

MEDIUM TERM FINANCIAL PLAN / ANNUAL BUDGET 2015/16

1. INTRODUCTION

- 1.1 On 1 October 2014 and 7 January 2015 Cabinet considered a number of issues that would affect the Annual Budget for 2015/16. This was supported by the Medium Term Financial Plan, based on the Provisional Local Government Finance Settlement figures which had been received in late December 2014. Details of the Final Local Government Finance Settlement for 2015/16 are yet to be received but are not expected to change materially from the provisional figures.
- 1.2 In accordance with the Council's Financial Strategy this report sets out final proposals for:
- The General Fund Net Budget Requirement for 2015/16
 - A level of Council Tax for 2015/16
 - The Medium Term Financial Plan
 - The General Fund Capital Programme for 2015/16
- 1.3 As the budget setting process is not an executive function the proposals agreed by Cabinet will become recommendations for consideration by Council on 23 February 2015.

2. SUMMARY OF FINANCIAL STRATEGY – GENERAL FUND

- 2.1 The Council's financial strategy for 2015/16 is to:
1. Maintain Council Tax at the same level as 2014/15, meaning that Council Tax will have remained at the same level since 2010/11.
 2. Deliver efficiencies and savings to bridge the funding gap created by less government grant, avoiding any major impact on frontline services.
 3. Enable funding to be available to support ongoing investment in modern services through the use of its reserves.
 4. Ensure that reserves are adequate, post 2015/16, to support both future service investment and available to safeguard frontline services from possible future government austerity measures.

The budget set out for approval in this report achieves this agreed strategy.

3. MEDIUM TERM FINANCIAL PLAN – GENERAL FUND BUDGET 2015/16

- 3.1 Details of draft available resources and Portfolio spending requirements were set out in Appendices to the January Cabinet report. Subsequent to that report the full budget allocation process has now been completed and individual Portfolio figures updated. The updated figures, together with other budget changes identified since January Cabinet, are set out in Appendices 1 to 6 of

this report and any significant changes are referred to in the following paragraphs.

- 3.2 Included within Appendix 4 are proposals for new Business Development schemes and Third Party Grants totalling £1.002 million in 2015/16, of which £951,000 will be funded by the General Fund. These schemes are subject to approval in recommendation 10.1 of this report, but have been included in the Portfolio budgets in the other Appendices. In accordance with the Council's strategy these investments are funded from reserves and do not form part of the base budget for future years.
- 3.3 The allowance for pay and prices increases has been reviewed in light of recent reductions in fuel costs and budgets have been reduced by £40,000 for 2015/16.
- 3.4 Since the January Cabinet report additional funding, derived from Business Rates, has been identified. When the new Business Rates system was introduced in 2013/14 there were many concerns over how it would work and the difficulties that existed in estimating the impact of current economic conditions on local business and the scale of likely successful appeals that were already in the system. The Council rightly took a cautious approach. The position has been monitored regularly and there is now some confidence in developing future estimates. This has led to a significant change in the amount of Business Rates that is indicated as due to the Council in 2015/16.
- 3.5 The January Cabinet report was based on the government's assumptions set out in the draft finance settlement. The full review undertaken now estimates the Business Rates income within the New Forest area will be 5.4% above the government's settlement assumptions. This represents an additional £3.5 million of resources being generated from the area, of which approximately 75% is payable to the government. The Council is able to retain 20% (£702,000), with the remaining 5% shared between the County Council and Fire Service. This, together with £20,000 retained income generated from Renewable Energy schemes within the District, means that, in total, additional resources of £722,000 are anticipated in 2015/16.
- 3.6 The improved financial position created by the additional business rates income detailed in paragraph 3.5 allows for the previously earmarked use of reserves derived from the two year grant settlement to be retained as reserves in 2015/16, and available to support the agreed financial strategy. The full reserves position is set out in paragraph 6.1.
- 3.7 **Summary of 2015/16 Proposals and Medium Term Plan**
 - 3.7.1 The General Fund net budget requirement for 2015/16 will be £18.327 million (Appendix 5), a reduction of £303,000 on the 2014/15 budget requirement.
 - 3.7.2 The Band D Council Tax of £155.76 will remain unchanged from 2014/15 and the cost to be met from council taxpayers will be £10.778 million after taking into account Collection Fund performance.
 - 3.7.3 The Medium Term Plan summary set out in Appendix 1 provides an outlook of potential future years' budgets. On the basis of continued austerity and difficult economic conditions it is clear that Council services will need to continue the process of review to identify further savings and efficiencies.

