

Meeting:	Council
Meeting date:	3 February 2017
Title of report:	2017/18 Budget and Medium Term Financial Strategy
Report by:	Leader of the council

Classification

Open

Key decision

This is not an executive decision.

Wards affected

County-wide

Purpose

To approve the 2017/18 budget and medium term financial strategy (MTFS) as recommended by cabinet.

Recommendations

THAT the following be approved:

- (a) the gross council tax base of 67,937.91 band D equivalents;**
- (b) an increase in council tax in 2017/18 of 1.9%;**
- (c) an additional precept in respect of adult social care costs of 2.0% applied to council tax in 2017/18.**

Council notes that the impact of the above recommendations will result in a total council tax increase of 3.9%; increasing the band D charge from £1,324.83 to £1,376.50 for Herefordshire Council in 2017/18; and

- (d) the balanced 2017/18 revenue budget proposal of £145.025m (appendix 1 to this report) subject to any amendments approved at the meeting, and specifically.**
 - i. the net spending limits for each directorate as at 3.4.1**
 - ii. the gross revenue budget of £350.438m**
 - iii. delegates to the section 151 officer the power to make necessary changes to the budget arising from any variations in central government funding allocations via general reserves.**

THAT Council adopts the following:

- (a) the treasury management policy statement, appendix 3;**
- (b) the medium term financial strategy (MTFS) which incorporates:**
 - i. the capital programme approved by Council on 16 December 2016;**
 - ii. the treasury management strategy (TMS);**
 - iii. the reserves policy, as determined by the section 151 officer as a prudent level of reserves.**

Alternative options

- 1 Council can recommend alternative spending proposals or strategies within the constraint of setting a balanced budget for 2017/18. Any alternative proposals must identify sufficient compensatory funding to support additional spending proposals.

Reasons for recommendations

- 2 The council has a legal obligation to set a balanced budget and council is responsible for approving a budget, based on cabinet's recommendations, in line with the budget and policy framework rules within the constitution.

Key considerations

- 3 The impact of continuing reductions in central government funding to local authorities means that Herefordshire Council is required to make further savings to balance its budget for 2107/18 and in the years to come. This is part of the overall information coming from central government.

<https://www.gov.uk/government/publications/autumn-statement-2016-documents>

<http://budgetresponsibility.org.uk/overview-of-the-november-2016-economic-and-fiscal-outlook/>

- 4 During the summer of 2016 the council submitted its efficiency plan to government in support of a four year settlement which was accepted and allows the council to more effectively plan for the future as central government grants continue to fall.
- 5 The council has directed its resources to deliver the key services required by residents while reducing overall costs to demonstrate efficiency and ensure good use of resources. In making substantial savings to date, the council will have delivered savings of almost £70m by the end of 2017/18 in response to an 80% reduction in central government funding since 2010.
- 6 The budget has been prepared by senior officers and has been subject to rigorous review by the management board through a star-chamber type challenge process. It has been constructively challenged through the council's scrutiny committees prior to a final examination of key assumptions and proposals by cabinet in advance of submission to council.
- 7 The budget proposals were published and discussed at cabinet on 19 January 2017

Further information on the subject of this report is available from
Mark Taylor, interim director of resources on Tel (01432) 383519

and all issues raised have been reflected in the current budget documentation and questions raised by non-cabinet members responded to outside the cabinet meeting, specifically:

- a) clarification of internal and external spend to date on the Hereford by-pass funding set out in the capital programme was provided at the meeting by director of economy, communities and corporate;
 - b) the pollution risk in the river Lugg has been passed to directorate services for a formal assessment and if necessary inclusion in the councils risk management matrix.
- 8 A balanced, deliverable budget is proposed and is recommended to full council for approval.
- 9 The section 151 officer is satisfied that the budget represents a balanced, deliverable budget for 2017/18 and that it includes adequate provision for planned expenditure, the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves.

Community Impact

- 10 The MTFs and budget demonstrate how the council is using its financial resources to deliver its priorities as stated within the corporate plan.

Equality duty

- 11 The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying “due regard” in our decision making in the design of policies and in the delivery of services.
- 12 A number of service specific equality impact assessments have been completed for the service specific budget proposals to assess the impact on the protected characteristic as set out in the Equality Act 2010. Individual equality impact assessments will be prepared prior to consultation and delivery of each specific saving initiative.
- 13 The duty means that the potential impact of a decision on people with different protected characteristics is always taken into account when these assessments have been completed then we will consider mitigating against any adverse impact identified.

