Agenda Item No:	9	
Committee:	Council	
Date:	25 February 2016	
Report Title:	General Fund Budget 2016/17 and Capital Programme 2016-19	

Cover sheet:

1 Purpose / Summary

To consider the Cabinet recommendations in relation to the General Fund Revenue Budget 2016/17 and Capital Programme 2016-19.

2 Key issues

- Funding for the corporate priorities;
- Projected Outturn for 2015/16;
- Details of the Medium Term Financial Strategy and Capital Programme;
- All the required savings, £968k for 2016/17 have been identified and implemented;
- Further significant savings of around £2.133m are required over the medium term;
- Details of the Treasury Management and Investment Strategy 2016/17;
- 1.98% increase in Council Tax for 2016/17.

3 Recommendations

- **It is recommended by Cabinet that:-**
  - (i) the General Fund revenue budget for 2016/17 as set out in paragraphs 9 and Appendix A be approved;
  - (ii) the Capital Programme and funding statement as set out in Appendix C be approved;
  - (iii) the Medium Term Financial Strategy as outlined in this report be adopted;
  - (iv) the Treasury Management, Minimum Revenue Provision, Investment Strategy, Prudential and Treasury Indicators for 2016/17 as set out in paragraph 14 and Appendix D be approved;
  - (v) Delegation is given to the Corporate Director and Chief Finance Officer, in consultation with the Finance Portfolio Holder, to finalise and submit an Efficiency Plan to the Department of Communities and Local Government to meet the requirements of the Four Year Settlement Agreement.
  - (vi) the expenses detailed in paragraph 11 be treated as general expenses for 2016/17;
  - (vii) the Port Health levy for 2016/17 be set as shown in paragraph 12;
  - (viii) the Band D Council Tax level for Fenland District Council Services for 2016/17 be set at £250.47, an increase of £4.86 (1.98%) on the current year.

Wards Affected	All
Forward Plan Reference	
Portfolio Holder(s)	Cllr John Clark, Leader Cllr Chris Seaton, Portfolio Holder, Finance
Report Originator(s)	Rob Bridge, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Paul Medd, Chief Executive Rob Bridge, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	Finance settlement – Department for Communities and Local Government (DCLG). Medium Term Financial Forecasts working papers.

The structure of the report is as follows:-

Appendices

Report:

1 BUSINESS PLAN AND INTRODUCTION

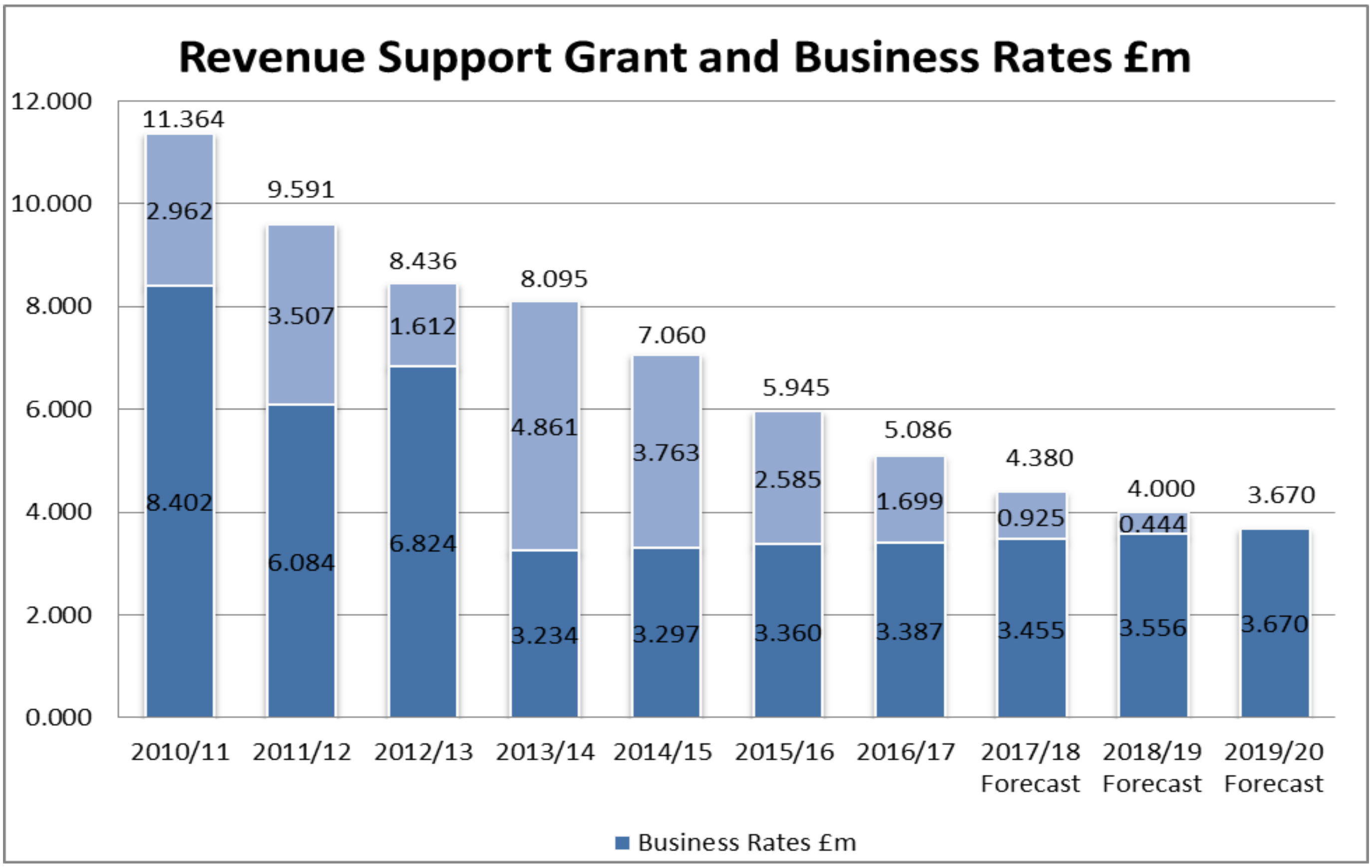
1.1 This report is the culmination of the service and financial planning cycle for 2016/17. It brings together all general fund revenue estimates, all capital estimates, and recommends a level of Council Tax for 2016/17. The budget for 2016/17 and financial forecasts are based on the following Corporate Priorities as set out in the Business Plan, with an overarching focus on improving the Quality of Life for the residents of Fenland:-

Quality Organisation

- **Communities**
- **Environment**
- **Economy**

1.2 These priorities have informed the development of the Council's Business Plan and have led to the budget proposals set out in this report. Full details of the Council's plans to improve the Social, Economic and Environmental well-being of the District are set out in the Business Plan 2016/17 earlier in the agenda for this meeting.

1.3 Local Government has been at the forefront of the austerity measures introduced by the government following the General Election in 2010, to reduce the national deficit. This Council has seen significant grant reductions since 2010 and by the end of 2015/16 we will have delivered over £8m of savings. This is exemplified in the graphs below:

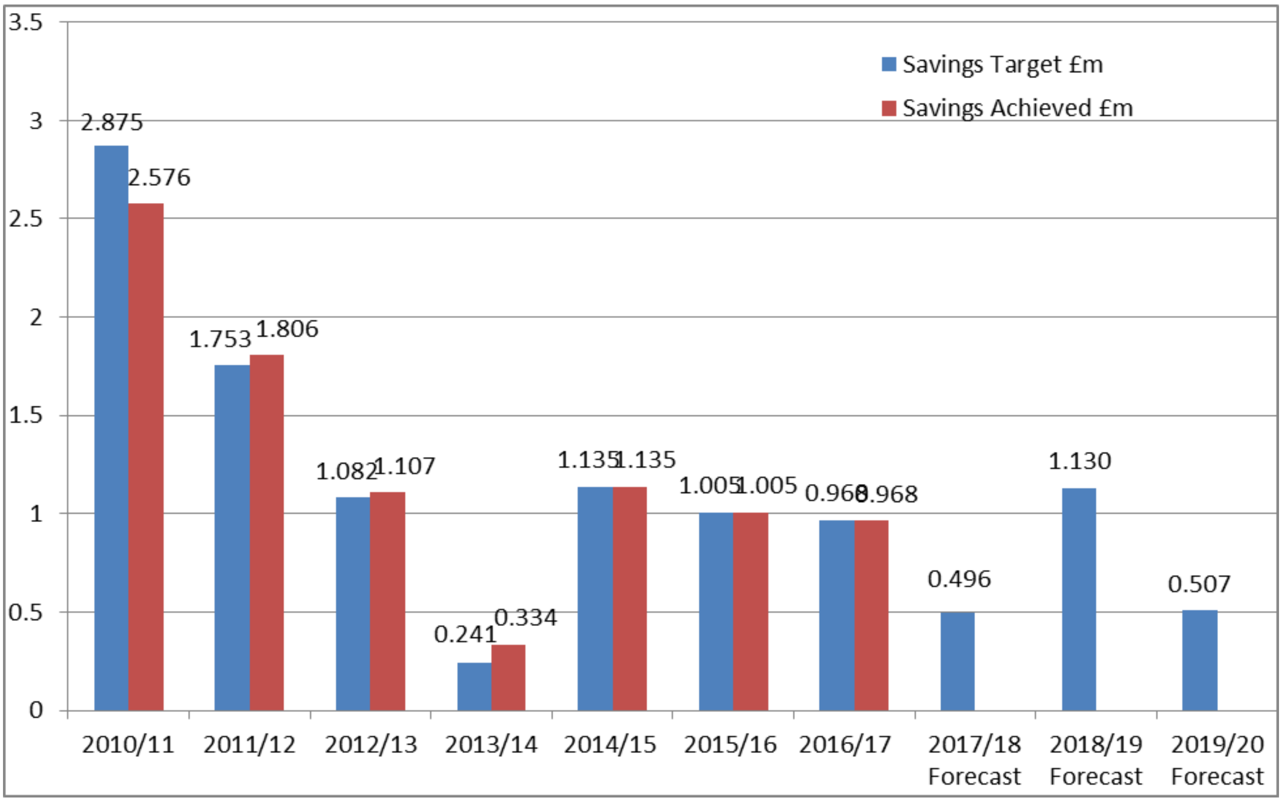


(Note: The new Business Rates Retention system was introduced in 2013/14. Prior to that, the government used a different formula to calculate the allocation of business rates.

Consequently, the split between business rates and RSG for these years could vary considerably between years, although the overall allocation reduced significantly. Since 2013/14, the graph shows the continuing trend of reducing RSG, within an overall reduced funding allocation, until it is phased out completely in 2019/20 with the introduction of 100% business rates retention).

1.4 Revenue Support Grant (RSG) and Business Rates will have reduced by 55% between 2010/11 and 2016/17, with forecast reductions of 14% per annum for the next two years, a 9% reduction in 2018/19 years as RSG is phased out, reducing to zero in 2019/20 as part of the government's strategy for local government to keep 100% of business rates revenues by the end of this Parliament.

1.5 The following graph illustrates how successful the Council has been in delivering the required savings targets over the last 6 years. With the exception of 2010/11, where as a result of the emergency budget following the general election, substantial reductions in government grants were announced in year (this Council's savings target increased by £1.525m in the year, of which £1.226m was achieved, a significant achievement), the savings targets have been met in every year.



During these years, Members have been very clear, that where possible, front line services should be protected. The Council's strategy of identifying savings 12 months in advance of the financial year has led to the successful delivery of the required savings targets and means the Council are in a good position to meet the challenges of 2016/17 and beyond. These savings have been achieved through a number of ways, such as Management and Service reviews, shared services, procurement and income generation.

2 PROJECTED OUTTURN 2015/16

2.1 As part of the budget setting process for 2015/16, approved by Council on 26 February 2015, £1.005m of savings were required in order to achieve a balanced budget.

2.2 As reported during the course of this year through the monthly monitoring reports to all Members and at previous Cabinet meetings, the required savings for 2015/16 have been identified and implemented. In addition, all of the required savings for 2016/17 have also been identified.

2.3 Significant organisational efficiency changes have been implemented in Environmental Services (Support Team), Human Resources, ICT, Legal Services, Markets and Events, Accountancy, Customer Access, Environmental Health, Post and Reprographics, Marine Services and Corporate Management Team. These together with other efficiency changes, for example the full year effects of both the Revenues and Benefits service joining Anglia Revenues Partnership (ARP) and the transfer of the Building Control team to CNC, part year savings from the Shared Planning Service with Peterborough City Council and higher retained income from business rates from additional growth have enabled the savings target to be met for this year with significant contributions towards the savings target for 2016/17.

2.4 The latest revised estimates for 2015/16 are set out at Appendix A for approval. The current estimate for net expenditure is £12.553m, which means that there is forecast to be a surplus of £561k by the end of this year. This is mainly a result of the Council receiving a significant refund of business rates mainly at the Port, higher than anticipated planning fees and RTB/VAT sharing income from Roddons together with higher than anticipated retained business rates income. The forecast surplus has arisen due to the above mainly one-off adjustments which could not have been predicted when the budget was set. In addition, the level of the projected surplus could change between now and the end of the year due to the volatility of some income streams.

