EXECUTIVE **23 JANUARY 2017**

SUBJECT:	**DRAFT MEDIUM TERM FINANCIAL STRATEGY 2017 - 2022**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
REPORT AUTHOR:	**JACLYN GIBSON, CHIEF FINANCE OFFICER**

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1. Purpose of Report

1.1 To recommend to the Executive the draft Medium Term Financial Strategy for the period 2017-2022 and the draft budget and council tax proposal for 2017/18, for consultation and scrutiny.

2. Executive Summary

2.1 The Council approved the Medium Term Financial Strategy (MTFS) 2016-2021 in March 2016. This was based upon the financial context in which the Council was operating in at that time and upon a number of key assumptions which were volatile and subject to significant change. Based upon these assumptions the MTFS highlighted a requirement to deliver a challenging savings target of £4m by 2018/19.

2.2 The context in which this new strategy is set reflects the changing economic environment arising as a result of the outcome of the EU Referendum and the subsequent impacts this has had on Government policy and its fiscal strategy. The first Autumn Statement following the vote to leave set out a new fiscal framework for the UK, providing space for additional investment in order to make the UK resilient ahead of its exit from the EU. What did not change though was the Government's commitment to restoring the underlying public finances to health with the continuation of significant reductions in public sector expenditure, local government being no exception to this. Alongside this the Government remains committed to its devolution revolution with a fundamental shift in the mechanisms for funding local government.

2.3 The MTFS has now been updated to reflect these latest developments in the financial and policy context in which the Council operates along with further changes in resources, cost pressures and efficiencies. Based on this the requirement to deliver a savings target, at this stage, remains at £4m by 2018/19, however there remains a heightened level of risk surrounding the financial estimates as the Council moves away from guaranteed Government funding to a new era of self-sufficiency.

2.4 The Council has already made considerable progress towards its target savings and has delivered a track record of strong financial discipline. Planning ahead, securing savings in advance, re-investing in more efficient ways of working and adopting a more commercial approach whilst making careful use of reserves to meet funding gaps is an approach that has served the Council well.

2.5 This successful financial planning has enabled the protection of core services for the people of Lincoln while at the same time allowing for resources to be redirected in support of its strategic priories and new Vision 2020.

2.6 The MTFS must therefore continue with the managed, comprehensive approach that has served it well in the past in order to deliver a budget and forward projection that is sustainable over the medium to longer term and supports the aspirations of its Vision 2020.

2.7 Prior to submission of the MTFS 2017-2022 and the budget and council tax proposal for 2017/18 to Full Council, on 28th February 2017, this initial draft will be subject to public consultation and member scrutiny.

3. Background

3.1 The MTFS sets out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's Vision 2020 and strategic priorities.

3.2 The MTFS integrates revenue allocations, savings targets and capital investment and provides the budget for the next financial year and indicative budgets for the remaining period covered by the strategy.

3.3 The MTFS seeks to achieve a number of specific objectives;

- Ensure the Council maintains a sound and sustainable financial base, delivering a balanced budget over the life of the MTFS,
- Maximise income levels, including growing the Council Tax and Business Rates tax base, whilst ensuring that Council Tax rate increases are kept an acceptable level;
- Continue to manage down the Council's recurrent cost base, in line with reductions in overall resources by ensuring the provision of efficient, effective and economic services which demonstrate value for money.
- Ensure the Council maintains robust, but not excessive, levels of reserves and balances to address any future risks and unforeseen events without jeopardising key services and the delivery of outcomes;
- Ensure the Council's limited resources are directed towards its Vision 2020 and strategic priorities, redirecting where necessary to allow for improvement and investment;

3.4 In recent years the budget setting process has been characterised by the most significant cuts to grant funding for local authorities in a generation, which has taken place against the backdrop of one of the biggest fiscal consolidations of the post-war period. In response to these reductions the Council has undergone a significant review of its services which has led to a reduction in its annual expenditure of almost £7.3m, between 2008 and 2016.