4. GENERAL FUND CAPITAL PROGRAMME AND CAPITAL RESOURCES

- 4.1 The Council's proposed General Fund Capital Programme for 2015/16 totals £6.033 million and is detailed in Appendix 6. It has been developed within the context of limited levels of funding. A summary of the proposed total programme and its proposed financing is set out below.

| | £M | £M |
|---|--------------|-------|
| <u>Capital Programme</u> | | |
| Developers' Contributions – Open space | 1.356 | |
| Developers' Contributions – Transport | 0.882 | |
| Eling Tide Mill | 1.229 | |
| Coast Protection | 0.393 | |
| Private Sector Housing (£742,000 of Grants) | 0.842 | |
| Vehicles & Plant | 0.916 | |
| Other | <u>0.415</u> | 6.033 |
| <u>Financing</u> | | |
| Developers' Contributions | 2.238 | |
| Grants and Other External Contributions | 2.018 | |
| Housing Capital Receipts | 0.276 | |
| Revenue | 0.916 | |
| Capital Reserve/General Fund Capital Receipts | <u>0.585</u> | 6.033 |

- 4.2 A range of Prudential Indicators, related to the Capital Programme, needs to be approved prior to the start of each financial year. Indicators for the Treasury Management function and the Investment Strategy for 2015/16 to 2017/18 were considered by the Audit Committee on 23 January 2015 and have been recommended to the Council for approval. The indicators in Appendix 7 of this report relate to the Council's proposed capital programme. The Cabinet is asked to consider the indicators and recommend them to Council for approval.

5. COMMITTEE AND CORPORATE OVERVIEW PANEL COMMENTS

- 5.1 The General Purposes and Licensing and Planning Development Control Committees have both considered their draft budgets and have no comments to make on the proposals.
- 5.2 The Budget Task and Finish Group presented its report to the Corporate Overview and Scrutiny Panel on 22 January 2015. The Panel welcomed the report and thanked the members of the Task and Finish Working Group for the detailed work that they had undertaken on behalf of all members of the Council. They also appreciated the time given by the Portfolio Holders to support the process. This was the fourth year of the Budget Task and Finish Group and all members considered that the process had progressively improved in meeting their requirements and improving understanding. The opportunity offered to all members to forward questions to the Budget Task and Finish Group was seen

as a positive step, although it was noted that take up had been limited. It was also felt appropriate that, if a member asked a specific question, then they should receive a response to their question. The Panel also considered that a further improvement could be made by linking the budget to the Strategic Risk Register.

- 5.3 The Corporate Overview and Scrutiny Panel considered the recommendations of the Task and Finish Group and particularly highlighted the changes that they saw taking place in planning and the need for member engagement through a task and finish group. The Executive Director was asked to comment upon the recommendation concerning back office costs. He assured members that when activities were transferred, or no longer provided, the implications were fully considered. Across the Council there were now many examples of two-way shared working that was delivering both efficiencies and budget savings for the Council. These changes in operation had an impact on many areas of the Council's services, which were also regularly reviewed.
- 5.4 The report of the Budget Task and Finish Working Group can be viewed at http://docs.newforest.gov.uk/Committee/CORSP/CDR09460.pdf?ufsReturnURL=https%3A%2F%2Fweb2.newforest.gov.uk%3A443%2Fufsadc%2Fufsreturn%3Febz%3D1_1421929608226

6 RISK ASSESSMENT

- 6.1 The budget for 2015/16 is based upon best estimates but there are still many uncertainties, particularly surrounding the impact of the new arrangements with regard to Business Rates and the continuing uncertain economic climate. The Medium Term Plan, looking to future years, does include a level of contingency within the assumptions made.
- 6.2 In accordance with the agreed financial strategy reserves are available:
- (i) To manage financial risk. The Council already provides regular budgetary control reports to Cabinet and has General Fund Reserves of £2.036 million, which are available to support service budgets during the continuing uncertain times.
 - (ii) In addition, it is estimated that there will be an unallocated balance of £7.4 million in the Asset Management Fund as at 31 March 2015, which will be available to support investment in services and safeguard services from future austerity measures.