2.5 Income levels overall are projected to achieve what was estimated, although there are variations between services, as detailed in the monthly monitoring reports. Expenditure also continues to be tightly controlled. At the present time, Corporate Management Team, Senior Managers and the Accountancy Team are managing and monitoring the position carefully and will continue to review spending levels to ensure where possible, this position is maintained at the year end.

2.6 Members will be aware of the Council's current and potential future liability to The Pilots' National Pension Fund. In June 2015, Cabinet agreed, as part of the 2014/15 outturn proposals, to make a contribution of £500,000 to a new Pilots' National Pension Fund Reserve to provide funding towards any future liability. Although officers are continuing to explore options to minimise the Council's future liability, Cabinet agreed at its' December 2015 meeting to transfer the projected surplus for 2015/16 (detailed in 2.4 above) to this reserve.

2.7 Consequently the General Fund Balance is forecast to remain at £2.386m at the end of 2015/16.

2.8 In line with the recommended budget strategy, the estimates for 2016/17 reflect the projected level of fees and charges this year and forecast investment income next year. Consideration of service financial variations for the current year is very important when considering the 2016/17 estimates, and is a requirement of Section 28 of the Local Government Act 2003. The ongoing and regular monitoring of the 2015/16 estimates undertaken during the current year has led to the preparation of detailed revised estimates shown at Appendix A. These estimates are used as the basis for the budgeting exercise undertaken to prepare the rolling 4 year revenue financial forecasts for 2016-2019.

3 CONSULTATION

3.1 The draft budget proposals for 2016/17 were approved for consultation by Cabinet on 17 December 2015. These proposals were discussed and considered at the meeting of the Overview and Scrutiny Panel on 18 January 2016. The Panel confirmed their overall support for the budget strategy.

4 FENLAND COMPREHENSIVE SPENDING REVIEW

4.1 In July 2015, the Council voted to establish a Fenland District Council Comprehensive Spending Review (FDC-CSR) in light of the significant further savings of approximately £1.8 million the Council would have to find from 2016-19. This savings target has subsequently increased to £3.206m over the Spending Review period following the final Local Government Finance Settlement. £968,000 of savings for 2016/17 have been delivered with a further £105,000 identified for 2017/18, leaving savings of £2.133m still to be identified and delivered.

4.2 FDC-CSR means the Council will be looking at everything we do to assess all of the options available to make savings and generate income to ensure we meet our savings targets and remain a sustainable organisation in to the future.

4.3 In November 2015, Councillors received a pack of information outlining the range of options available and were tasked with indicating their preferences of which options should be worked up into full business cases for delivery, if viable. Members completed this process by December 2015 and convened to confirm their priorities in January 2016.

4.4 The list of options are set out in Appendix H and the total estimated savings generated from these proposals is £1.667m. Officers are now developing full business cases for these options (where appropriate) and the appropriate consultation with staff, residents and stakeholders will take place followed by decision making, which will take place through 2016/17 to deliver projects to meet our savings challenge over the next three years.

4.5 Officers and members will continue to identify options and savings to deliver the balancing £466k required to deliver the full amount of savings.

5 LOCAL GOVERNMENT FINANCE SETTLEMENT

5.1 The Final Finance Settlement for 2016/17 was announced on the 8 February 2016 and is detailed below. There has been no change to the provisional figures announced on the 17 December 2015 which set out the Settlement Funding Assessment for 2016/17 and indicative illustrations of funding levels up to 2019/20:

Table 1 – Final Settlement Funding Assessment – February 2016

	Actual 2015/16 £000	Estimate 2016/17 £000	2016/17 % Reduction
Revenue Support Grant	2,585	1,699	-34.27%
Business Rates Baseline Funding	3,360	3,387	+0.80%
Settlement Funding Assessment	**5,945**	**5,086**	**-14.45%**

5.2 Following the announcement that Revenue Support Grant (RSG) will disappear by 2019/20, and the illustrative future year funding figures provided in the Final Settlement, the Medium Term Forecasts detailed in Appendix B exemplify this position by reducing the overall Settlement Funding Assessment by 14% in 2016/17 – 2017/18, 9% in 2018/19 and by 8% in 2019/20. This is a change from the forecasts in February 2015 which showed an overall 10% per annum reduction over the medium term. This has seen an increase in the savings required due to the re-balancing of the funding between tiers of Council and also the fact that RSG has completely been removed in 2019/20.

5.3 This reduction in (RSG) could be partly compensated by the announcement that local authorities will keep 100% of business rates income by 2019/20 (currently 50% - Fenland 40%, County Council 9% and Fire Authority 1%). However, this has not been modelled in the medium term forecasts, as there is no guarantee that additional resources will be forthcoming to District Councils from whatever distribution mechanism will be in place for business rates.

5.4 The Government have referred to the 'Core Spending Power' of a local authority in its settlement announcements. This definition is calculated by taking the Settlement Funding Assessment (in table 1 above), and for district councils adding to it the Council Tax Requirement (including an estimate of growth), additional revenue from the maximum £5 council tax referendum principle for districts, New Homes Bonus allocations and the Rural Services Delivery Grant. Nationally the 'Core Spending Power' is decreasing by -0.4% by 2019/20, however for district councils this reduction is higher and for Fenland over the four year period is a reduction of -12.4%.

Transition Grant

5.5 In addition, following representations after the Provisional Settlement was announced in December 2015, the government has announced 'transitional funding' totalling £150m in both 2016/17 and 2017/18. This funding is to assist authorities whose provisional reduction in government funding was most severe. The main beneficiaries have been County Councils. Fenland's allocation is £1,581 in 2016/17 and £1,578 in 2017/18.

6 NEW HOMES BONUS

6.1 Following the government's announcement of a consultation on changes to the New Homes Bonus (NHB) (announced on the 17 December 2015), there is considerable uncertainty around the estimates included in the table below and in the medium term forecasts. Allocations have been made on the current methodology for 2016/17 and any changes will not happen until 2017/18.

6.2 The proposed reforms key focus is to reduce the payments from 6 years to 4. In addition, there are proposals to sharpen the incentives for payment (Councils must have a local plan to receive payment; councils will not receive NHB if the housing is granted on appeal; and the possibility of starting baseline to measure growth before any NHB is paid). Officers will be responding to this consultation due to the significant effect these could have on the Council.

6.3 Actual and forecast NHB allocations, based on the current system, but also including an overall estimated reduction based on the proposed reforms, which are included in the medium term forecasts are as follows:

Table 2: New Homes Bonus Illustration – Based on current allocation methodology, reduced based on the proposed reforms

		Financial Year of Payment								
		Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Year of Delivery	Yr 1 (Oct 2009-10)	290	290	290	290	290	290			
	Yr 2 (Oct 2010-11)		323	323	323	323	323	323		
	Yr 3 (Oct 2011-12)			247	247	247	247	247	247	
	Yr 4 (Oct 2012-13)				356	356	356	356	356	356
	Yr 5 (Oct 2013-14)					347	347	347	347	347
	Yr 6 (Oct 2014-15)						479	479	479	479
	Yr 7 (Oct 2015-16)							350	350	350
	Yr 8 (Oct 2016-17)								350	350
	Yr 9 (Oct 2017-18)									350
	Total NHB allocation	**290**	**613**	**860**	**1,216**	**1,563**	**2,042**	**2,102**	**2,129**	**2,232**
	NHB Reforms estimated impact							**-41**	**-834**	**-989**
	Revised NHB allocations	**290**	**613**	**860**	**1,216**	**1,563**	**2,042**	**2,061**	**1,295**	**1,243**

6.4 Confirmation of New Homes Bonus allocations for 2016/17 were announced as part of the final Local Government Finance Settlement and were the same as provisionally announced in December 2015. The reductions in future years are estimated at this stage based on the consultation proposals. Therefore the reductions may change once any reforms are implemented.

7 BUSINESS RATES

7.1 Members will be aware that the Business Rates Retention system was introduced in April 2013. Under this system, authorities would benefit if their actual Business Rates income collected in a year was higher than the baseline funding determined by government.

7.2 There has been real business rates growth in Fenland over the last two years, however how this impacts on the resources available to this Council is complex, due to the rules surrounding the Business Rates Retention system.

7.3 Additional business rates growth over and above the Baseline Funding level results in a levy payable to the government equivalent to 50% of this growth amount. This amount is payable to the government in the financial year to which it relates. However, this Council's share of growth together with calculations for bad debts and appeals provision is included in the Business Rates Collection Fund for the year and any surplus on the Collection Fund at the year end, is then available to the Council in the following financial year.

7.4 In addition, the government announced various measures which reduced the amount of business rates receivable in 2014/15 and 2015/16 - capping increases to 2% and a series of 'reliefs'. However, authorities are being compensated by the government through a separate grant payment for any loss of business rate income resulting from these measures.

7.5 This Council is part of a pilot scheme agreed between the Treasury and Cambridgeshire and Peterborough Councils, whereby the authorities will be able to keep 100% of business rates generated above forecast levels (currently shared 50/50 with Central Government). This trial began in 2015 and we are awaiting further information regarding how this trial interacts with the government's announcement on authorities keeping 100% of business rates income by 2019/20. For the purposes of this report, it has been assumed that the trial will continue as originally agreed and the forecast additional rates income has been included in the medium term forecasts.

7.6 All of the above interact with each other producing a very complex assessment of the impact on the Council's resources. Although the Treasury deal is potentially good news for the Councils involved, other factors within the overall business rates income projections result in an overall deficit being projected on the collection fund at the end of 2015/16. This is a result of a significant increase in the appeals provision being required due to a Valuation Tribunal decision regarding purpose built doctors surgeries which could significantly reduce their rateable values (backdated to 1 April 2010). This demonstrates the volatility within any forecast of future business rates income. The projected deficit on the collection fund in 2015/16 (£600k) is carried forward and is a cost within the 2016/17 estimates. This Council's share of the deficit (40%) is estimated at around £240k.

7.7 Taking all of the above into consideration, the total forecast income from business rates is expected to be around £267k higher than forecast for 2015/16 and around £378k higher in 2016/17, of which around £200k is attributable to the Treasury deal detailed above.

7.8 Although this is good news for the Council, business rates by their very nature are volatile and any forecast additional income in the future could be off-set by reductions from a loss of any significant business ratepayer or losses from appeals over and above what has been estimated.

7.9 During 2016, a consultation will be launched on proposals for local authorities to retain 100% of business rates in their area. The effect of this on Fenland District Council is unknown at this stage and therefore no adjustments have been made to the business rates funding within the MTFS. The proposals will include a way of distributing funds fairly across the country (through the top up and tariff regime) and also suggests new responsibilities will be passed on to councils in return for keeping 100% of the business rates.

8 COUNCIL TAX INCREASE 2016/17

8.1 The Draft Budget for 2016/17 presented to Cabinet on 17 December 2015, proposed a Council Tax increase of 1.9% (£4.68 on a Band D property). It was also confirmed within the Final Finance Settlement that there would be no council tax freeze grant on offer for 2016/17.

8.2 Since the draft budget proposals, members have further considered the proposed Council Tax increase and an increase up to 2% (the previous referendum principle) is now being proposed. Due to roundings, the actual proposed Council Tax increase is now 1.98% (£4.86 on a Band D property). The actual referendum principle for 2016/17 (see paragraph 9.25 below) would allow for a maximum increase of £5 on a Band D property.

8.3 By not increasing the Council Tax in 2016/17 by 1.98%, the Council's Council Tax income would reduce by around £136,000 compared with previous forecasts in 2016/17. This loss of resources would be sustained annually and would require a further £571,000 of savings to be delivered by 2019/20.

8.4 It is therefore proposed that Council Tax is increased by 1.98% for 2016/17.

9 BUDGET 2016/17 AND MEDIUM TERM FINANCIAL STRATEGY

9.1 The Council's Medium Term Financial Strategy (MTFS) ensures that the commitments made in the Business Plan are funded not only in the year for which the formal approval of the budget is required (2016/17) but for forecast years as well, within a reasonable level of tolerance.

9.2 The Council's Medium Term Forecasts (MTF) are shown at Appendix B and summarised in Table 3 below. The table also exemplifies the impact of an indicative 1.98% Council Tax increase per annum from 2017/18.

Table 3 - Medium Term Forecast - 1.98% CT increase in 2016/17 onwards

		Forecast Illustrations and Subject to Change		
	Estimate 2016/17 £000	**Forecast 2017/18 £000**	**Forecast 2018/19 £000**	**Forecast 2019/20 £000**
Council Tax-base	*27,935*	*28,145*	*28,356*	*28,569*
Proposed Council Tax increase Assumed Council Tax increase	1.98%	1.98%	1.98%	1.98%
Resources (Income)				
Revenue Support Grant	1,699	925	444	0
Business Rates Baseline	3,387	3,455	3,556	3,670
	5,086	**4,380**	**4,000**	**3,670**
Council Tax	**6,997**	**7,189**	**7,386**	**7,588**
CT Collection Fund surplus	**157**			
BR Collection Fund deficit	**-240**			
Total Resources	**12,000**	**11,569**	**11,386**	**11,258**
Forecast Net Expenditure	**12,000**	**12,170**	**13,117**	**13,496**
Original Savings Target	*968*			
Savings achieved to date (included above)	*-968*			
Savings identified 2017/18	0	-105	-105	-105
Forecast Expenditure after identified savings	**12,000**	**12,065**	**13,012**	**13,391**
Funding Gap – In Year	**0**	**496**	**1,130**	**507**
Cumulative Funding Gap		496	1,626	2,133
FDC-CSR estimated savings proposals over medium term				1,667
Revised forecast Cumulative Funding Gap at end of 2019/20				466
Forecast General Fund Balance	2,386	2,386	2,386	2,386

9.3 Government grant figures for 2016/17 were confirmed as part of the final finance settlement on the 8 February 2016. Figures for 2017/18 - 2019/20 are still the subject of speculation but will need to be consistent with the spending review announcements and the illustrative future year funding figures. For the purposes of the Medium Term Forecasts, the figures are assumed to continue to reduce year on year in line with the Autumn Statement announcement also taking into account the illustrative future year funding figures provided within the final finance settlement.