3.5 Despite the reductions in funding incurred to date the Spending Review 2015, Autumn Statement 2016 and subsequent Local Government Finance Settlements have confirmed that funding reductions for local government will continue until at least 2019/20 with a reduction in the national Settlement Funding Assessment over this period of £6.7bn, equivalent to 31%. The multi-year Settlement heralded a new era for the funding of Local Government with the phasing out of the Revenue Support Grant (RSG), paving the way for the devolution of 100% of the business rates under a revised Business Rates Retention (BRR) scheme.

3.6 The current BRR Scheme was designed to provide incentives for local growth and create financial opportunities, however at the same time it has also transferred a significant amount of financial risk and uncertainty to local authorities. This creates a greater degree of uncertainty over the budget planning parameters for the Council than has been experienced previously. The volatility of this BRR scheme and the profound impacts that this can have on the Council's financial position have become ever more apparent over the last few years.

3.7 This level of risk and uncertainty is set to continue and increase further in the future as the Council moves towards this new era of self-sufficiency with the reduction of RSG and a reliance on local taxes and income streams to maintain its financial position. This new methodology for funding local government is inextricably linked to the performance of the national and local economy. Given the experience to date of the current BRR scheme, a move to 100% devolution of the business rates will no doubt bring further financial challenges. It does however come with the freedom from and removal of reliance on Government funding and gives local authorities a key stake in the financial prosperity of the local economy.

3.8 Therefore In order to ensure that the Council maintains a robust and sustainable financial position and is able to respond to the impact of volatile external events and increased financial risks that it faces, the MTFS needs to remain flexible, the council's reserves resilient and the sound track record of delivering savings and generating new income streams needs to be sustained, whilst ensuring that resources are directed towards its strategic priorities.

4. The General Fund

4.1 The Council's spending requirement, after capital charges and contributions to/from reserves are taken into account, for 2017/18 amounts to £10.392m which is £0.656m (5.9%) lower than the current year's budget. The provisional forecast spending requirements for the remaining four years of the MTFS are, £11.760m for 2018/19, £11.789m for 2019/20, £11.755m for 2020/21 and £12.281m for 2021/22.

4.2 The following paragraphs outline the key elements and assumptions on which the General Fund Revenue estimates have been prepared.

Provisional Finance Settlement 2017/18

4.3 The provisional Local Government Finance Settlement for 2017/18 represents the fifth year in which the BRR scheme is the principle form of local government funding, other than council tax income. The Council still continues to receive an element of Revenue Support Grant to top up business rate income, but this is set to dramatically reduce over the period of the period to 2019/20 when the introduction of 100% BRR is set to come into effect.

4.4 The Settlement forms the second year of a four year fixed settlement that was offered to local authorities in 2016/17. The offer of a fixed settlement for some, not all, elements of government funding was made on the basis that any council that wished to take up the offer would be required to have an efficiency plan in place in order to do so. Nationally 97% of Council's accepted this offer, the Council being one of them.

4.5 Under the BRR scheme the settlement no longer provides guaranteed funding levels for local authorities, ultimately it is now the prosperity of the local economy and level of business rates collected by the Council that will determine the funding received for this element of its funding.

4.6 The calculation of income to be received through the BRR systems is therefore critical in determining the amount of resources that the Council will have available to fund local services. The Council has undertaken a detailed assessment of the amount of business rates that it expects to receive during 2017/18, including making assumptions on projections for growth in business rates and provisions for appeals by businesses in respect of their current rateable values, which are still outstanding, as well as making an assessment of the likely appeals against the new 2017 ratings list. Based on this assessment and after allowing for the allocation to Government and the County Council, the Council estimates that it will retain £4.458m of the £42.613m of business rates generated within the City. This is a reduction in the level of business rates income previously forecasted, due to a continued increase in the value of appeals lodged against the ratings list 2010 and the consequent potential reduction these will have on the ongoing ratings list along with a number of temporary reductions to the NNDR base. The closure of the two BHS stores in the city has had a significant impact, as have temporary disruptions resulting from major redevelopment projects within the City, including the East West Link Road and the Transport Hub. These are expected to revert back into the NNDR base over the coming years.

