

MEDIUM TERM FINANCIAL PLAN 2014 to 2018

1. PURPOSE OF REPORT

- 1.1 To consider the development of the Medium Term Financial Plan 2014 to 2018 in light of the Chancellor's Autumn Statement of 3rd December 2014 and other factors that have arisen since the first draft of the Plan was reported to 1st October 2014 Cabinet.

2. BACKGROUND

- 2.1 The development of the Medium Term Financial Plan is driven by the Council's Corporate Plan and the work of the Portfolios to deliver the stated aims and priorities.
- 2.2 The backdrop to development of the Council's current financial plan is the actions taken by the governments' national "Austerity" programme aimed at reducing the overall level of national debt. This has seen significant reductions in the amount of grants made available which is expected to continue over the period of the Plan. The result of this is that less funding is available to the Council to support the provision of services and delivery of the corporate aims and priorities.
- 2.3 The challenge for the Council's Medium Term Financial Plan is to manage funds that support the Council's plans, to deliver an appropriate balance of service and budget which is sustainable in the medium term.

3. AUTUMN STATEMENT – PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2015-16

- 3.1 Contrary to all expectations, a further cut in local government funding for 2015/16 was not announced. The Chancellor did announce that there would be an extensive review of business rates with a report in 15 months' time.
- 3.2 The provisional Local Government Finance Statement was announced on the 18th # December 2014 and details are set out in in the Funding Forecast (Appendix1). The 2015/16 provisional settlement includes few surprises. Illustrative figures for 2015/16 were released last year, alongside the 2014/15 settlement. These estimates have now been replaced with actual figures.
- 3.3 The Council Tax Freeze Grant offer has been confirmed as 1%. The limit placed on the level of Council Tax increase permitted without a referendum is 2%. The Minister, in his announcement, did highlight the large increase in parish precepts over the parliament (nationally 15%), but said nothing to suggest that action from DCLG is imminent.
- 3.4 The Government's headline figure is for an overall reduction in the Council's Spending Power of 3.88%. This compares with the national average of 1.8%.

4. FUNDING FORECAST (Appendix 1)

- 4.1 During the period of the Medium Term Financial Plan, to 2018, funds available are expected overall to be less than they are in 2014/15.

Council Tax

- 4.2 The Council's priority for Council Tax has been to protect council taxpayers from increases during the period of economic recession by maintaining the current Band D level of £155.76.
- 4.3 In the short term the Government is supporting this action by the provision of Council Tax Freeze Grant in 2015/16. Also, the Council's good collection performance continues to support the financial plan.
- 4.4 The Council Taxbase for 2015/16 is 69,194, an increase of 0.9%, which will generate £47k more income than was assumed in the October Cabinet Report. Thereafter the taxbase is assumed to grow across the District by approximately 200 properties per annum (approx.0.3%).

Business Rates

- 4.5 The business rates multiplier will be 48.0p, a rise of 1.91% rather than the planned 48.2p as a result of the Autumn Statement. The Council will be compensated for this change via a specific grant. The extension of business rates assistance announced has an overall neutral impact on the Council's funding. It does however change the figures issued last year. The Medium Term Financial Plan includes business rates based on the provisional settlement. A further adjustment will be made in February, based on local performance.

Formula Funding

- 4.6 The provisional settlement announcement following the Autumn Statement includes details for 2015/16. However, for the period thereafter no details have been made available although in future years further reductions are anticipated and the outcome of the National General Election in May 2015 will influence the service areas and scale of reductions to be made.
- 4.7 The assumption within the Medium Term Financial Plan is that reductions in Formula Funding will continue in the period up to 2017/18. The plan assumes the reduction post 2015/16 to be in the region of 25% per annum.

New Homes Bonus

- 4.8 The New Homes Bonus is a grant paid by central government to councils for increasing the number of homes and their use within their district. The Council currently needs this "formula" grant to support its general budget requirements, given the reductions in Formula Funding.
- 4.9 The New Homes Bonus is paid each year for 6 years. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term

empty homes brought back into use. There is also an extra payment for providing affordable homes.

- 4.10 The future of the New Homes Bonus will need to be closely watched depending upon the outcome of the next National General Election.
- 4.11 In light of the provisional settlement, New Homes Bonus has been re assessed over the period of the plan and the current projections are set out in the plan.
- 4.12 The plan recognises that 2017/18 will be the seventh year of the scheme and the payment of £408,000 first received in 2011/12 will no longer be paid.

