

REPORT TO	ON
CABINET	14 th February 2018

September 2017



TITLE	PORTFOLIO	REPORT OF
2018/19 Budget and Medium-Term Financial Strategy 2018/19 to 2022/23	Finance	Deputy S151 Officer

Is this report a KEY DECISION (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	Yes
Is this report on the Statutory Cabinet Forward Plan ?	Yes
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	Yes
Is this report confidential?	No

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to set out the proposed 2018/19 Revenue Budget for the Council and the Medium Term Financial Strategy for the next 5 years. This is the financial plan for the Council for the next 5 years. It is aligned to the Corporate Plan and how the Council will deliver its ambitions and services for residents. Cabinet approval is sought and recommendation to Council on 28th February 2018.

2. PORTFOLIO RECOMMENDATIONS

- 2.1 Cabinet approve the revenue budget for 2018/19 as set out in Appendix A.
- 2.2 Cabinet approve the 5 year Medium Term Financial Strategy (MTFS) 2018/19 through to 2022/23, summarised at Appendix B.
- 2.3 Cabinet recommend to Council a Council Tax increase of 2.99%.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Clean, green and safe	X	Strong and healthy communities	X
Strong South Ribble in the heart of prosperous Lancashire	X	Efficient, effective and exceptional council	X

However, when approved by Council, the corporate priorities for 2018/19 to 2022/23 will change to those in the Corporate Plan. This Strategy aligns to those priorities.

4. CONTEXT FOR 2018/19 BUDGET AND MTF5 TO 2022/23

4.1 2017/18 Budget and Medium Term Financial Strategy

The budget for 2017/18 and Medium Term Financial Strategy (MTFS) agreed at Council on 1st March set out some challenges to deliver a balanced, sustainable budget in the medium term. Assumptions were made about future levels of income from business rates, targets were set to generate savings from efficiencies and from proposals to deliver new sources of income to deliver a balanced position over three years. These totalled £3.3m over three years. Implementation has been progressed during the year. Therefore savings reflecting those changes are included in the budget proposal before Members.

4.2 Projected Outturn 2017/18

Budget monitoring is reviewed by Governance Committee throughout the year. This enables some base budget review during the year to reflect changes to service delivery and take up. These changes are reviewed during the budget process and reflected in the base budget.

4.3 Peer Review

A Peer Review of the Council was undertaken in 2016/17. An Improvement Plan was developed and agreed as part of the recommendations from that review and an Improvement Reference Group consisting of Group Leaders, external Political peers and the Local Government Association to oversee delivery of that plan. A key element of that work has been to oversee the implementation of the MTF5 proposals and some key actions have been implemented.

4.4 Funding of Local Government

4.4.1 Major changes to local government finance started in 2013/14. These changes saw the withdrawal of central government grant to support local spending and the introduction of retaining business rates collected locally. 2017/18 was the final year that South Ribble received Revenue Support Grant (RSG) from Central Government. This was fully explained in the previous MTF5.

4.4.2 Business Rate Retention (BRR) and the Lancashire Pooling arrangements have been established since 2013/14. In essence this scheme allows increases in business rates to be retained locally. The Local Government Finance Settlement 2018/19 identifies the Secretary of State's intention to increase business rate retention as a means of funding over the next few years. Some new pilots have been announced to look at different arrangements for retention and pooling. The Lancashire Pool is a successful example and will feed into any future review of the arrangements. The pooling and local retention of growth arrangements continue to demonstrate benefit to South Ribble and contribute positively to the Council's financial position. A key factor is that the Council will benefit significantly from the growth in business rates collected in the area. Future growth will further enhance our retention in the future. There is an increase in BRR in the 2018/19 budget which exceeds the expectations of the current MTF5.

4.4.3 The Local Government Settlement for 2018/19 specifically states the Secretary of State's intention to reset the business rates retention system in 2020/21. This will see NNDR Baselines adjusted to reflect how much local authorities are actually collecting in business rates. The implications of this are impossible to assess at this stage. However, any changes will have transitional arrangements and South Ribble is protected by the future growth elements that are still to come forward. This is also a reason to continue to maintain a Business Rate Retention Equalisation Reserve.

- 4.4.4 New Homes Bonus scheme was established to pass the “benefits” of generating net increases in housing supply to local authorities. Changes were announced last year to change the benefit from 6 years to 4 years. Moreover locally South Ribble Borough Council has committed to pay its receipts into City Deal. The impact is that this funding stream will cease to fund South Ribble services directly in 2020/21.
- 4.4.5 Council tax remains the major source of funding for local services. Councils can determine the levels of taxation for their local areas but there are limitations imposed by Government regulation. The Secretary of State sets out thresholds annually for each tier of local government above which council tax increases would be deemed excessive. The Local Government Finance Settlement 2018/19 announced the levels for South Ribble as 3% or £5 whichever is the higher. This is a movement from 2% and £5 last year. A proposal for increase is included in this paper as a specific recommendation

4.5 **Growth**

- 4.5.1 South Ribble is embracing the growth agenda fully. Its Local Plan identifies commercial and employment growth as well as the associated housing numbers. The Council is a major partner in Central Lancashire City Deal. As such the Council has committed investment of future funding into the programme but will see increases to its business rate and council tax receipts as the growth is delivered. In 2017/18, planning consent for Cuerden Business Park was secured.
- 4.5.2 Growth and a population expansion will also bring with it some additional costs and demands upon our services. Our Corporate Plan does and will continue to identify projects to meet these demands. This MTFS and the Capital Strategy identify the financial resources for the next 5 years to deliver on those ambitions.

