East Northamptonshire Council

Finance Sub-Committee
6 February 2017

Report by Chief Finance Officer on Robustness of Budget Estimates and Adequacy of Reserves

Purpose of report

To advise the Council on the robustness of the estimates in the budget and the adequacy of the proposed financial reserves before recommending to Council the Medium Term Financial Strategy 2017/21, the Revenue Budget for 2017/18, Capital Programme 2017/27, Reserves levels and Treasury Management Strategy 2017/18.

1.0 Background

1.1 Section 25(1) of the Local Government Act 2003 requires that the Chief Financial Officer (Section 151 Officer under the Local Government Act 1972) reports to the Council when setting its Council Tax on:

- the robustness of the estimates in the budget.
- the adequacy of the proposed financial reserves.

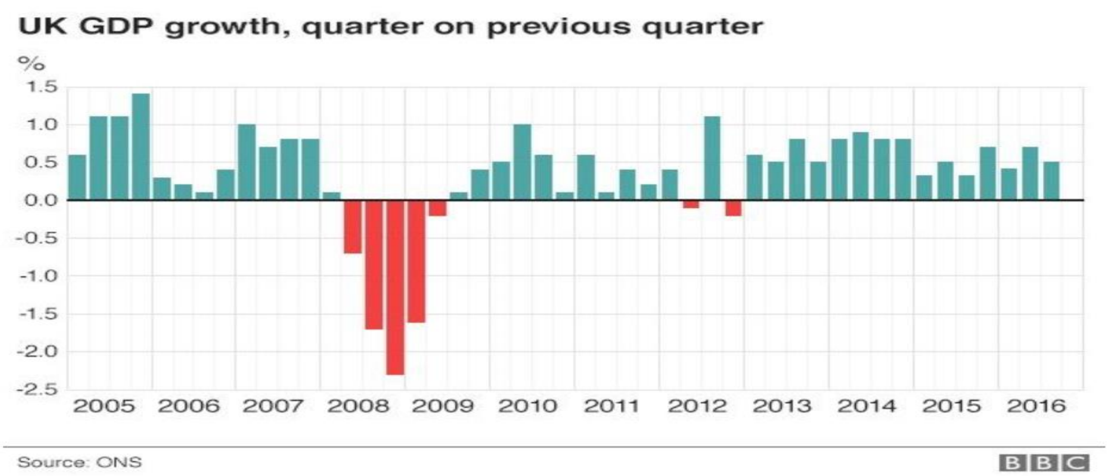
1.2 Section 25(2) of the 2003 Act requires the Council to have regard to this report in approving the budget and Council Tax.

2.0 Context

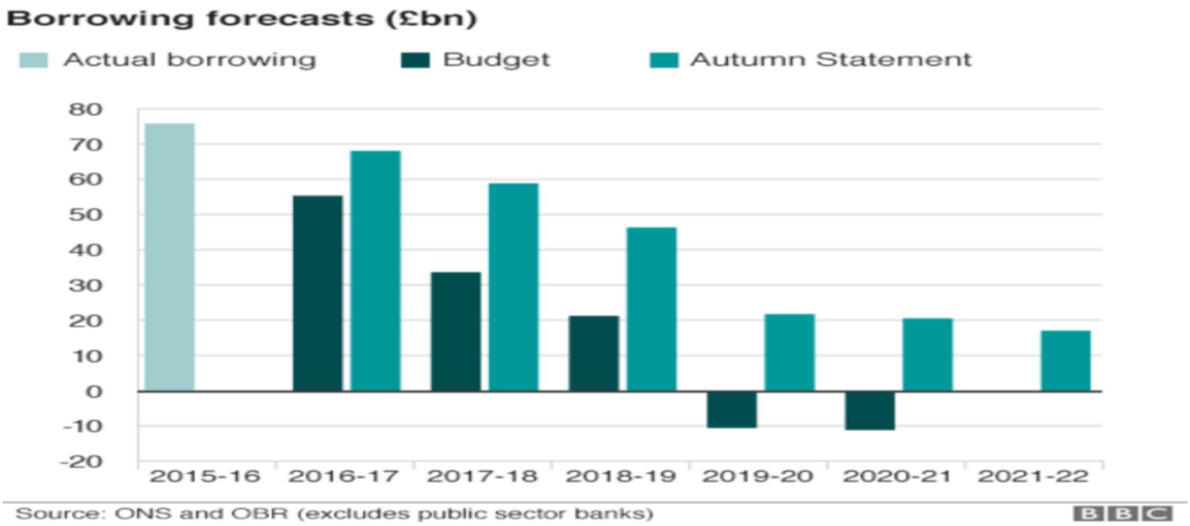
2.1 The Council is setting its budget at a time when it faces significant challenges. In broad terms these can be split into 3 categories; economic, local government and local challenges. Each of these challenges is explored below:

2.2 Economic Challenges
In 2016 the estimated annual growth in the UKs Gross Domestic Product (GDP) was around 2%. Based on forecasts by the International Monetary Fund (IMF) this growth is expected to continue for 2017, albeit at a slower rate as a result of uncertainties with regards to the impact of Brexit on the economy.