4.7 Forecast business rates in the draft MTFS 2017-22 are based on the most recent available estimates of Lincoln's business rates base. However, until the business rates base for 2017/18 is finalised at the end of January 2017 the estimate for 2017/18 is subject to change. This is particularly the case in the coming financial year as 2017/18 will be the first year of business rates collection following the 2017 revaluation of all business properties and a revised approach to estimated appeals in the Government's funding settlement.

4.8 This level of retained business rates is calculated on the basis that the Council participates in the Lincolnshire Business Rate Pool in 2017/18. The pool consists of this Council, Lincolnshire County Council, North Kesteven District Council, Boston Borough Council, South Kesteven District Council, East Lindsey District Council and West Lindsey District Council. Membership of this pool allows the Council to retain an element of growth that would have otherwise been payable via a levy to the Government, this equates to retained resources of £283k in 2017/18.

4.9 The RSG element of the Provisional Settlement confirms the allocations previously announced as part of the multi-year settlement. This shows a dramatic reduction in the level of grant received, with the allocation falling to just £0.022m in 2019/20, a reduction of 99.1% over the Spending Review 2015 period. The RSG allocation for 2017/18 is £1.698m. Beyond 2019/20 it is assumed that there will be no further RSG payable by the Government and that the principles forms of funding will be from local taxes.

4.10 The Provisional Settlement also provided grant allocations for the New Homes Bonus (NHB), for 2017/178 the Council will receive £1.647m a significant allocation in relation to it's over funding streams. At the same time as announcing the allocations for 2017/18 the Government also released its response to a consultation, undertaken in early 2016, on proposed changes to the scheme. The intention of the proposals is to reduce the cost of the scheme by c£0.800m by 2019/20 which will instead be diverted towards social care pressures, to the detriment of district councils. In addition to the initial consultation proposals a further £0.241m has been topsliced from the NHB funding to be used to fund a new Adult Social Care Support Grant. The implications of the revised NHB scheme have an unfavourable impact on district councils, particularly those with low taxbases and have seen the Council's forecast allocations significantly reduce, with an anticipated reduction in future grant levels to £0.560m by 2021/22.

Council Tax

4.11 The Localism Act 2011 introduced a power for residents to approve or veto excessive council tax increases. In the Provisional Financial Settlement the Government announced the referendum limit to be a 2% increase on the 2016/17 council tax for Authorities who are not responsible for adult social care.

4.12 In view of this and taking into consideration the Council's need to protect its financial position from further decline and maximise its local income streams, the MTFS for consideration proposes an 1.91% rise in Council Tax for 2017/18, and each of the subsequent four years. An increase of 1.91% in 2017/18 equates to an additional 6p per week for a Band A property and 9p per week for a Band D property (80% of properties fall within Band A and B).

Spending Plans

4.13 The MTFS is central to identifying the Council's financial capacity to deliver its vision and strategic priorities. The Council's new Vision 2020 is supported by a three year programme containing a range of projects that will meet each of the new strategic priorities. In the absence of any new Government funding and in the context of the savings targets underpinning the MTFS, the resources to finance these projects and have been made possible by allowing the redirection of resources to the priority areas as well as seeking external financial support through grants and contributions.

4.14 The following other key assumptions have been used in formulating the draft General Fund revenue estimates for 2017/18 – 2021/22 as follows:

- Increases in the Business Rate Taxbase of 1.0% p.a. in 2018/19 and 2019/20 and 2% p.a. from 2020/21.
- Increases in the Council Taxbase of 1.25% pa.
- Council tax increases of 1.91% p.a. for 2017/18 until 2019/20 and then 1.9% thereafter.
- New Homes Bonus income of £1.647m in 2017/18, £1,085m in 2018/19, £0.889m in 2019/20, £0.811m in 2020/21 and £0.560min 2021/22.
- Non-Statutory fees and charges overall yield assumed at 3% pa.
- An increase in employer pension contribution rates of 1% pa for 2017/18 and 2018/19.
- A provision for pay awards of 1% for 2017/18 to 2019/20, and 2% pa

thereafter.