Summary

- 4.13 Total funding available in 2015/16 is now expected to be £ 20.240 million.
- 4.14 In the period post 2015/16 there remains great uncertainty over the total level of funding available but indications are that it could reduce by £1.518 million (approximately 7.5%) over the next two years.

5. ADDITIONAL BUDGET REQUIREMENT (APPENDIX 2)

- 5.1 Portfolio Holders together with Heads of Service have been working on the development of their specific service plans over the medium term.
- 5.2 The Medium Term Financial Plan provides for assumed general Pay & Price increases as follows:
 - a. Inflation: CPI inflation for July fell to 1.6% year-on-year from 1.9%, which was lower than market expectations. Expectations remain that inflation is likely to remain close to, but a little below, the MPC's 2% target for the next couple of years. In August the Bank of England's latest Inflation Report was published. CPI inflation projections were revised downwards over the two year horizon and expectations for wage growth, the estimate of spare capacity and equilibrium unemployment also fell. The Medium Term Financial Plan assumptions are
 - The National Pay award to April 2016 has been built into the plan and awards in future years are assumed at 1% per annum for all staff
 - Contractual Increments are based on latest information
 - Pension cost increase in line with advice received from Hampshire County Council.
 - Fuel and Energy costs increase to be 2% per annum
 - All other costs will be required to be absorbed within existing overall Portfolio budgets, excepting where they are agreed policy or strategy developments
 - b. UK Monetary Policy: NFDC's treasury management advisors, Arlingclose, now estimate the first rise in interest rates will be in the third quarter of 2015. In terms of the Council's Financial Plan, Interest Rates are assumed to increase in 2015/16 from the current base rate of 0.5%. The increase anticipated is 0.125% in the third quarter of 2015/16 and 0.25% in 2016/17 with a further 0.5% in 2017/18.

- 5.3 Town and Parish Grant payments are in accordance with the agreed strategy set out in February 2014.
- 5.4 The introduction of the Kerbside Glass Recycling scheme has been supported by Government Funding of £1.8 million. The grant has allowed funds to be managed, enabling the extra cost of the scheme to be introduced more gradually. However, in 2016/17 the additional cost of the service (estimated £243,000) will need to be financed entirely from General Fund resources.

6. PLANNED MAINTENANCE AND REPLACEMENT WORK (APPENDIX 3)

- 6.1 In February 2014 the Financial Plan agreed a strategy for Fixed Asset and Equipment funding. Updated details of this plan are set out in Appendix 3. The detailed programmes for 2016/17 and 2017/18 will be further developed in January 2015 within the parameters agreed in the financial plan.

7. BUSINESS DEVELOPMENT AND THIRD PARTY GRANTS

- 7.1 Details of Business Development and Third Party Grants will be reported to Cabinet for recommendation in February.

8. GENERAL FUND RESERVES

- 8.1 The estimated General Fund Reserves are:

	£000's
General Reserves	2,036
Asset Fund (Capital & Maintenance)	8,795
Capital Receipts	980

- 8.2 These reserves are available over the period of the Medium Term Plan to support the Council's Revenue and Capital budgets.

9. MEDIUM TERM FINANCIAL PLAN OUTLOOK

Budget 2015/16

- 9.1 The Chancellors' Autumn Statement has not significantly changed the Council's financial plan assumptions for the 2015/16 Budget, which is still expected to be balanced.
- 9.2 Further net savings in expenditure have been identified of approximately £150,000. This will allow the additional funds identified from the Government's 2 year Grant Funding to be available to be support new projects.

Budgets 2016/17 & 2017/18

- 9.3 There remains considerable uncertainty surrounding the period post the 2015 General Election in terms of Government funding. All indications are that, regardless of outcome, government funding will continue to reduce. The Financial Plan assumes overall reductions in funding over the next two years of approximately £1.5

million. Steps are already in place to prepare the organisation for this likely scenario and to ensure that the Council delivers an annual balanced budget.

