Medium Term Financial Strategy & Budget Process

1. PURPOSE AND RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Report Type:</th>
<th>Public Report for Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose of Report:</td>
<td>To seek approval for the budget timetable and process for 2017/18.</td>
</tr>
<tr>
<td>Recommendations:</td>
<td>It is RECOMMENDED that:</td>
</tr>
<tr>
<td></td>
<td>(a) Members approve the budget timetable and process as set out in this report, and;</td>
</tr>
<tr>
<td></td>
<td>(b) Members note the content of the Medium Term Financial Strategy.</td>
</tr>
<tr>
<td>Portfolio holder:</td>
<td>Councillor Andy Barfield</td>
</tr>
<tr>
<td>Wards:</td>
<td>Borough-wide</td>
</tr>
<tr>
<td>Contact Officer:</td>
<td>Ian Milner, Strategic Director</td>
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<tr>
<td></td>
<td>Dan Povey, Group Accountant</td>
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2. BACKGROUND

2.1. This report summarises the 2017/18 budget process, including revenue, capital and reserve budgets. The budget timetable forms part of the Medium Term Financial Strategy Report that was approved by the Policy and Resources Committee on 28th September 2016. The full Medium Term Financial Strategy Report is included in Appendix (ii).

2.2. Article 6 of the Constitution states that one function of the Scrutiny and Policy Overview Committee is to “support the Council’s Corporate Plan and policy committees in the development of its budget and policy framework by in-depth analysis of policy issues”. As such a review of the budget timetable and consideration of the Council’s Medium Term Financial Strategy has been included in the Committee’s Work Programme.

2.3. This report asks Members to approve the budget process for 2017/18 and note the content of the Medium Term Financial Strategy.

3. BUDGET PROCESS 2017/18

3.1. A detailed budget timetable is included in Appendix (i). The table below summarises the key dates for Member consideration of different aspects of the budget. The timetable is designed to involve Members throughout the entire budget process through scrutiny of key budget assumptions and calculations.
by the Scrutiny & Policy Overview Committee, as well as reports containing the budget recommendations being submitted to the Policy & Resources Committee between now and the setting of Council Tax by Full Council on 21\textsuperscript{st} February 2017.

<table>
<thead>
<tr>
<th>Item For Consideration</th>
<th>Committee / Member Involvement</th>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>Medium Term Financial Strategy Report</td>
<td>Policy &amp; Resources Committee</td>
<td>28\textsuperscript{th} September 2016</td>
</tr>
<tr>
<td>Budget Process and Medium Term Financial Strategy Report</td>
<td>Scrutiny &amp; Policy Overview Committee</td>
<td>15\textsuperscript{th} November 2016</td>
</tr>
<tr>
<td>Medium Term Financial Strategy Update Report and Quarter 2 Budget Monitoring Report</td>
<td>Policy &amp; Resources Committee</td>
<td>30\textsuperscript{th} November 2016</td>
</tr>
<tr>
<td>Capital &amp; Reserve Bids Report and Settlement &amp; Taxbase Report</td>
<td>Policy &amp; Resources Committee</td>
<td>11\textsuperscript{th} January 2017</td>
</tr>
<tr>
<td>Revenue, Reserves, Capital Budget Reports and Treasury Management Report</td>
<td>Scrutiny &amp; Policy Overview Committee</td>
<td>1\textsuperscript{st} February 2017</td>
</tr>
<tr>
<td>Revenue, Reserves, Capital Budget Reports, Treasury Management Report and Quarter 3 Budget Monitoring Report</td>
<td>Policy &amp; Resources Committee</td>
<td>8\textsuperscript{th} February 2017</td>
</tr>
<tr>
<td>Council Tax Setting</td>
<td>Full Council</td>
<td>21\textsuperscript{st} February 2017</td>
</tr>
</tbody>
</table>

4. **MEDIUM TERM FINANCIAL STRATEGY**

4.1. The Policy & Resources Committee considered the Medium Term Financial Strategy on 28\textsuperscript{th} September 2016. A copy of the report is included in Appendix (ii) of this report. Members of this Committee are asked to note the content of this report, and to consider the budget timetable in light of the key issues highlighted by the Medium Term Financial Strategy.

4.2. The key issues highlighted within the Medium Term Financial Strategy Report are summarised as follows:

(a) The Council continues to operate in a challenging and uncertain economic environment. New challenges include the potential impact of Brexit on local authorities and the Government intention for 100% business rate retention by local authorities by 2019.

(b) Based on the assumptions contained in the report, the Medium Term Financial Strategy forecast is for a balanced position until 2019/20 when a budget gap of £167k is identified. From 2020/21 a budget gap of £37k
per annum is identified. This is a relatively modest budget gap compared to the financial situation that some councils face.

(c) The Council has published an Efficiency Plan that shows what has been achieved through Partnership working and what further potential efficiencies have been identified. Since 2010/11 the Council has saved a total of £5,864k from the revenue budget, with almost £1m removed from the base budget on a recurring basis. Much of the additional potential efficiencies identified relate to accommodation savings through working with East Dorset. Now that the programme of service reviews with East Dorset is complete, new ways of delivering further efficiencies are being considered through the Transformation Programme.

(d) The Council has taken up the offer of a four-year financial settlement from the Government. This will bring increased financial certainty in terms of Government resource allocations and aid financial management and planning.

(e) The Council maintains a healthy level of financial reserves and a fully funded Capital Programme. The level and allocation of reserves, plus the aspirations and funding of the Capital Programme will be reviewed as part of the budget process.

