



MEDIUM TERM FINANCIAL PLAN 2013 TO 2017 DECEMBER 2013 UPDATE

1. PURPOSE OF THE REPORT

- i. To update the Medium Term Financial Plan 2013 to 2017, that was first reported to Cabinet in October 2013. This report includes the first draft of the Council's medium term plans for expenditure on Fixed Assets, Equipment replacement and contributions to Third Parties, together with planned General Fund capital expenditure.
- ii. To recommend to Council a level of Discretionary Grant to be paid to Town and Parish Councils in 2014/15.
- iii. To consider an initial report of the Corporate Overview and Scrutiny Panel's, Budget Task and Finish Group, on their review of the Council's financial strategy and plans.

2. MEDIUM TERM FINANCIAL PLAN 2013 TO 2017 (UPDATE)

- i. The first draft of the Medium Term Financial Plan 2013 to 2017, including the annual budget 2014 to 2015, together with individual Portfolio Resource Plans, was presented to Cabinet in October. The financial plans consisted of three parts:
 1. A Funding Forecast
 2. Additional Budget Requirement
 3. A Summary Savings Plan
- ii. Each of these parts has been updated based on latest information and details are set out in this report, within the attached Appendices A(i) to A(iii).
 1. Funding Forecast
 - a. Details of the Local Government Finance Settlement for 2014/15 are to be announced following the Autumn Statement, which is due on 4th December 2013. Forecasts are therefore based on earlier government announcements but these are not expected to change significantly.
 - b. Implications of the Council's Taxbase have been updated in line with the report also on the December Cabinet agenda.
 2. Additional Budget Requirement
 - a. Pension cost information has been updated in line with notifications received from the administering body, Hampshire County Council, following the 2013 actuarial valuation.

- b. Pension Auto Enrolment was introduced in September 2013 and revised assumptions are now included following a take up in excess of that originally anticipated.

3. Savings Plan

- a. In light of changes to both the Funding Forecast and Additional Budget Requirement the Savings Plan has been updated.
- b. The Annual Budget for 2014/15 is anticipated to be balanced. Budget shortfalls remain identified for 2015/16 and 2016/17

3. REVENUE EXPENDITURE ON MAINTENANCE OF FIXED ASSETS, REPLACEMENT EQUIPMENT AND THIRD PARTY CONTRIBUTIONS

- a. To support the development of the Council's Medium Term Financial Plan in October the Cabinet identified the work that was ongoing to develop 3 to 5, and in some cases 10, year expenditure programmes for all Portfolio needs. This work is an important step in support of the Council's future financial planning. Most key areas have now been developed and include:
 - i. Planned Maintenance and Replacement Work
 - ii. Development Projects including some major refurbishments
 - iii. Grants to third parties

Summary details of these programmes are set out in Appendix B and fuller details will be shared with the Asset Management Group and the ICT "Dragon's Den", as well as all relevant Portfolio Holders.

The Council's approach to funding expenditure on the maintenance of fixed assets, the replacement of equipment and third party contributions has been to identify an annual revenue budget for this purpose and support it with an asset management reserve generated from annual budget savings. This reserve is estimated to be £6.5 million at April 2014.

Planned Maintenance and Replacement Work Programme

- 1. At the October meeting Cabinet identified the level of General Fund Revenue Budget that was available to support Planned Maintenance and Replacement Work programme. The total revenue budget provided for in 2014/15 is £3m, and £2.5m in subsequent years, due to the planned reduction in New Homes Bonus which had previously enabled an increase in resources. In addition to the revenue funding provided, the Council's policy has been to transfer general savings generated during the year to a reserve which supports this programme. The summary below identifies:
 - a. Over the 3 years of the plan there is an excess of programmed works over the resources currently identified as available of £1.557m; and
 - b. future year annual programmes are significantly (approx. 20%) in excess of the anticipated annual resources available

Planned Maintenance and Replacement Work programme	2014/15	2015/16	2016/17	Total
	£'000	£'000	£'000	£'000
Resources identified in MTFP October/December reports	3,000	2,500	2,500	8,000
Increases in Asset Management Reserves in year	500	500	500	1,500
Total Resources	3,500	3,000	3,000	9,500
Less: Planned Maintenance, Equipment Replacement and Existing ICT Systems Developments (Appendix B)	-3,526	-3,682	-3,849	-11,057
Programme in excess of Resources				1,557

Development Projects programme including some major refurbishments and Grants to third parties

- This programme identifies proposals for new projects which support the objectives of the service. Cabinet needs to consider these proposals in the light of the resources available and the benefits obtained.
- Funding for projects approved within this programme would be identified from the asset management reserve.