9.4 The settlement also included reference to four year financial settlement agreements with the Department of Communities and Local Government if the Council produces an Efficiency Plan for this period. No clear details have been set out to what an Efficiency Plan should include, however the Council's statutory requirement of a Medium Term Financial Strategy and Fenland's Comprehensive Spending Review should assist in meeting these requirements.

9.5 Officers will await further details of the requirements to hopefully enable the Council to qualify for certainty on funding levels over the next four years and Cabinet and Council are asked to approve delegation to the Corporate Director and Chief Finance Officer, in consultation with the Finance Portfolio Holder to finalise and submit the Efficiency Plan, by the deadline of 14 October 2016, to the Department of Communities and Local Government to try and enable some certainty to future year funding levels. Details of the submission will be provided to Members in due course.

9.6 Within the government grant (Settlement Funding Assessment) figures for these years, the Business Rates Baseline Funding element is assumed to increase annually by RPI, whereas the Revenue Support Grant element is reduced to zero by 2019/20 in line with government announcements. This combines to produce an assumed overall reduction of 14% per annum over the period 2016/17-2017/18, 9% in 2018/19 and a 8% reduction in 2019/20.

9.7 This will mean that in 2019/20, the Council will no longer receive any Revenue Support Grant. In order for Councils to continue to contribute to the financial austerity measures of Central Government, it has been proposed that an additional tariff adjustment is applied to councils who no longer receive Revenue Support Grant. This could be around £94,000 for Fenland in 2019/20 however this has not been included within the figures as yet, due to the pending consultation on 100% business rates retention due during 2016.

9.8 No further increases in Business Rates have been included at this stage to reflect the move to 100% retention as there is no information available regarding the future distribution model to be used and what further impact the government's re-balancing of the available funding towards social care and upper tier authorities will have on districts generally and this Council in particular.

9.9 The level of net expenditure for 2016/17 is currently estimated to be £12.000 million after all identified savings are included. This includes the assumptions detailed at para. 9.20 below.

9.10 Clearly the forecasts show a substantial gap over the medium term and the need for significant savings to be identified to achieve a balanced budget, including a robust strategy on the use of balances. The entire revised savings target for 2016/17 of £968,000 has been identified together with further identified savings of £105,000 in 2017/18. This leaves £2.133m of savings to be identified over the medium term without any further use of balances. Members through the FDC-CSR process have identified potential savings of £1.667m for which the detailed business cases and proposals are being worked up so these can be implemented for 2017/18 and 2018/19. This leaves £466k of savings to be identified.

9.11 The estimated FDC-CSR savings proposals of £1.667m is shown in the above table as a lump sum but will, when proposals are firmed up, be profiled appropriately across the relevant years.

9.12 The draft budget report presented to Overview and Scrutiny on 18 January 2016 detailed a cumulative savings target of £2.212m over the medium term. These forecasts have since been updated and mainly as a result of additional estimated business rates, the current forecast cumulative savings target (excluding the estimated FDC-CSR savings proposal) is £2.133m.

9.13 The forecasts are based on a proposed 1.98% Council Tax increase in 2016/17 and over the medium term. A Council Tax freeze in 2016/17 would increase the savings required over the medium term by an additional £571,000 as no additional government grant will be offered to Council's to restrict increases to 1% as in previous years.

9.14 The current strategy is not to use the general fund balance to fund the projected deficits in future years. This will ensure the balance is kept above the target minimum level of £2m. However, due to the uncertainties relating to future resource and expenditure forecasts, the level of reserves and the minimum level of the general fund balance will be reviewed as we progress through the budget setting process (see also section 15 below).

9.15 Taking into account the proposals in the above tables, the estimated level of expenditure in 2016/17 is detailed in Appendix A. The level of forecast resources available to the Council and the estimated levels of expenditure over the medium term are set out in detail in Appendix B.

9.16 The forecasts for the years 2017/18 – 2019/20 are particularly volatile and should be treated with extreme caution. Illustrative future year funding figures have been provided for those years, however they are subject to the implementation of consultations and reforms, and therefore the figures could be better or worse than forecast. Future announcements and consultation outcomes following the spending review will determine government funding for these years.

9.17 At this stage, the Fenland Comprehensive Spending Review is ongoing and has identified potential savings of £1.667m. The process will continue to help identify and deliver projects to meet the savings challenge over the period of the Medium Term Strategy. However, the achievement of further efficiencies in future years whilst maintaining excellent services will present considerable challenges for the authority.

9.18 The Business Plan for 2016/17 continues the Council's successful improvement programme for all services. The funding for the majority of the priorities is included by rolling forward costs in this year's budget without the requirement for any specific "growth" to be identified.

9.19 These financial forecasts are based on the following strategic objectives and guidelines:-

- that the Council's expenditure plans will follow the medium term priorities set by the Council (as shown at paragraph 1.1.) and contained in the business plan,
- that the level of the general fund reserve will be reduced if necessary, over the period of the MTFS to provide the resources necessary to deliver priority services,
- that the level of the general fund reserve will be kept above a target minimum level of £2 million during the current uncertain economic conditions. This minimum level will be kept under review over the next few years.

Assumptions built into Budget and Medium Term Forecasts

9.20 Within the forecasts are a number of assumptions which are necessary to produce the overall budget strategy. However, there is an element of risk associated with this process although we aim to mitigate these risks as detailed in paras 9.21 – 9.24. The main assumptions are as follows:

- 1.98% Council Tax increase for 2016/17 and thereafter;
- 2.07% increase in Council Tax base in 2016/17 and 0.75% thereafter;
- 1% pay award per annum for 2016/17 and thereafter;
- Allowance for pay increments;
- Implementation of the National Living Wage from April 2016;
- Increase in Employer's National Insurance Contributions as a result of the reduced contracted-out rate (for employees in the LGPS) being abolished from April 2016. This is estimated to increase the employers rate by an average of 2.25% per annum from 2016/17 onwards.
- Increase in Employer's Pension Contributions (as determined by the latest triennial valuation of the Cambridgeshire Pension Fund in 2013). The contribution now takes the form of a percentage of pay (17%) together with a lump sum payment which is £385,000 in 2014/15; £592,000 in 2015/16 rising to £817,000 in 2016/17 and thereafter. The next triennial valuation is due in 2016 which could increase these contributions from 2018/19 onwards. A 1% increase in contribution rate would result in an additional cost of £100,000 per annum ;
- Inclusion of the Apprenticeship Levy from April 2017 at an annual cost of around £34,000;
- 0% general inflation for the period of the Medium Term Forecasts;
- Specific allowance for inflation for business rates, external contracts, energy and water, drainage board levies;
- Increase in Insurance Premium Tax of 3.5% at a cost of £12,000 per annum;
- Investment interest rates to stay at current rates (0.5%) before starting to increase slowly from quarter 1 of 2017;
- Continuing impact of 2015/16 in year income pressures;
- Assumptions regarding forecast income levels from fees and charges have been included. These are a combination of fee increases (where applicable) and review of activity levels.;
- Additional income of £378,000 per annum due to growth (above inflation) for retained business rates for 2016/17 onwards;
- Allowance has been made for higher non-collection rates for Council Tax due to the impact of the local Council Tax Support Scheme;
- The New Homes Bonus for 2016/17 onwards has been included as detailed in Table 2 above and based on the potential impact on the proposed reforms.

Risk Assessment

9.21 There is an element of risk inherent in any process that looks into the future to make forecasts, particularly in the current economic climate. The Council has a strong track record in good financial management as recognised in the recent Annual Audit Letter. This risk is further minimised by adopting the following methodology when preparing the draft estimates:-

- Service managers and the Accountancy Team working together to define likely service income/expenditure patterns matched with service delivery plans
- Maintaining "earmarked" reserves for potentially unbudgeted expenditure,

- Adopting clear guidelines and control systems (revenue monitoring procedures, Financial Regulations etc.) to alert service managers, and members should variances become significant,
- Using professional and expert advice and economic forecasts where these are available, e.g. treasury management, interest rates,
- Maintaining a rolling review of forecast estimates beyond the current year.

9.22 2016/17 will continue to see risks imposed upon the Council with the Business Rates Retention system and the Local Council Tax Support scheme. Both of these have significant risks associated with them particularly around growth forecasts and collection rates. In addition, the reforms of New Homes Bonus and the expected consultation on 100% business rates retention could also pose significant risks to future resources. The Council will seek to minimise these risks by adopting the methodology detailed in 9.21 above together with robust in-year monitoring systems.

9.23 These assumptions are made with all available information, but are necessarily calculated based on some broad criteria. In the current economic climate, some of these assumptions are particularly volatile. The MTFS will be prepared annually on a rolling basis so that as information becomes more certain the figures will be updated and consideration can be given to any action or changes in direction that may be required.

9.24 Appendix G sets out the Chief Finance Officer's statutory report on the robustness of the estimates and adequacy of reserves.

Council Tax Referendum

9.25 As part of the 2016/17 Local Government Finance Settlement announcement in February 2016, the government again proposed that local authorities will be required to seek the approval of their local electorate in a referendum if they set council tax increases in 2016/17 that exceed the government set limit. For District Councils, the limit has been set at 2% or more and more than £5.00 greater than its' council tax for 2015/16.

Parish Precepts

9.26 The level of parish precepts set throughout Fenland are provided for information at Appendix E. These will be reported to Council as part of the Council Tax setting process.

9.27 As part of the Council Tax Support Scheme and associated government funding (albeit included within the overall settlement spending assessment) , this Council receives grant for the Parish Council element of the scheme, which will be passed on to individual Parish Council's in accordance with the calculated impact of the scheme. In total, grant of £96,740 has been paid to Parish Councils in 2015/16. As a result of changes to the taxbase in 2016/17 resulting from less than estimated Council Tax support being given, the total amount to be paid to Parish Councils will be £89,260. The reduction in grant paid is compensated for by an increase in the Council Taxbase and therefore has a nil effect on the precept. The individual grant amounts have been notified to all Parish Councils and has been taken into account by them when setting their individual precepts.

10 FEES AND CHARGES 2016/17

10.1 The Overview and Scrutiny Panel reviewed fees and charges at their meeting on 18 January 2016. The recommended changes to fees and charges were reported to Cabinet on 21 January 2016. All of these recommendations have been included in the financial forecasts.

11 SPECIAL AND GENERAL EXPENSES

11.1 For the purposes of Section 35 of the Local Government Finance Act 1992, the Council needs to pass appropriate resolutions for each financial year to determine how expenses which could legally be regarded as special should be treated.

11.2 If expenses are treated as special expenses then they must be charged against the parts of the Council's area to which they relate.

11.3 Parish precepts are special expenses and cannot be treated as general expenses.

11.4 Drainage Board and Port Health levies which affect only part of the Council's area are treated as general expenses unless the Council resolves otherwise. These are currently treated as general expenses and it is recommended that this position continues for 2016/17.

11.5 Expenses incurred by the Council in performing, in part of its area, a function performed elsewhere by a parish council are special expenses unless the Council determines otherwise. Currently, these are treated as general expenses. To maintain this position it is recommended that the Council determines that such expenses should not be treated as special expenses for the financial year 2016/17.

12 PORT HEALTH

12.1 The Port Health levy for 2016/17, based on expected expenditure, is recommended as shown in Table 4 below.

Table 4: Port Health Levy 2016/17

	Description	£
a)	Port Health anticipated expenditure	12,980
b)	Port Levy	
	Fenland District Council	11,487
	South Holland District Council	909
	King's Lynn and West Norfolk Borough Council	584
	Total	12,980

13 CAPITAL PROGRAMME

13.1 Capital Expenditure and Income plans have been prepared through the Council's service and financial planning cycle. The Council's capital resources are dependent on government funding, external grants or through the ongoing disposal of assets.

13.2 A fully updated Capital Programme for 2016-19 is presented at Appendix C for approval. All known and expected levels of capital receipts have been taken into account in the resources statement. These include the net usable receipt from the stock transfer and income from land sales. This includes significant amounts from the future disposal of land at Nene Waterfront and other sites in the district.

13.3 The level of these capital receipts can be subject to some potential variability and risk. Officers are working on a variety of options to bring vacant sites to the market but there remains considerable uncertainty as to when these will be realised and capital receipts have been re-profiled accordingly. Even after this re-profiling the Council is still reliant on realising capital receipts of £3.490 million between now and 2019 to fund the programme at Appendix C.

13.4 Should resources from external funding and/or capital receipts not generate the level of receipts forecast, or there is a delay in disposal of assets, then the capital programme will need re-visiting to ensure funding is sufficient to meet proposed expenditure. Reviews of the programme and resources available are carried out regularly during the year. Appendix C shows that without potential future capital receipts, the programme is in deficit by £420k at the end of 2018/19. Appendix C also shows that the uncommitted balance on the Capital Contribution Reserve is £94k (included within total available resources).

