

NOTICE OF MEETING

Meeting: CABINET

Date and Time: WEDNESDAY, 6 JANUARY 2016, AT 10.00 AM*

Place: COUNCIL CHAMBER, APPLETREE COURT,
LYNDHURST

Telephone enquiries to: Lyndhurst (023) 8028 5000
023 8028 5588 - ask for Jan Debnam
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PUBLIC PARTICIPATION:

***Members of the public may speak in accordance with the Council's public participation scheme:**

- (a) immediately before the meeting starts, on items within the Cabinet's terms of reference which are not on the public agenda; and/or
 - (b) on individual items on the public agenda, when the Chairman calls that item.
- Speeches may not exceed three minutes. Anyone wishing to speak should contact the name and number shown above.

Bob Jackson
Chief Executive

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This Agenda is also available on audio tape, in Braille, large print and digital format

AGENDA

Apologies

1. MINUTES

To confirm the minutes of the meeting held on 2 December 2015 as a correct record.

2. DECLARATIONS OF INTEREST

To note any declarations of interest made by members in connection with an agenda item. The nature of the interest must also be specified.

Members are asked to discuss any possible interests with Democratic Services prior to the meeting.

3. PUBLIC PARTICIPATION

To note any issues raised during the public participation period.

4. MEDIUM TERM FINANCIAL PLAN 2016 TO 2020 (Pages 1 - 8)

To consider the development of the Medium Term Financial Plan for the period 2016 to 2010 and the annual budget for 2016/2017.

To:

Councillors

Mrs S V Beeton
J E Binns
Mrs J L Cleary

Councillors

E J Heron (Vice-Chairman)
J D Heron
B Rickman (Chairman)

MEDIUM TERM FINANCIAL PLAN 2016 to 2020

1. PURPOSE OF REPORT

- 1.1 To consider the development of the Medium Term Financial Plan 2016 to 2020, including the 2016/17 annual budget, in the light of the Government's provisional Local Government Finance Settlement which was announced on 17 December 2015.

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 the development of the Council's current financial plan is the actions taken by Government to reduce the level of national debt. In the period between 2010 and 2016 the Government has reduced funding to this Council by £3.4 million (28.3%) and the Council's overall budget has reduced by £2.9 million (12.9%).
- 2.3 The challenge for the Council's Medium Term Financial Plan is to manage funds that support the Council's plans and to deliver an appropriate balance of service and budget which is sustainable in the medium term.

3. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2016/17-2019/20

- 3.1 The provisional Local Government Finance Settlement for 2016/17 was announced on the 17th December 2015 and details are set out in in the Funding Forecast (Appendix 1). Also included with the settlement announcement are indications of the levels of funding that will be available from Government in the period up to 2020.
- 3.2 The October Cabinet report assumed that there would be a reduction in funding available both for 2016/17 and in the period to 2020. The provisional settlement level of funding for 2016/17 will be £8.519 million, a further reduction of £554,000 on that assumed in the October report. This represents an overall reduction from 2015/16 of £925,000 (9.8%). Based on the Government's indication of funding to be made available in the period to 2020, the overall reduction by 2020 will be nearly £4 million (42.3%). These reductions are both significant and greater than had been anticipated.
- 3.3 The Government's settlement includes no offer of Council Tax Freeze Grant for 2016/17 or future years and within their published figures they assume that Councils will increase Council Tax in the period to 2020. This is a major change in the Government's approach to Council funding.
- 3.4 The limit placed on this Council on the level of Council Tax increase permitted without a referendum is 2%.

4. FUNDING FORECAST (Appendix 1)

Business Rates

- 4.1 The business rates multiplier for 2016/17 is expected to be 48.3p, a rise of 0.8%. This results in £30,000 more baseline business rates income than in 2015/16 but £42,000 less than had been assumed in the October Cabinet report from an estimated 2% increase. The Medium Term Financial Plan Funding Forecast (Appendix 1) includes business rates based on the baseline level included in the provisional settlement adjusted for surplus amounts based on 2015/16 figures. A further adjustment will be made in February once the full details of the 2016/17 base and scheme relief details are known.