- A provision for inflation of 3% pa for contractual commitments (RPI based) for the entirety of the MTFS.
- A provision for 2% pa for general inflationary increases (CPI based) for the entirety of the MTFS.
- Average interest rates on investments have been assumed at 0.50%% in 2017/18, 0.47%% in 2018/19, 0.54% in 2019/20, 0.99% in 2020/21 and 1.40% in 2021/22.
- Staff turnover targets of 1% pa

Towards Financial Sustainability

4.15 The Council have already taken a proactive response to the reduction in resources it has faced and has in recent years undergone a significant number of fundamental reviews of its services leading to a reduction in its annual expenditure of £7.3m, a significant amount in comparison to its net expenditure budget. Despite this success, the Council must continue to reduce its levels of expenditure or identify additional resources if it is to achieve the current savings targets assumed in the MTFS and to remain sustainable.

4.16 The Towards Financial Sustainability (TFS) programme is and continues to be the vital element in ensuring that the Council maintains a sustainable financial position and delivers the required reductions in the net budget. The programme itself continues to focus on the following prioritised key strands of activity:

- Generation of new income streams, commercial opportunities and trading activities whilst ensuring that appropriate charging regimes for services are implemented.
- Optimisation of usage and commercial returns of the City's property and land portfolio.
- Redesigning and modernising services to ensure the provision of professional, high quality service provision.
- Driving greater value from procurement and commissioning activity.
- Focussing on sustainability and the savings that can be gained by making greener choices in the way that we work.
- Withdraw or part withdraw from some services not deemed to be of sufficient priority or any longer affordable.

Based on the delivery of the current TFS Programme saving secured to date the Council is in a strong position to deliver the required level of savings required in 2017/18. However beyond 2017/18 the current programme does not deliver the size of savings required leaving a gap of £0.719m in 2018/19. The overall emphasis on delivering the savings targets must therefore remain strong to achieve the savings targets from 2018/19 and beyond and provide financial capacity to respond to the financial risks the Council faces.

4.17 **Provision for the repayment of debt**

A review of the Council's Minimum Revenue Provision Policy (MRP) has been undertaken in 2016/17. MRP is a statutory charge to the Council's revenue account to make provision for the repayment of the outstanding capital debt liabilities. The Council is required by law to set aside an amount for this provision which it considers to be prudent. Statutory Guidance which accompanies Regulations provides options for the calculation of MRP and gives Council's significant discretion in determining the level of MRP.

4.18 As a result of the review the Council’s Treasury Management Strategy 2017/18 proposes a change to the Council’s MRP policy and the MTFS is predicated on the revised MRP Policy. There are two key changes to the policy. The first is to make provision for historic debt repayment evenly over the life of the assets the debt was taken to fund (the current policy is heavily weighted to charge higher costs to early users). While, the second is to utilise available capital receipts (that have not be allocated to fund capital expenditure) to reduce the Council’s Capital Financing Requirement (its need to borrow) which allows for a temporary reduction in the MRP charge over the MTFS. The retrospective application of these policy changes to the MRP policy provide £1.3m additional resources over the MTFS period

Robustness and Adequacy of the Budget and Reserves – General Fund

4.19 In presenting the budget to the Council, the Executive must take account of the advice of the Council’s Chief Finance Officer in relation to the robustness and adequacy of the budget and reserves.

4.20 The level of earmarked reserves is shown in Appendix 6, which shows the estimated closing balances at the end of each of the next five financial years. These reserves will only be used for the specific purposes for which they were set up. Having reviewed these earmarked reserves the Chief Finance Officer has concluded that they are adequate to fund the planned expenditure identified by the Council.

4.21 As a result of the increased level of financial risk faced by the Council and the threat this poses to the Council’s financial position the prudent minimum level of general reserves remains at an increased level. Based on an assessment of the estimated exposure, likelihood and possible mitigation of the financial risks that the Council faces it is deemed prudent to hold general reserves around £1.5m-£2m. Over the MTFS general reserves are maintained in line with this prudent minimum and show an estimated balance of £1.786m by the end of 2021/22.