Within this overall context, the budget as now presented to Cabinet is considered to be a robust and deliverable financial plan.

7. CRIME AND DISORDER, ENVIRONMENT AND EQUALITY & DIVERSITY

- 7.1 There are no specific implications arising directly from this report.

8. EMPLOYEE SIDE COMMENTS

8.1 To be reported orally at the meeting of the Cabinet

9. PORTFOLIO HOLDER COMMENTS

9.1 Year on year we are having to deliver services with less funds. I am pleased therefore that in 2015/16 we have developed a budget that will ensure our services will continue to be delivered at the current high standards, while council taxpayers will not be asked to pay more. It is a great achievement that we have not increased Council Tax for 6 years while maintaining our key frontline services. Also, looking forwards, I believe the finances of the Council are robust, with reserves available both to support new investment and to protect services from future uncertainties.

Finally, I would like to thank the officers of the Council that are responsible for its delivery and recommend this budget to the Council.

10. RECOMMENDATIONS

Cabinet is asked to recommend to Council that:

- 10.1 There is a General Fund Net Budget Requirement in 2015/16 of £18,327,040, as set out in Appendix 5 to the report, including the Business Development and Third Party Grant schemes set out in Appendix 4.
- 10.2 The site licence fees and service charges at Stillwater Park be increased by 2.3%, in line with RPI inflation;
- 10.3 The Band D Council Tax for 2015/16 shall be £155.76;
- 10.4 The General fund Capital Programme for 2015/16 of £6.033m, as set out in Appendix 6 to this report, be approved.
- 10.5 That each of the Prudential Indicators, the Limits for 2015/16 to 2017/18 and the Minimum Revenue Provision Policy Statement, as set out in Appendix 7 to the report, be approved and adopted.

For Further Information Contact:

Bob Jackson, Executive Director
Tel: 023 8028 5588
E-mail: bob.jackson@nfdc.gov.uk

Background Papers:

