support of projects and initiatives.
(g) the Cabinet should make itself aware of and investigate the regeneration and employment/training opportunities that could arise from the proposed rail maintenance depot in the	The Planning and Regeneration Portfolio Holder has given his commitment to

<p>Manningtree area.</p>	<p>investigate any opportunities that may arise from the new East Anglia Rail Franchise and thanks the Committee for bringing this issue to his attention.</p>
<p>(h) that the procurement process for the recycling/waste collection and street sweeping contracts should identify all potential savings options however unpalatable.</p>	<p>Noted. All opportunities to identify savings and/or limit increases in costs will form an important element of the procurement processes associated with both the Waste and Recycling Contract and Street Cleansing Contract, which will commence later in 2017/18.</p>
<p>(i) the Committee supports the aspiration of 100% broadband coverage for the District but would urge the Cabinet to be wary of the overall costs and to seek out all possible external sources of finance.</p>	<p>Noted. The cost of providing 100% broadband coverage across Tendring is expected to be available in March 2017 once the associated tender process has been completed. Therefore a final decision as to the level of funding required to support this aspiration will be considered once the costs are available.</p>
<p>(j) the Committee welcome the national award for the Clacton Air Show and urges Officers to use the Award to maximise sponsorship and support for the Air Show in order to meet the aspiration of it being self-financing.</p>	<p>The Tourism and Culture Portfolio Holder is committed to explore all opportunities to meet the aspiration of the Air Show being self-financing.</p>
<p>(k) that Officers should review the JCCs at the District's sports centres with a view to either reducing their costs or ending them.</p>	<p>This issue was identified as part of the relevant Portfolio Working Party last year and remains a 'live' issue which will be subject to further review in 2017/18.</p>

<p>(l) the refurbishment of the Princes Theatre toilets should be done immediately the Budget is approved in view of the nine Weddings that are booked to be held in the Princes Theatre this year.</p>	<p>Subject to the budget being approved at Full Council on 7 February 2017, the Service is requested to take all necessary steps to implement these works as soon as practical in 2017/18.</p>
<p>(m) the Committee looks forward to the problems at the Frinton and Walton Swimming Pool being resolved.</p>	<p>Noted.</p>
<p>(n) the Committee understands the current issues with the Careline Lifting Services and looks forward to receiving an update in six months' time.</p>	<p>Noted.</p>
<p>(o) the Committee will monitor the Private Sector Renewal Grants/Financial Assistance Loans budget through the quarterly corporate budget monitoring reports.</p>	<p>Noted.</p>
<p>(p) once a decision is taken to close and demolish a public convenience this should be implemented immediately in order to avoid any residual costs;</p>	<p>Noted. This will form an important element of the decommissioning of specific Public Conveniences to ensure savings can be achieved as soon as practicable.</p>
<p>(q) the Committee welcomes the increased income from Car Parks and the progress being made to accommodate the cost of the Residents Parking scheme within the base budget and hopes that the problems encountered with the online registration are avoided this year.</p>	<p>Noted. The overall position for parking will remain under review over the remaining two years of the resident's parking scheme, with the aim of seeking to accommodate the cost of the scheme within existing budgets rather than rely on funding from the associated reserve.</p>
<p>(r) the Committee again notes that Planning Services have had another extremely busy year in the face of an ongoing shortage of staff.</p>	<p>Noted.</p>

(s) with regard to asset management, the Council should not lose sight of opportunities to dispose of smaller, unwanted assets whilst concentrating on larger issues such as the disposal of the Council Offices at Weeley.	Noted. The Council's asset portfolio remains under on-going review to ensure all opportunities are maximised.
(t) the Committee looks forward to receiving and commenting on the Financial Outturn report in due course.	Noted.

CHANGES SUBSEQUENT TO THE CABINET'S 16 DECEMBER 2016 MEETING

The additional changes required since Cabinet's meeting on 16 December 2016 are set out below and include the identification of additional net budget reductions and use of reserves to meet the **£0.603m** budget 'gap'. The detailed budget book pages which now include these changes are attached at **Appendix A**.

