

Part A

Report to: Cabinet
Date of meeting: 16 January 2017
Report of: Director of Finance
Title: Financial Planning

1.0 Summary

- 1.1 The purpose of this report is to enable the Cabinet to consider service level expenditure, funding and council tax levels for the medium term 2017/18 to 2019/20, including consideration of the use of reserves and balances. This budget is a component part of the 2017/18 Council Tax calculations.
- 1.2 The report sets out:
- the draft revenue estimates for the period 2017-20, including a revised budget for 2016/17
 - the draft capital programme for the period 2017-20
 - the Treasury Management Strategy 2016-19
- 1.3 The Cabinet is recommended to agree the Council Tax Base to apply for 2017/18.
- 1.4 The report includes advice from the Director of Finance on the adequacy of general reserves and balances in the context of the three year planning horizon 2017-20 (see paragraph 7.9).

2.0 Recommendations

That Cabinet:

- 2.1 Delegates to the Director of Finance and Portfolio Holder the ability to amend the budget figures in accordance with decisions taken at the Cabinet meeting and any minor variations that may occur before the Council meeting.

That Cabinet recommends to Council to:

That Council:

- 2.2 Resolves in accordance with the *Local Authorities (Calculation of Tax Base) Regulations 1992*, the amount calculated by Watford Borough Council as its Council Tax Base for the year 2017/18 is **32,062.1** as outlined in the report.
- 2.3 Approves the continuation of the Local Council Tax Reduction Scheme for 2017/18. This will then be subject to a review which will be carried out in 2017/18 with the intention of implementing a new scheme from 2018/19 onwards.
- 2.4 Approves the estimate of surplus and deficit position on the Collection Fund.

- 2.5 Approves the budget as laid out in the report, including:
- the base budget estimates
 - the growth and savings
 - the Capital Investment Programme 2016-20
- 2.6 Approves the schedule of fees and charges.
- 2.7 Approves the strategy for flexible use of capital receipts.
- 2.8 Approves an increase in the annual Council Tax for a Band D property of £5.00 (2.00%) in 2017/18. This percentage increase will apply to all other bands.
- 2.9 Approve the increase of the Council's Key Decision Limit to £0.25 million with immediate effect.
- 2.10 Approves the key risks identified and has regard to the advice provided by the Director of Finance on the robustness of estimates and the adequacy of reserves.
- 2.11 Notes the indicative budgets for 2018/19 and 2019/20, the Council's future spending plans which are supported by internal borrowing (see para 6.4 onwards of the main report, utilising the Council's reserves and cash balances.
- 2.12 Approves the Treasury Management Strategy for 2017/18.

3.0 Consultation

- 3.1 Budget Panel has been fully engaged throughout this process and feedback from its meeting will be circulated prior to the Cabinet meeting.
- 3.2 As part of the statutory consultation with business ratepayers, copies of this report have been sent to the Watford Business Improvement District, the Watford Chamber of Commerce and the borough's Local Strategic Partnership-One Watford. Any feedback will be reported at the meeting.

4.0 Implications

4.1 Financial Implications

These are covered within the report.

4.2 Legal Implications

- 4.2.1 In the Constitution it is Council who is required to set the budget, which includes the Council Tax Base and setting the level of Council Tax. Cabinet therefore must forward its recommendations on the budget to Council. The Constitution also requires that any recommendation from Cabinet to Council regarding the budget must be submitted before the 8 February in the preceding financial year to enable the Mayor to have the opportunity to call in any decision of Council on the budget.

The Council must set its 2017/18 budget by 11 March 2017. The Local Council Tax Reduction Scheme has to be approved by Council by 31 January each year for the next financial year.

4.2.2 It is a statutory requirement that the Treasury Management Strategy and Treasury Management Practices are reviewed annually. The report meets the requirement of CIPFA's Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities and complies with the Local Government Act 2003.

4.2.3 It is a statutory requirement that the Chief Financial Officers provides a report under Section 25 of the Local Government Act 2003 on the robustness of estimates used in the budget and the sufficiency of the Council's reserves. The Section 25 report is included in the report.

4.2.4 The Secretary of State released guidance under Section 15 of the Local Government Act 2003 which offers authorities the opportunity to use Capital Receipts more flexibly to fund the costs which generate ongoing savings for authorities, subject to the expenditure qualifying under the guidance and a strategy being approved by Council. The strategy for 2017/18 is included in the report.

5.0 **Equalities**

5.1 Watford Borough Council is committed to equality and diversity as an employer, service provider and as a strategic partner. In order to fulfil this commitment and its duties under the Equality Act 2010 it is important to demonstrate how policies, practices, and decisions impact on people with different protected characteristics. It is also important that the Council is not discriminating unlawfully when carrying out any of its functions.

5.2 This report provides an over view of Budget proposals and equalities issues will need to be specifically considered before any changes to existing service levels are introduced.

6.0 Risks

6.1 The potential risks of not approving the recommendations in this report are shown below; (1= very low risk, 4 = a very high risk)

Potential Risk	Likelihood	Impact	Overall Score
That Cabinet does not agree the council tax base before the statutory date	1	4	4
That Cabinet does not recommend revenue and capital estimates for 2017/18 to Council	1	3	3
That Cabinet does not agree a medium term financial strategy to address future government grant reductions	1	3	3
That Cabinet does not recommend a council tax to apply for 2017/18	1	3	3
That Cabinet does not indicate how it intends to finance any difference between net expenditure and sources of funding	1	4	4
That the Council will exceed its borrowing parameters	1	3	3
That the Council will be unable to service its annual borrowing costs	1	3	3
That the Council will be unable to repay any loans at maturity date	1	4	4
Investment placed with a non-approved body	1	4	4
Investment with a counterparty that subsequently defaults	1	4	4
That the estimates used in the preparation of the report will not be sufficiently accurate.	1	3	3
That the Council will not have adequate reserves to manage emerging risks.	1	4	4

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