4.6 **Corporate Plan**

The Council has developed a 5 year Corporate Plan that sets out its priorities for the next 5 years and outcomes that it intends to achieve. This reflects the resident survey, consultation with stakeholders and Member input and it will be recommended to Council on 28th February 2018. The emerging priorities are:

- Financial Excellence and Stability
- Health, Leisure & Well Being
- Place

This budget and MTFS have been aligned to these priorities. Future decisions and spending proposals are linked directly to these priorities.

4.7 **Capital Strategy 2018/19 to 2022/23**

A 5 year Capital Strategy has also been developed and linked to the Corporate Plan. Mindful of the future growth of the population, the health of the existing population and the ageing council leisure asset stock, the Council has developed a Campus Programme for South Ribble. That proposal requires significant investment to deliver the desired outcomes. The 5 year Capital Strategy identifies funding to make a significant impact to that agenda. If agreed then this requires the council to borrow to deliver. This investment will also deliver long term financial benefits.

4.8 **Medium Term Financial Strategy**

The proposed MTFS brings together the budget proposals for 2018/19 identified below that reflect Council decisions and future recommendations into a 5 year financial plan. Assumptions on future growth and spending are incorporated into that plan as well as potential future changes to service delivery. This is specifically covered in section 7 below.

5. 2018/19 BUDGET

- 5.1 The table in Appendix A sets out the proposed budget for 2018/19. For comparison it shows the current year budget. It is based upon a fully costed structure that is in place, existing service delivery arrangements and standards, future committed contractual arrangements and income generated from services. The impact of decisions made and implemented in 2017/18 have been included to show the base budget requirement. The underlying assumptions utilised are shown in Appendix C.
- 5.2 This section focuses on 2018/19 budget specifically. It sets out to identify the specific decisions required of Cabinet and Council. It will also explain the major elements and changes from the current MTFS.
- 5.3 Table 1 is a summary of the 2018/19 budget proposal. The starting point is the Borough Council budget requirement for 2018/19 identified in the current MTFS less any contribution to or from reserves.

Table 1 Summary of 2018/19 Budget Proposals

	£000's
2018/19 Requirement per current MTFS	13,028
2016/17 Decisions implementation	(329)
Updates & Base Budget Review	97
Revision of salaries incl pay award impact	63
Elections contributions	30
Revised Budget Requirement	12,889
<u>MTFS Issues decided but to be implemented</u>	
Restructure	(210)
Fees and charges	0
Property Investment	(100)
<u>Funding</u>	
New Homes Bonus net of City Deal	(407)
Council Tax on existing base	(7,467)
Business Rates Retained per Government Settlement	(4,293)
Initial Budget Gap	412
<u>2018/19 Budget Proposals</u>	
Investment in Corporate Plan (net)	173
Net Borrowing Costs from Capital Strategy	45
Transformation Savings	(270)
Release from Transformation Fund	(79)
Fees and Charges	(60)
Council Tax Increase of 2.99%	(221)
Forecast 2018/19 Budget Deficit/(Surplus)	0
Use of General Fund Balance	0
	0

5.4 **Revised Base Budget Requirement**

Decisions were made during the 2016/17 budget making process that have an impact upon 2018/19 budget. The additional income from garden waste and the reduction in PCSO spending and creation of a corporate capacity fund are the major factors in this contribution

of £329,000. Throughout 2017/18 there have been increases in contracts and costs as well as some increases in income levels. The net budget review impact is an addition cost of £95,000. Public sector pay awards are determined nationally and this has been settled at an average level of 2%. This is above the original assumption so additional costs need to be added to the budget. The additional costs and income have an on-going impact on future years. The impact has been incorporated into the Medium Term Financial Strategy which is shown in Appendix B and discussed later in section 7.

5.5 **MTFS Decisions to be Implemented**

The senior management restructure was agreed at Council in November 2017. Recruitment processes have commenced and there will be savings delivered in 2018/19. As the report stated, larger savings will ensue as the capacity fund is withdrawn at the end of 2018/19. Council rejected the fees and charges increases proposed at its meeting on 17th January 2018. Some inflationary allowances have been provided for in 2018/19 (assuming part-year implementation) and the remaining years of the MTFS. However, no allowance has been made for car parking. Seeking income from property investment is an aim of the Council. A process have now been agreed and a procurement for advisers underway. The budget assumes some investment in 2018/19 and income generated.

5.6 **Funding**

5.6.1 The New Homes Bonus figure in the table above is the element of NHB that the Council retains after making its contribution to City Deal. These figures were confirmed by Government in early January. It is increased slightly by £17,000 from the assumption in the current MTFS.