- 14 The change in council tax has meant that there has been a change to the support given through the council tax reduction scheme. This scheme provides essential help towards the council tax liability for all claimants on low income. Whilst this isn't a "protected characteristic" under the Equality Act it is a factor taken in to account as it is recognised that low income can compound the impact on individuals. By continuing to assess entitlement on a means-tested basis, similar to the national approach to means-tested benefits, the scheme is equitable, albeit that the level of support overall may be reduced to working age claimants.
- 15 The EIA process and consultation for individual budget savings are based on identifying whether or not service delivery impacts are likely to be different for a person because of their protected characteristic. We acknowledge that in particular older and disabled people and those on low income may be adversely impacted upon when remodelling services such as residential or day centre support, or transport services. We also recognise that the changes and remodelling we do around early year and children's centres could have an impact on these same individuals. Through the consultation and assessment process all services changes are expected to identify the risk of these impacts and mitigate against them where possible. Further detail can be found in a cumulative equality impact assessment in appendix 5.

Financial implications

- 16 The financial implications arising from the council's revenue budget are fully set out in the report.

Legal implications

- 17 Council is required by statute to set a balanced budget that considers expenditure and funding. Councillors are required to act prudently when approving the budget and council tax so that they act in a way that considers local taxpayers. Councillors in making this decision must give careful and considered regard to:
- a) the report from the chief finance officer concerning the robustness of the estimates and the adequacy of the reserves within the budget proposal;
 - b) the aims of the equality duty and the cumulative impact of the budget proposal as set out in appendix 4 to this report;
 - c) the results of the consultation as set out in appendix 6 to this report, including any alternative options proposed by consultees.
- 18 Council should note that some of the savings proposals may require further development, assessment and consultation.

- 19 Council should note that the 3.9% council tax increase is in line with the revised flexibility set of in the 2016 Autumn Statement.

Risk management

- 20 Section 25 of the Local Government Act 2003 requires the chief finance officer to report to Council on the robustness of the estimates included in the budget and the adequacy of reserves when it is setting the budget and council tax.
- 21 The budget has been prepared using relevant, available information, current spending, anticipated pressures and the Government's financial settlement.
- 22 The key risks identified are set out in the MTFs at appendix 4. Risks will continue to be monitored through the year and reported to cabinet as part of the budget monitoring process

Consultees

- 23 Consultation on the budget proposals commenced on 29 July 2016 and ended on 7 October 2016. The consultation process was compliant with the council's constitution (as per section 4.3.2.4) in seeking responses to the budget proposals from as wide a range of individuals and groups as possible. The consultation sought views on priorities, savings and income proposals and included how we could do things differently. The outcome of the consultation, attached in appendix 6 has informed and guided decisions within the proposed budget.
- 24 There were a total of 280 standard responses to the consultation, of which 241 submitted online and 39 completed paper copies. 171 responses supported an increase in charges for council services above the level of inflation. 148 responses supported Herefordshire Council in making a further increase in council tax above 3.9%.
- 25 The need to improve infrastructure and access to funding and business support were highlighted as what the council could do to improve the attractiveness of Herefordshire to businesses.
- 26 Initial proposals have been reviewed and re-phased following the consultation feedback, particularly areas seen as a higher priority by the public, libraries, community and public transport. The updated savings proposals are reflected in appendix 2.
- 27 The budget proposals have been subject to review and challenge by both of the council's scrutiny committees and their comments and recommendations were responded to and are reflected in the final proposals - see appendix 7.

Appendices

- Appendix 1 Revenue budget summary 2017/18;
Appendix 2 2017/18 savings plans by directorate;
Appendix 3 Treasury Management Strategy Statement;
Appendix 4 Medium Term Financial Strategy (MTFS) 2017/18 – 2019/20
Including:
- Capital Budget, as approved by Council on 16 December 2106
 - 2017/18 Treasury Management Strategy (TMS)
 - Reserves Policy
 - Risk Management
- Appendix 5 Cumulative equality impact assessment;
Appendix 6 Summary of budget consultation
Appendix 7 General Overview and Scrutiny Committee recommendations and responses

Background papers

None.