13.5 Consequently, the future projects identified by members not currently included in the existing programme (detailed in Appendix C) will not proceed until sufficient funding is identified.

13.6 Alternative methods of funding the capital programme, such as prudential borrowing, may require consideration. These methods, however, will incur significant additional annual revenue costs on the Council which will need consideration in the context of the Council's forecast financial position.

13.7 The programme detailed at Appendix C includes no new changes from that reported to Cabinet in December 2015, and still incorporate the re-profiling of some schemes and the addition of one scheme, namely 24 High Street, Wisbech which is an essential part of the Heritage Lottery Funding Bid currently being compiled. As owners of this property, this Council will need to fund £150,000 of the estimated cost of renovation, with the remainder being funded by HLF.

13.8 Members are also reminded of the impact on the revenue account of using uncommitted capital resources. Whilst they remain uncommitted, the resources are invested and generate revenue income to the general fund. Consequently, for every £1m spent the revenue account loses around £10,000 per annum at current interest rates. This figure increases by an additional £10,000 per annum for every 1% increase in interest rates. Based on the average interest rates projected over the Medium Term Financial Strategy (1 -1.5%), this equates to a reduction in investment interest of between £10,000 - £15,000 per annum for every £1m of capital resources spent.

13.9 The Local Government Act 2003 introduced a new Prudential Borrowing regime. This requires all Councils to set and monitor indicators relating to capital expenditure, external debt and impact on council tax. The recommended indicators for Fenland District Council from 2016/17 are included in the Treasury Management Strategy detailed below and in Appendix D.

14 TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2015/16

14.1 Full details of the proposed Treasury Management and Annual Investment Strategy for 2016/17 are contained in Appendix D. The proposed strategy was presented to and endorsed by Corporate Governance Committee on 2 February 2016.

14.2 The key issues relating to this strategy and its impact on the Medium Term Financial Strategy are as follows:-

- Continuing compliance with CIPFA's Treasury Management Code of Practice and the CLG's Investment Guidance;
- The Prudential and Treasury indicators detailed in paragraphs 2 – 10 of Appendix D, show that the Council's capital investment plans are affordable, prudent and sustainable;
- The MRP policy sets out how the Council will make prudent provision for the repayment of borrowing needs over the medium term forecast;
- The treasury management strategy has been organised so that the Council will have sufficient cash resources to meet capital expenditure plans and operational cash flows;
- Total external interest which includes finance lease interest payments; revised estimate for 2015/16 is £499,071. The estimate for 2016/17 is £523,254;
- Levels of investments are set to decrease over the medium term forecast, from £20m (31.03.16) to £19m (31.03.19);
- Base rates are expected to remain unchanged at 0.50% before increasing gradually from Quarter 1 2017 to reach 1.75% by Quarter 1 2019;

- Limited opportunities exist to repay or reschedule debt due to the premiums that would become payable on redeeming external debt early;
- The aim of the Council's annual investment strategy is to provide security of investment whilst minimising risk; investment returns are commensurate with the Council's low risk appetite. The Council achieves these objectives through differentiating between "specified" and "non-specified" investments and through the application of a creditworthiness policy;
- Total investment income is estimated at £170,000 for both 2015/16 and 2016/17.

15 REVIEW OF GENERAL FUND BALANCE AND SPECIFIC RESERVES

15.1 An important part of any budget strategy is the review and consideration of reserves. The strategy applies a robust but prudent use of these balances to cushion the impact of the economic climate, but maintaining the minimum level of reserves for the Council over the medium term.

15.2 The current strategy is not to use the general fund balance to fund the projected deficits in future years from 2016/17 onwards. This will ensure the balance is kept above the target minimum level of £2m. However, due to the uncertainties relating to future resource and expenditure forecasts, this strategy will be reviewed as we progress through future budget setting processes.

15.3 Sufficient levels of reserves are necessary to provide for various and unplanned for contingencies that may include:-

- significant increased costs of providing statutory services
- significant increased contractual costs
- an unexpected and/or significant event or disaster, e.g. civil emergency
- the need to make significant payments in relation to prior year adjustments under the direction of the external auditor

15.4 The Council's current forecast uncommitted General Fund Balance at 31 March 2016 is £2.386m. The target minimum level for this reserve is £2m and the current strategy is not to use this balance to fund the projected deficits in future years.

15.5 A full analysis of earmarked reserves is shown at Appendix F and have been reviewed to enable the Council to meet potential future costs of transformation and potential future costs.

15.6 Appendix G of this report sets out the Chief Finance Officer's statutory report on the adequacy of reserves.

16 COUNCIL TAX – OVERALL LEVELS 2016/17

16.1 After the estimates of expenditure and income have been prepared, and the external sources of grant have been notified from the Government, the next step is to set the level of council tax for 2016/17 for Fenland District Council's share of services. This is the final piece of the "jigsaw" that provides the balance of the resources required to fund the Council's services.

16.2 When deciding the level of council tax to set for 2016/17 it is prudent to be mindful of the forecast resources available to the Council over the period of the medium term – 2016 to 2020. In order to meet the objectives and guidelines set out in the MTFS and based on the assumptions shown at Appendix B, the following council tax levels are anticipated :-

YEAR	INCREASE FOR PLANNING PURPOSES
• 2016/17	1.98%
• 2017/18	1.98%
• 2018/19	1.98%
• 2019/20	1.98%

16.3 It is expected that these increases together with the achievement of the identified efficiency savings, would provide the resources required to fund the current level of service provision in 2016/17. Over the period of the MTFS efficiency savings as detailed in Appendix B will be identified during the 2017/18 budget process.

16.4 Table 5 shows the Band D Council Tax for spending at the level proposed, together with Council Tax levels from the major preceptors.

Table 5: Council Tax Levels 2016/17

COUNCIL TAX BASE	**2016/17** *27,935*		**2015/16** *27,368*	
	£	**Band D £**	**£**	**Band D £**
Fenland District Council Budget Requirement	12,000,126	429.57	13,113,985	479.17
Less Government Grants	-5,086,628	-182.09	-5,945,356	-217.23
Net cost of Fenland Services	6,913,498	247.48	7,168,629	261.94
Minus Council Tax Collection Fund surplus	-156,790	-5.61	-96,775	-3.54
Add/Minus(-) Business Rates Collection Fund deficit/surplus	240,257	8.60	-350,000	-12.79
Precept on Collection Fund	6,996,965		6,721,854	
Fenland District Council Tax		**250.47**		**245.61**
FDC Increase		***1.98%***		***0.00%***
MAJOR PRECEPTORS				
County Council	***(2.00%)***	1,167.12		1,144.26
Police & Crime Commissioner	***(0.99%)***	183.15		181.35
Fire Authority	***(1.96%)***	65.52		64.26
Sub Total BAND D TAX		1,666.26		1,635.48
Increase over 2015/16 (excluding Parishes)		**£30.78 (1.88%)**		**£22.32 (1.38%)**
Parish Councils-average (Appendix E)	***(19.46%)***	42.72		35.76
Total average Band D Tax		1,708.98		1,671.24
Total average increase over 2015/16	**£37.74 (2.26%)**			

16.5 The County Council increase for 2016/17 includes 2% for the Adult Social Care precept (£22.86) and a freeze on the general council tax.

APPENDIX A(i)

FENLAND DISTRICT COUNCIL

Summary of Revenue Estimates

Service Summary	**Approved Estimate 2015/16 £**	**Revised Estimate 2015/16 £**	**Estimate 2016/17 £**
Growth & Infrastructure	1,254,370	1,343,800	1,404,170
Housing, Environment, Leisure & Community	5,124,100	5,130,559	5,104,690
Planning, Resources & Customer Services	6,501,968	6,542,790	6,412,960
Policy & Governance	1,649,520	1,626,240	1,451,740
Capital Charges	2,475,000	2,475,000	2,475,000
NET COST OF GENERAL FUND SERVICES	**17,004,958**	**17,118,389**	**16,848,560**
Corporate Items			
Contributions to/ (from) Earmarked Reserves	5,250	-27,110	-104,200
Revenue Contribution to Capital	342,000	342,000	175,000
RTB/VAT Sharing Income	-300,000	-300,000	-130,000
Capital Charges Reversal	-1,791,270	-1,791,270	-1,714,740
Investment Income	-170,000	-170,000	-170,000
New Homes Bonus	-1,563,060	-1,563,060	-2,042,320
New Homes Bonus Adjustment	-10,530	-10,530	-7,710
Council Tax Freeze Grant *(2015/16 CT freeze)*	-78,370	-78,370	0
Transition Grant	0	0	-1,580
Council tax Support - *Payments to Parish Councils*	96,740	96,740	89,260
Business Rates - net additional income from growth *(after levy payable to Government)*	-482,911	-563,982	-942,144
Corporate Adjustments	**-3,952,151**	**-4,065,582**	**-4,848,434**
Net Expenditure before savings	**13,052,807**	**13,052,807**	**12,000,126**
Savings target 2016/17			*-968,000*
Savings identified to date *(included above)*			*968,000*
Savings identified *(not yet included above)*			***0***
Net Expenditure after Savings	**13,052,807**	**13,052,807**	**12,000,126**
Approved Contribution to/(from) Balances	**-500,000**	**-500,000**	**0**
Contribution to Pilots' National Pension Fund Reserve	**561,178**	**561,178**	**0**
NET EXPENDITURE after use of balances/reserves	**13,113,985**	**13,113,985**	**12,000,126**
Settlement Funding Assessment			
Revenue Support Grant	**-2,585,458**	**-2,585,458**	**-1,698,731**
Business Rates Baseline Funding	**-3,359,898**	**-3,359,898**	**-3,387,897**
Council Tax Collection Fund Surplus(-)	**-96,775**	**-96,775**	**-156,790**
Business Rates Collection Fund Surplus(-)/Deficit(+)	**-350,000**	**-350,000**	**240,257**
COUNCIL TAX REQUIREMENT	**6,721,854**	**6,721,854**	**6,996,965**
Forecast General Fund Balance - 31st March	2,386,161	2,386,161	2,386,161

Balance 1st April 2015 2,886,161

APPENDIX A(ii)

GROWTH AND INFRASTRUCTURE			
Service	**2015/16 Current Approved Estimate £**	**2015/16 Projected Outturn £**	**2016/17 Original Estimate £**
Direct Services			
Marine Services	-95,790	-65,040	-21,390
Drainage (District)	1,550	1,550	1,550
Highways	141,350	141,350	156,600
Car Parks	187,200	187,200	169,310
Sewage Treatment Works	28,950	32,950	25,100
Parish Council Concurrent Functions	40,230	42,560	43,860
Miscellaneous (Clocks, Monuments)	3,450	3,450	3,450
Economic Estates	-197,630	-164,480	-128,220
Planning Policy	122,550	126,050	124,470
Transport Development	113,000	113,800	115,850
Economic Development	56,140	56,140	134,420
HLF- High St Wisbech	45,000	30,000	0
Total Direct Services	446,000	505,530	625,000
Support Services			
Asset & Project Services	507,650	504,050	463,500
Fenland Hall	285,720	291,220	282,420
The Base	123,000	123,000	109,250
Total Support Services	916,370	918,270	855,170
Net Cost of Services	**1,362,370**	**1,423,800**	**1,480,170**
Less Support Services Recharges to Capital Schemes	-108,000	-80,000	-76,000
TOTAL GROWTH AND INFRASTRUCTURE	**1,254,370**	**1,343,800**	**1,404,170**

Notes:

1. Within all the Service Estimates detailed in Appendix A(ii), Support Services costs have not been reallocated with the exception of recharges to Capital Schemes.

2. Similarly, Capital Charges have not been reallocated as these 'costs' are reversed out within the Corporate Items section of the estimates, thereby having no impact on the Budget Requirement and Council Tax.

3. Estimates for 2016/17 include the assumptions on pay, expenditure and income detailed at paragraph 9.20 of the main report.

