

The Executive - Meeting 26 January 2017

Budget-Setting Report (BSR) 2017/18

EXECUTIVE AMENDMENT

Background

This report details amendments to the Budget-Setting Report 2017/18 that the Executive, at its meeting on 26 January 2017, will be recommending to Council.

Unless otherwise stated, any references in the recommendations to sections, pages and appendices relate to Version 1 of the Budget Setting Report (BSR) 2017/18.

New or updated information:

- **New Homes Bonus:**

In the BSR the New Homes Bonus (NHB) income projections were revised following the notification from the Department for Communities and Local Government (DCLG) December 2016 and recalculated based on Annual Monitoring Report (AMR) housing projections. NHB to support the City Deal programme was based on contributions of 40% in 2015/16 and a %ge for each year thereafter, after allowing for Council commitments. The contribution has now been revised to 50% in 2016/17 only and 40% for all other years. The unallocated NHB in 2017/18 and 2018/19 will be paid into a temporary earmarked reserve or funding projects to mitigate the impact in Cambridge of the A14 upgrade - the A14 Mitigation Fund.

Updated tables and budget items NCL3991, NCL3992, NCL3993 and NCL3994 are attached in Appendix (1).

- **Rough Sleeping Programme:**

The council has been awarded £390,700 over the next two financial years to pilot a new scheme that addresses the needs of rough sleepers. The Council will be the lead partner with Cambridgeshire and Peterborough (NHS) Foundation Trust in a multi-disciplinary street outreach team with health services and charities. This will work with entrenched rough sleepers to tackle substance misuse and often complex mental health problems by offering personalised treatment and support to help facilitate resettlement. The funding targets prevention and early intervention through assessing the scale of rough sleeping and responding to this need in innovative ways. A key element of the work is to strengthen and build partnerships with other agencies who play a crucial role in helping those at risk of, or already, sleeping rough exit homelessness.

New budget item X3995 is attached in Appendix (1).

- **Section 25 Report (Robustness of Estimates and Adequacy of Reserves):**

This report is made under the Local Government Act 2003, which requires that the Chief Financial Officer reports to the authority, when it is making the statutory calculations required to determine its Council Tax or precept, on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves [Section 10, page 45 refers].

Attached as Appendix (2).

Information awaited:

- **Final Local Government Finance Settlement:**

As yet, the proposals in the provisional 2017/18 settlement have not been confirmed. Further changes may be necessary once the relevant report has been laid before the House of Commons.

Recommendations:

The Executive is recommended to approve the amendments outlined above, namely:

- (a) **NHB and rough sleeping programme:** amend the BSR for the revised NHB and rough sleeping programme items
- (b) **Section 25 Report:** insert the report into the BSR as per the attached EXECUTIVE - Section 25 Report.

and to authorise the Section 151 officer to make necessary changes to the Budget-Setting Report 2017/18, to be considered by Council at the meeting on 23 February 2017, to reflect the impact of changes for the above.

Note that further changes are expected before Council, which will be notified and then incorporated into the BSR, in respect of:

- Council Tax Base 2017/18 and Council Tax Setting 2017/18 [Appendices B (a) and B (b), insert after page 55], following notifications from precepting authorities.
- Any other minor typographical amendments.

BSR pages 20/21

New Homes Bonus	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Confirmed NHB funding at February 2016 BSR	(6,332)	(4,801)	(2,947)	(1,360)	-	-
Add						
Confirmed NHB receipts for 2017/18	-	(1,161)	(1,161)	(1,161)	(1,161)	-
Estimated NHB receipts for 2018/19	-	-	(1,302)	(1,302)	(1,302)	(1,302)
Estimated NHB receipts for 2019/20	-	-	-	(1,274)	(1,274)	(1,274)
Estimated NHB receipts for 2020/21	-	-	-	-	(610)	(610)
Estimated NHB receipts for 2021/22	-	-	-	-	-	(952)
Potential New Homes Bonus Total	(6,332)	(5,962)	(5,410)	(5,098)	(4,348)	(4,139)
Commitments against NHB						
Funding for officers supporting growth e.g. within planning	785	785	785	785	785	785
Replacement of Homelessness Prevention Funding subsumed into the SFA	564	564	564	564	564	564
Public Realm Officer - Growth X3782	35	35	35	-	-	-
Direct revenue funding of capital	1,075	1,075	1,075	1,075	1,075	1,075
Contribution to A14 mitigation	-	-	-	1,500	-	-
Further approvals	-	400	-	-	-	-
A14 mitigation contribution funded from reserved amounts	-	-	-	(1,505)	-	-
Contribution to City Deal Investment and Delivery Fund	3,166	2,385	2,164	2,039	1,739	1,656
Total commitments against NHB	5,625	5,244	4,623	4,458	4,163	4,080
NHB reserved for A14 mitigation	0	718	787	0	0	0
Cumulative amounts reserved for A14 mitigation	0	(718)	(1,505)	0	0	0
NHB uncommitted	707	0	0	639	185	59