2.3 The graph below shows the quarterly growth increase / decrease over the past 11 years. The impact of the financial crisis and recession in 2008/09 is clearly evident. However, since 2013 the economy has grown consistently each quarter. This is positive news for the UK economy.



2.4 In the Autumn Statement 2016 the Chancellor announced that government borrowing would be greater than estimated in the Budget 2016. This follows revised forecasts after the Brexit vote. The graph below shows how the annual borrowing forecasts have changed between March (Budget) and November (Autumn Statement) 2016. The impact of this is likely to be continued austerity measures for the public sector beyond 2020.These austerity measures are likely to be reflected in less government funding for local government and in general economic conditions which could affect collection levels on business rates/council tax and planning fee income.



2.5 <u>Local Government Challenges</u>
Since 2010 Government funding for local government has reduced by approximately 40% in real terms. A new Government was elected in May 2015 and has subsequently made a number of announcements which have impacted on local government, including the Spending Review (November 2015), Autumn Statement 2016 (November 2016) and provisional Local Government Finance Settlement (December 2016). The key headlines from these announcements were:

- Local Government funding will reduce from £21.9bn to £17.8bn by 2019/20
- Switch of funding toward councils with social care responsibilities
- Proposals to change the New Homes Bonus, including an £800m reduction in funding
- The introduction of “Core Spending Power”, which includes assumptions from Government about increases in council tax levels and rises in the tax base
- An offer of a four year deal from Government to provide more certainty for councils to assist in planning service provision over the medium term
- Social housing changes, including a 1% per annum reduction in rents, changes to Right to Buy and a High Value Voids Levy.
- A proposal to move to a 100% business rates retention scheme by 2020.

2.6 In addition to the continuing austerity measures it is anticipated there will be further changes to Government policy which councils will be expected to implement by 2020.

2.7 From these changes it appears that the Government is moving slowly away from the previous needs-based funding of the old formula grant towards a system where councils income is more reliant on business success and the number of home in the district. For example, Revenue Support Grant (RSG) is forecast to reduce at significant rates over the medium term and is therefore unlikely to be a primary source of funding for the Council in the future. It is being replaced by Business Rates Retention and New Homes Bonus (albeit the latter will be at lower levels than previously experienced), both of which reward those areas which can promote and deliver growth. RSG for the Council is forecast to be negative by 2020/21, when it will have to pay a tariff to Government from its business rates baseline.

2.8 It should be noted that there is more information upon which to base financial forecasts than 12 months ago, particularly as the Council has accepted the Government's Four Year Funding Offer. However, there are a number of key pieces of information that councils do not have clarity on over the medium term. For example, how the 100% Business Rates Retention scheme will work in practice, which services will be transferring to local government and how the New Homes Bonus will be applied to homes built under planning permissions granted on appeal. Even in the areas where there is perceived to be more clarity, such as the Four Year Offer, the Government still has the right to change the figures.

2.9 Another challenge facing local government is the continued impact of an increasing elderly population and the associated pressures on social care and health services. This has led to a redistribution, albeit over time, of local government funding. There will be a further opportunity for Government to redirect resources when 100% Business Rates Retention is implemented. All of these changes present significant risks to the Council over the period of its Medium Term Financial Plan.

2.10 Local Challenges

Over recent budget planning rounds the Council has implemented a financial strategy which has delivered contributions on an annual basis to its reserve levels, sold assets to finance its capital expenditure so that it does not need to rely on borrowing money and implemented efficiencies to reduce, in real terms, the council's operations.

2.11 Specifically, during 2016/17 the Council has made good progress in delivering its MTFS, the primary areas being:

- The approval of an Efficiency Plan which sets out the work streams through which the Council plans to eliminate its medium term funding gap.
- Delivery of revenue budget savings and operating at a surplus in its revenue budget for 2016/17.
- A review by officers and councillors of the underlying assumptions in the MTFS.
- The further realisation of increases in business rates and council tax due to growth.
- The continued identification of areas where the Council can operate more efficiently and effectively by the Business Transformation Team and the implementation of some of those efficiencies.
- Implementing an upgrade to the Council's finance system.
- Improving financial governance, procedures and processes.