HOUSING, ENVIRONMENT, LEISURE & COMMUNITY			
Service	**2015/16 Current Approved Estimate £**	**2015/16 Projected Outturn £**	**2016/17 Original Estimate £**
Direct Services			
Housing Strategy	162,070	162,070	112,920
Private Sector Renewals	83,110	83,110	95,180
Housing Standards	19,410	19,410	20,610
Care & Repair	64,000	64,000	68,930
CCTV	125,570	125,570	136,920
Safer Fenland	89,190	79,190	89,390
Licensing	-48,800	-37,060	-46,450
Housing Options	263,970	263,970	140,830
Community Development	243,160	229,660	192,710
Community House	4,160	4,160	4,610
Travellers Services	-99,520	-99,520	-112,020
Arts Development	53,270	53,270	49,720
Tourism Development	45,400	45,400	34,050
Pollution Reduction	120,020	120,020	139,920
Public Health	276,770	276,770	301,670
Food Safety	118,840	119,410	133,650
Health and Safety	68,950	68,710	75,830
Refuse Collection - Domestic	1,403,820	1,395,070	1,481,690
Refuse Collection - Trade Waste	-98,270	-98,150	-94,950
Street Cleansing	715,030	709,470	765,770
Streetscene	242,480	243,070	243,490
Public Conveniences	28,590	28,590	32,050
Leisure Centres	556,060	602,000	519,190
Sports Development	84,070	92,240	87,860
Parks and Open Spaces	497,410	471,520	503,620
Cemeteries	-3,830	7,080	-12,030
Markets and Fairs	-6,120	-5,630	-5,520
Community Events	72,090	70,810	99,820
Vehicle Workshop	43,200	36,349	45,230
TOTAL HOUSING, ENVIRONMENT, LEISURE& COMMUNITY	**5,124,100**	**5,130,559**	**5,104,690**

PLANNING, RESOURCES AND CUSTOMER SERVICES			
Service	**2015/16 Current Approved Estimate £**	**2015/16 Projected Outturn £**	**2016/17 Original Estimate £**
Direct Services			
Development Management	-34,790	-16,150	-119,190
Building Control	74,900	78,450	69,590
Conservation	48,710	50,710	36,670
Planning Compliance	180,360	183,900	45,830
Technical Support	208,020	208,020	156,150
Miscellaneous Central Services	164,440	164,440	166,540
Drainage Board Levies	1,379,200	1,379,200	1,420,640
Unfunded Pension Costs	753,250	753,250	914,000
Corporate Management	672,760	664,330	645,420
Council Tax Cost of Collection	92,930	89,460	104,900
Business Rates Cost of Collection	-30,172	-31,770	-16,580
Housing Benefits	45,090	60,210	158,460
ICT Direct Service Costs	589,800	590,980	528,830
Emergency Planning	93,600	93,600	59,150
Total Direct Services	4,238,098	4,268,630	4,170,410
Support Services			
Accountancy	464,910	472,830	481,080
Information & Communication Technology	365,640	365,090	375,680
Debtors	45,810	47,250	50,480
Customer Access	1,057,910	1,059,390	1,022,190
Corporate Health & Safety	18,000	18,000	20,860
Human Resources	311,600	311,600	292,260
Total Support Services	2,263,870	2,274,160	2,242,550
TOTAL PLANNING RESOURCES AND CUSTOMER SER	**6,501,968**	**6,542,790**	**6,412,960**

POLICY AND GOVERNANCE			
Service	**2015/16 Current Approved Estimate £**	**2015/16 Projected Outturn £**	**2016/17 Original Estimate £**
Direct Services			
Policy	251,400	251,400	216,600
Land Charges	-65,900	-107,750	-96,140
Elections & Electoral Registration	291,910	310,480	175,750
Democratic Services	549,620	549,620	536,150
Total Direct Services	1,027,030	1,003,750	832,360
Support Services			
Post & Reprographics	276,550	276,550	259,700
Internal Audit	99,150	99,150	105,410
Legal Services	246,790	246,790	254,270
Total Support Services	622,490	622,490	619,380
TOTAL POLICY AND GOVERNANCE	**1,649,520**	**1,626,240**	**1,451,740**

APPENDIX B

GENERAL FUND MEDIUM TERM FINANCIAL FORECAST

RESOURCES STATEMENT

		Approved Estimate 2015/16 £000	Projected Outturn 2015/16 £000	**Estimate 2016/17 £000**	Subject to CSR Forecast 2017/18 £000	Forecast 2018/19 £000	Forecast 2019/20 £000
A	**Resources**						
(i)	**Central Government**						
	Revenue Support Grant	2,585	2,585	1,699	925	444	0
	Business Rates Baseline Funding	3,360	3,360	3,387	3,455	3,556	3,670
		5,945	5,945	5,086	4,380	4,000	3,670
				-14%	*-14%*	***-9%***	***-8%***
(ii)	**Council Tax**						
	Council Tax Payers	6,722	6,722	6,997	7,189	7,386	7,588
	Collection Fund Surplus/Deficit(-)	97	97	157	0	0	0
(iii)	**Business Rates**						
	Collection Fund Surplus/Deficit(-)	350	350	-240	0	0	0
	Use of Balances						
(iv)	General Fund	500	500	0	0	0	0
(v)	Contribution to PNPF Reserve	-561	-561	0	0	0	0
	Total Use of Resources	**13,053**	**13,053**	**12,000**	**11,569**	**11,386**	**11,258**
B	**Spending Levels**						
(i)	Budget	14,616	14,616	14,042	14,231	14,412	14,739
	New Homes Bonus	-1,563	-1,563	-2,042	-2,061	-1,295	-1,243
	Original Savings Target 2016/17			*-968*			
	Savings Achieved to date (included above)			*968*			
	Savings Identified 2016/17			0	0	0	0
	Savings Identified 2017/18				-105	-105	-105
	Budget after efficiency savings	**13,053**	**13,053**	**12,000**	**12,065**	**13,012**	**13,391**
	Funding Gap in Year		**0**	**0**	**496**	**1,130**	**507**
	Total Cumulative Funding Gap			**0**	**496**	**1,626**	**2,133**
	FDC - CSR Spending Review total estimated savings						-1,667
	Revised Cumulative Funding Gap at end of 2019/20						**466**
C	**Council Tax Increase**			***1.98%***	***1.98%***	***1.98%***	***1.98%***
D	**Forecast Balances**						
(i)	General Fund	2,386	2,386	2,386	2,386	2,386	2,386

Assumptions

1. Council Tax base increase 2016/17 2.07%, 2017/18 onwards 0.75%
2. Government Support - 2016/17 as per Finance Settlement
   Further anticipated CSR Reductions 2017/18 onwards as per Settlement illustrations

APPENDIX C

CAPITAL PROGRAMME AND FUNDING 2016/2019

		2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
CURRENT FORECAST EXPENDITURE		**3,702**	**1,613**	**971**	**784**
RESOURCES AVAILABLE					
General Fund Resources					
Capital Grants		820	499	499	499
Usable Capital Receipts		570	295	135	140
Reserves used to fund Capital		342	175	0	0
Section 106's		93	0	0	0
Uncommitted Capital Reserves		94	0	0	0
Finance Leases		658	0	0	0
Total Resources		**2,577**	**969**	**634**	**639**
In Year Funding Requirement		1,125	644	337	145
Usable Capital Receipts Reserve					
Balance B/fwd 1.4.2015	(1,831)				
Uncommitted Resources/Funding Deficit before potential future Capital Receipts		**(706)**	**(62)**	**275**	**420**
Potential Future Capital Receipts		-	(250)	(1,150)	(950)
Funding available/shortfall assuming future potential Capital Receipts received		(706)	(312)	(1,125)	(1,930)
		Future Potential Capital Projects			*1,579*

CAPITAL PROGRAMME SUMMARY 2016 - 2019

		2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
Leisure Centres									
1	George Campbell Leisure Centre Improvements	538				**538**	463	75	£75k Sport England; £87k Capital Reserve; £59k Finance Lease Facility
2	Essential Buildings Safety Improvements	17				**17**	17		
3	Pedestrian Scrubber Driers	17				**17**	17		£17k Finance Lease Facility
Regeneration Programmes									
4	Fenland Renaissance and Place Shaping	101				**101**	101		
5	Heritage Lottery Fund - Match Funding bid		50	100		**150**	150		
6	Heritage Lottery Fund - 24 High Street, Wisbech		50	100		**150**	150		
Cemeteries									
7	Chatteris - New Road Cemetery pathways	24				**24**	24		
8	Whittlesey Cemetery Roadway	9				**9**	9		
Parks and Open Spaces									
9	Parks and Open Spaces Pathway Improvements	39				**39**	39		
10	Tyllerie Park, Street Lighting	10				**10**	10		
11	Manor Play Area	107				**107**	24	83	£45k WREN; £10k WTC; £28k Section 106
12	Wenny Road,BMX Track	127				**127**	8	119	£75k WREN; £44k Section 106
13	Wisbech Park, Bandstand	51				**51**	0	51	£30k WREN; £21 Section 106
Highways									
14	Street Light Improvements - FDC	100	93			**193**	193		
15	Street Light Improvements - Parishes (Categories 1 & 2)	175	75			**250**	250		£250k Capital Reserve
16	Street Name Plates/District Facilities Signage	12	12			**24**	24		
17	Footbridge, High Street March	98				**98**	73	25	£25k Snowmountain Enterprises
18	Relocate Whittlesey Bus Terminal/Toilets	75				**75**	14	61	£61k Cambs County Council
Port									
19	Mooring & Fuelling Facilities, Sutton Bridge	30	175			**205**	205		
Vehicles and Plant									
20	Vehicles	810	265	157	170	**1,402**	1,402		£582k Finance Lease Facility
Office Refurbishments									
21	Channel Shift	68				**68**	68		£51k Management of Change Reserve
22	Fenland Hall -Accommodation Review	20				**20**	20		
23	Fenland Hall - Upgrade Alarm System	30				**30**	30		
24	Fenland Hall - Overflow Car Park	27				**27**	27		
Sub -Total		**2,485**	**720**	**357**	**170**				

CAPITAL PROGRAMME SUMMARY 2016 - 2019

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
B/FWD	**2,485**	**720**	**357**	**170**				
ICT System Replacement Programme & Upgrades								
25 Replacement & Upgrade Programme	123	75	75	75	**348**	348		£29k Management of Change Reserve
Improvement of Assets								
26 Sewage Treatment Works Refurbishment	220				**220**	220		
27 Energy Plan - Invest to Save Projects	33	26			**59**	59		
28 Land Drainage Improvements - Birch Fen	20				**20**	20		
Markets								
29 Service Tower Replacements	14				**14**	14		
Economic Estates								
30 Mini-Factories Refurbishment		45			**45**	45		
Community Fund								
31 March Athletics Club		8			**8**	8		
32 Estover Playing Field Sports Provision, March		100			**100**	100		£100k Management of Change Reserve
Rural Community Fund								
33 Christchurch Parish Council - Sports Pavilion	100				**100**	100		
34 Thorney Toll Village Hall Cttee - Village Hall Renovations	3				**3**	3		
35 Coates Athletic Football Club - Changing Facilities	14				**14**	14		
36 Tydd St Giles Parish Council - Play Area	15				**15**	15		
37 Manea Parish Council - Pavilion		100			**100**	100		
Private Sector Housing Support								
38 Private Sector Renewal Grants	58	40	40	40	**178**	178		
39 Disabled Facilities Grants	617	499	499	499	**2,114**	118	1,996	£1,996k Govt Grant
Total - Current Approved Programme	**3,702**	**1,613**	**971**	**784**	**7,070**	4,660	2,410	

CAPITAL PROGRAMME SUMMARY 2016 - 2019

		£000
Leisure Centres		
1	Chatteris Leisure Facilities - contingency	900
2	George Campbell Leisure Centre - Improvements	221
Regeneration Programmes		
3	Tourism Initiatives	75
Port		
4	Moorings & Fuelling Facilities, Sutton Bridge - Contingency	200
Rural Community Fund		
5	Contingency	103
Market Towns Fund		
6	Contingency	80
TOTAL - Future Strategic Allocations		**1,579**

Appendix D

Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2016/17

1 Introduction

1.1 The Council is required to operate a balance budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and pursuit of optimum performance consistent with those risks."

1.4 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by Cabinet before being recommended to the Council.

1.5 **Prudential and Treasury Indicators and Treasury Strategy** (this report), the first and most important report covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how investments and borrowings are to be organised) including treasury indicators; and
- an Investment Strategy (the parameters on how investments are to be managed).

A Mid-Year Treasury Management Report - This will update Members with the progress of the capital position, amending prudential indicators as necessary and whether any policies require revision.

An Annual Treasury Report - This provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.6 The Strategy covers two main areas:

Capital issues;

- the capital plans and the prudential indicators;
- the MRP policy.

Treasury management issues;

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

2 Capital Prudential Indicators 2016/17 to 2018/19

2.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

2.2 The capital expenditure prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously and those forming part of this budget cycle. The table below summarises the capital expenditure plans and how these are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Programme	**2014/15 Actual £000**	**2015/16 Revised Estimate £000**	**2016/17 Estimate £000**	**2017/18 Estimate £000**	**2018/19 Estimate £000**
Forecast Capital Expenditure	**3,411**	**3,702**	**1,613**	**971**	**784**
Financed by:					
Capital Receipts	1,262	1,695	939	197	140
Capital Grants	1,293	820	499	499	499
Capital Reserves	379	436	175	0	0
Section 106 Contributions	0	93	0	0	0
Total Financing	**2,934**	**3,044**	**1,613**	**696**	**639**
Net Financing Need For The Year	**477**	**658**	**0**	**275**	**145**

2.3 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure shown above, which has not immediately been paid for will increase the CFR.

2.4 The CFR does not increase indefinitely, as each year the Council is required to pay off an element of the capital spend (including finance leases) through a statutory revenue charge (MRP). This has the effect of reducing the Council's (CFR) broadly over the assets life.

2.5 The CFR includes any other long term liabilities (finance leases). A finance lease is a commercial arrangement between the Council and a lessor (finance company), where in consideration for a series of payments the Council has the right to use an asset (e.g. refuse vehicle, leisure equipment) for the lease duration (typically 3 to 7 years). The annual lease payment is made up of a capital and interest repayment.

2.6 Although legally the Council doesn't own the asset during the lease duration, International Accounting Standards require that the Council capitalise the asset and liability on its balance sheet, much like a loan. Whilst this increases the CFR, the nature of the finance lease agreement doesn't require the Council to separately borrow to fund the asset.