5.6.2 Retained Business Rates is based upon the NNDR 1. Here there is a significant shift from the current MTFS assumptions. That predicted a base level of £3.643m and potential growth within the wider savings package of £0.25m. The retained business rates in the proposal is £4.293m. This is additional income of £400,000 on an on-going basis. In determining the level for 2018/19, a provision has also been set aside in the Business Rates Retention Reserve for City Deal. This reflects the Council's commitment to pay over its retained business rate commitments within the City Deal arrangements.

5.6.3 The Council Tax figure represents the current rate. It includes £61,000 for the surplus on Council Tax Collection Fund.

5.7 **2018/19 Budget Proposals – Investment in Corporate Priorities**

5.7.1 Specific investments of £373,000, aligned with the Corporate Plan, have been identified in the budget proposal to give the Council the capacity to deliver on these priorities. They are summarised below in Table 2. The detail of each is shown on the Corporate Plan but, to aid the decision making process, are described briefly below the table.

Table 2 Investments in the Corporate Priorities proposed

	£000's
<u>Excellence</u>	
Organisational Development	100
<u>Health & Well Being</u>	
Health & Well Being, Voluntary Sector - Partnership Post	48
<u>Place</u>	
Cuerden - 1 planner	50
Economic Strategy - Economic Development Officer	50
Economic Strategy - Place Promotion	100
Housing Delivery	25
Release from City Deal Reserve to fund growth	(200)
Net Investment in Corporate Plan	173

5.7.2 The Council has adopted a Transformation Strategy that will bring about significant change to the way it works and the culture of the organisation. The LGA Corporate Peer Challenge recognised that the Council would refresh its organisational values in 2017, working with staff, members and partners to reshape our organisational culture to one that is more empowering and agile and rooted in ambition, pace, innovation, transformation and delivery. As part of the Strategy, a new management structure has been agreed and is being recruited to. Major transformation projects have commenced looking to embed this culture and leadership model as well as drive efficiencies. The impact of the Growth agenda will also impact on the role of the Council.

It is important that the Council is positioned in the right place to deliver on all of these agendas. The Transformation Strategy identified an organisational development challenges and opportunities for both Members and officers over the next few years. Investment is necessary in the organisational development to ensure that “our people” are equipped to meet the challenges ahead and deliver the ambitious agenda for our residents. Therefore resources have been identified to support this objective.

5.7.3 The South Ribble Partnership brings together people from across the public sector, businesses and voluntary and community organisations with an aim to deliver better services in South Ribble, based on what local people want. The Council takes a leading role in the partnership’s work and will continue to provide strong leadership on this going forward to make sure we maximise the collective resources of the partnership and the partners for the benefit of South Ribble communities and residents. Funding for the Partnership Manager position ceases on 31st March 2018. This post is essential to smooth running of partnership working so funding is identified to keep this post within the structure.

5.7.4 South Ribble will see major growth over the next 5 to 10 years. It is important that the Council is in a position to ensure that the opportunities are seized and that major new businesses and employers are attracted to the area. Three investments have been identified to help deliver on these ambitions. First an additional planner has been identified for 2 years to ensure that the Cuerden is delivered well. Secondly an additional economic development position has been identified for 2 years to help promote the area and work with the commercial and industrial sectors to ensure that the South Ribble product is attractive to new investment. This is essential to secure the positive outcomes of City Deal. Finally a place promotion budget of £100,000 has been identified. The Council no longer has a base budget for this activity. It is seen as another essential element to delivering the right offer to attract potential

employers and investors to the area. This funding will be used for a range of activities to promote the area as a place to invest and live and develop a national profile. They will include creating marketing collateral, developing a programme of events to promote the area and having a presence at national developer events. It will involve working with Central Lancashire City Deal partners and Lancashire Enterprise Partnership.

5.7.5 The growth element of this investment is directly linked to City Deal. Therefore it proposed that this will be funded by £200,000 from the City Deal reserve.

5.7.6 Delivery of housing numbers from using Council assets is an ambition of Members. External funding has been secured to develop a business plan and model to deliver in South Ribble. This funding of £25,000 is the match funding required from the Council to complete the outline business case. The implications of that business case have NOT been included in the financial strategy at this time because the implications are not known until that work is complete. An effective business plan will identify funding options to deliver a programme and bring financial benefits to the Council.

5.8 **Capital Strategy**

The detailed Capital Strategy is a separate report on this agenda. It sets out the 5 year investment plan and there are consequences of borrowing to meet some of the investment. The net impact on revenue for 2018/19 investment is £45,000.

5.9 **Transformation Savings**

£270,000 savings from the Transformation Programme has been included in the 2018/19 budget. This is the forecast 2018/19 saving from the 1st phase of transformation. It is focussed in the following areas:

- Depot Commercialisation Phase 1
- ICT Review
- Gateway Review
- Corporate review of neighbourhood working

Work has commenced and the level of savings for 2018/19 are achievable. Some initial investment for the commercialisation project is required and was approved at Cabinet on 25th January 2018. This has been included in the base budget but is to be funded from the Transformation Reserve established earlier in the year.

5.10 **Council tax increase**

The Council has the ability to increase council tax levels to fund on-going expenditure. Options to increase Band D council tax have been considered. These options and the level of additional income generated are shown in Table 3 below.