BSR page 32:

Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Expenditure						
Net service budgets	20,222	18,255	18,013	19,685	17,903	18,845
Revenue Budget Proposals - BSR	-	502	(322)	(566)	(565)	(565)
Capital accounting adjustments	(5,423)	(5,423)	(5,423)	(5,423)	(5,423)	(5,423)
Capital expenditure financed from revenue	3,599	2,264	1,564	1,786	1,786	1,786
Contributions to earmarked funds	9,176	6,140	5,757	3,962	5,303	4,426
Revised net savings requirement	-	235	(238)	(316)	(561)	(560)
Net spending requirement	27,574	21,973	19,351	19,128	18,443	18,509
Funded by:						
Settlement Funding Assessment (SFA)	(5,864)	(5,090)	(4,675)	(4,235)	(4,235)	(4,235)
Locally Retained Business Rates – Growth Element	(800)	(800)	(800)	(800)	(800)	(800)
Other grants from central government	-	-	-	-	-	-
New Homes Bonus (NHB)	(6,332)	(5,962)	(5,410)	(5,098)	(4,348)	(4,139)
Appropriations from earmarked funds	(1,409)	-	-	(1,505)	-	-
Council Tax	(7,353)	(7,807)	(8,178)	(8,448)	(8,773)	(8,983)
Contributions to / (from) reserves	(5,817)	(2,314)	(289)	958	(286)	(352)
Total funding	(27,575)	(21,973)	(19,352)	(19,128)	(18,442)	(18,509)

2017/18 Budget - BSR updates

Page 1 of 2

Reference	Item Description	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	Contact	Climate Effect & Poverty Ratings
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External Bids

Housing - General Fund

X3995	Rough Sleeping Programme	0	(191,500)	(199,200)	0	0	David Greening	Nil
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The council has been awarded £390,700 over the next two financial years to pilot a new scheme that addresses the needs of rough sleepers. The Council will be the lead partner with Cambridgeshire and Peterborough (NHS) Foundation Trust in a multi-disciplinary street outreach team with health services and charities. This will work with entrenched rough sleepers to tackle substance misuse and often complex mental health problems by offering personalised treatment and support to help facilitate resettlement. The funding targets prevention and early intervention through assessing the scale of rough sleeping and responding to this need in innovative ways. A key element of the work is to strengthen and build partnerships with other agencies who play a crucial role in helping those at risk of, or already, sleeping rough exit homelessness. [Funded from DCLG Grant] High

Total External Bids in Housing - General Fund

0	(191,500)	(199,200)	0	0
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Total External Bids

0	(191,500)	(199,200)	0	0
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2017/18 Budget - BSR updates

Reference	Item Description	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	Contact	Climate Effect & Poverty Ratings
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Non-Cash Limit Items

Non-Committee Items

NCL3991	New Homes Bonus (NHB) change to income projections	0	1,300,000	3,121,000	4,596,000	5,628,000	Caroline Ryba	Nil
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New Homes Bonus (NHB) income projections have been revised following the notification from the None Department for Communities and Local Government (DCLG) December 2016 and recalculated based on Annual Monitoring Report (AMR) housing projections. [Linked to NCL3992, NCL3993 and NCL3994].

NCL3992	Contribution to City Deal from New Homes Bonus (NHB)	0	(1,246,000)	(2,102,000)	(2,808,000)	(3,249,000)	Caroline Ryba	Nil
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New Homes Bonus (NHB) to support the City Deal programme was based on a contribution of 40% in 2015/16 and 50% thereafter. This has now been revised to 50% in 2016/17 only and 40% for all other years following notification from the Department for Communities and Local Government (DCLG) December 2016 and recalculation based on Annual Monitoring Report (AMR) housing projections. [Linked to NCL36991, NCL3993 and NCL3994].