4 GENERAL FUND CAPITAL PROGRAMME

Summary details of the initial proposed capital programme for the period 2014/15 to 2016/17 are set out in Appendix C. This identifies projects totalling £1.271 million, in the three year period, which would need to be funded from internal resources, primarily capital receipts supported by the Asset Management Reserve.

Further work in terms of identifying potential programme need is still being undertaken in some areas, most notably the work of the Task and Finish Group which is looking into the funding of major coastal protection projects, following changes to the Government's funding model. Therefore it is possible that there will be further demand for resources which currently has not been identified at this stage.

In addition there are changes taking place to the funding of Disabled Facilities Grants (DFG) funding from 2014. The current funding system provides that grant is provided from the Department of Communities and Local Government for the delivery of this mandatory service. The funding received from central Government is not intended to meet the total cost of adaptations expenditure therefore additional funding is provided from the Council's own capital resources. In future this grant funding will become

part of an Integration Transformation Fund (ITF), which will pool all health and social care funding, and will be used to deliver services in accordance with locally developed ITF plans. In two-tier areas the county council and clinical commissioning group will control the ITF. The mechanisms for delivery and funding in the future are at this time unclear, but assumptions have been included that there will still be a similar level of external funding.

5. DISCRETIONARY GRANT TO TOWN AND PARISH COUNCILS

- i. At the October meeting of the Cabinet plans were set out for the ongoing payment of a discretionary grant for Town and Parish Councils up to 2017. Details of this were shared with representatives of Town and Parish Councils at a meeting on 31st October 2013. This meeting was also attended by members of the Cabinet.
- ii. Individual financial details of total Town and Parish's Discretionary Grant for 2014/2015 of £300,000 were shared. Details are set out in Appendix D
- iii. The Council's plans are based upon:
 1. No specific grant is anticipated to be identified within the Local Government Finance Settlement as attributable to Town and Parish Councils and it is anticipated that the transition grant provided by the Government in 2013/14 will not be repeated in 2014/15.
 2. The Council, like most other public bodies, in future years is facing major reductions in overall funding.
 3. The Council is basing its future financial plans upon a process of review, looking at all activities and responsibilities, as it addresses managing with reduced funds. The overriding objective is to protect key services and avoid local council taxpayers paying more. Decisions taken are therefore prioritised and do not follow an unrealistic pro rata approach to budget reduction.
 4. The Council has taken a positive response to developing a local Council Tax Reduction Scheme which it believes balances both the welfare needs of the community and protects the key services of all precepting authorities in the area. This has been further supported by positive actions with regard to Council Tax Discounts. These combined actions have financially benefited all precepting and billing authorities through an increased Council Taxbase (there is a separate report on the Agenda).
 5. The Council will determine each year's grant on an annual basis, but to help support Town and Parish Councils with their own financial planning, indicative amounts are set out for future years based upon the anticipated overall funding position.
 6. All these local circumstances have contributed to determining the level of grant which is considered appropriate for Town and Parish Councils. Financial details set out within this report are for the recommendation of Cabinet and the decision of Council in December.

- iv. Comments received at the meeting and in correspondence since have included:

“I have looked through NFDC’s “Medium Term Financial Plan 2013 to 2017” and have noticed that over that period NFDC’s Formula Funding grant has reduced by approx. 60% however over the same period NFDC is planning to reduce the Parish and Town Grant by approx. 74%. Previously I have found that NFDC has treated our sector fairly however this current proposal seems unfair. Is there a reason why this decision has been taken? By my reckoning if we received the same reduction as NFDC this would be worth another £50,000 to Parishes and Towns in the last year.”; and

“As Town and Parish Council’s we have not previously been dependent upon grant – we would wish to maintain this position”

6. BUDGET TASK AND FINISH GROUP INTERIM REPORT (CLLR HARRIS - CHAIRMAN)

The Budget Task and Finish Group have, on behalf of all members, examined the Council’s financial plans and annual budget 2014/15 in considerable detail. I would wish to thank all members of the group for their commitment and effort. I would also wish to thank Portfolio Holders for their cooperation, openness and participation in what we believe has been a robust and thorough examination.

The members of the Group would also wish to commend the development of the Resource Plans for each Portfolio, which have helped guide the work of the group.

It is acknowledged that the scale of government funding cuts makes the delivery of financial plans to support many key services extremely difficult during this time of public sector austerity. The group were therefore pleased to see that Cabinet and Portfolio Holders all have set out plans to meet the needs of services and the pressure on budgets. The Group is satisfied that the overall financial strategy and budget plans are, at this time, appropriate to meet the challenges the Council faces.