A summary of the adjustments is as follows:

Table 2

<i>Position reported to Cabinet 16 December 2016</i>	
Initial Budget 'Gap'	£0.603m
<i>Changes from Local Government Finance Settlement</i>	
Reduction in Housing Benefit Administration Grant	£0.033m
Reduction in New Homes Bonus	£0.395m
Corresponding reduction in Project Expenses Budget funded from New Homes Bonus	(£0.395m)
<i>Additional Budget Adjustments</i>	
£5 Increase in Council Tax	(£0.090m)
Increase in estimated NDR Collection Fund Deficit 2016/17	£0.150m
Use of NDR Resilience Reserve to meet estimated deficit on Collection Fund to be brought forward from 2016/17	(£0.150m)
Saving on borrowing costs as loans are repaid	(£0.026m)
Reduced pension costs following increase in deficit recovery period	(£0.046m)
Changes in recharges between GF and HRA	£0.084m
Revised Budget 'Gap'	£0.558m
Meet the above 'gap' using the net saving across 2016/17 and 2017/18 when taken together as a 2 year rolling budget cycle	(£0.558m)

The following sets out a more detailed explanation of the changes included in the table above.

Changes from the Local Government Finance Settlement

Revenue Support Grant

At the time of finalising the report, the final local government finance settlement for 2017/18 had not yet been published as the associated consultation period remained open. The total amount currently included in the budget proposals is the provisional Revenue Support Grant figure of **£1.650m** announced by the Government. Historically the final figures have not been significantly different to the provisional amounts and given that they now form part of a 4 year funding settlement they are not expected to change. However if there are any late changes they will be reported directly at the meeting otherwise they will be included in the final figures reported to Council on 7 February 2017. If the final figure is different, then the budget will be adjusted in accordance with the delegation set out in the recommendations above.

Given the move to Universal Credit, the Government continue to reduce the Housing Benefit Administration Grant to reflect the fact that work is now moving across to the DWP rather than remaining with the Council. Although the longer term position remains under review in parallel with the wider roll out of Universal Credit up to 2022, the 2017/18 budget only reflects the reduction in grant at this stage of the review.

As part of the Finance Settlement, changes to New Homes Bonus were announced, including a reduction in the period the grant is payable for from 6 years to 4 along with bonus payments only payable for housing growth over 0.4% of the Council's dwelling stock. This change has reduced the income receivable by **£0.395m** in 2017/18. There is no net impact on the budget as, unlike some Council's, TDC has not used the NHB to support its underlying base budget and has treated it as one-off income so a corresponding adjustment has been possible to the associated one-off expenditure budget.

Given the changes made by the Government, NHB receivable is expected to reduce year on year with only very limited amounts receivable in future if based on historic housing growth.

Council Tax Income

As discussed last year, following the Government's commitment to phase out the revenue support grant over the next 3 years the Council must become financially self-sufficient through Council Tax and Business Rates from 2020/21. Set against this context and the significant 'front loading' of reductions in Revenue Support Grant, it is proposed to increase the level of Council Tax by £5 again in 2017/18, which is permitted by the referendum threshold limits recently announced by the Government. This raises additional income of **£0.090m** each year from 2017/18 onwards with a proposed Band D Council Tax amount of **£157.64** in 2017/18.

National Non-Domestic Rates Income

The calculation of locally retained income from business rates continues to be highly complex which has been compounded in 2017/18 by the national revaluation of business properties and changes to associated transitional relief and small business rate relief.

Such changes inevitably bring about a large number of appeals from business property owners and tenants. Given the level of uncertainty introduced into the system, it is not proposed to change the level of net income included in the budget for 2017/18. This will be revisited as part of the 2018/19 budget cycle and / or via the Corporate Budget Monitoring process later in the year.

One calculation that has been finalised is the estimated surplus or deficit on the NDR Collection Fund in 2016/17 which is carried forward into the 2017/18 budget. Given the level of appeals and other issues such as the timing of properties being removed / added to the rating list, it is estimated that there will be a deficit on the collection fund at the end of 2016/17 of **£0.150m**.

Similarly to last year, it would be acceptable to 'call down' **£0.150m** from the NDR Resilience Reserve to meet this estimated deficit as the reserve was established to respond to such risks. The alternative would be to meet the cost from within the overall general fund budget but as this is showing an overall budget 'gap' of **£0.558m**, a call on reserves is being made in any case so it is more a question about which reserve is more appropriate. On balance the use of the NDR Resilience is felt to better reflect the purpose of the reserves.