2.12 However, and despite the improvements mentioned above, the Council continues to face significant external challenges that it will need to manage over the medium term. There are still a number of actions and mitigations that are in the process of being implemented, potential pressures on the renewal of the waste collection contract and the impact of County Council budget proposals, particularly relating to waste, on the Council. As mentioned previously, the MTFS and the Efficiency Plan is only a plan. The biggest challenge will be for the Council to deliver it.

3.0 Medium Term Financial Strategy (MTFS) 2017/18 to 2020/21

3.1 The MTFS is a key part of ensuring the Council's future. The approach during the 2017/18 budget planning round has been to update the previous year's MTFS for any changes to assumptions, local policy changes, national policy changes and known risks. The Council's Corporate Management Team has been maintaining a constant eye on the MTFS since March 2015 and has taken action to reduce costs, increase income and make the organisation more efficient.

3.2 Key assumptions, risks and mitigations

Section 6 of the Budget Report presented to the Finance Sub Committee on 6 February 2017 sets out all of the assumptions which underpin the MTFS. These assumptions are robust and are based on the most up to date intelligence available. However, as with any assumption, there is an element of risk that the reality will be different. The following assumptions in the MTFS contain the most risk:

- **Government funding.** The current assumption is as announced in the Local Government Funding Settlement when the Council was notified by Government its allocation for 2017/18 and indicative allocations for the 3 subsequent financial years. As the Council took up the Government's Four Year Funding Offer in October 2016, in theory, the level of Government funding is certain until 2020. However, Government do have the ability to change this offer. Over this period Revenue Support Grant (RSG) is forecast to reduce from £0.7m in 2017/18 to £0.09m by 2019/20. This is an aggressive reduction in RSG and would indicate the Council would have a negative RSG in the 2020/21 financial year. The reductions in funding for districts councils are faster and deeper than previously envisaged as Government has changed its methodology for allocating grant on two fronts, moving monies away from rural areas to urban areas and towards councils with social care responsibilities. It should be noted there is further potential for Government to amend the methodology for allocating resources when Business Rates retention is introduced; see below for more details.

- **New Homes Bonus (NHB)**. The Government has undertaken a review of the current NHB system. As anticipated, these led to a reduction in the amount of NHB forecast to be received by the Council. The reductions anticipated and factored into the MTFS in February 2016 have been proved right. It should be noted the Government is consulting further on housing approvals given on appeal to determine whether they should be included in the NHB scheme from 2018/19 onwards.

- **Business Rates Retention**. The current assumption is for the level of business rates in 2017/18 to grow to £26.6m, from a baseline of £23.4m. The Council is likely to retain around £1.0m with a further £0.4m generated by "pooling" with other councils in Northamptonshire. The actual level of business rates for 2017/18 will not be known until after the end of the financial year. Beyond 2017/18 there are assumptions included in the MTFS for further growth in Business Rates. The majority of the increase for 2017/18 and 2018/19 relates to the Rushden Lakes development. However, it should be noted there is a high level of uncertainty over the level and timing of this growth.

  The Council has also made assumptions around business rate appeals. Currently there are 226 appeals outstanding with a total rateable value of £17.8m. A further risk to be aware of is the business rates unwinding effect of transitional arrangements put in place following the revaluation in April 2017. Although this is expected to be fiscally neutral nationally, it may not be at a local level and there is likely to be an increase in the volume of appeals following the revaluation.

  The Government has announced that they are seeking to move to a scheme where councils overall retain 100% of the national growth in business rates by 2020. The Government has started to consult on its proposals during 2016 and will continue to do so in 2017. As the total amount of business rates raised nationally is around £5bn more than the current level of Government grant to councils, there will be additional services transferred to local government. At this stage it is not known what these services are or who will manage them in two tier areas.

  This presents the Council with a number of risks to manage, specifically:
    - Delivery of the timing and level of business rate growth. The Council has incorporated prudent forecasts in its budget. It has developed an innovative approach to forecasting its level of Business Rates over the medium term with the establishment of the Business Rates Forecasting Group consisting of officers from Planning, Revenues and Finance.
    - Business rate appeals. The Council has made a provision for historical and future appeals in its business rates forecasts. However, the amount of uncertainty around business rates appeals on the Council's financial position