In particular the Group is pleased to see the improved performance of our Health and Leisure Centres which are continuing to be well utilised by our community, at a reducing cost to Council Tax payers. The Portfolio Holder is asked to review all future opportunities to further reduce the cost to council taxpayers.

The Group acknowledged the improvements which have been made in recent years to make the process of community grant funding more transparent, but felt that this year more could be done. Portfolio Holders are asked to further review this process in future.

The Group are thankful to the Portfolio Holder for Housing and Communities for identifying in her plans the longer term risks that may exist for the operation of the Housing Revenue Account. The Group would request that the Portfolio Holder continues to keep the Community Overview and Scrutiny Panel updated and this could be an area for a more detailed review by members.

In discussions with Portfolio Holders the group was pleased that a Task and Finish group would be reporting on the impact of the new funding regime for coastal schemes. Until resolved this remains a significant concern.

The Group were also concerned that changes in welfare reform were both impacting on our community and on our financial position. Portfolio holders are asked to ensure that all members are kept informed of developments and evolving impacts via the relevant overview and scrutiny panels.

It is intended that a more detailed report on the Budget Task and Finish Group's findings be presented to the Corporate Overview and Scrutiny Panel for their consideration in January 2014.

7. PORTFOLIO HOLDER'S COMMENTS

Our financial planning has, to date, put us in a strong position. However, the falling sources of income outlined in Appendix A(i) are of such magnitude (total £2.3 million over the next 3 years) that further savings will be required to support Council services into the future.

If necessary, reserves will be used to fund projects which deliver either financial benefits or significant improvements in services, but it would not be prudent to use reserves to support ongoing operating expenditure.

Further assessment work is being undertaken as to the projects that the Council can afford to include in its medium term financial plan to tackle improvement and planned maintenance needs. The projects recommended for approval will be included in the final plan to be adopted in February 2014.

Determining the amount of Discretionary Grant to be paid to Town and Parish Councils has not been easy. We have worked hard to improve the tax base and have been open with the Town and Parish Councils over the issues and our plans. I believe the proposal set out in the report is an appropriate response to local circumstances.

I welcome the input from the Budget Task and Finish Group and, together with my Cabinet colleagues, will look to address the points raised prior to setting out the budget for 2014/15 in February 2013. I hope all members will review the Task and Finish Group's report to the Corporate Overview and Scrutiny Panel in January and be able to contribute to this important task.

8. RECOMMENDED:

- (i) That Council be requested to approve the provision of a Discretionary Grant of £300,000 to Town and Parish Councils in 2014/15 and agree that the basis of individual distribution shall be as set out in Appendix D to this report;
- (ii) That it be noted that the Medium Term Financial Plan has been updated as set out above.
- (iii) That Portfolio Holders be asked to review and report back to the February Cabinet on recommended 3 year draft asset works, equipment replacement, development and capital programmes in line with the Council's Medium Term Financial Strategy.

For further information contact:
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Background Papers:
Published documents

Medium Term Financial Plan
Budget Forecasting 2013 to 2017

Appendix A(i)

Funding Forecast	Budget 2013/14 £000's	Budget 2014/15 £000's	Budget 2015/16 £000's	Budget 2016/17 £000's
Council Tax	10,545	10,682	10,713	10,745
Collection Fund Surplus	132	132	132	132
Formula Funding	5,249	3,937	2,677	2,050
Business Rates	3,492	3,562	3,633	3,706
Safety Net	-262	0	0	0
Specific Grants				
New Homes Bonus	1,018	1,219	1,449	1,679
Single Local Growth Fund Contribution (LEPs)	0	0	-274	-317
	<u>1,018</u>	<u>1,219</u>	<u>1,175</u>	<u>1,362</u>
Council Tax Freeze 2013/14 @ 1%	115	115	115	115
2014/15 @ 1%	0	115	115	0
2015/16 @ 1%	0	0	115	0
Council Tax Support Transitional Grant (one - off)	35	0	0	0
Other Grants inc new burdens	86	0	0	0
Specific Grants sub - total	<u>1,254</u>	<u>1,449</u>	<u>1,520</u>	<u>1,477</u>
Funds Available	20,410	19,762	18,675	18,110
Reduction in Funding Available		-648	-1,087	-565
% Reduction in Resources Available (year to year)		3.2%	5.5%	3.0%

Medium Term Financial Plan
Budget Forecasting 2013 to 2017

Appendix A(ii)