MTFP Reports – Cabinet October 14/
Jan 15

**Medium Term Financial Plan
2014 -2018**

APPENDIX 1

| Funding Forecast | Budget 2014/15 £000's | Budget 2015/16 £000's | Budget 2016/17 £000's | Budget 2017/18 £000's |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Council Tax | 10,682 | 10,778 | 10,808 | 10,838 |
| Collection Fund Surplus | 280 | 235 | 132 | 132 |
| Local Council Tax Funding | 10,962 | 11,013 | 10,940 | 10,970 |
| Grant Funding | | | | |
| Settlement Funding Assessment (SFA) | | | | |
| Business Rates - Baseline funding | 3,560 | 3,628 | 3,700 | 3,800 |
| Council Tax Freeze 2014/15 @ 1% | 117 | - | - | - |
| Formula Funding | 4,108 | 2,964 | 1,986 | 1,176 |
| | 7,785 | 6,592 | 5,686 | 4,976 |
| Specific Grants | | | | |
| New Homes Bonus | 1,584 | 1,935 | 2,370 | 2,362 |
| Council Tax Freeze 2015/16 @ 1% | - | 117 | - | - |
| Other Grants inc new burdens | 138 | 78 | - | - |
| Total Grant Funding | 9,507 | 8,722 | 8,056 | 7,338 |
| Business Rates - Surplus above baseline | | 722 | 722 | 722 |
| 2 Year Grant Funding Settlement | - 400 | - | - | - |
| Kerbside Glass Grant | - 206 | 206 | - | - |
| Total Funds Available | 19,863 | 20,663 | 19,718 | 19,030 |
| Summary Of General Fund Requirements | | | | |
| Environment | 8,064 | 8,997 | 8,641 | 8,782 |
| Finance & Efficiency | 4,784 | 5,001 | 5,113 | 5,314 |
| General Purposes & Licencing | 522 | 533 | 536 | 543 |
| Health & Leisure | 4,060 | 3,553 | 3,057 | 2,972 |
| Housing & Communities | 1,832 | 1,837 | 1,868 | 1,908 |
| Leader's | 534 | 553 | 557 | 564 |
| Planning & Transportation | 562 | 834 | 676 | 740 |
| Planning Development Control Committee | 1,198 | 1,136 | 1,150 | 1,171 |
| Asset and Equipment Resources | - | - | 200 | 400 |
| Contingency for Risks and Unknowns | - | - | 450 | 700 |
| | 21,556 | 22,444 | 21,848 | 22,294 |
| Asset Rental | - 2,467 | - 2,031 | - 2,031 | - 2,031 |
| Contribution from Reserves re Business Dev/Grants | - | 951 | 116 | 95 |
| Contributions from Reserves re Rephasing from 14/15 | - | 262 | - | - |
| Contribution to/(from) Earmarked Reserves | - 338 | 526 | 83 | 83 |
| Net Portfolio Requirements | 18,751 | 19,726 | 19,784 | 20,251 |
| Contributions to Town & Parish Councils | 300 | 200 | 100 | - |
| Minimum Revenue Provision | 1,052 | 1,052 | 1,052 | 1,052 |
| Interest Earnings (Net) | - 240 | - 315 | - 425 | - 612 |
| | 1,112 | 937 | 727 | 440 |
| Total Requirements | 19,863 | 20,663 | 20,511 | 20,691 |
| Additional Grant Funding | 606 | 206 | - | - |
| Specific Grants | - 1,839 | - 2,130 | - 2,370 | - 2,362 |
| General Fund Budget Requirements | 18,630 | 18,327 | 18,141 | 18,329 |
| Current Plan Shortfall | - | - | 793 | 1,661 |

Medium Term Financial Plan 2014 -2018

| Analysis of Additional Budget Requirement | | | |
|--|--------------------------------------|---------------------------|---------------------------|
| | Latest Budget 2015/16 | Budget 2016/17 | Budget 2017/18 |
| | £000's | £000's | £000's |
| Pay & Price Increases | | | |
| 14/16 Pay Award + 1% per annum from 16/17 | 322 | 240 | 245 |
| Increments | 170 | 172 | 174 |
| Pensions 2010 valuation | 98 | 102 | 110 |
| Prices (Fuel, Energy & Maintenance) | 73 | 115 | 120 |
| | 663 | 629 | 649 |
| Budget Outturn 2013/14 & Monitoring 2014/15 | - 279 | -255 | 18 |
| Specific Portfolio Items | | | |
| Environment - Kerbside Glass | | | |
| - 2014/15 Grant Reduction | 519 | - | - |
| - Planned Saving | - 70 | - | - |
| | 449 | - | - |
| ICT Work Programme | 26 | | |
| Other Items | 116 | - 116 | - |
| | 591 | - 116 | - |
| Other Specific Items | | | |
| Towns and Parish Council Grant | - 100 | - 100 | - 100 |
| Interest Earnings | - 75 | - 110 | - 187 |
| Change in Asset and Equipment Resources | - | - 200 | - 200 |
| | - 175 | - 410 | - 487 |
| Contingency | | 450 | 250 |
| Total Additional Net Budget Requirement | 800 | - 152 | 180 |
| Reduction/Increase(-) in Funds | - 800 | 945 | 688 |
| Current Annual Plan Shortfall | 0 | 793 | 868 |