The budget does not include any benefit from being a Member of the Essex Business Rates Pool, which is currently being considered by the relevant Essex Authorities for 2017/18 set against the increased risks highlighted above. A small additional net gain of **£0.050m** from being a pool member in 2015/16 has now been confirmed and included in the revised budget for 2016/17.

Other Adjustments

There have been a small number of further changes such as a saving of **£0.026m** from a reduction in borrowing costs as general funds loans are paid off, a reduction of **£0.046m** from ECC confirming a slight extension to the period that the pension deficit can be repaid over, along with a net increase in costs of **£0.084m** from a change between General Fund and HRA recharges which are reviewed on an on-going basis.

In respect of the pension deficit contribution, not only does it provide a reduction in costs in 2017/18, it also reduces the call on the Building for the Future Reserve by **£0.092m** as it is being used to fund 3 years payments up front.

In respect of the impact of the above in 2016/17, only the change in recharges between the General Fund and HRA is relevant with an adjustment of **£0.087m** made. The 2016/17 budget also now includes increased costs of **£0.154m** that reflect backdated energy bills for one of the Council's sports facilities. Although discussions remain on-going with the relevant energy provider, this money is being set aside from the overall favourable position in 2016/17 to meet this cost once confirmed.

Taking the adjustments identified for 2016/17 into account, the favourable position has been reduced to **£0.801m** from **£0.992m** that was highlighted in the report to Cabinet on 16 December 2016. The revised favourable position still allows for the budget 'gap' of **£0.558m** in 2017/18 to be met by taking the two years together.

Other Considerations as Part of the Budget Setting Process

Career Track

The Government have introduced an apprenticeship levy from April 2017 with the amount payable by this Council being **£0.043m** in 2017/18. However rather than treat this as a cost pressure, the existing career track service has the option to apply to become an approved provider of apprenticeship support / training within the Tendring District. The service is therefore seeking to formally become a registered training provider in 2017/18 which would generate external income that is estimated to not only meet operational costs but also to meet the cost of the apprenticeship levy due from the Council.

This approach demonstrates the Council's ongoing commercial approach and recommendations are set out earlier in this report to enable this option to be pursued and reflected in the budget at no net additional cost.

Public Convenience Maintenance Contract

In continuing the Council's commitment to bringing services back in-house where advantageous to do so, there is now the opportunity to deliver annual maintenance work to public conveniences internally.

This approach would complement the public convenience cleaning contract that was recently brought back in-house and recommendations are set out earlier in this report to take this proposal forward within existing budgets and therefore at no net additional cost.

Set aside of One-off Budgets to Deliver Key Priorities

Within existing budgets there are a number of amounts that remain uncommitted such as the New Homes Bonus. It is proposed to now set aside funding for the following projects / initiatives within this budget cycle to provide a commitment to various Council priorities:

Table 3

Project / Initiative	Current Budget 2016/17	Revised Budget 2016/17	Funded by
Garden Communities	£0.250m	£2.250m	£2.000m from New Homes Bonus
Harwich Public Realm Works	£0	£1.000m	£1.000m from New Homes Bonus
Housebuilding in Jaywick (General Fund)	£0	£0.500m	£0.500m from New Homes Bonus
Women's Cycle Tour	£0	£0.065m	£0.065m from New Homes Bonus
Additional Contribution to 100% Broadband Coverage Project	£0.500m	£0.598m	£0.098m transferred from the Rural Infrastructure Budget

Taking the above funding proposals into account the uncommitted New Homes Bonus will reduce from **£4.074m** to **£0.509m** in 2016/17 and the Rural Infrastructure budget will be reduced to nil.

As the Building for the Future Reserve is supporting the cost of paying 3 year's pension contributions up front, there is no significant additional funding available in 2017/18 from this reserve. However once the amounts are repaid to the Reserve in 2018/19 and 2019/20 then additional allocations to key priorities can be made.

When the associated projects / initiatives are taken forward they will be subject to further decisions by members.

Fees and Charges

A small number of minor changes have been made to fees and charges to reflect the most up to date position, with **Appendix A** including the fees and charges proposed in 2017/18.