Net Expenditure Budget Requirement					
	Ref	Budget 2013/14 £000's	Budget 2014/15 £000's	Budget 2015/16 £000's	Budget 2016/17 £000's
Portfolio Spending					
<u>Expenditure</u>					
Employees including Support Costs	1	22,444	23,108	23,635	24,173
Premises	2	3,341	3,408	3,476	3,545
Transport	2	2,162	2,205	2,249	2,294
Supplies & Services	2	6,468	6,468	6,468	6,468
Benefit Payments		41,950	41,950	41,950	41,950
Outturn 2012/13 Savings	3	0	-125	-125	-125
Budget Monitoring 2013/14	4	0	-236	-241	-241
Specific Portfolio Items	5	0	-426	-578	-662
		76,365	76,352	76,834	77,403
<u>Income</u>					
Fees & Charges		-15,391	-15,391	-15,391	-15,391
Benefit Payments Grant		-42,248	-42,248	-42,248	-42,248
Other Grants		-1,832	-1,832	-1,832	-1,832
Outturn 2012/13 Savings	6	0	-219	-219	-219
Budget Monitoring 2013/14		0	0	0	0
Specific Portfolio Items	5	0	141	578	493
		-59,471	-59,549	-59,112	-59,197
Net Portfolio Spending Requirements (Exc. Asset/Equipment)		16,894	16,803	17,722	18,206
Asset & Equipment Resources	7	3,413	3,000	2,500	2,500
Net Portfolio Spending Requirements		20,307	19,803	20,222	20,706
Other Expenditure/Income					
Contribution to Town and Parishes	8	403	300	200	100
Interest Earnings	9	-300	-240	-240	-240
Net Budget Requirement		20,410	19,863	20,182	20,566
Movement in net budget requirement			-547	319	384

Analysis of Additional Budget Requirement					
	Ref	Budget 2014/15 £000's	Budget 2015/16 £000's	Budget 2016/17 £000's	
Pay & Price Increases					
Pay @ 1% per annum	1	210	214	218	
Increment	1	210	214	218	
Pensions 2010 valuation	1	94	98	102	
Pensions Auto Enrolment	1	150	0	0	
Prices (Fuel, Energy & Maintenance)	2	110	112	115	
Outturn 2012/13 Savings June Cabinet					
Expenditure - Planning & Transportation	3	-43	0	0	
- Health & Leisure	3	19			
- Housing & Communities	3	-59	0	0	
- Finance & Efficiency	3	-42	0	0	
Income - Environment	6	-20	0	0	
- Health & Leisure	6	-158	0	0	
- Housing & Communities	6	-41	0	0	
Budget Monitoring 2013/14					
Expenditure - Planning & Transportation	4	-30	0	0	
- Housing & Communities	4	-36	-5	0	
- Finance & Efficiency	4	-178	0	0	
- Environment	4	8	0	0	
Specific Portfolio Items					
Environment - Reduction in Kerbside Glass Govt Grant	5	178	519	0	
Environment - Reduction in Kerbside Glass net expenditure	5	-289	-70	0	
Finance & Efficiency - Reduction in Benefit Admin Grant	5	100	0	0	
Health & Leisure - Achievement of Target Recovery Rate	5	-274	-164	-169	
Other Items					
Towns and Parish Council Grant	8	-103	-100	-100	
Reduction in Interest Earnings	9	60	0	0	
Reduction in NHB impact on Asset Expenditure		0	-500		
Reduction in Asset and Equipment Resources	7	-413	0	0	
Total Additional Net Budget Requirement			-547	319	384

Medium Term Financial Plan
Budget Forecasting 2013 to 2017

Appendix A(iii)

Savings Plan				
	Total	Budget 2014/15 £000's	Budget 2015/16 £000's	Budget 2016/17 £000's
Reduction in Funding Available (Appendix Ai)		648	1,087	565
Pay & Price Increases (Appendix Aii)		774	639	653
Total Net Savings Required	4,366	1,422	1,726	1,218
Net Savings Achieved to date (Analysed below)		-1,321	-320	-269
Current Budget "Gap"		101	1,406	949
Net Savings Achieved to date (Appendix Aii)				
Outturn 2012/13 Savings		-344	0	0
Budget Monitoring 2013/14		-236	-5	0
Specific Portfolio Items		-285	285	-169
Other Items		-456	-600	-100
		-1,321	-320	-269

