

Supplementary to Cabinet Report: Budget 2016/17

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Recommendations

Following the issuance of the Final Local Government Finance Settlement on 8 February 2016, the following supplementary recommendations are recommended to Cabinet. Each recommendation listed below supersedes the recommendations of the same letter within the original Cabinet Report. All other recommendations in the Cabinet Report remain extant and are not superseded by the recommendations listed below.

It is recommended that Cabinet recommend to Council approval of the following recommendations:

- a) set a Dacorum Borough Council General Fund Council Tax requirement of £10.218m, and of £10.908m for the combined Borough Council and Parish Councils' requirement for 2016/17;
- b) approve an increase of 2.78% in Council Tax for Dacorum Borough Council;
- c) approve the base estimates for 2016/17, as shown in Supplementary Appendix A1, and the indicative budget forecasts for 2016/17 – 2019-20, as shown in Supplementary Appendix A2;
- d) approve the forecast balances of the Revenue Reserves as shown in the Supplementary Appendix J, and approve paragraphs 10-20 of the Cabinet report as the updated Reserves Strategy.

Background

1. On 17 December 2015, the Provisional Local Government Finance Settlement for 2016/17 was announced. The Provisional Settlement formed the basis for the Council's draft 2016/17 budget, which was scrutinised by Joint Overview & Scrutiny on 2 February 2016, and was subsequently published within the current Cabinet Report.
2. On 8 February 2016, the *Final* Local Government Finance Settlement for 2016/17 was announced, which contained a number of significant amendments from the provisional Settlement. The amendments which will affect Dacorum over the Settlement period (to 2019/20) are:
 - **Council Tax Referendum Threshold** has been increased, for the four-year period to 2019/20, from 2% or above to whichever is the higher of 2% or £5. A £5 increase for Dacorum in 2016/17 equates to a 2.78% increase for a Band D and would generate a further £78k in Council Tax income.

- **Transition Grant** has been introduced to provide one-off funding for councils in 2016/17 and 2017/18 to assist with the continuing trend of reduced funding from Central Government. Dacorum will receive a £126k payment in 2016/17 and a £126k payment in 2017/18.
- **Removal of the Tariff Adjustment ('negative RSG')** for 2017/18 and 2018/19. Dacorum is unaffected by the change to 2017/18, but will effectively receive an additional £400k in Government Funding in 2018/19 as a result of this change.

Budget Implications for 2016/17

3. Following discussions with Budget Review Group, it is recommended that the Council increase Council Tax by 2.78% in 2016/17, which remains below the referendum threshold limit of more than £5 for a Band D.
4. Increasing Council Tax by 2.78% together with the £126k Transition Grant provides the Council with £204k additional funding for 2016/17. In accordance with paragraph 18 of the Cabinet Report, it is recommended that this additional funding is contributed to the Management of Change Reserve in order to help finance the efficiency initiatives that will be required over the coming years in order for the Council to achieve its savings targets. This reserve movement is incorporated within the supplementary Appendix J, Statement of Earmarked Reserves.

Budget Implications beyond 2016/17

5. The amendments to the Finance Settlement have not changed the scale of grant reductions for the Council over the four years to 2019/20. However, the above changes have resulted in a slower pace of grant reductions and more 'end-loading' of the savings. This is shown within the supplementary Appendix A2, Draft General Fund Medium Term Financial Strategy. As in previous years, the fully revised Medium Term Financial Strategy will be reported to Members separately.
6. The Final Settlement confirmed that councils will be able to accept a four-year Settlement deal and will have until October 2016 to advise CLG of their intention. However, details of the process have not yet been revealed. Members will be updated as information becomes available.