Summary of the Use of Net Saving across 2016/17 and 2017/18

When taking 2016/17 and 2017/18 together as a 2 year budget cycle, the net position is as follows:

Table 4

Year	Net Overall Budget Position
2016/17	Favourable variance (£0.801m)
2017/18	Budget 'Gap' £0.558m
Total Position Over the 2 Years	Net Favourable Variance of £0.243m <i>(this therefore represents the net contribution to the Building for the Future Reserve across the 2 years)</i>

The use of **£0.558m** can only be done on a one-off basis so this amount will need to be 'backfilled' via the identification of on-going revenue savings as part of the 2018/19 budget setting process.

There may be further changes to the budget before a final position is presented to Full Council. A delegation is therefore included in the recommendations earlier on in this report to enable further changes to be reflected in the budget, including the use of reserves that will then be reported to Council on 7 February 2017.

RESERVES

Detailed information in respect of the level of reserves is set out within **Appendix A**

The adjustments made since Cabinet's meeting on 16 December 2016 are associated with the changes set out elsewhere in the report namely:

- 1) Use of the NDR Resilience Reserve to support the forecast Business Rates Collection Fund deficit in 2016/17 - **£0.150m**;
- 2) Reduction in use of the Building for the Future Reserve to reflect the reduction in the 3 year pension deficit contribution - **£0.092m** and;
- 3) The changes associated with taking 2016/17 and 2017/18 together as a 2 year budget cycle where the favourable position in 2016/17 supports the 2017/18 budget - **£0.558m**.

Robustness of Estimates and Adequacy of Reserves – Report under Section 25 of the Local Government Act 2003.

As part of the requirements set out in legislation, the Chief Finance Officer (S151 Officer) must report to Council as part of the budget process on the following two matters:

Robustness of the Estimates

The budget estimates for 2017/18 have been prepared within the framework of a risk based process. Clear rationale has been stated surrounding the formulation of the 2017/18 budget which is supported by a robust reserves position. This position has been supported by a programme of actions, including Portfolio Working Parties, which have contributed to delivering a sustainable financial position. A fundamental review of reserves undertaken in 2014 identified that the Council's current level of reserves remain adequate to 'underwrite' risks and uncertainties that are also inherent within the budget setting process, which has been revisited as part of this year's annual budget cycle. No significant changes have been made in 2017/18 that changes this underlying principle. A specific statement on reserves is set out further on in this section of the report.

The budget process continues to remain alert to government announcements and the impact of external issues such as funding receivable from elsewhere within the public sector. Budgets also aim to reflect the outturn position from the previous year and the Council's budget process identifies cost pressures which also allow it to remain alert to potential changes to its financial position.

Clear actions in respect of financial resilience continue to form part of the Council's Annual Governance Statement that includes amongst other things a number of financial risks and issues that enable the Council to keep a watching brief on significant upcoming matters that may have a financial consequence. Where the Council makes significant financial commitments, such as regeneration projects, money is found from within existing budgets and set aside accordingly rather than relying on projected savings or future forecasts.

It is recognised that cost pressures will emerge over and above those included within the 2017/18 budget. The list of emerging cost pressures will remain under on-going review so a 'live' schedule is maintained with a view to prioritise them and explore opportunities to fund them outside of the annual budget setting process where possible.

The Council has also engaged in a programme of bringing services back in-house where advantageous to the Council, which has already generated savings for the Council. This work remains on-going with at least one further contract being planned on being brought back in-house over the coming months.

The Council's External Auditor confirmed in its most recent Annual Audit Letter that key assumptions underpinning the budget have been identified and they also acknowledged the setting in place of the programme to identify the required savings and that to date the Council has responded well to the financial challenges it faces.

Financial Resilience remains at the forefront of the financial planning process with money identified where possible to invest in 'spend to save' projects that will in turn support the Council in delivering a balanced and sustainable budget in the long term. It is important to highlight that the Council continues to aim to find savings from within its underlying revenue budget rather than rely on potentially time limited income such as from the New Homes Bonus to balance the budget.

The need to continue with a planned budget reduction programme is clearly recognised and remains the key focus for the Council to enable it to continue to provide quality services and associated investment at a time of reducing budgets. Self-sufficiency underpins the Council's medium term financial planning process. Maximising opportunities through investment continues

to form a key element of the Council's approach going into 2017/18 and beyond.