5. IMPLICATIONS

Corporate Plan & Council Objectives

5.1. The matter under consideration impacts upon the Corporate Plan in the following areas:-

- EC1 - Focus on collaboration and partnership in the delivery of services
- EC2 - Deliver services more efficiently
- EC3 - Maintain strong and sustainable financial performance

Legal

5.2. There are no legal implications arising from this report.

Environmental

5.3. There are no environmental implications arising from this report.

Financial and Risk

5.4. Thorough budget reviews involving officers and Members are an important part of the Medium Term Financial Strategy. They are an opportunity to scrutinise costs and income, identify efficiencies and ensure resources are matched to corporate priorities. The financial climate in which the Council operates is challenging and uncertain. If the assumptions on which the budget are based change then there may be an impact upon the cost of delivering services, in which case working balances may need to be used.

Equalities

5.5. There are no equalities implications arising from this report.
Consultation and Engagement

5.6. No consultation was necessary for this report.

6. CONCLUSION

6.1. This report sets out the key dates of the budget timetable and the ways in which Members will be engaged during the process. The assumptions within the Medium Term Financial Strategy underpin the 2017/18 budget setting process.

Appendices:
Appendix (i) – Budget Timetable 2017/18
Appendix (ii) – Medium Term Financial Strategy Report - Policy & Resources Committee 28 September 2016

Background Papers:
Medium Term Financial Strategy Report - Policy & Resources Committee 28 September 2016 – Published Works
## Budget Timetable 2017/18

<table>
<thead>
<tr>
<th>Task</th>
<th>Deadline</th>
<th>Officers</th>
<th>Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTFS Draft Reports</td>
<td>CBC deadline 9th September 2016</td>
<td>Ian Milner</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EDDC deadline 16th September 2016</td>
<td>Dan Povey</td>
<td></td>
</tr>
<tr>
<td>MTFS Committee</td>
<td>CBC Policy &amp; Resources 28th September 2016</td>
<td>Ian Milner</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EDDC Cabinet 5th October 2016</td>
<td>Dan Povey</td>
<td></td>
</tr>
<tr>
<td>Budget Discussions With S151 Officer</td>
<td>W/C 10th October 2016 (DP to arrange)</td>
<td>Accountants</td>
<td></td>
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<td></td>
<td></td>
<td>Dan Povey</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>TBC</td>
<td></td>
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<tr>
<td>MTFS Draft Reports - Scrutiny</td>
<td>CBC deadline 27th October 2016</td>
<td>Ian Milner</td>
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<tr>
<td></td>
<td>EDDC deadline 3 November 2016</td>
<td>Dan Povey</td>
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<tr>
<td>Head Of Service/Strategic Director Budget Meetings</td>
<td>W/C 7th November 2016</td>
<td>Accountants</td>
<td></td>
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<tr>
<td></td>
<td>W/C 14th November 2016 (Secretariat To Arrange)</td>
<td>Ian Milner</td>
<td></td>
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<tr>
<td>Draft Q2 Budget Monitoring &amp; MTFS Update Reports Complete</td>
<td>CBC 11th November 2016</td>
<td>Dan Povey</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EDDC 18th November 2016</td>
<td></td>
<td></td>
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<tr>
<td>MTFS &amp; Budget Process Reports – Scrutiny Committee</td>
<td>CBC 15th November 2016</td>
<td>Ian Milner</td>
<td></td>
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<tr>
<td></td>
<td>EDDC 22nd November 2016</td>
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<td></td>
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<tr>
<td>Q2 Budget Monitoring &amp; MTFS Reports Committee</td>
<td>CBC Policy &amp; Resources 30th November 2016</td>
<td>Dan Povey</td>
<td></td>
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<tr>
<td></td>
<td>EDDC Cabinet 7th December 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Programme &amp; Reserve Bids To Corporate Team</td>
<td>5th December 2016</td>
<td>Ian Milner</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Dan Povey</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Liz Walker</td>
<td></td>
</tr>
<tr>
<td>Service Budgets Completed</td>
<td>7th December 2016</td>
<td>Accountants</td>
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<tr>
<td>Capital Programme Officer Review Completed</td>
<td>12th December 2016</td>
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<td></td>
<td></td>
<td>Liz Walker</td>
<td></td>
</tr>
<tr>
<td>Taxbase, Settlement, NNDR1, Capital &amp; Reserve Bid Reports Complete</td>
<td>CBC 20th December 2016</td>
<td>Dan Povey</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EDDC 29th December 2016</td>
<td></td>
<td></td>
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<tr>
<td>Taxbase, Settlement, NNDR1, Capital &amp; Reserve Bid Reports</td>
<td>CBC Policy &amp; Resources 11th January 2017</td>
<td>Ian Milner</td>
<td></td>
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<td>EDDC Cabinet 18th January 2017</td>
<td>Dan Povey</td>
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<tr>
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<td>Deadline</td>
<td>Officers</td>
<td>Complete</td>
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<tr>
<td>----------------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>-------------------</td>
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</tr>
<tr>
<td>Corporate Team 2017/18 Budget Update</td>
<td>16th January 2017</td>
<td>Ian Milner, Dan Povey</td>
<td></td>
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<tr>
<td>2017/18 Budget Reports Complete (Inc review TM), Q3 Budget Monitoring</td>
<td>EDDC 19th January 2017 CBC 20th January 2017</td>
<td>Dan Povey</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Send to Scrutiny Members</strong></td>
<td></td>
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</tr>
<tr>
<td>Scrutiny Committees – 2017/18 budget reports</td>
<td>EDDC Scrutiny 24th January 2017 CBC Scrutiny 1st February 2017</td>
<td>Ian Milner, Dan Povey</td>
<td></td>
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<tr>
<td>Council Tax Setting Reports</td>
<td>EDDC 1st February 2017 CBC 1st February 2017</td>
<td>Dan Povey</td>
<td></td>
</tr>
<tr>
<td>Committee – 2017/18 Revenue &amp; Capital Budgets, Reserves, TM Policy, Q3 Budgets</td>
<td>EDDC Cabinet 7th February 2017 CBC Policy &amp; Resources 8th February 2017</td>
<td>Ian Milner, Dan Povey</td>
<td></td>
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<tr>
<td>Staff Budget Briefings</td>
<td>W/C 13th February 2017</td>
<td>Ian Milner, Dan Povey</td>
<td></td>
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<tr>
<td>Full Council – CT Setting</td>
<td>EDDC 20th February 2017 CBC 21st February 2017</td>
<td>Ian Milner, Dan Povey</td>
<td></td>
</tr>
</tbody>
</table>
Medium Term Financial Strategy