10. HOUSING REVENUE ACCOUNT

- 10.1 The annual review of the Housing Revenue Account business plan will be considered by Cabinet in February, following consultation with tenants and review by the Community Overview & Scrutiny Panel. This will include a review of both expenditure plans and rent levels for 2015/16.

11. PORTFOLIO HOLDER COMMENTS

- 11.1 The Chancellor's Autumn Statement contained no surprises as the government continue to address the national deficit whilst supporting key parts of the economy towards recovery. Our settlement was announced on the 18th December 2014 and is largely as we anticipated. This will enable us to continue with our plans to maintain the delivery of good essential services to our community without increasing Council Tax. Our approach will enable Council Tax to stay at the same level for a 6th year.

12. BUDGET TASK AND FINISH GROUP COMMENTS (APPENDIX 4)

- 12.1 The Budget Task and Finish Group have on behalf of all members examined the Council's financial plans and annual budget 2015/16 in detail. The group's interim report is attached as Appendix 5.

13. RECOMMENDATIONS

- 13.1 That the Cabinet approve the emerging draft Medium Term Financial 2014 to 2018 as set out within this report and that this forms the basis of the Council's 2015/16 General Fund Budget that will be reported in February 2015.

For further information please contact:

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Background Papers

Published Documents

Medium Term Financial Plan

2014 -2018

APPENDIX 1

Funding Forecast	October		Latest	Budget 2016/17 £000's	Budget 2017/18 £000's
	Budget 2014/15 £000's	Cabinet 2015/16 £000's	Budget 2015/16 £000's		
Council Tax	10,682	10,730	10,777	10,807	10,837
Collection Fund Surplus	280	235	235	132	132
Local Council Tax Funding	10,962	10,965	11,012	10,939	10,969
Grant Funding					
Settlement Funding Assessment (SFA)					
Business Rates - Baseline funding	3,560	3,658	3,628	3,700	3,800
Council Tax Freeze 2014/15 @ 1% Formula Funding	117	117	-	-	-
	4,108	2,828	2,964	2,121	1,591
	7,785	6,603	6,592	5,821	5,391
Specific Grants					
New Homes Bonus	1,584	1,970	1,935	2,370	2,362
Council Tax Freeze 2015/16 @ 1%	-	117	117	-	-
Other Grants inc new burdens	138	38	78	-	-
Total Grant Funding	9,507	8,728	8,722	8,191	7,753
Business Rates - Surplus above baseline	-	92	-	-	-
2 Year Grant Funding Settlement	-	400	400	300	-
Kerbside Glass Grant	-	206	206	206	-
Total Funds Available	19,863	20,391	20,240	19,130	18,722
Summary Of General Fund Requirements					
Environment	8,064	8,466	8,466	8,592	8,780
Finance & Efficiency	4,784	5,077	5,077	5,127	5,326
General Purposes & Licencing	522	513	513	519	525
Health & Leisure	4,060	3,816	3,816	3,762	3,705
Housing & Communities	1,832	1,775	1,775	1,812	1,850
Leader's	534	540	540	546	552
Planning & Transportation	562	476	476	517	579
Planning Development Control Committee	1,198	1,192	1,192	1,211	1,230
Asset and Equipment Resources	-	-	-	200	400
Savings to be allocated to Portfolios	-	-	151	190	211
	21,556	21,855	21,704	21,696	21,936
Asset Rental	-	2,467	2,467	2,467	2,467
Earmarked Reserves	-	338	66	83	83
Net Portfolio Requirements	18,751	19,454	19,303	19,312	19,552
Contributions to Town & Parish Councils	300	200	200	100	-
Minimum Revenue Provision	1,052	1,052	1,052	1,052	1,052
Interest Earnings (Net)	-	240	315	425	612
	1,112	937	937	727	440
Total Requirements	19,863	20,391	20,240	20,039	19,992
Additional Grant Funding	606	-	-	-	-
Specific Grants	-	1,722	2,125	2,130	2,362
General Fund Budget Requirements	18,747	18,266	18,110	17,669	17,630
Current Plan Shortfall		-	-	909	1,270