Medium Term Financial Plan

Budget Revenue Requirement/ Funds Available 2013 to 2017

General Fund Asset, Equipment and Third Party Plan				
	Budget 2014/15 £000's	Budget 2015/16 £000's	Budget 2016/17 £000's	Total 2014/17 £000's
Planned Maintenance and Replacement Work				
<u>Asset Management Group</u>				
Health & Leisure Centres	1,024	568	1,032	2,624
Depots	128	181	199	508
Office Accommodation	35	320	349	704
Public Conveniences Refurbishment	243	200	250	693
Other Property including Open Space	70	30	30	130
Car Park Maintenance	108	290	50	448
	1,608	1,589	1,910	5,107
ICT - Replacement Programme	310	219	207	736
ICT Strategy - Existing Systems Developments (One Off)	150	140	115	405
ICT Strategy - Existing Systems Development (Recurring)	36	99	121	256
Health & Leisure Equipment Replacement	231	461	254	946
Car Park Machines /Other Equipment	100	100	100	300
Vehicles & Plant under £10K	39	11	25	75
Vehicles (Deferred Expenditure)	1,052	1,063	1,117	3,232
Total Planned Maintenance/Replacement Work and Existing ICT System Developments	3,526	3,682	3,849	11,057
Business Improvements, Equipment Developments and Third Party Grants (Proposed)				
<u>Assets</u>				
Health & Leisure Centres - Business Improvements	133	315	255	703
<u>Equipment</u>				
ICT Strategy - New Developments (One Off)	140	130	40	310
ICT Strategy - New Developments (Recurring)	39	81	89	209
<u>Grants to Third Parties</u>	95	-	-	95
Total Business Improvements, Equipment Developments and Third Party Grants	407	526	384	1,317

GENERAL FUND CAPITAL PROGRAMME AND FINANCING

	Budget 2014/15 £000's	Budget 2015/16 £000's	Budget 2016/17 £000's	Financing
Disabled Facilities Grants (ITF)	387	387	387	Integrated Transformation Fund
Disabled Facilities Grants(NFDC resources)	203	203	203	Hsg Cap Rec
Private Sector Renewal/Home Repairs	102	102	102	Hsg Cap Rec
Social Housing Grant	100	100	100	Hsg Cap Rec
Total Private Sector Housing	<u>792</u>	<u>792</u>	<u>792</u>	
Lymington Harbour Commissioners	3,240			PWLB Loan
Coast Protection	455	181	135	Grant
Leisure Developers' Contributions	800			D Conts
Transport Developers' Contributions	500	500	300	D Conts
TOTAL EXTERNAL RESOURCES	<u>5,787</u>	<u>1,473</u>	<u>1,227</u>	
<u>Previously Approved</u>				
Rural Broadband	230	115		
Dibden Golf Cottage	240			
<u>New Items (Proposed)</u>				
Health & Leisure Business Development	436	250		
TOTAL INTERNAL RESOURCES	<u>906</u>	<u>365</u>	<u>0</u>	
TOTAL PROGRAMME	<u><u>6,693</u></u>	<u><u>1,838</u></u>	<u><u>1,227</u></u>	

Discretionary Grant Allocation to Town and Parish Councils

	Transitional Grant	Identifiable Grant	Total Grant Allocation	Grant Allocation
	2013/14 £	2013/14 £	2013/14 £	2014/15 £
Ashurst & Colbury	24	834	858	638
Beaulieu	7	251	258	192
Boldre	26	905	931	692
Bramshaw	7	235	242	180
Bransgore	154	5332	5486	4077
Breamore	7	249	256	190
Brockenhurst	54	1858	1912	1421
Burley	21	711	732	544
Copythorne	18	608	626	465
Damerham	17	580	597	444
Denny Lodge	6	215	221	164
East Boldre	28	953	981	729
Ellingham, Harbridge & Ibsley	17	583	600	446
Exbury & Lepe	10	345	355	264
Fawley	1378	47578	48956	36386
Fordingbridge	457	15769	16226	12060
Godshill	14	498	512	381
Hale	10	357	367	273
Hordle	168	5789	5957	4428
Hyde	2	70	72	54
Hythe & Dibden	1376	47521	48897	36343
Lymington & Pennington	1628	56200	57828	42981
Lyndhurst	95	3287	3382	2514
Marchwood	310	10705	11015	8187
Martin	6	205	211	157
Milford on Sea	94	3231	3325	2471
Minstead	9	323	332	247
Netley Marsh	14	467	481	358
New Milton	1325	45749	47074	34988
Ringwood	1135	39206	40341	29983
Rockbourne	11	365	376	279
Sandleheath	5	162	167	124
Sopley	46	1574	1620	1204
Sway	58	1994	2052	1525
Totton & Eling	2813	97150	99963	74297
Whitsbury	3	111	114	85
Woodgreen	9	302	311	231
Whole District	11362	392272	403634	300000