Formula Funding – (Revenue Support Grant)

- 4.2 The provisional settlement announcement includes details for 2016/17 to 2019/20 but figures for 2017/18 onwards are only indicators, at this stage, and do not represent fixed commitments.
- 4.3 The provisional settlement shows Formula Funding of £1.765 million for 2016/17, a reduction of £1.199 million from 2015/16. This reduction is £221,000 more than had been anticipated in the October report. Funding for 2018/19 falls to £92,000 and to zero in 2019/20. In addition, in 2019/20 a supplementary business rates tariff of £612,000 has been introduced, effectively resulting in negative Revenue Support Grant position.

New Homes Bonus

- 4.4 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. There is also an extra payment for providing affordable homes. The Council currently needs this “formula” grant to support its general budget requirements, given the reductions in Formula Funding.
- 4.5 The current system provides grant for 6 years once an entitlement is earned. Entitlement for 2016/17 is £2.196 million, an increase of £261,000 from 2015/16 but £174,000 less than predicted in October. 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 fall out in that year.
- 4.6 The Government’s settlement identifies proposed changes in the scheme, which will result in a reduced entitlement in future years. The provisional settlement indicates that entitlement will fall to £1.3 million by 2019/20, a reduction of £635,000 from 2015/16 levels.

Council Tax

- 4.7 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.
- 4.8 This has been achievable partly through the Council’s good Council Tax collection performance but also, in the short term, the Government has supported this action by the provision of Council Tax Freeze Grant. For 2016/17 the Council Tax Freeze Grant has been withdrawn by the Government.

- 4.9 The Council Tax base for 2016/17 is 69,632.3, an increase of 0.6%, which will generate £24,000 more income than was assumed in the October Cabinet report. Thereafter the tax base is assumed to grow across the District by approximately 200 properties per annum (approx.0.3% or £33,000). This is less than the Government's spending power figures which assume annual growth of 1.1%. Following the Government's Financial Settlement, the Medium Term Financial Plan now includes council tax increases within the permitted 2% referendum requirement. It is estimated that this will generate an additional c£220,000 per annum.

Summary

- 4.10 Total funding available to the Council in 2016/17, including Council Tax, is now expected to be £19.723 million, a reduction of £734,000 from 2015/16 and £322,000 less than anticipated in the October Cabinet report.

	2016/17 Settlement	Change from 2015/16	Variation from October Cabinet
	£'000	£'000	£'000
Business Rates	3,658	30	-42
Formula Funding	1,765	-1,199	-221
New Homes Bonus	2,196	261	-174
C Tax Freeze/Other Grants	0	-195	-117
Total Grant	7,619	-1,103	-554
Business Rates Surplus	900	178	0
Council Tax	11,204	191	232
Total Funding Available	19,723	-734	-322

- 4.11 In the period post 2016/17 there remains uncertainty over the total level of funding available but Government indications are that it could reduce by a further £2.285 million to a total reduction of £3.019 million from that received in 2015/16.

	2019/20 Settlement Indication	Change from 2015/16
	£'000	£'000
Business Rates	3,963	335
Formula Funding	-612	-3,576
New Homes Bonus	1,300	-635
C Tax Freeze/Other Grants	0	-195
Total Grant	4,651	-4,071
Business Rates Surplus	800	78
Council Tax	11,987	974
Total Funding Available	17,438	-3,019

5. ADDITIONAL BUDGET REQUIREMENTS (APPENDIX 2)

5.1 The Medium Term Financial Plan provides for assumed general Pay & Price increases as follows:

- Annual Pay Award of 1% per annum for all staff
- Contractual Increments
- Pension cost increase in line with advice received from Hampshire County Council.
- Inclusion of National Insurance rate changes from April 2016
- Implementation of the National Living Wage
- Inclusion of funding for the recently announced Apprentice Levy from 2017/18
- 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

5.2 Ongoing savings, including increased interest earnings, detailed in the November financial monitoring report and other specific service reports total c£470,000 but these have been offset by some increased budget pressures of c£300k, principally in bed and breakfast costs and from the withdrawal of grant funding in Electoral Registration. Also included are savings arising from the Senior Management Review which are estimated at c£300,000 per annum.