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 | | |
| | <hr/> 1,537 | | |
| <u>ICT Strategy</u> | | | |
| Replacement Programme | 275 | | |
| Existing Systems Developments (One-Off) | 105 | | |
| Existing Systems Developments (Recurring) | 63 | | |
| | <hr/> 443 | | |
| <u>Equipment Replacement</u> | | | |
| Health & Leisure Equipment Replacement | 384 | | |
| Car Park Machines / Other Equipment | 180 | | |
| Vehicles & Plant <£10k | - | | |
| | <hr/> 564 | - | - |
| <u>Operational Vehicles</u> | | | |
| Deferred Expenditure | 1,052 | | |
| <u>Additional Requirement</u> | - | 41 | |
| Less: Proportion allocated to HRA | - | 93 | |
| Less 14/15 Programme rephased (Reserves) | - | 262 | |
| Total Programme | <hr/> 3,200 | 3,000 | 2,800 <hr/> |

* Programmes will be developed within the agreed financial parameters

Medium Term Financial Plan

| Business Development and Third Party Grants | Budget 2015/16 £'000's | Budget 2016/17 £'000's | Budget 2017/18 £'000's |
|--|---------------------------------------|---------------------------------------|---------------------------------------|
| <u>Assets</u> | | | |
| Health & Leisure Centres - Business Developments | | | |
| Totton; Gym Extension into Dry Change | 194 | 4 | |
| Applemore; Pre school external works | 39 | 1 | |
| All Centres Catering Provision | 15 | | |
| Public Conveniences Refurbishment | 244 | 6 | |
| | <u>491</u> | <u>11</u> | |
| <u>ICT Projects</u> | | | |
| In cab Technology(one off) | 207 | | |
| Other Development Projects(one off) | | | |
| Travel and Expenses System Upgrade | 10 | | |
| Extend Mobile Working infrastructure | 30 | 10 | 10 |
| Digital Services Provision | 50 | 25 | 30 |
| E Training Facilities | 10 | | |
| Security Hardware and Software | 10 | 10 | 10 |
| Recurring costs from above schemes | 29 | 41 | 53 |
| | <u>346</u> | <u>86</u> | <u>103</u> |
| Less Allocation to HRA/Other | - 51 | - 16 | - 18 |
| | <u>295</u> | <u>70</u> | <u>85</u> |
| <u>Community Grants - Health & Leisure (Building Projects)</u> | | | |
| Applemore College | 50 | | |
| Brockenhurst Anglican Church | 25 | | |
| HCC - Lepe Country Park | 20 | 20 | 10 |
| Lymington Community Association | 20 | 5 | |
| Ringwood Town Council - The Place | 30 | | |
| Sandleheath Community Association | 20 | 10 | |
| | <u>165</u> | <u>35</u> | <u>10</u> |
| Total | <u>951</u> | <u>116</u> | <u>95</u> |