5. The Housing Revenue Account

5.1 The Council’s Housing Revenue Account Business Plan 2016-2046 was approved in February 2016 following a fundamental review of resources, investment requirements and priorities. The Business Plan reflects the impact of government policy changes 9including annual rent reductions), the results of stock condition surveys and financial assumptions at the time. This MTFS 2017-22 is based on the approved Business Plan, updated for revised financial assumptions reflecting current market conditions and expectations, subsequent government policy changes, updated development and investment profiles and other emerging service factors.

5.2 **Repairs and maintenance**

Repairs and maintenance is an essential part of the asset management of the Council’s housing stock. Significant improvements have been made in the efficiency of the Housing Repairs Services (HRS), costs continue to be driven down through procurement activity and there is continued capital investment in existing and new housing stock. The combined impact of these is expected to be a reduction in the costs of repairs over the MTFS period. This yet to be reflected in the MTFS as more detailed work is undertaken to fully assess repairs and maintenance budget requirements over the next 5 years, however it is anticipated that the review will result in cost savings to the HRA.

5.3 **Financing the capital programme**
Under HRA self-financing the primary source of funding for capital investment in the Council's housing stock is from the revenue account through asset depreciation charges and revenue surpluses. Based on the current Housing Investment Programme (HIP), the need for £54.8m of revenue support is anticipated over the MTFS period.

5.4 The DCLG has recently revised the valuation adjustment factor for social housing in the East Midland's. This has increased the value of the housing stock in the Council's Balance Sheet and as a result the annual depreciation charge has increased. Within the HRA depreciation charges are allocated directly into the capital programme, whereas revenue contributions are additional contributions to the capital programme at the discretion of the Council to reflect the investment and funding needs of the capital programme.

5.5 The result of the change in the discount adjustment factor has been to reduce flexibility with the HRA to adjust planned DRF contributions to reflect the demands of both the capital and revenue programme. It, therefore has become increasingly imperative that there is robust budget management of the HRA and opportunities to achieve efficiencies and maintain/maximise income streams are actively pursued. This will be critical if the Council wishes to release resources in the revised business plan to undertake further investment to facilitate the delivery of new housing provision in the City, whilst ensuring that the HRA has the flexibility to be able to respond to any in year budget pressures that may arise.

5.6 **Housing Rents**
The HRA Business Plan 2016-2046 incorporates the government's requirement for a 1% p.a. rent reduction between 2016/17 and 2019/20 (including the long term impact of the reduction in the base) and assumes that from 2020/21 rents will revert back to the previous Guidance on Rents for Social Housing and increase by CPI+1%. The MTFS 2017-22 has been prepared on this basis. The MTFS 2017-22 also allows for rentals for supported accommodation to reduce by 1% p.a. to 2019/20 and revert back to CPI+1 from 2020/21 in-line with dwelling rents. This requirement for supported accommodation had not been expected in the current MTFS and has resulted in a shortfall in budgeted income of £520k across the remainder of MTFS 2016-21 period and a reduction in the base ongoing. A review of the supported housing service is planned for 2017/18 and is anticipated to identify resources for investment within the HRA.

5.7 Rental income levels within the MTFS 2017-22 are based on a rephrasing of the delivery profile for the new build programme to reflect the planned agreements with housing associations (enabling access to HCA grants). This has resulted in a shortfall in budgeted rents of £215k in 2017/18, which is recouped over the later years in the MTFS as rental units are delivered. In addition rental income at affordable rents (compared to social rents) have been included within the HRA in-line with the anticipated housing association delivery, this has resulted in an additional £711k income over the existing MTFS period.

5.8 Rental income budgets in current MTFS 2016-21 are based on an estimate of 35 Right to Buy (RTB) sales per year. However, experience in 2016/17 and expectations for subsequent years have increased the estimate of RTB's to 50 per year. The MTFS 2017-22 is based on 50 RTB's per year which has reduced rental income budgets by £546k over the existing MTFs period.

5.9 In line guidance housing rents for 2017/18 are based on 1% reduction, this will result in a reduction of an average weekly rent from £70.23 in 2016/17 to £69.54 per week for 2017/18 equating to an average decrease of £0.69 per property per week. Any rents on properties that are currently below "formula rent" are able to increase these to the formula level before applying the 1% reduction.