1. PURPOSE AND RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Report Type:</th>
<th>Public Report for Recommendation</th>
</tr>
</thead>
</table>
| Purpose of Report: | To update Members regarding the Medium Term Financial Strategy, which includes;
| | • The Council’s Efficiency Plan;
| | • Quarter One Budget Position;
| | • The 2017/18 Budget Timetable. |
| Recommendations: | It is RECOMMENDED that: |
| (a) | The content of the report be noted; |
| (b) | The Council applies for the four-year settlement offer from the Government. |
| (c) | Portfolio Holders work with officers in updating the Medium Term Financial Strategy and in developing the 2017/18 budget. |

| Portfolio holder: | Councillor Andy Barfield |
| Wards: | Borough-wide |
| Contact Officer: | Ian Milner, Strategic Director Dan Povey, Group Accountant |

2. BACKGROUND

2.1. This report updates Members regarding the Medium Term Financial Strategy (MTFS). The MTFS uses various financial assumptions to model the Council’s financial position over the next five years. As the budget process for 2017/18 progresses and as assumptions change over time, the MTFS will be updated and brought back for Member consideration.

2.2. The report also contains an Efficiency Plan. This plan details the savings that have been achieved within the base revenue budget from Partnership Working since 2010/11. It also forecasts future planned efficiencies to 2021/22, which also form part of the MTFS.

2.3. Part of the Local Government Settlement 2016/17 was an offer of a four-year settlement up to 2019/20. The advantage of signing up is that the Council will have more certainty in relation to Government resource allocations – particularly revenue support grant, transitional grant and business rate tariffs. The Government has stated that these items will not be altered for reasons related to the relative needs of local authorities. This certainty will aid financial
management and planning. Greg Clark, the former Secretary of State for Communities and Local Government, stated that “I cannot guarantee future levels of funding to those who prefer not to have a four year settlement”. No subsequent comments have been made by the new Secretary of State. In order to accept the offer the Council needs to publish its Efficiency Plan on the Council’s website.

2.4. The MTFS presented in this report uses the four-year settlement figures as presented in the 2016/17 Settlement in order to model the Council’s finances.

2.5. Appendix 7 contains a Glossary for terms and abbreviations that appear in this report.

3. THE FINANCIAL BACKGROUND

3.1. The Council continues to operate in a challenging and uncertain economic environment. Recent changes to Local Government funding streams mean that councils are subject to significant financial risks relating to business rate income and the cost of local Council Tax schemes. In addition there are wider economic challenges facing Local Government relating to the increasing costs of providing some services, reductions in investment income and reductions in Revenue Support Grant due to the Government’s deficit reduction programme.

3.2. There are further significant changes to Local Government financing in the pipe-line, namely the intention for councils to keep 100% of the business rates collected by 2019/20. With this will come additional burdens and responsibilities to ensure that the reforms are fiscally neutral. While Local Government as a whole will keep 100% of business rates collected nationally, there will still be a system of tariffs and top-ups to ensure councils receive the resources they need to provide services. Precisely how the scheme will operate and what new responsibilities will be transferred is not currently known.

3.3. In his Autumn Statement in November 2015, the former Chancellor announced that the long-term economic plan was working but that there was much work to do in further reducing the national deficit. The estimate then was that the Government would reach a modest surplus by 2019/20. There would years of austerity ahead and levels of Government support for local authorities would continue their downward trend. The indications are that the new Chancellor may revise the deficit target.

3.4. Since the 2015 Autumn Statement Britain has voted to leave the European Union. The long term financial impact of this decision on the country is unknown and will depend upon the outcome of negotiations between the UK Government, EU Members, and other global economies. Although initial falls in the UK stock markets have largely rebounded, the pound’s fall in value against the dollar remains, and there is likely to be further turbulence in stock markets and currency values as uncertainty continues around the deal that Britain can negotiate with other economies and markets.

3.5. The long term implications of Brexit for local authorities are similarly uncertain. A weaker pound may increase inflation and therefore increase the prices that the Council has to pay for goods and services. Some commentators are predicting lower UK economic growth over the medium term than in previous forecasts which would affect the Government’s deficit reduction programme.
and aspiration to achieve a national surplus by 2019/20. How this would affect local authorities in terms of Government funding is uncertain. The Bank of England has already reduced the base rate to 0.25% in order to try and stimulate the economy, and this will reduce the investment income that the Council can achieve on its cash balances.

3.6. Members will receive an update as to the implications of the Autumn 2016 Chancellor’s Statement as part of the budget process.

3.7. To date this Council has responded well to the financial challenges it has faced. Service delivery has been maintained and the Council’s financial position strengthened through a flexible and prudent approach that combines a strategy on Council Tax, savings from Partnership working, and thorough budget reviews that scrutinise both costs and income.