NEW FOREST DISTRICT COUNCIL
GENERAL FUND REVENUE BUDGET SUMMARIES
SUMMARY OF NET BUDGET REQUIREMENTS WITH FINANCE

| | 2014/15 Budget | 2015/16 Gross Expenditure | | 2015/16 Income | 2015/16 Budget |
|---|--------------------|---------------------------------|----------|-------------------|--------------------|
| | £,000 | £,000 | - | £,000 | £,000 |
| PORTFOLIO REQUIREMENTS | | | | | |
| Environment | 8,064 | 11,459 | - | 2,462 | 8,997 |
| Finance and Efficiency | 4,784 | 52,717 | - | 47,716 | 5,001 |
| General Purposes and Licensing Committee | 522 | 944 | - | 411 | 533 |
| Health and Leisure | 4,060 | 9,701 | - | 6,148 | 3,553 |
| Housing and Communities | 1,832 | 3,821 | - | 1,984 | 1,837 |
| Leader's | 534 | 841 | - | 288 | 553 |
| Planning and Transportation | 562 | 5,163 | - | 4,329 | 834 |
| Planning Development Control Committee | 1,198 | 1,754 | - | 618 | 1,136 |
| | 21,556 | 86,400 | - | 63,956 | 22,444 |
| Asset Rental Income | - | 2,467 | - | 2,031 | 2,031 |
| Contribution to/(from) Earmarked Revenue Reserves | 268 | - | - | 893 | 893 |
| NET PORTFOLIO REQUIREMENTS | 19,357 | 86,400 | - | 66,880 | 19,520 |
| Contributions to Town and Parish Council Tax | 300 | 200 | - | - | 200 |
| Minimum Revenue Provision | 1,052 | 1,052 | - | - | 1,052 |
| Interest Earnings (Net) | - | 240 | - | 315 | 315 |
| New Homes Bonus | - | 1,585 | - | 1,935 | 1,935 |
| Other Grants | - | 254 | - | 195 | 195 |
| GENERAL FUND NET BUDGET REQUIREMENTS | 18,630 | 87,652 | - | 69,325 | 18,327 |
| <u>COUNCIL TAX CALCULATION</u> | | | | | |
| Budget Requirement | 18,630 | 87,652 | - | 69,325 | 18,327 |
| Less: | | | | | |
| Settlement Funding Assessment | | | | | |
| Revenue Support Grant | - | 4,108 | - | 2,964 | 2,964 |
| Business Rates Funding Target | - | 3,560 | - | 25,826 | 3,628 |
| | - | 7,668 | - | 28,790 | 6,592 |
| Locally Retained Business Rates | - | - | - | 703 | 722 |
| Estimated Collection Fund Surplus | - | 280 | - | 235 | 235 |
| COUNCIL TAX | 10,682 | 110,553 | - | 99,775 | 10,778 |
| TAX BASE NUMBER OF PROPERTIES | 68,581.20 | | | | 69,194.00 |
| COUNCIL TAX PER BAND D PROPERTY | £155.76 | | | | £155.76 |
| GENERAL FUND BALANCE 31 MARCH | £1.5M - £2M | | | | £1.5M - £2M |

GENERAL FUND CAPITAL PROGRAMME AND FINANCING

| | Budget 2015/16 £000's | Budget 2016/17 £000's | Budget 2017/18 £000's | Financing |
|--|-----------------------------|-----------------------------|-----------------------------|--------------------|
| Disabled Facilities Grants | 566 | 566 | 566 | Better Care Fund |
| Disabled Facilities Grants(NFDC resources) | 74 | 74 | 74 | 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>842</u> | <u>842</u> | <u>842</u> | |
| Coast Protection | 346 | 155 | 190 | Grant |
| Eling Tide Mill | 1,106 | 14 | 9 | Grant |
| Leisure Developers' Contributions | 1,356 | 1,404 | 300 | D Conts |
| Transport Developers' Contributions | 882 | 1,088 | 300 | D Conts |
| Beach Huts | | 430 | | Licence Holders |
| TOTAL EXTERNAL RESOURCES | <u>4,532</u> | <u>3,933</u> | <u>1,641</u> | |
| <u>Previously Approved</u> | | | | |
| Rural Broadband | 115 | | | |
| Eling Tide Mill | 123 | 1 | 1 | |
| Beach Huts | 300 | 524 | | |
| Major Coastal Project Scheme Development Hurst Spit | 47 | 50 | 50 | Pre Grant Recovery |
| TOTAL INTERNAL RESOURCES | <u>585</u> | <u>575</u> | <u>51</u> | |
| TOTAL CAPITAL RESOURCES PROGRAMME | <u>5,117</u> | <u>4,508</u> | <u>1,692</u> | |
| Vehicles & Plant (Capital Value) | 916 | 1,441 | 1,336 | |
| TOTAL PROGRAMME | <u><u>6,033</u></u> | <u><u>5,949</u></u> | <u><u>3,028</u></u> | |