Table 3 Potential Income from Council Tax Increases

Potential Tax Increase	Amount per Band D Property £	Budget amount Generated £
1.99% increase	4.15	150,000
£5 per property (2.4%)	5.00	180,000
2.99% increase	6.23	225,000

The proposal before Members includes an increase of 2.99% generating c£225,000 of additional revenue. Cabinet is asked to recommend this increase to Council on 28th February 2018.

6. MEDIUM TERM FINANCIAL STRATEGY (MTFS)

6.1 The Medium Term Financial Strategy (MTFS) is shown in Appendix B. This reflects the impact of investing in the Corporate Plan over the next 5 years. It takes on the full year impact of 2018/19 budget decisions but further assumptions have been made. This section outlines what those assumptions are and how they impact on the overall financial strategy.

6.2 Pension Fund Triennial Review

The pension fund is revalued every three years and contributions adjusted based upon the actuary's opinion of value and liabilities. The next revaluation takes place in 2019/20. Invariably this results in an increase in local authority contribution. An estimate of a 2% increase has been included in the MTFS from 2020/21 to reflect potential changes.

6.3 **Fees and Charges**

Increases in general fees and charges have been assumed based upon an assumption on general inflation. Car parking has been excluded. A strategic review of car parking charges will be undertaken in the next financial year. It is prudent to await the outcome of that review before building in any changes to the future financial plan.

6.4 **Property Investment**

The increase to £300,000 per annum from 2019/20 onwards reflects the Council's current ambition. This may change when the professional advisers are appointed and research the opportunities fully. Again it is prudent to await that outcome before changing future assumptions. Members should note that discussions on implementing restrictions on how Council's invest in property have been on-going. The Council's Treasury management Strategy fully reflects current best practice and will underpin each business decision that is brought forward.

6.5 **Transformation and Shared Services Savings**

6.5.1 The increase in 2019/20 and following years reflects the full year impact of the transformation planned for 2018/19, phase 2 of the transformation programme and shared services review. Seeking excellence is a priority for the Council and transforming services is integral to that ambition. Delivering an additional £300,000 per annum from 2019/20 is a reasonable target. Work will commence in 2018/19 to ensure delivery of those future savings.

6.5.2 The transformation programme has commenced and will be well established in the next financial year. It is worthy of note that by the end of 2019/20 the Council will have achieved c£1m in transformational savings. That is £410,000 from the senior management restructure that will be fully embedded by then and a further £580,000 from phase 1 and phase 2 (which includes shared services) of the transformation programme.

6.6 **Capital Strategy**

The Capital Strategy sets out a 5 year investment programme of £42.6m to deliver significant improvements to services for residents of the Borough. To deliver this ambitious programme it is anticipated borrowing of £18m will be undertaken. However, the investment in the Health, Leisure and Well Being programme will deliver savings and significant additional income which were highlighted to Members in a previous report. This line shows the net position over 5 years.

6.7 **Business Rates**

6.7.1 Business Rate retention brings with it many advantages including keeping a share of the benefits of growth locally. However, there are also some potential risks because negative changes to business rate levels such as business closures or empty rates needs to be met locally. Therefore the Council has established a Business rate Retention Reserve over the past 4 years.

6.7.2 Part of this reserve has now been identified for City Deal specific payments. As part of City Deal the Council is committed to certain levels of payments based upon business rate growth over the next few years. Also the Council will need to incur additional expenditure to deliver that growth. This reserve will help meet some of those commitments.

6.7.3 The retained business rate level within the MTFs is retained at the base level established in 2018/19. No assumptions are made for inflation or growth in this number. The risk is that the baseline will be adjusted. The tariff included is based upon the provisional 2018/19 Local Government Settlement.

6.7.4 Part of the benefits of retaining business rates is that the increases in rates level generated from growth are kept locally. The MTFs shows some of these benefits coming into the Council's financial strategy in 2020/21 and increasing the following year. This reflects the implications of decisions made on Cuerden and the timing of new developments coming on stream. The numbers reflect a prudent assessment of the net South Ribble element based upon the current funding and pooling arrangements.

6.8 **Capital Funding Reserve**

The Capital Funding Reserve is a revenue reserve that funds future capital spending. Investing in the Capital Strategy over the next 5 years utilises all of the Council's Capital Funding Reserve of £3.4m. However, there is a positive impact of retained business rates in 2021 and thereafter from the development of Cuerden and decisions that have been taken. The MTFs has identified replenishing the Capital Reserve by c£1.2m in the later years of the plan to make provision to fund the next Capital Strategy. This is reflected in the assessment of reserves below.

6.9 **Council Tax**

The MTFs assumes a continuation of Council tax rises at 1.99% for the following 4 years. This decision will be reviewed each year as Council must determine the level of Council Tax each year as a formal, statutory decision as a billing authority. This gives the mandate for billing each household.

6.10 **Use of General Fund Balances**

The proposed MTFs recommends using general fund balances of £400,000 in 2019/20 and 2020/21 to meet the forecast shortfall in budget. This enables a transition to a balanced position in 2021/22 with contributions to the Capital Funding Reserve. Other options including increasing fees and charges, further rises in Council Tax or higher transformation savings have been considered.