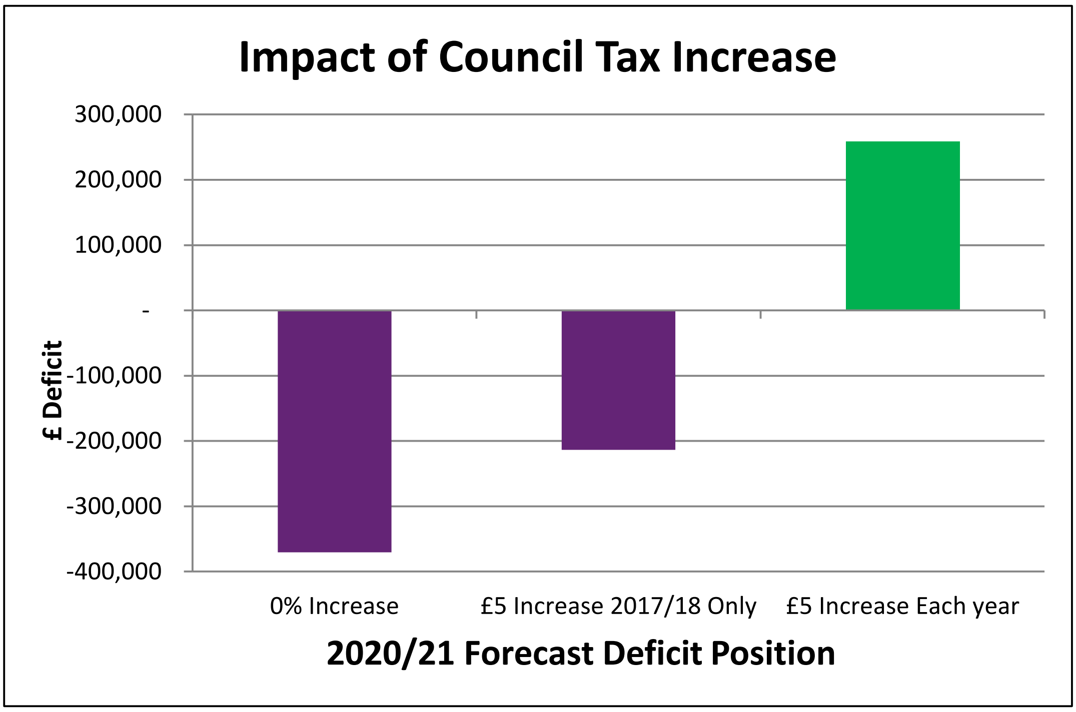
should not be underestimated.

- The intention to move towards a 100% business rates retention scheme, on the face of it, appears to be good news as councils can keep all of their business rate growth. However, its also increases the existing risks around the timing/level of growth and appeals/volatility as councils will carry 100% of the risk, rather than the current 50%. A new risk is around the additional services being transferred to the Council. As the proposals are consulted upon and firmed up the Council will need to flex its financial position accordingly.

- **Council Tax.** The Council's strategy with regards to the level of council tax for 2017/18 is unclear as a firm position will not be known until Council meets on 27 February 2017. The MTFS therefore assumes no increase in 2017/18 or over the MTFS period.

  The Government's position with regards to council tax has changed significantly in recent years. At present the Government, through its Core Spending Power, is assuming councils will increase their council tax to maintain services. For East Northamptonshire Council, the Government is assuming the council will increase its council tax by £5 per year until 2019/20. In addition the Government is assuming an increase in our taxbase of around 3% per annum. This assumption includes an expected increase to the taxbase in relation to council tax support, if this is excluded and then new housing growth is significantly ahead of growth experienced in recent years.

  A clear strategy on the Council's policy for council tax levels over the MTFS period is an essential part of a council's financial planning. In establishing a strategy for council tax, the Council is reminded of the financial challenge faced by the organisation over the medium term with annual shortfalls in budget forecast at around £0.4m from 2019/20. The Chief Finance Officer strongly recommends the Council establishes a clear policy for the medium term. The graph below sets out how a policy on council tax would impact upon the forecast deficit in 2020/21.



- **Localisation of council tax support (CTS).** The current assumption is that the shortfall arising from the Government funding for CTS in 2017/18 will be met from council tax discounts/exemptions and a 20% council tax liability for those entitled to CTS. This is no change from 2016/17 and is expected to be broadly cost neutral with regards to the impact on the wider council tax payer given ongoing reductions in government grant to finance the gap. The risk is that the actual position is different from the budget at the start of the year as the final position won't be known until the end of the financial year. Extensive modelling has been undertaken to provide the Council with assurance of the financial impact. The primary reason for maintaining the liability at 20% is to ensure a balance between a cost-neutral scheme for all taxpayers and ability to pay from receivers of the support. Beyond 2017/18 it is assumed any additional costs arising from reduced government funding are mitigated by reductions to the CTS scheme.

- **Waste Contract Re-procurement**. The current waste collection contract is due for renewal in 2018. The market intelligence the Council has received is that a new contract could be significantly more costly than the existing one. An estimate has been incorporated into the MTFS in 2018/19. This has the potential to be a significant cost pressure facing the Council and one that is contributing towards a large proportion of the funding deficit from 2018/19 in the MTFS.