3.8. A product of this strategy is that a revenue surplus has been achieved over the last few years due to the effect of front-loaded revenue savings creating headroom in the budget. These surpluses have enabled the Council to increase its level of reserves to invest in corporate priorities or address financial risks. This headroom is forecast to reduce to zero by 2019/20 as Revenue Support Grant reduces to zero by 2018/19 and the Council will face a £375k additional tariff payable to the Government in 2019/20. Therefore it is important to maintain the momentum of other aspects of the MTFS, such as maximising income from Council Tax and business rates, achieving savings through Partnerships and new ways of working, and utilising the Council’s assets to their full potential.

4. THE MTFS FORECAST

4.1. This section of the report highlights the key issues affecting the most significant aspects of the MTFS as it stands at this moment in time. This position is under continual review and will change but is the best current estimate.

4.2. FUNDING – the key funding streams for the Council, excluding fees and charges, are Revenue Support Grant, retained business rates and Council Tax. Appendix 1 contains graphs depicting these income streams as modelled in this section of the report.

4.3. REVENUE SUPPORT GRANT – the Council will receive £313k in Revenue Support Grant (RSG) in 2016/17. As per the figures released in the 2016/17 Settlement this will reduce to £8k in 2017/18 and from that point this Council will receive no Revenue Support Grant. From 2019/20 the Council will pay a “Tariff Adjustment” directly to the Government. This cash payment to the Government is a new feature of the Local Government Settlement and was part of the four-year forecast provided with the 2016/17 Settlement. It is in effect negative Revenue Support Grant. The following table demonstrates the RSG that the Council can expect to receive and the Tariff Adjustments it can expect to pay over the next five years.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>RSG (£000)</td>
<td>313</td>
<td>8</td>
<td>0</td>
<td>(375)</td>
<td>(383)</td>
<td>(391)</td>
</tr>
</tbody>
</table>
4.4. RETAINED BUSINESS RATES – the following table sets out the officer’s forecast regarding the potential profile for business rate income over the next five years.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>NDR (£000)</td>
<td>1,502</td>
<td>1,531</td>
<td>1,561</td>
<td>1,592</td>
<td>1,624</td>
<td>1,657</td>
</tr>
<tr>
<td>Increase</td>
<td>18%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

4.5. The MTFS assumption is for a 2% increase in business rate income per annum, reflecting an inflationary increase only. Each year, as part of the budget process, the actual business rate income for the coming year will be calculated with reference to the rateable value of businesses within the Borough. For 2016/17 the budget for retained business rate income was increased by 18% due to forecast increases in renewable energy income and increased rateable value for other businesses. However, in closing the Collection Fund for 2015/16 a significant deficit was incurred as the provision for appeals was increased, and the Council will have to pay its share in 2017/18 as part of the budget calculations. This demonstrates the volatility of this income stream and why the MTFS models only inflationary increases.

4.6. The MTFS projection runs to 2021/22, but the Government’s intention is for 100% business rates retention by 2019/20. Details of the scheme are currently not confirmed, but the aim is for the reform to be fiscally neutral, with potential increases in income being accompanied by new burdens and responsibilities. While Local Government as a whole will keep 100% of business rates collected nationally, there will still be a system of tariffs and top-ups to ensure councils who do not collect enough business rates locally to provide services are not disadvantaged. Therefore for the purposes of the MTFS, an annual inflationary increase to business rate income is deemed the most appropriate model.

4.7. COUNCIL TAX – the following table sets out the officer’s forecast for the level of Council Tax receipts over the next five years.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>£5 Increase</td>
<td></td>
<td>98</td>
<td>98</td>
<td>99</td>
<td>99</td>
<td>100</td>
</tr>
<tr>
<td>Taxbase Growth</td>
<td>19</td>
<td>20</td>
<td>20</td>
<td>21</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,710</td>
<td>3,827</td>
<td>3,945</td>
<td>4,064</td>
<td>4,184</td>
<td>4,305</td>
</tr>
</tbody>
</table>
4.8. The Council Tax assumption in the MTFS is that a £5 increase will be applied to a Band D property each year until otherwise advised. For 2016/17 District and Borough councils were not subject to a Council Tax Referendum as long as Band D Council Tax did not increase by 2% and £5. The MTFS assumes the Government will not change this Referendum principle.

4.9. The MTFS also allows for a modest increase in the taxbase each year of 0.5%, which equates to approximately 100 properties per annum.

4.10. **FUNDING SUMMARY** – combining the income streams referred to in the tables above, the Council’s forecast income from RSG, tariff adjustments, Council Tax and retained business rates is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
<th>2018/19 £000</th>
<th>2019/20 £000</th>
<th>2020/21 £000</th>
<th>2021/22 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>5,525</td>
<td>5,366</td>
<td>5,506</td>
<td>5,281</td>
<td>5,425</td>
<td>5,571</td>
</tr>
<tr>
<td><strong>Change</strong></td>
<td>(3)%</td>
<td>3%</td>
<td>(4)%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

4.11. The table shows that if the assumptions regarding major income streams occur as modelled in this report, then the total income will fluctuate over the next five years with two troughs – one in 2017/18 as RSG all but ceases and the other in 2019/20 as the Council pays its first Tariff Adjustment to the Government. Overall by 2021/22 the Council would receive a similar amount of income from these streams as it does in the current financial year.

4.12. **NEW HOMES BONUS** – This is an additional funding stream that rewards councils for new homes built, with a premium paid for affordable homes. The Council will receive £839k in 2016/17 for New Homes Bonus. The scheme originally comprised of six tranches of funding, but it is likely that this will change due to concerns over the sustainability of the payments made by the Government. It is currently predicted that after transitional arrangements in 2017/18 the grant may reduce to 4/6ths of its current level.