THE CAPITAL PRUDENTIAL INDICATORS 2015/16 – 2017/18

1. CAPITAL EXPENDITURE AND CAPITAL FINANCING REQUIREMENT

- 1.1 Each year the Council approves a programme of capital expenditure. Some of this expenditure will be supported by grants and contributions from the Government and other organisations; the remainder will need to be financed from the Council's own resources. If this expenditure cannot be financed from resources such as capital receipts, capital reserves or from direct revenue contribution there will be an impact on the Council's underlying need to borrow.
- 1.2 This underlying need to borrow is called the Capital Financing Requirement (CFR).
- 1.3 The revenue consequences of capital expenditure funded by borrowing will need to be paid for from the Council's revenue resources. This is called the Minimum Revenue Provision (MRP).
- 1.4 The key risks to the plans are that the level of Government support has been estimated and maybe subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale.
- 1.5 In 2012/13 the Council borrowed £142.7m to meet the requirements of the HRA reform. The first principal instalment repayment of £4.1m is due in 2017/18.

2. CAPITAL EXPENDITURE

- 2.1 The capital expenditure projections and the CFR are shown below. A more detailed schedule for these projections is included in the main budget report on this agenda.

This is the first prudential indicator and the Council is asked to approve the summary capital expenditure projections below.

| Capital Expenditure | 2014/15 Revised £000 | 2015/16 Estimate £000 | 2016/17 Estimate £000 | 2017/18 Estimate £000 |
|--|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Non-HRA | 6,415 | 6,033 | 5,949 | 3,028 |
| HRA | 14,090 | 12,483 | 12,250 | 8,150 |
| Total Expenditure | 20,505 | 18,516 | 18,199 | 11,178 |
| Financed by: | | | | |
| Capital receipts | 1,074 | 276 | 276 | 276 |
| Capital grants | 1,248 | 2,018 | 1,165 | 765 |
| Capital reserves | 549 | 585 | 575 | 51 |
| Developers Contributions | 2,190 | 2,238 | 2,492 | 600 |
| Revenue | 13,445 | 12,483 | 12,250 | 8,150 |
| Net capital financing requirement (CFR) | 1,999 | 916 | 1,441 | 1,336 |

3. CAPITAL FINANCING REQUIREMENT

- 3.1 Capital expenditure will impact directly on the overall CFR if there is a borrowing requirement (see 2.1 above). Generally any borrowing required to meet the Council's capital expenditure is met by using cash held in reserves, rather than raising loans. This action is the expressed preference of Members and is assumed for the continuing future.
- 3.2 The CFR is reduced by the amount of any provision that is made to repay loan in the future. This provision is known as the MRP.
- 3.4 The cumulative net projections for the CFR at each year-end are shown below. This is the second prudential indicator.
- 3.5 The Cabinet is asked to note the CFR projections below.

| Capital Financing Requirement (CFR) | 2014/15 Revised £000 | 2015/16 Estimate £000 | 2016/17 Estimate £000 | 2017/18 Estimate £000 |
|--|----------------------|-----------------------|-----------------------|-----------------------|
| CFR–Non Housing | 4,008 | 3,872 | 4,261 | 4,545 |
| CFR - Housing | 1,897 | 1,897 | 1,897 | 1,897 |
| HRA Settlement | 142,704 | 142,704 | 142,704 | 138,604 |
| Total CFR at year end | 148,609 | 148,473 | 148,862 | 145,046 |
| Movement in CFR from one year to the next | | (136) | 389 | (3,816) |
| For each year the movement in CFR is represented by | | | | |
| Net Financing Need (The amount of capital expenditure financed by loan) | 1,999 | 916 | 1,441 | 1,336 |
| HRA Settlement | 0 | 0 | 0 | (4,100) |
| MRP provision - (the amount by which any loan requirement is reduced) | (1,052) | (1,052) | (1,052) | (1,052) |
| Movement in CFR | 947 | (136) | 389 | (3,816) |

4. MINIMUM REVENUE PROVISION

- 4.1 Where General Fund (excluding Council Housing) capital spend has been financed by loan, and has increased the CFR, the Council is required to make a provision to repay a proportion of the accumulated amount each year. This amount is charged to revenue and is called the Minimum Revenue Provision (MRP). This charge reduces the CFR each year.

CLG Regulations have been issued which require full Council to approve an MRP Statement in advance of each financial year. The Council is recommended to approve the following MRP Statement:

“For capital expenditure that has been incurred, and which has given rise to a CFR, the MRP Policy shall be to charge to revenue an amount equal to the depreciation of any asset financed by loan”.