5.10 The following other key assumptions have been used in formulating the HRA estimates for 2017/18 – 2021/22 as follows:

- Assumptions for price inflation, interest rates, pay awards, vacancy savings and employer pension contributions are as per the General Fund
- Housing Rents decreases of 1% pa until 2019/20, followed by an increase of CPI + 1% in 2020/21 onwards.
- Average Garage Rents increase of 3% pa, bringing the average rent to £7.57 per week in 2017/18
- Housing voids assumed at 1.0% pa.

Robustness and Adequacy of the Budget and Reserves – HRA

5.11 In presenting the budget to the Council, the Executive must take account of the advice of the Council's Chief Finance Officer in relation to the robustness and adequacy of the budget and reserves.

5.12 The level of earmarked reserves is shown in Appendix 6, which shows the estimated closing balances at the end of each of the next five financial years. These reserves will only be used for the specific purposes for which they were set up. The Chief Finance Officer has reviewed the level and purpose of the reserves as part of the budget setting process and has concluded that these are adequate to fund the planned expenditure identified by the Council.

5.13 The prudent level of general reserves on the Housing Revenue Account is considered to be £1m. Over the MTFS they are maintained in line with this prudent minimum and show an estimated balance of £1.076m at the end of 2021/22.

6. The General Investment Programme

6.1 The General Investment Programme (GIP) for the period 2017/18 – 2021/22 is included within the MTFS at Appendix 2. The total allocated capital programme over the next five years is £18.4m of which £17.2m is estimated to be spent in 2017/18.

6.2 The GIP includes the delivery of key capital schemes identified to support the delivery of Vision 2020, schemes identified as required investment in order to deliver revenue savings as part of the Towards Financial Sustainability Programme, schemes resulting from joint working with partners, schemes and ongoing capital schemes, particularly the investment required in the property portfolio.

6.3 The Lincoln Transport Hub secured external funding and was added in full to the capital programme in 2016/17. The scheme is well underway with completion expected 2017/18 with the new bus station and multi-story car park in operation towards the end of 2017/18.

6.4 In addition to the approved schemes which form the GIP there are a number of key strategic schemes which have not yet been formally approved due to the stage of their development, i.e. the scheme is currently still at the design stage, or is still subject to final funding agreements etc. and as such do either not appear in the current GIP or are included but not at the full scheme costs. These schemes include the Western Growth Corridor and Housing Company. Each scheme will be submitted separately for approval and inclusion in the GIP once the relevant stage in their development has been reached.

7. The Housing Investment Programme

7.1 The Housing Investment Programme (HIP) for the period 2017/18 – 2021/22 is included within the MTFS at Appendix 4. The total allocated capital programme over the next five years is £69.7m of which £22.6m is estimated to be spent in 2017/18.

7.2 The 5 years HIP is based on the HRA 30 year business plan, updated to reflect revised spending and funding profiles of approved schemes as detailed schemes are developed. The key elements of the HIP include maintenance of Decent Homes and implementation of the Lincoln Standard, essential health and safety requirements and delivery of the council house new build programme (including a land acquisition fund). The new build programme has been updated to reflect the anticipated agreements with housing associations to deliver new homes in the HRA.

7.3 Future spending plans for the HIP are expected to include capital investment in major redevelopment at De Wint Court and the Western Growth Corridor development, however these are not included in the MTFS at this stage.

7.4 As set out in paragraph 5.3 above the primary sources of financing for the HIP is from the revenue account, with financing of £54.8m over the 5-year period. In addition further resources are available from capital receipts (including Right-to-Buy receipts). There is currently no additional borrowing required within the HIP.

7.5 HIP resources over the first 3-years of the MTFS are expected to be committed to funding the planned programme, with limited flexibility to release any further funds and/or resource any increase in planned programme costs. Additional capital investment during this time would need to be identified within existing allocated budgets, through prudential borrowing (which is currently not budgeted for within the revenue account) or by securing external funding. By 2020/21 though, the available resources are forecast to be at £3.1m providing opportunities for further investment in existing/new housing stock.