Medium Term Financial Plan 2014 -2018

Analysis of Additional Budget Requirement				
	October Cabinet 2015/16	Latest Budget 2015/16	Budget 2016/17	Budget 2017/18
	£000's	£000's	£000's	£000's
Pay & Price Increases				
Pay Award (assumption 1% per annum from 2016/17)	214	322	240	245
Increments	214	170	172	174
Pensions 2010 valuation	98	98	102	110
Prices (Fuel, Energy & Maintenance)	113	113	115	120
	639	703	629	649
Budget Outturn 2013/14 & Monitoring 2014/15	- 527	- 742	- 304	- 209
Specific Items				
Environment - Kerbside Glass				
- 2014/15 Grant Reduction	519	519	-	-
- Planned Saving	- 70	- 70	-	-
	449	449	-	-
ICT Work Programme	26	26		
Other Items	116	116	- 116	-
Towns and Parish Council Grant	- 100	- 100	- 100	- 100
Interest Earnings	- 75	- 75	- 110	- 187
Change in Asset and Equipment Resources	-	-	- 200	- 200
	416	416	- 526	- 487
Total Additional Net Budget Requirement	528	377	- 201	47
Reduction/Increase(-) in Funds	- 528	- 377	1,110	408
Current Annual Plan Shortfall	-	-	909	361

Medium Term Financial Plan

	Budget 2015/16 £'000's	Budget 2016/17* £'000's	Budget 2017/18* £'000's
Planned Maintenance and Replacement Work			
<u>Asset Management Group</u>			
Health & Leisure Centres	468		
Depots	113		
Office Accommodation	300		
Other Property Including Open Space	109		
Car Park Maintenance	475		
Previously approved project retentions	72		
	<u>1,537</u>		
<u>ICT Strategy</u>			
Replacement Programme	275		
Existing Systems Developments (One-Off)	105		
Existing Systems Developments (Recurring)	63		
	<u>443</u>		
<u>Equipment Replacement</u>			
Health & Leisure Equipment Replacement	384		
Car Park Machines / Other Equipment	180		
Vehicles & Plant <£10k	-		
	<u>564</u>		
<u>Operational Vehicles</u>			
Deferred Expenditure	1,052		
<u>Additional Requirement</u>	-	41	
Less: Proportion allocated to HRA	-	93	
Less 2014/15 Programme rephased (Reserves)	-	262	
Total Programme		<u><u>3,200</u></u>	<u><u>2,800</u></u>

* Programmes will be developed during January 2015 within the agreed financial parameters

Budget Task & Finish Group Interim Report (Cllr M. Harris Chairman)

The Budget Task & Finish Group have on behalf of all members examined the Council's financial plans and annual budget 2015/16 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 scale of government funding cuts continues to make the delivery of financial plans to support many key services extremely difficult. Bearing in mind these continued austerities the Group commend the Portfolio Holders on continuing to provide services at a high level and setting out clear plans to meet these needs. The Group is satisfied that the overall financial strategy and budget plans are at this time appropriate to meet the challenges the Council faces.

The Group noted the ongoing arrangements for maintaining an effective senior management structure in light of previous savings in recent years and the continued efforts to ensure efficient methods of service delivery.

The Group commends the Finance & Efficiency Portfolio Holder on his sound plans for the future maximisation of the Council's fixed assets and ensuring a good return for the people of the New Forest.

Linked to investment for the introduction of Universal Credit, the Group feels that there is provision for further work and potential saving through a Task & Finish Group exploring a delivery model for Information Offices that suits the current and future needs of the District Council.

In discussion with the Portfolio Holder for Environment the Group were pleased to note that the grant funding for the glass recycling had been stretched to cover an additional year before the Council had to bear these costs. They also noted the intention that the future continuation of this service will be funded through ongoing savings within the Portfolio.

The valuable work in the community highlighted by the Health & Leisure Portfolio Holder was commended by the Group along with the positive health, and wider cost, benefits associated with the Health & Leisure Centres. The continued focus on reducing the cost of this service to the Council Tax payer was noted.

The Group acknowledged the high satisfaction of Council tenants and were pleased that in discussions with the Portfolio Holder for Housing and Communities support was acknowledged for a Housing Strategy that continues to deliver the greatest number of homes irrespective of ownership.

In particular the Group was pleased to note the potential opportunities highlighted by the Portfolio Holder for Planning & Transportation which should be kept under review by future budget tasks and finish groups.

A detailed report on the Budget Task and Finish Groups findings will be presented to the Corporate Overview and Scrutiny Panel for their consideration in January.