  The Council needs to reduce this estimated cost pressure and has incorporated a target in its Efficiency Plan to do this. If this target is not achieved the council will need to find efficiencies/savings/generate income in other areas of the budget to offset this pressure. To manage the additional work and costs of the procurement process the Council has established an earmarked reserve.

- **Housing**. Since the new Government was elected in May 2015 there have been a number of announcements which will affect social housing in England. These have included a 1% reduction in social rents per annum for the next four years and an extension of Right To Buy. Both of these changes will affect Housing Associations and their tenants. As a result the Housing Associations will have less income to provide social housing in the district, although this is planned to be offset in the case of Right To Buy. This may have an impact on the Council's homelessness budgets. It should be noted that there has been a significant pressures on councils' homelessness budgets nationally, and whilst this has not been the case so far in East Northamptonshire the Council should take steps in order to mitigate any pressures., This could include continuing to invest in prevention and considering strategies which would mean the Council would not be faced with additional high temporary accommodation costs, for example hotel Bed and Breakfast rates.

  To mitigate the effect of this the Council will need to work closely with its Housing Associations and closely monitor the knock-on implications on its homelessness budgets.

- **Financing the Council's Corporate Plan**. At the Council meeting in December 2015 the new Corporate Plan was adopted. This plan incorporates a number of outcomes which will require investment. Delivering the aspirations set out in the Corporate Plan is likely to need more innovative approaches to delivery and larger sums of investment than the Council has previously undertaken.

  Firstly, the Council needs to establish how it will deliver the outcomes of the corporate plan and how much this will cost. Secondly, the Council will need to ensure this investment provides value for money and decisions are taken with fully informed business cases. The Council has made progress towards this over recent months with £2.9m of reserves being identified, following a comprehensive review of reserves, for delivering the Corporate Plan. It should be noted that with innovation and large investment comes risk and the Council needs to consider this carefully when approving investment plans for its Corporate Plan.

- **Universal credit**. The picture for implementing universal credit continues to emerge and evolve. However, the implications for the Council's finances still remain unclear. Indications from the pilot councils show there could be an impact on the Council's budget.

The Council will mitigate this risk by using its intelligence networks to estimate the financial impact as information emerges during the financial year, and undertaking a fundamental review of its Council Tax Support Scheme during 2017/18 to ensure it is financially sustainable.

- **Employee Costs and Vacancy Factors.** Pay inflation has been assumed to be 1% for 2017/18 and across the MTFS period. This is in line with government announcements on public sector pay. The impact of announcements regarding the National Living Wage are also reflected in budget forecasts over the medium term. Prior to the 2015/16 financial year the Council had budgeted for a full establishment. However, due to vacancies arising from staff turnover, the budget had been consistently underspent. The Council has experienced an average staff cost variance of 4.6% during this period. Vacancy factors were included in the budget for 2015/16 and 2016/17. These were closely monitored via Finance Sub-Committee and CMT. These vacancy factors will continue in the 2017/18 budget and MTFS at a level of 3.5% (£200k).

3.3 Within the period of the MTFS there is expected to be an annual surplus in 2017/18 which will lead to a contribution to reserves. In subsequent years of the MTFS there are funding deficits predicted. The deficit in 2018/19 is forecast at £0.3m and 2019/20 and those in the years beyond are estimated at around £0.4m per annum, primarily due to Government funding reductions and the anticipated additional costs of waste collection.

3.4 The reduction in funding deficits to around £0.4m per annum from £1m per annum 12 months ago demonstrates that significant progress is being made over the last 6 months in delivering the Efficiency Plan agreed by Council in September 2016.

3.5 The budget for 2017/18 and across the medium term incorporates the financial benefits arising from a number of Efficiency Plan work streams:

- Delivered:
  - Economic growth in terms of houses built and businesses in the district being ahead of targeted levels, leading to additional income for the Council.
  - Being more efficient due to the realisation of cost reductions following process reviews by the Council’s Business Transformation team.
- Planned for delivery
  - Better procurement with higher-than-expected contributions being received by the Council from the recently procured leisure contract.
  - Working in partnership with BC of Wellingborough on the IT Strategy.

3.6 However, there are a number of uncertainties the Council faces over the period of the MTFS which are not reflected in it. These include the following:

- Business rates. The move towards 100% retention, appeals and the effect of revaluation.
- The affordability of the capital programme from 2020.
- The impact of budget proposals from the County Council.
- Government funding reductions over and above those assumed in the MTFS and amendments to the distribution of funding across local government.
- Timing of monies arising from forecast business rates, e.g. delays in new developments becoming operational.
- The impact of the national homelessness challenges in East Northamptonshire.
- The continued delivery of projects and strategies within the Efficiency Plan, including the IT Strategy and Business Transformation.