4.13. The Council is not reliant on this grant to fund any recurring revenue expenditure, but does use New Homes Bonus to help fund the Capital Programme. The current Capital Programme models the changes to New Homes Bonus referred to above, and is not dependent on this source at all by 2019/20. If the actual changes to New Homes Bonus are different to those predicted, then the current Capital Programme may need to be revised if other sources of funds cannot be realised.

4.14. **BASE BUDGET ASSUMPTIONS** – the following table sets out the assumptions currently included in the MTFS, and which are subject to review as the budget process progresses. The implications of these assumptions can be seen in the MTFS Summary sheet in Appendix 2.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Assumption</th>
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<tbody>
<tr>
<td>Pay</td>
<td>2% per annum growth allowed for – of</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>this 1% relates to pay award and 1% to increments. This is consistent with previous Government announcements for public sector pay awards.</td>
<td></td>
</tr>
<tr>
<td><strong>Inflation Costs</strong></td>
<td>Will only be allowed where contractual during the budget process. For MTFS 1% cost inflation allowed 2017/18 and 2% thereafter, which is the Government target for CPI.</td>
</tr>
<tr>
<td><strong>Inflation Fees &amp; Charges</strong></td>
<td>2% per annum modelled in the MTFS including car parks and Development Management.</td>
</tr>
<tr>
<td><strong>Dorset Waste Partnership</strong></td>
<td>1% per annum inflation modelled in the MTFS. This is considered realistic considering the latest projections of an underspend in 2016/17 for the DWP.</td>
</tr>
<tr>
<td><strong>Housing Benefit Inflation and Subsidy</strong></td>
<td>Neutral – 2% increase in payments and subsidy modelled.</td>
</tr>
<tr>
<td><strong>Service Efficiencies &amp; Income Generation</strong></td>
<td>As detailed in Section 5 of this report. Efficiencies relate to sharing accommodation with East Dorset District Council and the sale of Grange Road Depot. Additional income streams have also been identified.</td>
</tr>
<tr>
<td><strong>Transfer Of Land Charges Function</strong></td>
<td>The precise timing and impact of the transfer of at least some of the Land Charges function to the Government is not confirmed, but the MTFS models a £46k adverse effect on the base budget for 2017/18. This will be revised during the budget process.</td>
</tr>
<tr>
<td><strong>Support To Revenue Reserves</strong></td>
<td>£463k over two years to 2018/19.</td>
</tr>
<tr>
<td><strong>Local Government Pension Scheme</strong></td>
<td>No increase in contribution rate has been modelled. The Council has within its base budget £300k per annum relating to lump sum payments to address the overall pension fund deficit. More information will be available once the results of the full valuation of the fund as at 31 March 2016 are known.</td>
</tr>
<tr>
<td><strong>Investment Income</strong></td>
<td>The current income budget of £55k is modelled to reduce to £18k from 2017/18 as a result of the reduction in the base rate. It is modelled to remain at this level until 2021/22.</td>
</tr>
</tbody>
</table>
4.15. **MTFS SUMMARY** – the table below summarises the current MTFS forecast for the Council based on the assumptions and estimates set out in this section of the report. The position shows a balanced forecast until 2019/20 when a funding gap of £167k is identified. Thereafter modest funding gaps of £37k per annum are identified, bringing the total budget gap to £241k up to 2021/22.

<table>
<thead>
<tr>
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<th>2016/17 £000</th>
<th>2017/18 £000</th>
<th>2018/19 £000</th>
<th>2019/20 £000</th>
<th>2020/21 £000</th>
<th>2021/22 £000</th>
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</thead>
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<tr>
<td>Funding</td>
<td>(5,525)</td>
<td>(5,366)</td>
<td>(5,506)</td>
<td>(5,281)</td>
<td>(5,425)</td>
<td>(5,571)</td>
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<td>Budget</td>
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<td>5,366</td>
<td>5,506</td>
<td>5,448</td>
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<td>Less Previous Year Savings</td>
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<td>(167)</td>
<td>(204)</td>
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<tr>
<td>Gap</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>167</td>
<td>37</td>
<td>37</td>
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</tbody>
</table>

4.16. Work is on-going to refine the MTFS as new information is received and issues identified. The budget gap identified in the MTFS is relatively modest compared to the financial situation that some councils face, and this is due in large part to the savings achieved and forecast to be achieved from Partnership Working as detailed in the Efficiency Plan in Appendix 3. To date the Council has removed £1m of recurring revenue costs from the budget. Further work will be done to bridge the remaining budget gap. It should be noted that the budget gap materialises in 2019/20, which is the year when potentially there will be major Local Government reorganisation in Dorset.

5. **EFFICIENCY PLAN**

5.1. As we plan for the next 4 years of the Christchurch and East Dorset Partnership we can reflect on the progress we have made since we began working together in 2010, and since we developed our first joint plan in 2012. Much has changed over that period but one thing that remains is the pressure to evolve and to transform the way in which we work. Uncertainty still exists and that is why we will continue to explore ways in which we can safeguard services at the same time as delivering the financial savings necessary to thrive in the unprecedented age of austerity in which we now live. We are nevertheless confident that we have the ambition and drive to find solutions to the challenges we face, and to continue the journey we have started so successfully. This corporate plan builds on the achievements of the past 4 years but importantly identifies the things that are now of most significance to our communities. They are our priorities and as we progress we can be confident that we are doing the things that will most effectively contribute to
realising our corporate vision of being a part of strong, successful and sustainable communities.