7. **RESERVES**

7.1 The Council had £28m of reserves on its balance sheet as at 31st March 2017. These are made up of general fund balance, earmarked reserves which are funds set aside for specific purposes historically, carry forward reserves from surplus income and under spending in previous years, business rate reserve, capital receipts and funds for specific purposes such as section 106 for affordable housing. A strategic review of the categorisation of these reserves has been undertaken during the budget process prompted by the focus of the financial strategy of the Council to the new Corporate Plan.

7.2 The overall strategy will see the Council utilising its reserves over the next 5 years to deliver the major investments required. The impact of this investment is shown on the overall reserve levels in table 4 below.

Table 4 Projected Reserves over the life of the MTFs

	31/3/17	31/3/18	31/3/19	31/3/20	31/3/21	31/3/22	31/3/23
	£000's						
General Fund Balance	4,597	4,981	4,981	4,885	4,581	4,581	4,581
Capital Funding Reserve (CFR)	4,197	3,447	2,600	1,800	1,000	200	0
Contribution from MTFS to CFR						635	538
Borough Investment Fund	3,824	3,824	1,324	0			
Transformation Fund		500	350	100	0		
Repairs and Maintenance Fund		500	350	250	250	250	250
Equalisation Reserve - BRR	3,249	2,087	2,200	2,200	2,200	2,200	2,200
Equalisation Reserve - City Deal		1,671	2,000	2,200	1,800	1,500	1,200
Specific Reserves	994	383	220	250	60	90	0
Apprenticeship		335	280	140	140	140	140
Carry Forward Reserves	1,733	0					
Commuted Sums	221	0					
Other Revenue Reserves	14,218	12,747	9,324	6,940	5,450	5,015	4,328
<u>Capital Reserves</u>							
Capital Receipts	2,106	1,856	1,500	1,000	500	100	0
Section 106							
affordable housing	3,736	4,121	3,500	3,000	2,100	2,100	2,100
other	1,887	2,117	1,700	1,500	1,500	1,500	1,200
community	452	708	700	600	500	400	500
Receipts in advance	794	250	250	250	250	250	250
Miscellaneous	376	209	200	200	200	200	200
Total Capital Reserves	9,351	9,261	7,850	6,550	5,050	4,550	4,250
Total Reserves	28,166	26,990	22,155	18,375	15,081	14,146	13,159

- 7.3 There is a statutory requirement within the Local Government Act 2003 for billing authorities such as South Ribble to have regard for the level of balances required for future needs when calculating its budget requirement. A prudent level for General Fund Reserve is between £4m and £5m for an authority with a net budget requirement of £13m. This should cover any unforeseen emergency funding challenges.
- 7.4 The Council is increasingly reliant on retained business rates as a source of income. The system has now been in place for 5 years and some confidence can be attached to the future receipts. This is particularly the case in South Ribble because of the Central Lancashire City Deal and decisions taken this year on the key site of Cuerden. Real growth in business rates will be delivered by 2021. There is still the need to maintain a Business Retention Reserve to protect the Council from future fluctuations but it is probably at the right level now. Part of the fund has been allocated specifically for City Deal liabilities. This will help meet the Council's future commitments and protect the revenue budget from any unforeseen fluctuations.
- 7.5 Reducing the level of reserves will reduce the level of investment interest that the Council will receive year on year. However, returns are extremely modest at around 0.5% so the overall impact has been absorbed into the MTFS.
- 7.6 The overall level of reserves at the end of the MTFS period remains substantial. General Fund balance is predicted to be £4.4m and other revenue reserves exceed £5m.

8. CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

- 8.1 Consultation with partners and key stakeholders has been undertaken in the formulation of the Council priorities for the next 5 years and the construction of the Corporate Plan. The

revenue budget is the major element of the financial strategy to deliver those Corporate Plan ambitions.

- 8.2 The emerging priorities and budget approach has been consulted on with residents via the Council's consultation page on its website. This information was also shared with South Ribble Partnership and the wider business community.

9. FINANCIAL IMPLICATIONS

- 9.1 This report is the overall financial strategy for the Council for the next 5 years that will enable delivery of the Corporate Plan ambitions. It sets out a clear affordable programme of investment, organisational development and growth. All of these factors are summarised in the 5 year MTFS to be recommended to Council. This MTFS allows for spending to be made to deliver changes and improvements and for funding to be generated to pay for future capital spending and liabilities.

10. HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS

- 10.1 The budget and MTFS has implications across the whole organisation as it sets out the financial plan for the next 5 years. Investment is recommended in organisational development and staffing resources to meet new demands of the growth agenda. Structural changes already agreed are included and potential savings target determined which may include HR implications. However, no detailed proposals are made within this report.

11. ICT/TECHNOLOGY IMPLICATIONS

- 11.1 The programme identifies funding for ICT over the 5 year period that should meet existing priorities and funding for the staffing resource to support the management and maintenance of service delivery. A detailed plan is target to be drawn up early in 2018-19 that will set out how this will be spent.