3.7 At this stage it is unclear of the full impact of these uncertainties on the Council. The Council cannot assume these uncertainties will work out to be positive from a financial perspective and should therefore be working proactively to develop strategies and plans to identify further saving opportunities efficiencies that will deliver at least £0.4m per annum by 2019/20.

3.8 Delivering the MTFS
The MTFS requires a number of key actions to be implemented in order to achieve a stable and sustainable financial position for the Council. These include implementing savings plans, identifying further savings, reviewing contracts, delivering business transformation projects and increasing revenues by encouraging more businesses into the district. As noted in Section 2 of this report, all of these will need to be managed against a backdrop of further significant change to the Local Government sector. To ensure delivery, officers at the Council are advised to ensure that:

- project teams are established to deliver the savings programmes, particularly those still to be identified, and that these teams are resourced to the right level and with the right skills.
- projects have clearly defined deliverables to transform services which balance service improvement with reducing costs and being more efficient.
- monies need to be set aside to support these programmes on an invest to save basis, with clear criteria and expectations of return.

Members are advised to ensure that:

- progress against savings plans is regularly monitored, with variances and any mitigating actions reported to Finance Sub Committee.
- members take future decisions that support the aim of maintaining a financially stable and sustainable Council as set out in the MTFS, including a clear funding source.
- business case for Corporate Plan investments should be rigorously reviewed to ensure they deliver value for money to the Council.

4.0 Revenue Budget 2017/18

4.1 The revenue budget 2017/18 is the first year of the Council's four-year MTFS. The budget has been developed using a robust process with officer and member involvement.

4.2 Budget Process
An important feature of the budget process is that Heads of Service are responsible, with the support of finance staff, for the preparation and determination of their income and expenditure estimates. The active involvement of Heads of Service in determining their spending plans and income generation estimates ensures ownership of the budget and that the officers responsible for delivery of the services are confident that financial targets are achievable. During the 2017/18 budget cycle all items within the base budget have been challenged by Corporate Management Team (CMT) and any changes to the figures submitted have only been incorporated with the acceptance of the Head of Service. The Finance Manager has also challenged current practices, improved the budgeting process, and provided assurance around the robustness of budget estimates. Councillors have been involved in the budget process through the Finance Sub Committee and the Policy & Resources Committee.

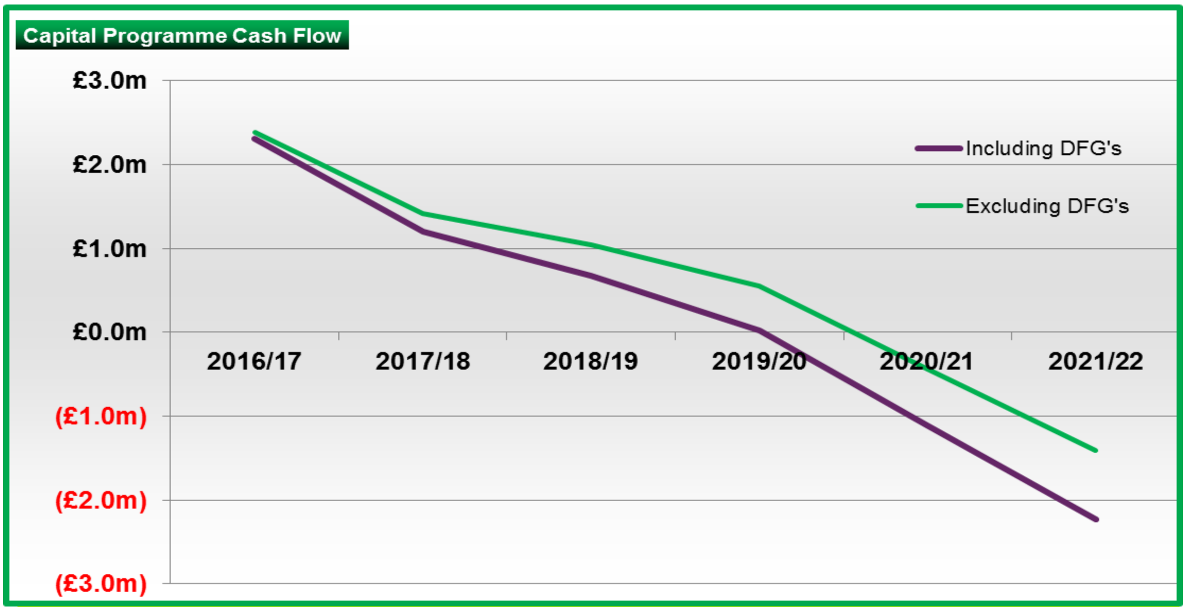
4.3 Budget Proposals
The budget includes £0.7m of savings, many of which have already been delivered as part of the in-year savings programme for 2016/17. The remaining savings proposals are considered to be low risk in terms of delivery.