5.2. At the heart of the Council’s Joint Corporate Plan ([https://www.dorsetforyou.gov.uk/362527](https://www.dorsetforyou.gov.uk/362527)) is being an effective council. This sets out the following areas of focus;

(a) Focus on collaboration and partnership in the delivery of services
(b) Deliver services more efficiently
(c) Maintain strong and sustainable financial performance
(d) Maintain a strong reputation and recognition for the Partnership’s achievements

5.3. The Efficiency Plan underpins the Council’s Joint Corporate Plan with East Dorset District Council in particular the effective council theme. The financial detail of the Council’s Efficiency Plan is set out in Appendix 3.

5.4. Since 2010/11 the Council has been working closely with East Dorset District Council to the point now where services are fully integrated with a single officer corps supporting service delivery for both councils. The plan demonstrates the savings that have been achieved to date from Partnership Working with East Dorset District Council and other local authority partners within Dorset.

5.5. The Efficiency Plan shows that between 2010/11 and 2016/17 the Council has saved a total of £5,864k from the revenue budget, with almost £1m removed from the base budget on a recurring basis. Further efficiencies have been identified from 2017/18 to bring total recurring revenue savings to £1,123k per annum by 2018/19.

5.6. A Transformation Programme has been a constant feature of the council’s plans and the current plan focusses on four pillars;

(a) Technology
(b) People
(c) Assets
(d) Resources

5.7. Beneath each pillar are a number of workstreams that range from mobile working to commercialisation.

5.8. A key focus of plan is the rationalisation of the asset base to reduce accommodation costs. At present a major programme is underway to have a single administrative base for both councils. This will see the majority of staff supporting service delivery for both councils from a single site. This will enable the sale of the civic office site for East Dorset District Council.

5.9. Further opportunities identified relate to:

- Accommodation savings achieved by working together with East Dorset District Council and disposing of the Furzehill site;
- Premises cost savings through disposing of Grange Road Depot;
- Additional potential income streams.
5.10. The efficiencies detailed in The Efficiency Plan in Appendix 3 are included in the Medium Term Financial Strategy in Appendix 2. Efficiencies made up to 2016/17 are included in the base budget, and the further efficiencies are profiled to be achieved in future years. As a product of the efficiencies already made in previous years and front-loaded savings that have created some headroom in the revenue budget, plus the efficiencies identified for future years, the MTFS is balanced up to 2019/20, when a budget gap of £167k is identified. The acceptance of a four year settlement reduces the uncertainty surrounding some major elements of funding within the MTFS and allows work to be focused on how to bridge the relatively modest budget gap in 2019/20.

5.11. Partnership working has allowed Christchurch Borough Council to achieve a balanced budget in the past and a balanced MTFS for the next two years without cutting services. Now that the programme of service reviews with East Dorset District Council is complete, new ways of delivering further efficiencies are being considered through the Transformation Programme.

5.12. Probably the most significant area of transformation that is emerging is the potential reorganisation of local government in Dorset. Discussions with other Dorset Local Authorities about a potential move from 9 councils to 2 are underway and a public consultation exercise is being undertaken. A decision will be made by all councils in January 2017 regarding the future of local government in Dorset and depending on this decision could see a major transformation of how services are delivered to the people of Dorset.

6. QUARTER ONE BUDGET MONITORING

6.1. For Quarter 1, budget monitoring has taken the form of a high level review of major income and expenditure items. It is too early in the financial year to give a comprehensive assessment of the predicted outturn for the year-end, but based on the work done there are no major areas for concern within the revenue budget.

6.2. Early indications are that salary costs in total should be on target. Within this overall picture Development Management salary costs will be higher than originally budgeted for due to increased use of agency staff to deal with some of the large applications sites. More work will be done to look at the profile of agency staff expenditure, establishment salary costs, and particularly whether additional income will be generated to offset the pressure so that Members can receive a more comprehensive picture at Quarter 2.

6.3. Appendix 4 details the variances that have been identified. Overall these variances total a service pressure of £39k, which can easily be accommodated within the revenue headroom of £488k for 2016/17. More detailed budget monitoring will be undertaken for Quarter 2 and the position reported to Members in November.

7. THE BUDGET TIMETABLE

7.1. During the budget process the assumptions referred to in this report will be further examined and their impact on the 2017/18 budget calculated. New information and issues will also be identified that will impact upon the MTFS.
7.2. There is a detailed budget timetable in Appendix 5, but the timings of key elements of the process are set out below.

- Detailed budget review – September to November 2016
- Medium Term Financial Strategy update taken to Policy & Resources Committee – 30th November 2016
- Local Government Finance Settlement December 2016
- Taxbase, Settlement, Reserve and Capital Bids taken to Policy & Resources Committee – 30th November 2016
- Revenue, Capital and Reserve budget reports, including Settlement, Taxbase and Bids to Scrutiny & Policy Overview Committee – 31st January 2017
- Revenue, Capital and Reserve budget reports to Policy & Resources Committee – 8th February 2017
- Council Tax set – Full Council 21st February 2017

8. RESERVES

8.1. The position of the Council’s reserves as at 1 April 2016 is shown in the table below, but adjusted for the Planning Enforcement reserve approved by the Policy & Resources Committee on 22nd June 2016. As part of the budget and service planning process the allocation of reserves is examined and realigned where appropriate to ensure their use fits with corporate priorities. As the MTFS is updated and the budget process for 2017/18 progresses, the level and use of unallocated reserves will be presented for Members to consider.