12. PROPERTY AND ASSET MANAGEMENT IMPLICATIONS

- 12.1 Many of the elements of the budget and MTFS have property and asset management implications. Investing in new and improved green infrastructure will have implications on future maintenance programmes. Care will be taken in the detailed implementation to ensure materials used help minimise these. Equally investment in facilities will have positive impact on future maintenance liabilities. Specific provision has been made for repairs and maintenance. The budget includes resources to staff the property function and ensure that the Council facilities are maintained.

13. RISK MANAGEMENT

- 13.1 All of the programmes undertaken by the Council have risks associated with them. The Council has adopted a strong programme management approach in its structure and way forward. Each of these schemes will have a definitive project plan, timescale and responsible officer for delivery. The proposed MTFS funds this programme and will enable the Council to support a positive approach to risk management.
- 13.2 A review of reserves and balances has been undertaken in developing the recommended budget and MTFS. Some resources have been targeted at specific risk. However, the level of reserves held ensure that the Council can adequately deal with unexpected major events.

14. EQUALITY AND DIVERSITY IMPACT

- 14.1 The investments proposed will have a positive impact for all residents across the whole Borough. The proposed investment in Health, Leisure and Well Being will have direct impact on all. Access to better open spaces and green links will be significantly improved to

open up those wonderful opportunities to more of the population. Investment in facilities will address some shortfall in provision to meet existing need but will also open up opportunities for wider cultural and non-sporting uses.

- 14.2 The resources identified for Place will deliver the wide ambitions to improve the physical infrastructure of towns and villages in the Borough which will open up those places to more residents. In addition resources are focussed on helping housing.
- 14.3 Investment in Council business is targeted at improving service delivery efficiency and accessibility of those services. Resources have been allocated to ensure that this will be at the heart of all service delivery and improvements.

15. COMMENTS OF THE ACTING STATUTORY FINANCE OFFICER

- 15.1 This report sets out the budget proposals for 2018/19 and the Council's Medium Term Financial Strategy for 2018/19 to 2022/23. These financial plans underpin the delivery of the new Corporate Plan for 2018/19 to 2022/23. This report should be considered together with the 5 year Capital Strategy report, a separate item on this agenda. The forecast financial implications of the capital investment proposed in the Capital Strategy for 2018/19 to 2022/23 are incorporated into the reserves forecasts at 7.2 and the revenue budget forecasts which are set out in Appendices A and B to this report.
- 15.2 As set out in the report, full consideration has been given to:
- the potential impact of the growth agenda on both Council resources and future income;
 - central government funding proposals (as advised in the provisional 2018/19 Local Government Finance settlement);
 - the Council's Transformation programme;
 - forecast capital and revenue implications of delivering the Corporate Plan;
 - the assessment and management of risk
- 15.3 In addition, key actions arising out of the external peer review process have also been implemented, including undertaking a strategic review of the Council's revenue and capital reserves. This has resulted in a re-categorisation of the reserves and a plan to utilise the available capital reserves to fund the capital investment proposals.
- 15.4 During 2017/18 the Council has performed well in growing its business rate base and continues to proactively pursue the recovery of all business rates liabilities. There has therefore been an uplift in the business rates income forecast and this has contributed to meeting the budget gap and has also enabled the Council to set aside monies in reserves to fund future liabilities, including its commitments in relation to City Deal. Progress has also been made during the year in relation to major development sites such as Cuerden. Based on the expected timescales for development, this will result in a more significant increase in business rates income for the Council in the later years and the MTFS therefore shows some of this being used to replenish the Capital Reserves to ensure future capital investment can be funded.
- 15.5 As well as business rates growth, the Medium Term Financial Strategy includes prudent assumptions for increased Council Tax income based on forecast housing growth through the City Deal programme.
- 15.6 The resulting 2018/19 budget and MTFS forecasts, as set out in Appendices A and B, show total contributions of c£400k from General Balances for years 2019/20 to 2020/21, with a balanced position forecast for 2021/22 and 2022/23. These forecasts are based on the assumptions set out in this report, which include decisions to be made on future Council Tax increases, investment in the Corporate Plan and the planned use of reserves and also assume that the Transformation Savings will be delivered.

15.7 This report sets out the budget proposals and assumptions for the delivery of a Balanced Budget and Medium Term Financial Strategy. As required under Section 25 of the Local Government Act 2003, I confirm that in my opinion the estimate forecasts are robust and there is an adequate level of balances to support the risks associated with a borough council of this size.

16. COMMENTS OF THE MONITORING OFFICER

16.1 The budget has been set with reference to all relevant legal requirements set out in the Local Government Finance Act 1992 and all other related legislation, statutory instruments and regulations.

16.2 Cabinet is under a legal duty to prepare and agree budget proposals which then must be referred to full Council for their consideration.

16.3 Members will fully appreciate that there is a legal duty to set a lawful budget in time. For all practical purposes Council needs to set this budget at its meeting on the 28th of February.

16.4 Members jointly and severally (individually and collectively) have a fiduciary duty to Council Tax payers. This means they have a duty to facilitate the setting of a lawful budget.

16.5 Failure to set a lawful budget may result in legal challenge by way of judicial review proceedings. More generally any such failure could result in loss of income, significant additional administrative costs as well as reputational damage. There is a further risk that a failure to set a lawful budget in a timely fashion could result in intervention from the Secretary of State.