The Council is also playing a key role in a number of activities such as engaging with cross authority working and maximising commercial opportunities wherever possible, all of which are important elements in supporting the Council's longer term financial strength. Significant transformation activities including office rationalisation and channel shift projects are now underway within the Council to support the overall financial position going forward.

In respect of the 2017/18 budget, work has been undertaken in association with departments to produce detailed budgets that are to a large extent effectively cash limited to previous year's spending levels. Inflationary pressures have been separately considered with budgets adjusted to take account of such pressures where significant.

A number of savings identified enable the Council to accommodate a number of cost pressures within its base budget and it is recognised that investment and regeneration can support future cost pressures such as those associated with the seafront economy and the business planning approach taken within services such as Leisure and Careline.

The Council remains alert to the risks associated with the highly complex area of the budget introduced via the local retention of business rates. A separate NDR Resilience Reserve has been established to support the Council through periods where income may be volatile, which provides the Council with a longer recovery period through a self-sufficiency approach.

It is recognised that there are risks inherent within the Council's financial framework and corresponding detailed estimates. However, action has been taken to mitigate these risks as far as possible. The budgets have been prepared against the background of a continuing and challenging economic climate resulting in on-going reviews of significant budgets.

Within the Financial Strategy framework there is Cabinet involvement at various stages in addition to a comprehensive review and associated input from the Corporate Management Committee.

Regular and comprehensive monitoring of the budget will be undertaken during 2017/18 as part of the well-established and comprehensive Corporate Budget Monitoring process so issues can be identified and action taken at the earliest opportunity if and when appropriate.

Similarly to last year, the 2017/18 budget is supported by one-off funding as part of a 2 year budget cycle which uses a favourable financial position when taking 2016/17 and 2017/18 together. The figure included in the estimates is challenging but manageable in terms of the future budget 'gap' and this issue will be incorporated into the work to identify on-going savings that Cabinet are either already working on or will be undertaking as early as possible after the 2017/18 budget has been agreed.

The proposed budget resulting from this process is therefore robust and deliverable and is supported by reserves with further details below.

Adequacy of the Reserves

An integral part of the Council's overall strategy is that the level of reserves is sufficient to support identified risks along with supporting a sustainable budget position in the longer term. The level of uncommitted reserves forecast at 31 March 2018 is **£4.000m** including the minimum working balance of **£1.600m**. All of the reserves are regarded as adequate and recognise

significant risks such as from future welfare changes and potential business rates volatility.

A Building for the Future Reserve was established to support spend to save initiatives with the rate of return on any investment being a key consideration when any proposal is considered to be funded from this reserve. Recent investment decisions provide for a rate of return in excess of 7%, and along with other future initiatives, this approach will provide the Council with additional income or budget reductions that will play a key role in delivering a sustainable and balanced budget in future years.

As part its review of the Council's financial resilience, the Council's External Auditor highlighted that even if no savings plans materialise, the Council has sufficient reserves to meet its forecast budget gap for the period up to and including 2019/20. However, although this highlights a 'snap shot' of relative financial robustness, it is recognised that this is not a sustainable position in the long term and the Council must continue the momentum of identifying further savings to deliver a self-financing position by the end of 2019/20. It must be highlighted that any use of reserves to support the underlying budget 'gap' reduces the money available for spend to save initiatives and therefore a careful balance must be struck when utilising the Council's one-off reserves.

BUDGET SUMMARIES

The proposed budgets for 2016/17 (Revised) and 2017/18 (Original) are summarised below.

General Fund Revenue Budget - 2016/17 Revised and 2017/18 Original

Table 5

	2016/17 Original	2016/17 Revised*	2017/18 Original
	£m	£m	£m
Net Cost of Services	15.054	26.171	16.086
Revenue Support for Capital Investment	0.400	2.117	1.940
Financing Items	(0.779)	(1.989)	0.534
Net Expenditure			
Contribution to /(from) Uncommitted Reserve	0	0	0
Net Use of Earmarked Reserves	(0.677)	(12.251)	(4.864)
Total Net Budget	13.998	14.048	13.696
Less Funding			
Business Rates (excl. S31 Govt. Grant funding)	(4.599)	(4.649)	(4.599)
Revenue Support Grant	(2.564)	(2.564)	(1.650)
Collection Fund (Surplus) / Deficit	0.020	0.020	(0.218)
Council Tax Requirement (for Tendring District Council) (Excludes Parish Precepts)	6.855	6.855	7.229

*The increase between the original budget 2016/17 and the revised budget 2016/17 is primarily due to carryforwards from 2015/16.