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<th>Reserve Category</th>
<th>Balance £k</th>
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<tr>
<td>Grants &amp; Loans Reserves</td>
<td>135</td>
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<tr>
<td>Insurance Reserves</td>
<td>152</td>
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<tr>
<td>Grants &amp; Contributions From 3rd Parties</td>
<td>1,430</td>
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<tr>
<td>Specific Revenue Reserves</td>
<td>2,064</td>
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<tr>
<td>Unallocated Revenue Reserves</td>
<td>1,076</td>
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<tr>
<td>Capital Reserves</td>
<td>3,537</td>
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<tr>
<td>General Fund Balance</td>
<td>999</td>
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<tr>
<td><strong>Total Reserves</strong></td>
<td><strong>9,393</strong></td>
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</table>
9. CAPITAL PROGRAMME

9.1. The current Capital Programme of £5,293k is fully resourced and leaves an anticipated £459k in unallocated capital funds over the next five years, although this is dependent upon future receipts of New Homes Bonus grant.

9.2. There has been one addition to the total Capital Programme of £5,230k as approved by Members at the 22 June 2016 Policy & Resources Committee. This relates to £63k required for emergency repairs to Highcliffe Top Car Park. This emergency work carried out on the carpark surface was required to prevent the closure of the carpark on health & safety grounds and a subsequent loss in income.

9.3. The Capital Programme relies on £2,139k of New Homes Bonus funding between 2016/17 and 2018/19. As previously discussed this funding source is expected to reduce after 2017/18, possibly reducing to 4/6ths of its present level. The current Capital Programme reflects this reduction in 2018/19, and does not rely on any further New Homes Bonus funding from 2019/20. If changes to this funding stream are different to those modelled in the Capital Programme then the existing Programme may need to be reviewed or new capital resources realised.

9.4. The current Capital Programme and financing can be found in Appendix 6. As part of the budget process the current Capital Programme will be reviewed.

10. IMPLICATIONS

Corporate Plan & Council Objectives

10.1. The matter under consideration impacts upon the Corporate Plan in the following areas:-
- EC1 - Focus on collaboration and partnership in the delivery of services
- EC2 - Deliver services more efficiently
- EC3 - Maintain strong and sustainable financial performance

Legal

10.2. There are no legal implications arising from this report.

Environmental

10.3. There are no environmental implications arising from this report.

Financial and Risk

10.4. The MTFS is based on assumptions made using the best information available at the time. The assumptions are made in a challenging financial environment and attempt to forecast the financial position of the Council over a period of five years. If the assumptions prove to be incorrect or new issues emerge then there could be a detrimental effect on the financial position of the Council.

Equalities

10.5. There are no equalities implications arising from this report.
Consultation and Engagement

10.6. No consultation was necessary for this report.

11. CONCLUSION

11.1. The position shows a balanced forecast until 2019/20 when a funding gap of £167k is identified. Thereafter modest funding gaps of £37k per annum are identified, bringing the total budget gap to £241k up to 2021/22.

Appendices:
Appendix 1 – Christchurch Key Funding Summary Graph
Appendix 2 – Christchurch Medium Term Financial Strategy Summary Table
Appendix 3 – Christchurch Efficiency Plan
Appendix 4 – Christchurch Quarter One Budget Position
Appendix 5 – Budget Timetable 2017/18
Appendix 6 – Christchurch Capital Programme
Appendix 7 – Glossary & Abbreviations

Background Papers:
None.
Appendix 1

Christchurch Key Funding Summary Graph

(Please note figures depicted in £000’s)
## Christchurch Medium Term Financial Strategy Summary Table

<table>
<thead>
<tr>
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</thead>
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<td>5,365,859</td>
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<td>Formula Grant</td>
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<td>-1,539,014</td>
<td>-1,561,246</td>
<td>-1,217,449</td>
<td>-1,241,298</td>
<td>-1,265,785</td>
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<td>Council Tax (Includes £5 Increase)</td>
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<td>-4,063,487</td>
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<td>Funding Gap (Adjusted for Previous Year)</td>
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<td>0</td>
<td>-0</td>
<td>166,989</td>
<td>36,964</td>
<td>37,634</td>
<td>241,588</td>
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</tbody>
</table>

### Appendix 2

<p>| | | | | | | | |</p>
<table>
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<tr>
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<td>Business Rates</td>
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<td>1,561,246</td>
<td>1,592,471</td>
<td>1,624,320</td>
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<td>-383,022</td>
<td>-391,022</td>
<td></td>
<td></td>
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<tr>
<td>Total</td>
<td>1,813,491</td>
<td>1,539,014</td>
<td>1,561,246</td>
<td>1,217,449</td>
<td>1,241,298</td>
<td>1,265,785</td>
<td></td>
</tr>
</tbody>
</table>

### Changes To Base:

- Employee Inflation and Pension: 
  - 147,738 | 150,993 | 154,013 | 157,093 | 160,235 |
- DWP Inflation: 
  - 13,748 | 13,885 | 14,024 | 14,164 | 14,306 |
- Other Inflation: 
  - 42,422 | 85,350 | 87,057 | 88,798 | 90,574 |
- Benefits Inflation: 
  - 318,673 | 325,047 | 331,548 | 338,179 | 344,942 |
- Income Inflation: 
  - -118,671 | -123,495 | -126,885 | -129,423 | -132,011 |
- Benefit Subsidy Inflation: 
  - -316,710 | -323,044 | -329,505 | -336,095 | -342,817 |
- Investment Income: 
  - 37,000 | 0 | 0 | 0 | 0 |
- HB Recession Grant and Admin Grant: 
  - 11,000 | 11,000 | 11,000 | 11,000 | 11,000 |
- Mudford Sandbank: 
  - 37,000 | 37,000 | 37,000 | 37,000 | 37,000 |
- Additional Income Streams: 
  - -40,000 | -46,000 |
- Land Charges: 
  - 46,000 |
- Accommodation Project: 
  - -72,330 |
- Apprenticeship Levy: 
  - 15,000 |
- Grange Rd: 
  - -17,130 |
- Prev Yr One Off Cont To Reserves: 
  - -488,190 | -226,922 | -236,146 |
- One Off Cont To Reserves: 
  - 226,922 | 236,146 |