17. BACKGROUND DOCUMENTS and APPENDICES

2017/18 Budget and Medium-Term Financial Strategy – Cabinet 20th Feb 2017

Appendix A 2018-19 Revenue Summary
Appendix B Medium Term Financial Strategy
Appendix C Budget Assumptions Summary
Appendix D Equality Impact Assessment

Jane Blundell
Deputy Section 151 Officer

Report Author:	Telephone:	Date:
Noel O'Neill /Jane Blundell	01772 625245	24/01/2018

2018-19 REVENUE BUDGET

	ORIGINAL	FORECAST
PORTFOLIO	2017/18	2018/19
	£000's	£000's
Leader	1,821	1,910
Finance	862	874
Corporate Support and Assets	5,266	5,287
Neighbourhoods & Streetscene	4,749	5,354
Public Health Safety & Wellbeing	549	422
Regeneration and Leisure	1,485	1,434
Strategic Planning & Housing	221	141
Restructure savings	0	(210)
Staff Turnover Savings Target	(100)	(100)
TOTAL SERVICE BUDGETS	14,853	15,112
Financing and Investment	(2,478)	(2,563)
Transfers to/(from) earmarked reserves	809	30
BOROUGH COUNCIL BUDGET REQUIREMENT	13,184	12,579
FUNDED BY:		
Revenue Support Grant/Tariff adjustment	(346)	0
Transition Grant	(92)	0
New Homes Bonus (net of City Deal payments)	(681)	(407)
Retained Business Rates (net of City Deal payments)	(4,267)	(4,293)
Council Tax	(7,498)	(7,467)
TOTAL FUNDING	(12,884)	(12,167)
FORECAST BUDGET GAP	300	412
18/19 BUDGET PROPOSALS:		
Investment in Corporate Plan (net)	-	173
Net borrowing costs from Capital Strategy	-	45
Transformation and Shared Services savings	-	(270)
Release from Transformation Fund	-	(79)
Fees and Charges		(60)
Council Tax increase at 2.99%	-	(221)
	300	(0)
Use of General Fund Balance	(300)	0
FORECAST BUDGET (SURPLUS)/DEFICIT	0	(0)

Appendix B

MEDIUM-TERM FINANCIAL STRATEGY 2018/19 TO 2022/23					
	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
PORTFOLIO	2018/19	2019/20	2020/21	2021/22	2022/23
	£000's	£000's	£000's	£000's	£000's
Leader	1,910	1,966	1,932	1,955	1,994
Finance	874	895	895	895	895
Corporate Support and Assets	5,287	5,230	5,356	5,462	5,571
Neighbourhoods & Streetscene	5,354	5,345	5,378	5,498	5,608
Public Health Safety & Wellbeing	422	437	452	465	475
Regeneration and Leisure	1,434	1,465	1,461	1,486	1,515
Strategic Planning & Housing	141	96	16	16	16
Pensions Triennial Review	0	0	200	200	200
Restructure savings	(210)	(410)	(410)	(410)	(410)
Staff Turnover Savings Target	(100)	(100)	(100)	(100)	(100)
TOTAL SERVICE BUDGETS	15,112	14,924	15,180	15,466	15,764
Financing and Investment	(2,563)	(2,479)	(2,438)	(2,438)	(2,438)
Transfers to/(from) earmarked reserves	30	(90)	30	30	30
BOROUGH COUNCIL BUDGET REQUIREMENT	12,579	12,355	12,772	13,058	13,356
FUNDED BY:					
Revenue Support Grant/Tariff adjustment	0	494	494	494	494
Transition Grant	0	0	0	0	0
New Homes Bonus (net of City Deal payments)	(407)	(135)	(59)	0	0
Retained Business Rates (net of City Deal payments)	(4,293)	(4,293)	(4,293)	(4,293)	(4,293)
Council Tax	(7,467)	(7,516)	(7,616)	(7,766)	(7,826)
TOTAL FUNDING	(12,167)	(11,450)	(11,474)	(11,565)	(11,625)
FORECAST BUDGET GAP	412	905	1,298	1,493	1,731
18/19 BUDGET PROPOSALS:					
Investment in Corporate Plan (net)	173	125	100	100	100
Net borrowing costs from Capital Strategy	45	140	520	880	900
Indicative Savings and income from Capital Strategy	0	0	(100)	(1,186)	(1,186)
Transformation and Shared Services savings	(270)	(580)	(615)	(615)	(615)
Release from Transformation Fund	(79)	0	0	0	0
Fees and Charges	(60)	(121)	(121)	(121)	(121)
Council Tax increases	(221)	(373)	(528)	(686)	(847)
MTFS ASSUMPTIONS:					
Contribution to Capital Asset reserve	0	0	0	635	538
Forecast net Business Rates Growth	0	0	(250)	(500)	(500)
	(0)	96	304	0	(0)
Use of General Fund Balance	0	(96)	(304)	0	0
FORECAST BUDGET (SURPLUS)/DEFICIT	(0)	0	0	0	(0)