8. Consultation and Scrutiny

8.1 Budget consultation will be undertaken primarily based on an online survey, the key purpose of which will be to;

1. Highlight the proposed budget and Council Tax for 2017/18.

2. Outline the of longer term financial challenges facing the Council as it moves into an era of self-sufficiency.

8.2 In terms of member budget scrutiny a number of all member workshop will be undertaken during January 2016 to ensure that as large a number of members as possible have the opportunity to fully understand the financial position of the Council. This will be followed by a Budget Review Group who will focus on the detail of the draft MTFS, proposed budget and Council Tax recommendation.

8.3 Consultation and scrutiny comments and responses will be considered when the Executive makes its final budget recommendations on 27th February 2017.

9. Strategic Priorities

9.1 The MTFS underpins this policy and financial planning framework and set out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's Vision 2020 and strategic priorities.

10. Organisational Impacts

10.1 Finance - There are no direct financial implications arising from the approval of the MTFS 2017-2022. The strategy provides information on the Council's spending, income and key financial challenges.

10.2 Legal Implications including Procurement Rules - Local authorities must decide, prior to the 11th March, each year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the council tax before the year begins and can't increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for services; and

- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

10.3 Local government legislation requires an authority's Chief Finance Officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions.

10.4 Land, property and accommodation - Specific implications for the deployment and management of the Council's assets are included within the Capital Strategy and Asset Management Plan which support the achievement of the objectives of the MTFS.

11. Equality Implications

11.1 This report provides a summary of the financial planning activities across the

Council. As a consequence of the approval of the MTFS and budget for 2017/18 there may be an impact on certain council services which will be subject to review. Planning work undertaken to develop the Towards Financial Sustainability Programme and strands and investment in the Vision 2020 and strategic priorities, set out above, involves taking an overview of the potential cumulative impact. This is further expanded and built upon as the specific reviews and projects are developed and so detailed equalities implications will be assessed at the individual service level.

12. Risk Implications

12.1 The Council has a very proactive approach to managing risk and there are effective arrangements for financial control already in place. That said, there is always a risk that the Council will become liable for expenditure that it has not budgeted for or face a reduction in resource available, the impact of which must be mitigated by holding reserves. Due to the significant change in core funding mechanisms for local authorities the level of volatility and risk to which the Council is exposed has increased significantly, the MTFS therefore needs to remain flexible and the council's reserves resilient.

12.2 The financial risks, Appendix 5 of the MTFS, have been identified and an assessment of the estimated exposure, likelihood and possible mitigation has been made in the context of the Council's overall approach to risk management and internal financial controls. Officers will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to Members.

13. Recommendation

13.1 That the Executive agree, for consultation and scrutiny, the

- The Draft Medium Term Financial Strategy 2017-2022, and;
- The Draft Capital Strategy 2017-2022

Including the following specific elements:

- A proposed council tax Increase of 1.91% for 2017/18.
- A proposed housing rent decrease of 1% for 2017/18.
- The Draft General Fund Revenue Forecast 2017/18-2021/22 as shown in Appendix 1 and the main basis on which this budget has been calculated (as set out in paragraph 4).
- The Draft General Investment Programme 2017/18-2021/22 as shown in Appendix 2, and the main basis on which the programme has been calculated (as set out in paragraph 6).
- The Draft Housing Revenue Account Forecast 2017/18-2021/22 as shown in Appendix 3 and the main basis on which this budget has been calculated (as set out in paragraph 5).

- The Draft Housing Investment Programme 2017/18-2021/22 as shown in Appendix 4, and the main basis on which the programme has been calculated (as set out in paragraph 7).

13.2 That Executive agree to delegate to the Chief Finance Officer approval of the final Business Rates Base for the financial year commencing 1st April 2017 and ending 31st March 2018 and submission of the base (via the NNDR1 return) to the DCLG by 31st January. All changes to the base estimated in the Draft MTFS 2017-22 will be reported to the Executive as part of the Final MTFS 2017-22 on 27th February 2017.

Is this a Key Decision?	No – Draft proposals only
Do the Exempt Information Categories Apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	One
List of Background Papers:	None
Lead Officer:	Jaclyn Gibson Chief Finance Officer Telephone: 01522 873258