Total Change To Base: 
-157,727 | 139,960 | -57,894 | 180,717 | 183,230 |

### Formula Grant / Settlement:

- RSG Reduction: 
  - 304,489 | 8,381 |
- Top Up Adj: 
  - 375,022 | 8,000 | 8,000 |
- Retained Business Rate Growth: 
  - -30,012 | -30,613 | -31,225 | -31,849 | -32,486 |

Total Changes To Settlement: 
274,477 | -22,232 | 343,797 | -23,849 | -24,486 |

### Council Tax:

- Increase In Tax Base: 
  - -19,109 | -19,599 | -20,294 | -20,789 | -21,499 |
- Increase in CT Band D - £5: 

Total Change To CT: 

Total Change To Base: 
0 | -0 | 166,989 | 36,965 | 37,634 |
Christchurch Efficiency Plan

### Appendix 3

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<td>Secretariat</td>
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<td>Further Efficiencies Identified In MTFS:</td>
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<td>Grange Road</td>
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| Further Efficiencies Identified In MTFS: | -263    | -643    | -899    | -1,003  | -1,006  | -1,102  | -948    | -1,077  | -1,123  | -1,123  | -1,123  | -1,123  |
### Christchurch Quarter One Budget Position

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<th>Q1 Estimated Variance £k</th>
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<td><strong>Property &amp; Engineering:</strong></td>
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<td>Dorset Waste Partnership</td>
<td>(29)</td>
<td>It is estimated that the DWP will be £733k underspent by the year end, of which Christchurch’s share is 3.99%.</td>
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<td><strong>Financial Services:</strong></td>
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<td>Insurance Costs</td>
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<td>Insurance costs will exceed the budget due to an increase in IPT Tax and additional premiums due to the works being carried out at Highcliffe Castle and Civic Offices.</td>
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<td>Investment Income</td>
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<td>Although Q1 investment income is on track, it is anticipated that over the year total investment income will reduce by 50% due to the effects of a reduced base rate.</td>
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<td>Public Enquiry Legal Costs</td>
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<td>Income is reduced compared to the budget.</td>
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<td>EDDC Cabinet 5th October 2016</td>
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<td>Budget Discussions With S151 Officer</td>
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<td>W/C 14th November 2016 (Secretariat To Arrange)</td>
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<td>Corporate Team 2017/18 Budget Update</td>
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<td>Council Tax Setting Reports</td>
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<td>Full Council – CT Setting</td>
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## Christchurch Capital Programme

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<th>2021/22 £000s</th>
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## Glossary & Abbreviations

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<th>Abbreviation</th>
<th>Description</th>
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<td>British Exit From The European Union</td>
<td>Brexit</td>
<td>The United Kingdom voted to leave the European Union in June 2016.</td>
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<td>Chancellor’s Autumn Statement</td>
<td>-</td>
<td>The Statement by the Chancellor to Parliament of how the economy is performing and how Government money will be allocated over the coming period. Includes measures to stimulate the economy, collect taxes and address the national deficit.</td>
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<tr>
<td>Collection Fund</td>
<td>-</td>
<td>The statutory account that the Council must maintain where it records the transactions relating to Council Tax and Non Domestic Rate income that it collects on an agency basis on behalf of other public bodies.</td>
</tr>
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<td>Council Tax</td>
<td>CT</td>
<td>The tax collected from properties in the Council’s area. The Council must hold a referendum for the electorate to approve Council Tax increases higher than caps prescribed by the Government each year (2% and £5 for 2016/17).</td>
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<td>Efficiency Plan</td>
<td>-</td>
<td>In order for the Council to sign up to the Government’s offer of a four-year Local Government Finance Settlement it must publish an Efficiency Plan by 14th October 2016.</td>
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<tr>
<td>European Union</td>
<td>EU</td>
<td>Political-economic union of 28 European Member States with a single internal market.</td>
</tr>
<tr>
<td>Local Government Finance Settlement</td>
<td>-</td>
<td>Annual process where Central Government informs Local Government of the grants that they will receive for the coming year and also the baseline funding position for business rates, tariff payments and safety nets. Based on detailed calculations of the relative needs of authorities and their capacity to raise income.</td>
</tr>
<tr>
<td>Local Council Tax Support Scheme</td>
<td>LCTS</td>
<td>From April 2013 Council Tax Benefit was replaced by Council Tax Support, where eligible applicants receive a reduced Council Tax bill. There is local discretion as to the levels of reduction that are applied. The cost of the reduced Council Tax bill is met by the Councils, Police Authority and Fire Authority in the local area.</td>
</tr>
<tr>
<td>Item</td>
<td>Abbreviation</td>
<td>Description</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>--------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Medium Term Financial Strategy</td>
<td>MTFS</td>
<td>The Council’s projection of revenue costs and income over the next five years.</td>
</tr>
<tr>
<td>Non Domestic Rates</td>
<td>NDR</td>
<td>A tax paid by businesses and collected by the Council on behalf of the Government, Fire Authority and County Council. The Council keeps 40% of rates collected, subject to adjustments required by Legislation.</td>
</tr>
<tr>
<td>Revenue Support Grant</td>
<td>RSG</td>
<td>The annual grant received from the Government to support the provision of services. Awarded as part of the Local Government Finance Settlement.</td>
</tr>
<tr>
<td>Taxbase</td>
<td>-</td>
<td>The number of residential properties in the Council’s area, converted into a Band D equivalent. There are 8 main Council Tax Bands A to H, with an H being the equivalent of 2 Band D properties.</td>
</tr>
</tbody>
</table>