NCL3993	New Homes Bonus (NHB) – unallocated	0	(772,000)	(1,806,000)	(283,000)	(2,379,000)	Caroline Ryba	Nil
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Net unallocated New Homes Bonus (NHB) has been revised following the notification from the Department for Communities and Local Government (DCLG), revised allocations for City Deal infrastructure investment and any further funding allocations. [Linked to NCL3991, NCL3992 and NCL3994].

NCL3994	New Homes Bonus (NHB) contribution to Earmarked Reserve	0	718,000	787,000	(1,505,000)	0	Caroline Ryba	Nil
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New Homes Bonus (NHB) has been revised following the notification from the Department for Communities and Local Government (DCLG), revised allocations for City Deal infrastructure investment and any further funding allocations. The unallocated NHB in 2017/18 and 2018/19 will be paid into a temporary earmarked reserve - the A14 Mitigation Fund [Linked to NCL3991, NCL3992 and NCL3994].

Total Non-Cash Limit Items in Non-Committee Items

0	0	0	0	0
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Total Non-Cash Limit Items

0	0	0	0	0
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Report Total

0	(191,500)	(199,200)	0	0
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Section 25 of the Local Government Act 2003 requires the Council's S151 officer to report to the council when it is considering its budget requirement and consequent council tax. The report must deal with the robustness of the estimates made for the purposes of the calculations and the adequacy of the reserves allowed for in the budget proposals.

The rationale is to ensure that the estimates are sufficient to cover regular recurring costs plus any reasonable risks and uncertainties and, in the event of unexpected expenditure, there are adequate reserves to draw on. The calculations relate to the budget for the forthcoming year and the legal requirement may, therefore, be interpreted as reporting only on the 2017/18 estimates and reserves up to 31 March 2018.

Robustness of estimates

The council has well established and robust budget processes. These have been followed when compiling the 2017/18 budget and medium term projections.

Estimates and assumptions were reviewed during the preparation of the MFR in October 2016, and confirmed during the development of this BSR. Appendix D reviews these estimates and assumptions and indicates the sensitivity of each in financial terms.

The key driving factor through the process has been the requirement to identify savings to address projected decreases in core funding. The savings requirement has been addressed in two principal ways:-

- By continuing the ambitious transformation programme, sharing services with other local councils and working to reduce the number of council buildings ; and
- Using cash balances and earmarked reserves released to generate additional income.

These actions require substantial change to be delivered within the organisation to demanding timescales and in a controlled way. The transformation programme includes savings resulting from sharing services with other local authorities and the creation of alternative service delivery vehicles. There are, therefore, significant levels of risk around the estimation of potential income and savings and the timing of their delivery. These risks are mitigated, to a certain extent, by management review and challenge of the proposals, regular budget monitoring and management, and the implementation of governance processes for the transformation programme.

Adequacy of reserves

The requirement for financial reserves is acknowledged in statute. Section 32 of the Local Government Finance Act 1992 requires billing authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

It is the responsibility of the S151 officer to advise local authorities on the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.

The council holds two types of general fund reserves:

- The general fund is a working balance to cushion the impact of uneven cash flows. The reserve also acts as a contingency that can be used in year if there are unexpected emergencies, unforeseen spending or uncertain developments and pressures where the exact timing and value is not yet known and/or within the council's control. The reserve also provides cover for grant and income risk.
- Earmarked reserves are set aside for specific and designated purposes or to meet known or predicted liabilities, e.g. insurance claims.

Earmarked reserves remain legally part of the general fund, although they are accounted for separately.

A key mitigation for financial risk is the S151 officer's estimate of a prudent level of reserves. A risk assessment was undertaken in MFR 2016 to determine the level of non-earmarked general reserves required by the council. Section 8 of this report recommends no changes to the assessment at this time. In making the recommendation for the level of reserves, the S151 officer has followed guidance in the CIPFA LAAP Bulletin 77 – Guidance notes on Local Authorities Reserves and Balances. The risk analysis shows that a prudent minimum level of reserves for 2017/18 will be of the order of £5.3m.

The final table in Section 8 shows that the anticipated level of the general fund reserves will remain above the prudent minimum level for the duration of the medium term planning period.

I therefore consider that the estimates for the financial year 2017/18 to be sufficiently robust and the financial reserves up to 31 March 2018 to be adequate.

Caroline Ryba

Head of Finance and S151 Officer