Budget Assumptions Summary

Budget Item	Assumption
Pay increases	2% per annum.
Pensions Revaluation	2% increase in employer's rate from 2020/21.
Non-pay Inflation	Other than pay increases, inflation has only been applied to expenditure budgets where contracts are in place. Other expenditure budgets are generally cash limited.
Fees and charges	No increase in 2018/19, inflationary increases from 2019/20.
Council Tax Increases	2.99% increase in 2018/19; 1.99% increase per annum 2019/20 - 2022/23.
Retained Business Rates: Baseline Funding Level	2018/19: £2.257m 2019/20: £2.307m
Business Rates Tariff	Increase in tariff £494k per annum from 2019/20.
Revenue Support Grant	This was removed in the Local Government Finance Settlement with effect from 2018/19.
Average Treasury Investment returns	18/19: 0.6% 21/22: 1.5% 19/20: 0.9% 22/23: 1.75% 20/21: 1.25%

Equality Impact Assessment



Introduction

An Equality Impact Assessment (EIA) is required to ensure that equality is placed at the centre of policy development and review, as well as service delivery. The purpose of this EIA is to systematically analyse the likely impact of a service, policy or proposals on different community groups, and how the needs of such groups have been taken into account in developing those proposals.

The EIA can anticipate and recommend ways to avoid any discriminatory or negative consequences for a particular group, on the grounds of any protected characteristic. It provides the opportunity to demonstrate the potential benefits for equality target groups arising from a proposed policy or project.

The need for an EIA stems from the general duty placed on public authorities to eliminate unlawful discrimination in carrying out functions, and promote equality of opportunity. This is outlined in the Equality Act 2010, with specific public sector duties in place from April 2011.

1. Name of Policy or Service (existing or proposed)	
Budget and Medium-Term Financial Strategy 2018 - 2023	
2. Responsible Manager	
Jane Blundell – Deputy S151 Officer	
3. Date EIA completed	Review date
20/01/18	January 2019
4. Description and aims of policy / service (including relevance to equalities)	
To bring together the Council's vision, priorities, objectives, key actions and measures for the Council, which drives the budget and performance management framework.	
5. Who are the stakeholders?	
<ul style="list-style-type: none"> ▶ Cabinet ▶ Scrutiny ▶ Councillors ▶ Leadership Team ▶ Employees ▶ External partners ▶ Residents ▶ Businesses ▶ External Audit 	

6. What outcomes do we want to achieve?

That the Council agrees its 2018/19 Budget and Medium Term Financial Strategy for the next 5 years. This is the financial plan for the Council which is aligned to the Corporate Plan and the resources required to deliver its ambitions and services to the residents.

7. How will performance be measured?

- ▶ By the Council's Leadership Team and Extended Leadership Team every quarter
- ▶ Budget monitoring reports to Governance/Cabinet in Quarters 2, 3 and 4.

8. Brief summary of research and background data

- ▶ Existing research on the demographics of the Borough
- ▶ Stakeholder feedback – residents, partners, businesses
- ▶ Input from the all members at extended Member Learning Hours
- ▶ Input from Scrutiny Committee
- ▶ Input from Cabinet

9. Methods and outcome of consultation

- ▶ Consultation with residents via Residents' Survey undertaken in February 2017, with businesses via a business survey undertaken in August 2017 and with partners in September 2017.
- ▶ Business event January 2018.

10. Results of initial screening

The following questions have been considered in order to evaluate the various equality groups:-

Age – Is there any concern that these proposals could cause differential impact on the grounds of age? All age groups.

Disability – Is there any concern that these proposals could cause differential impact on the grounds of disability? Disability is recognised under the Equality Act as 'a physical or mental impairment which has a substantial and long term effect on a person's ability to carry out normal day to day activities.'

Gender Reassignment – Is there any concern that these proposals could cause differential impact on the grounds of gender reassignment? The Equality Act recognises this where a person is proposing to undergo, is undergoing, or has undergone a process (or part of a process) for changing sex.

Marriage / Civil Partnership – Is there any concern that these proposals could cause differential impact on the grounds of marriage or civil partnership? Under the Equality Act, no such protection exists for single or unmarried people.

Pregnancy / Maternity – Is there any concern that these proposals could cause differential impact on the grounds of pregnancy or maternity?

Race – Is there any concern that these proposals could cause differential impact on the grounds of race? Race is recognised under the Equality Act as a person's skin colour, nationality or ethnic origin.

Gender – Is there any concern that these proposals could cause differential impact on the

grounds of gender? Including men, women and transgender people.

Sexual Orientation – Is there any concern that these proposals could cause differential impact on the grounds of sexuality? Including heterosexual, gay, lesbian and bisexual people.

Religion or belief – Is there any concern that these proposals could cause differential impact on the grounds of religion or faith? All faiths recognised in the European Convention of Human Rights are included.

A commentary has been provided for each policy where appropriate – see Appendix A

11. Decisions and / or recommendations (including supporting rationale)

The Corporate Plan, Budget and Medium Term Financial Strategy have been developed specifically to address the needs of the Borough and there is no adverse impact on any particular group or groups. As projects identified in the Corporate Plan, Budget and MTFS are developed further, equality impact assessments will be undertaken at that time.

12. Is an Equality Action Plan required?

No.