Capital Financing Requirement	**2014/15 Actual £000**	**2015/16 Revised Estimate £000**	**2016/17 Estimate £000**	**2017/18 Estimate £000**	**2018/19 Estimate £000**
CFR at 1 April	**326**	**663**	**1,137**	**898**	**988**
Movement in CFR	**337**	**474**	**(239)**	**90**	**14**
Net financing need for the year	477	658	0	275	145
Less MRP (finance leases)	(140)	(184)	(239)	(185)	(131)
Movement in CFR	**337**	**474**	**(239)**	**90**	**14**

3 Minimum Revenue Provision (MRP) Policy Statement

3.1 The Council is required to pay off an element of the accumulated capital spend each year (the CFR) through a revenue charge (the minimum revenue provision), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision).

3.2 CLG regulations have been issued which require the full Council to approve an MRP statement in advance each year. A variety of options are provided to Councils, so long as there is a prudent provision. For all unsupported borrowing (including finance leases) the MRP policy will be the asset life method - MRP will be based on the estimated useful life of the assets, in accordance with regulations. This option provides for a reduction in the borrowing need over approximately the asset's life. Repayments included in finance leases are applied as MRP.

4 The Use of Council's Resources and the Investment Position

4.1 The application of resources (capital receipts, reserves etc) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc). Detailed below are estimates of the year end balances for each resource.

Year End Resources	**2014/15 Actual £000**	**2015/16 Revised Estimate £000**	**2016/17 Estimate £000**	**2017/18 Estimate £000**	**2018/19 Estimate £000**
Fund balances / reserves	**(6,491)**	**(6,525)**	**(6,420)**	**(6,400)**	**(6,400)**
Capital receipts	**(1,831)**	**(706)**	**(62)**	**0**	**0**
Capital Grants Unapplied	**(78)**	**(46)**	**(46)**	**(46)**	**(46)**
Total core funds	**(8,400)**	**(7,277)**	**(6,528)**	**(6,446)**	**(6,446)**
Expected investments	**(18,300)**	**(20,000)**	**(19,300)**	**(19,000)**	**(19,000)**

5 Affordability Prudential Indicators

5.1 The previous sections cover the overall capital and control of borrowing prudential indicators; also within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators.

5.2 This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Financing Costs to Net Revenue Stream	**2014/15 Actual %**	**2015/16 Revised Estimate %**	**2016/17 Estimate %**	**2017/18 Estimate %**	**2018/19 Estimate %**
General Fund	**2.38**	**2.52**	**2.94**	**2.45**	**1.96**

The estimates of financing costs include current commitments and the proposals in the budget.

5.3 **Estimates of the incremental impact of capital investment decisions on council tax**

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget but will invariably include some estimates.

Incremental impact of capital investment decisions on the band D council tax	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
Council tax band D	**0.00**	**0.00**	**0.00**

6 Treasury Management Strategy

6.1 The capital expenditure plans set out in section 2 provide a summary of future level of spend. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this activity. This will involve both the organisation of cash flow and where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

6.2 The Council's treasury portfolio position at 31 March 2015, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR).

	2014/15 Actual £000	2015/16 Revised Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Debt at 1 April	7,800	7,800	7,800	7,800	7,800
Expected change in debt	0	0	0	0	0
Other long term liabilities (OLTL)	320	626	1,100	861	676
Expected change in OLTL	306	474	(239)	(185)	(131)
Actual debt at 31 March	8,426	8,900	8,661	8,476	8,345
Capital financing requirement (CFR) at 31 March	663	1,137	898	988	1,002
Borrowing less CFR – 31 March	7,763	7,763	7,763	7,488	7,343

6.3 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and the following two financial years. This allows some flexibility for limited early borrowing for future years and ensures that long term borrowing is not undertaken for revenue purposes.

6.4 As a result of the Council's long term Public Works Loan Board (PWLB) debt portfolio of £4.5m (31/03/16) currently attracting excessive premiums (£2.98m at the time of writing this report), if it were prematurely repaid and the Lender Option Borrower Option (LOBO) debt of £3.3m (31/03/2016), attracting a premium charge on application to prematurely repay, it is not financially advantageous for the Council to fully comply with this prudential indicator.

6.5 Interest repayments associated with the external debt (including finance leases) above are shown below.

YEARS	INTEREST DUE £
2015/16	499,071
2016/17	523,254
2017/18	523,254
2018/19	510,000

6.6 The operational boundary is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt.

Operational Boundary	**2015/16 Revised Estimate £000**	**2016/17 Estimate £000**	**2017/18 Estimate £000**	**2018/19 Estimate £000**
Debt	**10,000**	**10,000**	**10,000**	**10,000**
Other long term liabilities	**2,000**	**2,000**	**2,000**	**2,000**
Total	**12,000**	**12,000**	**12,000**	**12,000**

6.7 The authorised limit is a key prudential indicator, which represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term but is not sustainable in the longer term.

6.8 This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all council's plans, or those of a specific council, although this power has not yet been exercised. The Council is asked to approve the following authorised limit.

Authorised limit	**2015/16 Revised Estimate £000**	**2016/17 Estimate £000**	**2017/18 Estimate £000**	**2018/19 Estimate £000**
Debt	**15,000**	**15,000**	**15,000**	**15,000**
Other long term liabilities	**2,000**	**2,000**	**2,000**	**2,000**
Total	**17,000**	**17,000**	**17,000**	**17,000**

7 Prospects for Interest Rates

7.1 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Capita Asset Services central view.

	NOW	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75
3 month LIBID	0.52	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.10	1.30	1.30	1.60	1.80	1.90
6 month LIBID	0.66	0.70	0.70	0.70	0.80	0.90	1.00	1.20	1.40	1.60	1.70	1.80	2.00	2.20
12 month LIBID	0.98	1.00	1.00	1.00	1.10	1.20	1.30	1.50	1.70	1.90	2.00	2.10	2.30	2.40
5 yr PWLB	1.55	1.70	1.90	2.00	2.10	2.20	2.30	2.40	2.60	2.70	2.80	2.90	3.00	3.10
10 yr PWLB	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00	3.10	3.30	3.40	3.50	3.60
25 yr PWLB	3.05	3.20	3.20	3.30	3.30	3.50	3.50	3.60	3.60	3.70	3.70	3.70	3.80	3.80
50 yr PWLB	2.88	3.00	3.00	3.10	3.10	3.30	3.30	3.40	3.40	3.50	3.60	3.60	3.70	3.70

7.2 UK Gross Domestic Product (GDP) growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and although the 2015 growth rate is likely to be a leading rate in the G7 again, it looks likely to disappoint previous forecasts and come in at about 2.2%. Quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a slight increase in quarter 2 to +0.5% (+2.3% y/y) before weakening again to +0.4% (+2.1% y/y) in quarter 3 followed by a slight recovery in quarter 4 to an initial reading of +0.5%.

7.3 The February Bank of England Inflation Report included a forecast for growth to remain around 2.2 – 2.4% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that Consumer Price Index (CPI) inflation has fallen to, or near to zero since February 2015. However, these forecasts are approximately 0.2% lower than those of the November Inflation Report; investment expenditure is also expected to support growth. Since the second half of 2015 most worldwide economic statistics have been weak and financial markets have been particularly volatile. The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK and this theme was maintained in the February Inflation Report.

7.4 The February Inflation Report was notably subdued in respect of the forecasts for inflation in the near term; this was expected to barely get back up to the 1% level within the next 12 months but was expected to marginally exceed the 2% target on the 2-3 year time horizon. The increase in the November Inflation Report forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half of 2015 will fall out of the 12 month calculation of CPI during late 2015 / early 2016. A second more recent round of falls in fuel and commodity prices will delay a significant tick up in inflation from around zero. There is therefore considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the Monetary Policy Committee (MPC) will decide to make a start on increasing bank rate. There is also the uncertain impact of the EU referendum, which may take place as early as June 2016.

7.5 The weakening of UK GDP growth during 2015 and the deterioration of prospects in the international scene, especially for emerging market countries, have consequently led to forecasts for when the first increase in Bank Rate would occur being pushed back to quarter 1 of 2017. There is downside risk to this forecast i.e. it could be pushed further back and the markets are currently betting on a quarter 1 2018 increase.

7.6 The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, then pulled back to 2.0% in quarter 3 and retreated to +0.7% in quarter 4. However, the uninterrupted run of strong monthly increases in non-farm payrolls figures for growth in employment in 2015 prepared the way for the Fed to embark on its long awaited first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

7.7 In January 2015 the European Central Bank (ECB) released €1.1 trillion programme of quantitative easing (QE) to buy up high credit quality government and other debt of selected Eurozone (EZ) countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. At the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. The ECB also cut its deposit facility rate by 10bps from -0.2% to -0.3%. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.3% y/y) but has then eased back to +0.4% (+1.6% y/y) in quarter 2 and +0.3% (+1.6%y/y) in quarter 3. Financial markets were disappointed by the ECB's lack of more decisive action in December and it is likely that it will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

7.8 The general elections in Portugal and Spain, in September and December respectively have opened up new areas of political risk where the previous right wing reform focused pro-austerity mainstream political parties have lost their majority of seats. An anti-austerity coalition has won a majority of seats in Portugal, while the general election in Spain produced a complex result where no combination of two main parties is able to form a coalition with a majority of seats. It is currently unresolved as to what administrations will result from both these situations. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole EZ project.

7.9 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- investment returns are likely to remain relatively low during 2016/17 and beyond;
- borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism and pessimism in the financial markets. Gilt yields have continued to remain at historically low levels during 2015. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. This needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and / or to refinance maturing debt.

8 Borrowing Strategy

8.1 The Council will not borrow more than or in advance of its needs purely in order to profit from investment of the extra sums borrowed. Any decision to borrow in advance will be within approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

8.2 The Chief Finance Officer will monitor capital plans and interest rates in financial markets and adopt a pragmatic approach to funding the capital programme. Any borrowing decisions and budget consequences would be reported to Cabinet at the earliest opportunity.

8.3 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing the risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

Interest rate exposures	2016/17 Upper £000	2017/18 Upper £000	2018/19 Upper £000
Limits on fixed interest rates based on net debt	(8,339)	(8,524)	(8,655)
Limits on variable interest rates based on net debt	(10,200)	(10,200)	(10,200)
Limits on fixed interest rates:			
• Debt only	8,661	8,476	8,345
• Investments only	(17,000)	(17,000)	(17,000)
Limits on variable interest rates:			
• Debt only	3,300	3,300	3,300
• Investments only	(13,500)	(13,500)	(13,500)

Maturity structure of fixed interest rate borrowing 2016/17	Lower %	Upper %
Under 12 months	0	20
12 months to 2 years	0	50
2 years to 5 years	0	75
5 years to 10 years	0	75
10 years and above	0	100

Maturity structure of variable interest rate borrowing 2016/17	Lower %	Upper %
Under 12 months	0	100
12 months to 2 years	0	100
2 years to 5 years	0	100
5 years to 10 years	0	100
10 years and above	0	100

9 Debt Rescheduling / Repayment

9.1 The Council has sufficient cash balances set aside to pay off its external debt.

9.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings;
- helping to fulfil the treasury strategy;
- enhancing the balance of the portfolio by flattening the maturity profile.

9.3 Limited opportunities exist to repay debt early because of the penalty position which would arise from early redemption of the external debt.

9.4 The Council's debt rescheduling position will be monitored throughout 2016/17.

10 Annual Investment Strategy

10.1 The Council's investment policy has regard to the Communities and Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:

- the security of capital;
- the liquidity of its investments;
- return on its investments.

10.2 The intention of the strategy is to provide security and minimise risk.

10.3 Legislation and guidance requires the Council to differentiate its investments between specified and non-specified types (these are categorised below). Counterparty limits will be set through the Treasury Management Schedules.

10.4 **Specified Investments –** These investments are sterling investments (meeting the minimum 'high' quality criteria where applicable) of not more than one year maturity, or those which could be for a longer period but where the Council has the right to repay within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. Investment instruments identified for use in the financial year are as follows:

- term deposits with part nationalised banks and local authorities;
- term deposits with high credit criteria deposit takers (banks and building societies);
- callable deposits with high credit criteria deposit takers (banks and building societies);
- money market funds
- Debt Management Agency Deposit Facility (DMADF);
- UK Government gilts, custodial arrangement required prior to purchase.

10.5 **Non-Specified Investments –** These are any other type of investment (i.e. not defined as specified above). Investment instruments identified in both “specified” and “non-specified” categories are differentiated by maturity date and classed as non-specified when the investment period and right to be repaid exceeds one year. Investment instruments identified for use in the financial year are as follows:

- term deposits with high credit criteria deposit takers (banks and building societies);
- term deposits with local authorities;
- callable deposits with high credit criteria deposit takers (banks and building societies);
- Debt Management Agency Deposit Facility (DMADF);
- UK Government gilts, custodial arrangement required prior to purchase.