5.0 Draft Capital Programme 2017/18 to 2026/27

5.1 Historically the Council's Capital Programme has been funded from capital reserves, which accrued from the sale of housing stock in 2001. Five years ago it was recognised these reserves would run out and new funding sources would be required to fund capital investment. A key aim of the Council has been to ensure it does not undertake any long term borrowing to finance its capital expenditure. As such in 2012 it agreed to embark on a strategy to dispose of surplus assets and expected, at the time, to generate around £5m to finance capital investment.

5.2 There has been steady progress in the sale of surplus assets programme and 8 sites have been sold realising £4.7m.

5.3 The realisation of these monies has provided greater certainty with regards to funding the capital programme. The Council has also worked to reduce its capital costs by transferring risk as part of the Leisure and IT strategies. If the Council were to continue with all its capital spending plans as included in the Approved Capital Programme and Development Pool, it would have sufficient funding until 2019/20. This is shown in the graph below:



5.4 As can be seen from the graph above, the Council would use up its capital reserves over the next 4 years. In line with current capital programme governance it would be imprudent to release any further schemes from the Development Pool which do not have a clear funding source. Each scheme needs to be considered on its own merit prior to moving into the Approved Capital Programme. It should be noted that Disabled Facilities Grants are statutory in nature where the Council has little or no discretion about spending the money.

5.5 As the Council has made clear its intention not to enter into long term borrowing to finance capital investment, the Council needs to determine its strategy for financing its capital programme at some point over the period of the MTFS. There are a number of options to do this, including:

- Managing the release of schemes from the Development Pool which would extend the period of using capital reserves. However, there would still be an issue about how the programme would be funded over the longer term.
- Generate more capital receipts by selling assets. However, the Council owns few remaining assets and there would still be an issue about how the programme would be funded over the longer term.
- Finance the capital expenditure each year directly from revenue. This would require significant savings to be made from other areas of revenue-funded services.

5.6 To seek to mitigate these impacts a review of all capital schemes in the Development Pool will be undertaken early in 2017/18. This will be done through CMT and Finance Sub Committee.

5.7 There is a real danger that the Council is not willing, or in some cases unable, to invest sufficient resources in its capital programme. This could negatively impact on service provision, meeting statutory obligations, business continuity and the ability to deliver further efficiencies which the Council needs if it is to deliver its revenue budget savings targets. The options the Council will explore to finance its capital investment plans include:

- Maximising external funding (e.g. European Funding & Lottery Funding).
- Shifting the burden of capital investment to those who receive the benefit, for example Disabled Facilities Grants from the Better Care Fund.
- Sharing the costs of investment with partners.
- Using the Council Improvement Reserve to provide invest to save funding (subject to strict business case criteria) to enable revenue savings to be delivered.
- Realising monies from further asset sales, although it should be noted these will be minimal.

6.0 Annual Treasury Management Strategy 2017/18

6.1 The Council's Treasury Management Strategy has been updated to reflect the latest requirements of the capital programme and latest interest rate forecasts, and to update the credit criteria to reflect the changing banking environment whilst ensuring the security of the Council's investments continues to be maintained.

6.2 Forecasting the Council’s future short and medium term investment returns is always a challenge, but even more so in the current climate of economic volatility and uncertainty. Nevertheless, the Treasury Management budget does reflect the capital financing costs to support the approved capital programme and rates of return on investments at this time. The base rate is forecast to remain at its historical low further into the medium term and the budgets will be regularly monitored.

7.0 Forecast Reserves and Balances

7.1 Members will be aware that in recent years the Council has made contributions to its reserves. This is an extremely positive position to be in with the current financial environment in local government. During 2016/17 a comprehensive review of reserves was undertaken as part of developing the Efficiency Plan. Council approved the Efficiency Plan and the revised reserves allocation in Autumn 2016.

7.2 <u>Use of Reserves to Finance Spending</u>
The MTFS assumes that the level of reserves used to fund the revenue and capital budgets is as follows:

- Revenue – throughout the period of the MTFS there is no planned requirement to fund revenue spending from reserves. The assumption is that any reserves will be utilised to mitigate specific / general financial risks facing the Council or are held for investment to improve the services for the residents of the district. It should be noted that reserves are not planned to balance revenue budgets where there are funding deficits.
- Capital - the capital reserve is expected to be fully utilised in 2019/20. The Council needs to identify further funding sources to finance its capital expenditure commitment and plans beyond that date.