The council tax requirement for 2017/18 is based on a Band D council tax of **£157.64**, an increase of **3.28%** over the 2016/17 amount of **£152.64**.

General Fund Capital Programme - 2016/17 Revised and 2017/18 Original

Table 6

	2016/17 Budget set out as part of Outturn 2015/16	2016/17 Revised Budget	2017/18 Original Budget
	£m	£m	£m
EXPENDITURE	11.458	11.754	2.730
FINANCING			
External Contributions	0.116	0.241	0
S106	0.036	0.074	0
Government Grants	7.630	7.630	0.690
Capital Receipts	1.692	1.692	0.100
Direct Revenue Contributions	0.400	0.550	0.360
Earmarked Reserves	1.584	1.567	1.580
Total Financing	11.458	11.754	2.730

The prudential indicators for consideration as part of the overall budget setting process, which are based on the budget proposals for 2017/18 set out above, are included in the Annual Treasury Strategy for 2017/18 (Annex 1 of Appendix A) that appears elsewhere on the agenda.

SPECIAL EXPENSES, PARISH PRECEPTS AND DISTRICT TAX LEVIES

The impact of Special Expenses along with the proposed District Tax levy on a Band D property in each area is shown in **Appendix D**.

The Council has yet to be notified of the final precepts from Town and Parish Councils. However they will be included in the report to Council on 7 February 2017.

Appendix E sets out the current overall position regarding precepts on the Council's collection funds. The calculation of the surplus on the collection funds for 2017/18 is set out in **Appendix G**.

The statutory figures which are required to be calculated in relation to the budget are set out in **Appendix C** (excludes Town and Parish precepts).

The District and Parish Council Tax amounts are to be considered by Full Council on 7 February 2017. The final precepts from the major precepting authorities will be included when the final Council Tax levies for 2017/18 are formally considered by the Council Tax Committee on 22 February 2017.

EARLY FORECAST FOR THE PERIOD 2018/19 to 2019/20

Throughout the budget process, forecasts of the financial position in the medium term have been included. It is becoming increasingly difficult to forecast beyond 2019/20 given the uncertainty around the move to the full retention of business rates regime from 2020. Therefore at this stage of the budget cycle only an updated forecast for 2018/19 and 2019/20 is set out.

Although a more detailed and comprehensive forecast will be undertaken to inform the 2018/19 budget process as we go into 2017/18, the anticipated savings required in 2018/19 and 2019/20 are **£1.900m** and **£1.500m** respectively. The final forecast will inevitably change, however the scale of the challenge will not and therefore this initial / updated position provides a robust context against which to consider the 2017/18 budget proposals.

There are clearly huge risks with the forecast above, such as the evolution of how local authorities are funded, new burdens that may be placed on local authorities along with underlying risks such as changes in income, emerging cost pressures and new or changing legislation etc.

As mentioned throughout the 2017/18 budget cycle, all Members have a key role to play in supporting the Council in delivering a balanced budget each year and wherever possible protect front-line services, a balance that will be difficult to maintain going into 2018/19.

Work remains on-going to explore opportunities for further net savings, with the outcomes reported to members as early as possible in the year to ensure that a balanced budget for 2018/19 can be agreed by Cabinet in January 2018 for recommending onto Full Council in February 2018.

BACKGROUND PAPERS FOR THE DECISION

Working Papers in Accountancy

APPENDICES

Appendix A	Budget Book 2017/18 including detailed estimates, fees and charges, capital programme and reserves
Appendix B	Special Expenses 2017/18
Appendix C	Requisite Budget Calculations 2017/18
Appendix D	Calculation of District Council Taxes for All Areas 2017/18
Appendix E	Precepts on the Collection Fund – District Amounts 2017/18
Appendix F	District Council Tax Amounts 2017/18 (<i>excludes Council Tax amounts for Town and Parish, County, Fire and Police services which will form part of the final Council Tax setting process via the Council Tax Committee</i>)
Appendix G	Calculation of Estimated Surplus on the Collection Funds for 2017/18