10.6 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Bank rate is forecast to remain unchanged at 0.50% before starting to rise from quarter 1 of 2017. Bank rate forecasts for financial year ends (March) are:

- 2016/17 0.75%
- 2017/18 1.25%
- 2018/19 1.75%

10.7 There are downside risks to these forecasts (i.e. start of increases in bank rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be upside risk. Forecast average investment interest rates for the next three years are as follows:

- 2016/17 0.70%
- 2017/18 1.20%
- 2018/19 1.70%

10.8 Estimated investment income is shown below.

YEARS	INTEREST RECEIVED £
2015/16	170,000
2016/17	170,000
2017/18	240,000
2018/19	300,000

10.9 **Investment treasury indicator and limit –** total principal funds invested for greater than 364 days. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year end.

	2016/17 £000	2017/18 £000	2018/19 £000
Maximum principal sums invested > 364 days	**10,000**	**10,000**	**10,000**

10.10 For its cash flow generated balance, the Council will seek to utilise its call accounts and short dated deposits (overnight to 100 days) in order to benefit from the compounding interest.

10.11 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

11 Creditworthiness Policy

11.1 The Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

11.2 The modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system, which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- yellow 5 years;
- purple 2 years;
- blue 1 year (only applies to nationalised or semi nationalised UK banks);
- orange 1 year;
- red 6 months;
- green 100 days
- no colour not to be used.

11.3 The Capita Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.

11.4 Typically the minimum credit ratings criteria the Council use will be short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

11.5 The Council’s own bank currently meets the creditworthiness policy. However, should they fall below Capita Asset Services creditworthiness policy the Council will retain the bank on its counterparty list for transactional purposes, though would restrict cash balances to a minimum.

11.6 All credit ratings are monitored weekly and prior to any new investment decision. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council’s minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swaps against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council’s lending list.

11.7 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to justify its decision making process.

11.8 To further mitigate risk the Council has decided that where counterparties form part of a larger group, group limits should be used in addition to single institutional limits. Group limits will be as set through the Council’s Treasury Management Practices – schedules.

11.9 The Council currently only invests in UK banks as it lacks detailed knowledge about investments in other sovereign rated countries. It should be noted that in some cases these banks are subsidiaries of foreign banks but these are of the highest credit quality.

12 External Service Providers

12.1 The Council uses Capita Asset Services, Treasury Solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the authority at all times and will ensure that undue reliance is not placed upon our external service providers.

12.2 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

APPENDIX E

PARISH PRECEPTS 2016/17

TAX BASE (Equated Band D Properties)	PRECEPT 2015/16 £	COUNCIL TAX PER BAND D PROPERTY £	PARISH	TAX BASE (Equated Band D Properties)	PRECEPT 2016/17 £	COUNCIL TAX PER BAND D PROPERTY £	INCREASE FROM 2015/16 %
327	10,609	32.44	**BENWICK**	326	10,715	32.87	1.3
3,194	121,000	37.88	**CHATTERIS**	3,181	126,000	39.61	4.6
244	8,488	34.79	**CHRISTCHURCH**	251	12,500	49.80	43.2
752	26,965	35.86	**DODDINGTON**	769	45,500	59.17	65.0
1,087	34,648	31.87	**ELM**	1,117	49,150	44.00	38.1
359	13,760	38.33	**GOREFIELD**	369	14,377	38.96	1.7
1,057	44,000	41.63	**LEVERINGTON**	1,081	50,000	46.25	11.1
668	36,866	55.19	**MANEA**	756	65,063	86.06	55.9
6,185	199,500	32.26	**MARCH**	6,318	267,000	42.26	31.0
209	6,865	32.85	**NEWTON**	223	7,770	34.84	6.1
416	15,300	36.78	**PARSON DROVE**	428	17,330	40.49	10.1
363	13,000	35.81	**TYDD ST GILES**	369	21,000	56.91	58.9
4,862	143,840	29.58	**WHITTLESEY**	4,929	158,682	32.19	8.8
732	47,000	64.21	**WIMBLINGTON**	747	59,000	78.98	23.0
5,895	203,133	34.46	**WISBECH**	6,024	235,554	39.10	13.5
1,018	53,732	52.78	**WISBECH ST MARY**	1,047	53,732	51.32	-2.8
27,368	**978,706**	**35.76**	**GRAND TOTAL**	**27,935**	**1,193,373**	**42.72**	**19.46**

APPENDIX F

EARMARKED AND GENERAL RESERVES - Projected 2015/2016 and Estimated 2016/17

Reserve Name	**Balance 01.04.15 £**	Applied Capital £	Contributions to/(from) 2015/16 £	**Projected Balance 31.03.16 £**	Applied Capital £	Contributions to/(from) 2016/17 £	**Estimated Balance 31.03.17 £**	*Comments / Conditions of Use*
Travellers Sites	**153,932**		60,000	**213,932**		60,000	**273,932**	Can only be used for specific future maintenance liabilities.
Station Road, Whittlesey - Maintenance	**0**		2,800	**2,800**		2,800	**5,600**	Required for future road maintenance.
CCTV - Plant & Equipment	**78,780**		10,000	**88,780**		10,000	**98,780**	Available for future CCTV maintenance & replacement liabilities.
Invest to Save	**120,521**			**120,521**			**120,521**	To provide resources for schemes which will deliver future efficiencies. £50k committed to energy efficiency schemes match funded by Salix Finance, as part of the Council's 'Keen to be Green' strategy.
Conservation	**54,124**			**54,124**			**54,124**	Available for the purchase, renovation and subsequent re-selling of difficult properties of local importance where intervention by this Council is seen as the only solution.
Management of Change	**1,024,482**	80,000	96,060	**1,120,542**	100,000	(100,000)	**1,020,542**	Available for the effective management of any organisational changes required to meet the Council's future priorities.
Neighbourhood Planning Reserve	**195,156**			**195,156**			**195,156**	Available to assist the Council with delivering the 'Neighbourhood Planning' objective and delivery of the Core Strategy.
Specific Government Grants (received in previous years)	**537,036**		(188,100)	**348,936**		(2,000)	**346,936**	Available to fund specific spending commitments in future years.
Personal Search Fees	**97,834**		4,130	**101,964**			**101,964**	Available to off-set restitution claims asociated with the revocation of the personal search fees of the local land charges register.
Community Projects Reserve	**12,431**			**12,431**			**12,431**	Available for small-scale community projects. Previously used to assist Parish/Town Councils to fund Diamond Jubilee Celebrations.
Local Government Resources Review Reserve	**500,000**			**500,000**			**500,000**	Available to assist the Council in delivering the local council tax support scheme and business rates retention system from 2013/14.
Capital Contribution Reserve	**181,000**	262,000	(12,000)	**169,000**	75,000	(75,000)	**94,000**	Available to fund specific spending commitments in future years.
Port - Bouy Maintenance	**150,004**			**150,004**			**150,004**	Available for future buoy maintenance to service windfarms.
Pilots' National Pension Fund	**500,000**		561,178	**1,061,178**			**1,061,178**	Available to off-set potential future liabilities arising from Pilots'membership of the Pilots' National Pension Fund.
TOTAL EARMARKED RESERVES	**3,605,299**	342,000	534,068	**4,139,367**	175,000	-104,200	**4,035,167**	
General Fund Balance	**2,886,161**		(500,000)	**2,386,161**			**2,386,161**	Unallocated general reserve required for various and unplanned for contingencies, to mitigate risks associated with future financial planning as well as for general day to day cash flow needs.
TOTAL RESERVES	**6,491,460**	342,000	34,068	**6,525,528**	175,000	-104,200	**6,421,328**	

NB: In accordance with the Council's Financial Rules and Scheme of Financial Delegation (Part 4, Rule 6 of the Constitution), paragraphs B57 - B60 delegates authority to the Chief Finance Officer to approve expenditure from these reserves in accordance with their approved use as detailed above.

APPENDIX G

ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF THE RESERVES

1. Introduction

Section 25 of the Local Government Act 2003 requires that the Chief Finance Officer is required to report to Members on the following matters:

a) the robustness of the estimates made for the purposes of the budget calculations, and
b) the adequacy of the proposed financial reserves.

The majority of the material required to meet the requirements of the Act has been built into the key reports prepared throughout the corporate budget cycle, in particular:

a) The Medium Term Financial Strategy (MTFS),

b) The Revised Budgets,

c) The final Corporate Plan and budget report to Cabinet.

This reflects the fact that the new requirements incorporate issues which the Council has, for many years, adopted as key principles in its financial strategy and planning, and which have therefore been incorporated in the key elements of the corporate decision-making cycle.

This also reflects the work in terms of risk assessment and management which is built into all the key aspects of the Council's work.

2. Robustness of Estimates

Through regular reporting mechanisms to members and at Corporate Management Team, the on-going impact of the current economic climate and the implementation of the identified savings have been incorporated into the projected outturn for 2015/16. A savings target of £1.005m had originally been set as part of the budget setting process for 2015/16. Through tight and effective financial management, the required savings have been achieved without any use of balances. This is a considerable achievement.

The revised budget process has been informed by:

1. The revised Service and Financial Planning process, the development of a new Business Plan incorporating extensive public consultation.

2. The budget monitoring process which has highlighted areas of risk, and, on a monthly basis, has subjected them to a greater degree of scrutiny. Budget monitoring has been used to highlight under-spending, budgets where demand has exceeded the current resources available and areas where revenue streams have been under pressure.

3. The outcome of the Local Government Finance Settlement for 2016/17.

4. The Fenland Comprehensive Spending Review process.

These present the Council with considerable challenges. The assumptions and risks taken into account in developing the budget are shown in the Table below.

Budget assumption	**Financial standing and management**
1 The treatment of the current economic climate	The Council's much admired 'one team' culture is playing an important part in keeping tight control of expenditure commitments and achieving the necessary efficiency savings. This will ensure the continuation of excellent services and delivery of the key priorities within the Business Plan. In addition, the prudent use of balances/reserves to smooth out the more significant effects of the recession will help ensure (together with the actions above) that council tax increases are kept to a reasonable level (1.7% in 2013/14; 0% in 2014/15 and 2015/16; 1.98% proposed for 2016/17; indicative 1.98% thereafter in the MTF, below the Government's anticipated referendum levels). The actions above will also ensure that the Council is well placed to bounce back quickly when the economy improves.
2 The treatment of inflation and interest rates	No allowance for general inflation has been provided for in the 2016/17 budget and over the Medium Term forecasts, although allowances for contractual pay increases, external contracts, business rates, energy costs, fuel etc have been included. Specific increases are included for certain elements if known. Corporate Management Team has once again re-assessed the vacancy factor [VF] to be built into the medium term forecasts, in the light of current experience. Consequently, the VF built into the 2016/17 budget and over the Medium Term is 0%. The Council is seeing an increase in turnover, however the savings from this are offset by recruitment and temporary staff costs. Officers will continue to monitor this and assess whether a VF should be built into any future years. Average interest rates for 2016/17 have been assumed at 0.7% for investments and 4.00% for new borrowing. The effect of each 1% change in interest rates (on investment income) is approximately ± £150,000.

Budget assumption	Financial standing and management
3 The impact of Government Grants and achievement of savings target	The Local Government Finance Settlement has had a significant impact on the Council's resources over the Medium Term. This has resulted in General Government Support (Settlement Funding Assessment reducing by £859k in 2016/17 (-14.45%). Within this, Revenue Support Grant will reduce by £886k (-34.27%) and this will be phased out to zero by 2019/20. This means that the overall Settlement Funding Assessment reductions continue at 14% in 2017/18, are reduced by 9% in 2018/19 and by 8% in 2019/20. The impact on the Council's Net Revenue Expenditure (excluding use of balances) is a reduction from £13.618m in 2014/15 to £12.000m in 2016/17, a cumulative reduction of £1.618m (11.9%) over two years, at the same time as the Council faces considerable cost and income pressures. The Corporate Management Team with guidance and direction from Cabinet and the Council, have achieved the required savings in 2016/17 (£968k), which is an increase from the estimated budget presented to Cabinet in December. The Final Settlement also gave indicative illustrations of funding levels of 2017/18, 2018/19 and 2019/20. This estimates that a further £2.133m of savings will be required over this time period with the Council receiving no Revenue Support Grant in 2019/20. In addition, it has also been proposed that an additional tariff adjustment is applied to councils who no longer receive Revenue Support Grant to contribute to the Government's financial austerity measures. A Fenland Comprehensive Spending Review has begun and members of the Council have identified options to deliver of £1.667m towards this target and work continues to identify the remaining £466k as part an overall efficiency plan which will hopefully enable the Council to meet the requirements of the Four Year Settlement Agreement. These proposals involve changes to current structures, service transformation, systems and processes which needs managing effectively in order to minimise the possibility of slippage and disruption in the transition from old to new arrangements. However, the achievement of ongoing significant savings during 2015/16 without significant impact on front-line services has been a considerable achievement by the Corporate Management Team and Senior Managers with direction from Cabinet and Members. Robust and timely monitoring of savings delivery plans with ongoing contingency planning will be critically important throughout the year, as it has successfully been in the last 12 months. Corporate Management Team and Senior Managers are aware of the budgetary implications around deliverability of the savings plan.