7.3 <u>Minimum reserves</u>
The minimum level of reserves, as assessed after considering the risks facing the Council over the medium term, is proposed to be £1.5m and consists of two component parts, namely:

- An underlying minimum level of £1m for the long term, and
- In the short to medium term, a minimum level of £0.5m to reflect the uncertainties currently facing the Council. These uncertainties include the

delivery of cost reduction and income generation projects to deliver the Efficiency Plan, implementation/early operation of recent Government policy changes (business rates retention, localisation of council tax discounts/exemptions and council tax support), the introduction of universal credit, potential waste pressures and decisions being made by the County Council which are could affect East Northamptonshire

The additional £0.5m to cover short to medium term risks will be reviewed, along with the underlying minimum level, on an annual basis.

7.4 <u>Earmarked Reserves</u>
The number, type and level of earmarked reserves have been reviewed in light of the risks faced by, and the plans of, the Council. As part of this review the Council split its reserves in three categories: Delivering the Efficiency Plan, Delivering the Corporate Plan and Managing Risks. The Delivering the Corporate Plan and Delivering the Efficiency Plan reserves enable the investment the Council is likely to require to transform itself and the district in order to deliver the savings and / or generate additional income to balance its revenue budget. The use of this reserve will be based on strict criteria linked to a business case and will require sign-off by the Chief Finance Officer and Finance Sub Committee. It would be prudent to maintain a proportion of this reserve to cover future gaps in the MTFS until the financial impact of the risks is clearer and/or the Council has identified and delivered proposals to ensure the on-going sustainability of the revenue budget.

8.0 Conclusion

8.1 Based on the assumptions made in its Budget 2017/18 and MTFS 2017/21 for income and expenditure, the Council can set a balanced budget for 2017/18.

8.2 However, due to the continued reduction in government funding and forecast pressures on the re-procurement of its waste contract the Council is facing forecast annual deficit budgets of around £0.4m by 2019/20. This is also the time at which the capital programme reserves are due to be fully used.

8.3 In addition there are a number of risks, or “known unknowns”, outlined in paragraph 3.6.

8.4 Whilst in the next financial year the Council’s financial position is sustainable, beyond this the financial position is, at best, uncertain. The Council will need to ensure it makes the right decisions in the short term (next year) to ensure it is financially stable and sustainable over the medium to long term. Such a strategy should include maximising all income streams, continuing to generate efficiencies and influencing the risks faced to optimise the Council’s future financial viability.

8.5 Provided the Council carefully considers and acts upon the analysis in this report, and officers robustly manage the implementation of the Revenue and Capital Budgets, a positive opinion can be given under Section 25 of the Local Government Act 2003 on the robustness of budget estimates and the level of reserves.

9.0 Equality and Diversity Implications

9.1 There are no equality and diversity implications arising from this report. Separate assessments will be produced as savings plans are developed over the period of the MTFS to deliver the savings yet to be identified.

10.0 Legal Implications

10.1 These are set out in Section 1 of the report.

11.0 Risk Management

11.1 This report by its nature considers risk management from a financial perspective.

12.0 Resource and Financial Implications

12.1 The report is of a financial nature and the implications are set out within the report.

13.0 Constitutional Implications

13.1 This report is of a financial nature. There are currently no direct implications impacting on the Constitution.

14.0 Customer Service Implications

14.1 This report is of a financial nature. There are no direct implications impacting on customer services.

15.0 Corporate Outcomes

15.1 The Corporate Outcomes that the MTFS seeks to help deliver are:

- Good Quality of Life
- Good Value for Money
- Effective Management
- High Quality Service Delivery
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16.0 Recommendations

16.1 That Council notes the S151 Officer's opinion set out in Section 8 and carefully considers the content of this report prior to recommending the approval of the Council's Medium Term Financial Strategy 2017/22, the Revenue Budget for 2017/18, Capital Programme 2017/27 and Treasury Management Strategy 2017/18.

(Reason: To ensure the Council complies with statute in setting its Budget.)

16.2 That Council recognises the work undertaken over the last five years to ensure we have a balanced budget and are in a good financial position to face the medium term uncertainties.

(Reason: To ensure the Council has a stable and sustainable Medium Term Financial Strategy and Plan)

Legal	Power: Local Government Finance Act 1992, Local Government Acts 1972, 2000 & 2003, Localism Act 2011 Other considerations: Constitution				
Background Papers: Reports To Finance Sub Committee and P&R; precept notifications					
Person Originating Report: Glenn Hammons, Chief Finance Officer. ☎ 01832 742267 ✉ ghammons@east-northamptonshire.gov.uk					
Date: 27 January 2017					
CFO **27.01.2017**		**MO**		**CX**	