For Council Housing the Council has approved currently a Housing Business Plan that will charge amounts to revenue to ensure that any borrowings are reduced in accordance with the maturity of the debt outstanding.

5. THE COUNCIL’S RESOURCES

5.1 The use of reserves to finance capital expenditure will have an impact on investments unless resources are supplemented each year from sources such as asset sales. The following table shows estimates of year end balances for each resource.

| Estimated Year End Resources | 2014/15 Revised £m | 2015/16 Estimate £m | 2016/17 Estimate £m | 2017/18 Estimate £m |
|-------------------------------------|---------------------------|----------------------------|----------------------------|----------------------------|
| Fund Balances | 8.2 | 7.6 | 7.0 | 7.0 |
| Capital Receipts | 6.3 | 7.1 | 7.8 | 8.5 |
| Earmarked Reserves | 13.2 | 13.6 | 13.6 | 15.5 |
| Total Core Funds | 27.7 | 28.3 | 28.4 | 31.0 |

6. AFFORDABILITY PRUDENTIAL INDICATORS

The previous sections cover the prudential indicators for capital expenditure and borrowing. This section assesses the affordability of the capital investment plans. These provide an indication of the impact of the capital programme on the Council’s overall finances.

The Council is asked to approve the following indicators.

6.1 Ratio of financing costs to net revenue stream

6.1.1 The net revenue stream for the General Fund is the amount of revenue expenditure which is met from government grant and council tax.

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

The estimates of financing costs include current commitments and the proposals in this budget report on this agenda.

6.1.2 The net revenue stream for the Housing Revenue Account is the amount of revenue expenditure, arising from the capital program, which is met by rents.

6.1.3 The following table shows the cumulative incremental effect of the estimated financing cost, against the estimated net revenue stream. This assesses the increase in the cost of borrowing to the revenue account.

An example is set out below: 2015/16

$$\frac{\text{General Fund Financing cost } \pounds 32,000}{\text{General Fund Net Revenue Stream } \pounds 20,457,000} = 0.2\%$$

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

| | 2014/15 Revised | 2015/16 Estimate | 2016/17 Estimate | 2017/18 Estimate |
|-------------------------------|-----------------|------------------|------------------|------------------|
| Non - HRA | 0.7% | 0.2% | 0.2% | 0.1% |
| HRA (inclusive of settlement) | 0% | 0% | 0% | -0.5% |

For the HRA the reduction in 2017/18 reflects the reduction in interest costs due to the first instalment of loan repayment relating to the 2012/13 HRA settlement.

6.2 Estimates of the incremental impact of capital investment decisions on the Band D Council Tax

6.2.1 This indicator shows the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The indicator shows the impact on the Council Tax of the revenue implications of the capital programme in isolation from any other expenditure that may generate a revenue charge.

| | Proposed Budget 2015/16 | Forward Projection 2016/17 | Forward Projection 2017/18 |
|---|-------------------------|----------------------------|----------------------------|
| Change to Council Tax-Band D | 0.6% | 1.03% | 1.26% |
| Change to Council Tax cost year on year | £0.94 | £1.61 | £1.99 |

6.3 Estimates of the incremental impact of capital investment decisions on housing rent levels

6.3.1 The Council has adopted the Government's rent restructuring policy/guidance. As such the capital programme has no impact on rent levels.

6.3.2 The indicator below shows the cost of proposed changes in the housing capital programme, as recommended elsewhere on this agenda, expressed as a change in weekly rent levels if the Government's rent restructuring policy/guidance had not been adopted.

| | Proposed Budget 2015/16 | Forward Projection 2016/17 | Forward Projection 2017/18 |
|--------------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| Change to Weekly Housing Rent levels | £0.19 | (£0.89) | (£15.66) |

6.3.3 The reduction in 2017/18 reflects the current proposed reduced capital programme as resources are switched to finance the first HRA settlement loan repayment.