Budget assumption	**Financial standing and management**
Business Rates Retention System	Business Rates income is now one of the major financial risks to the Council following the introduction of the Business Rates Retention System from April 2014. The Council now shares the risk associated with appeals and growth with the government. As well as producing potential benefits to the Council over the medium term the risks associated with appeals will potentially limit this benefit and could cause volatility in Business Rates income over the medium term. During 2015/16 there has been real growth in business rates income and the Council will benefit in 2016/17 and thereafter, from its' share of the growth over and above the baseline funding level. This is forecast to be around £378,000 in 2016/17 and future years. This also includes additional growth funding as Fenland is part of the pilot scheme with the Treasury to keep 100% of business rates generated above forecast levels. The volatility of business rates is such that a 1% variance in income would result in the Council either gaining or losing £100,000 in resources. Within the business rates retention system, is a safety net mechanism whereby the government will reimburse Council's for loss of business rates income if this is falls below 92.5% of the baseline funding level. Based on the forecast business rates income for 2015/16, total income would have to fall by around £635,000 (the Council's share being £254,000) before the Council would receive any safety net payment. CMT will continue, over the coming months, to carefully monitor the Business Rates Retention system, to ensure that any volatility in this area is identified in a timely manner and plans put in place to ensure the Council's Medium Term Forecasts are robust and sustainable. In addition, the Council has established the Local Government Resource Review Reserve (current balance £500k) to mitigate the impact of any in-year variations in income. In addition, during 2016, the Government will announce the details of a consultation on councils retaining 100% of business rates by 2019/20. No additional funds have been anticipated from this yet as no information or details on how this will work have been released yet. There will still be a need for business rates to be redirected across the country for fairness, and also to re-balance funding towards social care. Officers will review and respond to the consultation to maximise the opportunity this new policy will bring to the Council.
4 Estimates of the level and timing of capital receipts.	The capital programme for 2015/16 and 2016/17 is reliant on £865k of receipts. The future capital programme is reliant on substantial amounts of capital receipts (£2.625m for 2017/18 to 2018/19). As land values have decreased during the current climate, disposals of surplus land will be delayed if necessary to ensure the Council maximises its return on these assets. The capital investment plan will therefore need to be reviewed and re-phased should the level or timing of capital receipts vary from that anticipated, to ensure funding is sufficient to meet proposed expenditure.

Budget assumption	Financial standing and management
5 The treatment of demand led pressures	All members of Corporate Management Team have reviewed their base budgets to reflect the Council's revised priorities set out in the Business Plan 2016/17 including demand led pressures. Service Teams are expected to put forward management and policy actions to manage the additional demand within the relevant legislation either within the relevant budget or reprioritising within their budgets. If this is not possible, and underspendings, management action or policy actions in other Service Teams are not sufficient to cover the additional demand, then further savings and service reductions would have to be made.
6 The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	Approval of new capital spending is dependent on the identification of the appropriate levels of revenue and capital funding, demonstrating their affordability. The existing test of affordability for capital spending has been reinforced by the introduction of the Prudential Code, with effect from 1 April 2004. The indicators identified as part of the Code have been included with the final budget reports, and have been taken into account in arriving at the final recommendations on the Capital Programme.
7 The availability of other funds to deal with major contingencies	The minimum level of reserves assumes that management and policy actions will be taken to address major contingencies. Should these be insufficient, the minimum level of reserves may have to be used temporarily and restored to at least their minimum prudent level or the optimal level through future budgets.
8 The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates etc)	The Council budgets prudently for its level of borrowing, avoiding external borrowing where cash resources allow. No new borrowing is anticipated in the MTF as detailed in the Treasury Management Strategy 2016/17. The assumed Council Tax collection rate for 2016/17 onwards is high, at 98.5%. This reflects the anticipated collection rates as a consequence of the new Local Council Tax Support Scheme. The Council Tax collection fund is forecast to be in surplus at the end of 2015/16. Consequently, a surplus of £157,000 is included in the final budget proposals for 2016/17. The Business Rates collection fund is forecast to be in deficit at the end of 2015/16, mainly due to the outstanding appeals from the Valuation Tribunal decision regarding purpose built doctor surgeries which could significantly reduce their rateable values (backdated to 1 April 2010). A deficit of £240,000 is included in the final budget proposals for 2016/17.

Budget assumption	Financial standing and management
9 The authority's track record in budget and financial management.	The Council's recent track record in budget and financial management shows under-spends of -0.1% to -1.2% of the net budget : Amount £000 / % of budget • 2003/04 - under spent by -£10 -0.1 • 2004/05 - under spent by -£148 -1.2 • 2005/06 - under spent by -£174 -1.4 • 2006/07 - under spent by -£62 -0.4 • 2007/08 - under spent by -£149 -0.9 • 2008/09 - under spent by -£47 -0.3 • 2009/10 - under spent by -£60 -0.3 • 2010/11 - under spent by -£101 -0.6 • 2011/12 – under spent by -£102 -0.6 • 2012/13 – under spent by -£25 -0.2 • 2013/14 – under spent by -£93 -0.6 • 2014/15 – under spent by -£7 -0.05 However this has been achieved by considerable management and policy actions to ensure spending is in line with the budget each year. Base budget under provision, the full year effect of previous decisions, demographic growth, legislative change and the impact of the current recession have been identified and will continue to be identified during the budget and the revised Medium Term Planning process.
10 The authority's capacity to manage in-year budget pressures	The performance management framework during 2015/16, consisting of monthly financial management reports to CMT, monthly briefing of portfolio holder's and budget monitoring reports to Cabinet and Overview and Scrutiny, ensures that current performance is challenged, and the need for any remedial measures identified at the earliest opportunity. The impact of the Autumn Statement and Settlement Announcements were anticipated early in 2015/16 with regular reports to members. Under the guidance of Cabinet and the whole Council through the 'Fenland Comprehensive Spending Review' process, Corporate Management Team have continued a thorough and detailed efficiency review of all service area budgets, which led to the identification and implementation of £968k of financial savings for 2016/17, a further £105k in 2017/18 together with the identification of the estimated FDC-CSR savings of £1.667m for the following years.

Budget assumption	Financial standing and management
11 The authority's virement and end of year procedures in relation to budget under/overspends at authority and Service level.	The Council's virement and carry forward rules are clearly set out in the Financial Regulations. The Council is operating management disciplines to ensure management and policy actions are considered in relation to overspending budgets. Generally virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of general fund reserves.
12 The adequacy of the authority's insurance arrangements to cover major unforeseen risks.	The Council's insurance arrangements are a balance between external insurance premiums and internal risk in some areas. Premiums and internal risks are reactive to external perceptions of the risks faced by the Council which includes both risks that are generic to all organisations eg Sept 11^{th} and those specific to the Council / Local Government eg "no win - no fee" companies. Both those issues produced large increases in risk and thus premiums / costs in recent years have risen. Trend analysis indicates that these have now settled and provide confidence that no substantial increases in risks and costs should be seen in the near future. But of course, by its very nature, insurance is a service to manage unforeseen risks and reserve levels must be kept under constant review in this area.

3. Adequacy of the reserves

The minimum prudent level of reserves that the Council should maintain is a matter of judgement. It is the Council's safety net for the unforeseen or other circumstances and must last the lifetime of the Council unless contributions are made from future years revenue budgets. The minimum level of balances cannot be judged merely against the current risks facing the Council as these can and will change over time.

The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem or a series of events, the Council would run a serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way.

Reserves are established and maintained in line with the Code of Practice on Local Authority Accounting, and are reviewed annually by the Council's external auditors taking into account their knowledge of the Council's performance over a period of time.

There are two main categories of reserves to be considered:

a) Earmarked reserves

b) Unallocated general reserves (the general fund balance)

3.1 Earmarked Reserves

Earmarked reserves are those which the Council builds up over a period of time to fund known or predicted liabilities. These are included in Appendix F of this report. The Council reviews the levels, contributions and appropriateness of these reserves annually as part of the budget process.

3.2 Unallocated general reserves

As part of its financial strategy during the current uncertain economic climate the Council has determined a minimum level of £2m for the general fund balance over the medium term (approximately 15% of future net expenditure levels) to deal with timing issues and uneven cash-flows and avoid unnecessary borrowing. This minimum level will be kept under review during the course of the medium term strategy.

The recommendation on the minimum prudent level and optimal level of reserves has been based on the robustness of estimate information. In addition, the other strategic, operational and financial risks taken into account when recommending the minimum level of unallocated General Fund reserves include:

- The Council will need to budget for provision for the cost of any redundancies necessary to achieve any budget savings and restructuring to the extent they are not contained in budget proposals.

- There is always some degree of uncertainty over whether the full effects of any economy measures and/or service reductions will be achieved. CMT have been prudent in their assumptions and that those assumptions, particularly about demand led budgets, will need to hold true in changing circumstances.

- The uncertainty over the extent of the impact of the current recession and when the economy is likely to improve. Although the assumptions built into the budgets are prudent, further action will need to be taken if circumstances change for the worse,

- The Bellwin Scheme Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. The local authority is able to claim assistance with the cost of dealing with an emergency over and above a threshold set by the Government. The assistance is usually 85% of any eligible costs over the threshold.

- The risk of major litigation, both currently and in the future.

- Changes in the methodology for central government grant allocations from 2016/17.

- Risks of grants being introduced mid year requiring authority contributions.

- Risks of government funding changes during year.

- Unplanned volume increases in major demand led budgets, e.g. homelessness and benefits.

- The need to retain a general contingency to provide for any unforeseen circumstances, which may arise.

- The need to retain reserves for general day to day cash flow needs

The level of the General Fund Balance is forecast to be £2.386m at both 31 March 2016 and 31 March 2017. No additional use of this balance is currently forecast over the Medium Term. This level may be increased by the utilisation of any earmarked underspending.

The main emphasis in future years is on achieving efficiency savings to balance the MTFS rather than continued use of balances.

The Council has a commitment to risk management, as a key element of effective internal control. This will form a significant part of the assurance framework to meet the requirements of the Annual Governance Statement in the Council's Statement of Accounts.

The Council's financial strategy also supports the provision of funding for known commitments, which commence beyond the specific budget year, as part of the prudence and sustainability concept. An example of this is the provision for increased employer's contributions to the Pension Fund, based on the latest actuarial advice, which has an ongoing impact in future years.

Part of the Council's established financial strategy is to ensure that funding for future spending is not dependent on the use of reserves (below the £2m minimum level), so as to demonstrate long-term sustainability.

4. Chief Finance Officer's Statement

Taking into account the above, together with all the proposals within the budget report, it is the Chief Finance Officer's view that the estimates for 2016/17 are robust and the proposed level of reserves is adequate.

Appendix H

List of proposed savings/income generators resulting from the FDC Comprehensive Spending Review (CSR)

This list of priorities agreed by Members, where appropriate, will be worked up in to full business cases to be assessed and subsequently implemented following appropriate consultation with staff, residents and stakeholders are as follows:

Offering grants funding and support to the community

- Turn off some District street lights
- Pursue sponsorship on street furniture
- Phased reduction of SLA's (service level agreements) for Community Grants
- Stop the Youth District Council (YDC) programme
- Close Community House and review Community Support Team
- Deliver Golden Age Programme differently
- Scale back the Sports Development service and develop Service Level Agreements
- Change the concurrent grant distribution model for town and parish funding
- Reduce or remove council tax support scheme grant to towns and parishes

Collecting bins and recycling

- Increase trade waste income
- Investigate delivery models for the Environmental Services Vehicle Workshop
- Develop a self-funding garden waste service
- Develop a business case to look at the size of bins and the impact on recycling, as well as marketing recycling

Helping people to access the Council

- Reduce call handling targets or services hours in the Contact Centre
- Close the March and Wisbech shops and relocate to local libraries

Helping to ensure public safety and tackling anti-social behaviour

- Explore Licensing shared service opportunities
- Review the New Horizons bus (retain or sell)
- Investigate shared service opportunities for Environmental Health
- Reduce CCTV active monitoring hours and consider an alternative service delivery
- Reduce fibre optic line rental costs for CCTV through reduction and/or upgrade of cameras
- Increase income from businesses/properties covered by CCTV cameras

Helping people to access the benefits they are entitled to

- Reduce the Council Tax Support Scheme to 20%

Providing Leisure Centres and swimming pools

- Change the way that Leisure Centres are managed

Providing well maintained parks and open spaces
- Review staffing levels for Open Spaces
- Reduce costs associated with bedding plants
- Cancel the Green Flag accreditation

Managing Wisbech Port, including its leisure mooring facilities
- Increase wharfage fees
- Outsource part of the service
- Lease or sell quayside land
- Pursue wind farm activity/income

Promoting Fenland as a tourism destination
- Create a revenue stream from the Tourism website, or deliver savings by either ceasing, changing or scaling back the tourism service if a revenue stream is not achievable

Providing flexible and affordable business facilities
- Dispose of underperforming light industrial units

Offering housing and accommodation advice
- Investigate shared service opportunities for Private Sector Housing
- Investigate shared service opportunities for Housing Options
- Join the Cambs Home Improvement Agency Partnership
- Investigate shared service opportunities for Housing Strategy

Tackling environmental issues
- Work with another provide to deliver Streetscene enforcement

Managing and maintaining Council-owned cemeteries
- Review staffing levels for the cemeteries service

Corporate Services
- Smarter utilisation of office space and market spare desk capacity at Fenland Hall and The Base
- Increase sewage treatment work charges from FDC sewage treatment works
- Review civic events and expenses (Member Services)
- Review twinning arrangements (Member Services)
- Discontinue the monthly Fenlander page (Policy and Communications)

Additional items not included on original CSR Councillor Feedback form
- Cease Business Awards support
- Cease Planners Design Awards
- Review the Council’s communications strategy