5.3 Town and Parish Grant payments are in accordance with the agreed strategy set out in February 2014.

6. PLANNED MAINTENANCE AND REPLACEMENT WORK

6.1 In February 2014 the Financial Plan agreed a strategy for Fixed Asset and Equipment funding. The detailed programmes for 2016/17 and 2017/18 will be further developed in January 2016 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 as at 31 March 2016 are:

	£000's
General Reserves	2,036
Asset Fund (Capital & Maintenance)	8,597
Capital Receipts	1,500

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 2016/17

- 9.1 Current information indicates a gap of £483,000 (2%). This gap will be closed prior to the budget being finalised in February 2016.

Budgets 2016/17 & 2017/18

- 9.2 There remains considerable uncertainty surrounding the period post 2016/17 but clearly there will be a very significant reduction in future funding. Steps are already in place to prepare the organisation for this scenario and to ensure that the Council delivers an ongoing 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 2016/17.

11. PORTFOLIO HOLDER'S COMMENTS

- 11.1 The Chancellor's Autumn Statement and the provisional local government finance settlement contained no new 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 17th December 2015 and presents a very challenging scenario. The outlook as presented clearly shows the need to fundamentally review all that the Council currently does and how it delivers. In February 2016 we will bridge the budget gap and present a balanced proposal for 2016/17, together with future plans that will enable the Council to continue to operate within its means and provide good quality services to our community.

12. RECOMMENDATIONS

- 12.1 That the Cabinet approve the emerging draft Medium Term Financial 2016 to 2020 as set out within this report and that this forms the basis of the Council's 2016/17 General Fund Budget that will be reported in February 2016.

For further information please contact:

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Background Papers

Published Documents

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APPENDIX 1

Medium Term Financial Plan

Funding

	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's
Business Rates Baseline	3,628	3,658	3,730	3,840	3,963
Revenue Support Grant	2,964	1,765	724	92	-
Business Rates Tariff Adjustment				-	612
Settlement Funding Assessment	6,592	5,423	4,454	3,932	3,351
New Homes Bonus	1,935	2,196	2,196	1,400	1,300
Other Grants exc Council Tax Freeze	195	-	-	-	-
Total Grant	8,722	7,619	6,650	5,332	4,651
Business Rates Surplus	722	900	800	800	800
Total Resources	9,444	8,519	7,450	6,132	5,451
Cumulative Reduction <i>% Reduction</i>		925 9.8	1,994 21.1	3,312 35.1	3,993 42.3
Council Tax	11,013	11,204	11,459	11,720	11,987
Total Funding	20,457	19,723	18,909	17,852	17,438
Cumulative Reduction <i>% Reduction</i>		734 3.6	1,548 7.6	2,605 12.7	3,019 14.8

APPENDIX 2

Medium Term Financial Plan

Summary of Estimated Budget Movements

	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's
Budget Requirement 2015/16	20,457	20,457	20,457	20,457
Pay & Prices Analysis				
Pay Award 1%	240	245	245	250
Increments	172	174	176	178
Pension Contributions	102	110	110	110
NI/living wage/contingency (note 1)	-	-	250	100
Apprentice Levy		125	-	-
Prices (fuel, energy & mtce)	115	120	120	125
	629	774	901	763
Cumulative Pay & Prices	629	1,403	2,304	3,067
Ongoing Savings Analysis				
Town & Parish Council Grant	- 100	- 100	-	-
Interest Earnings	- 285	- 100	-	-
Reduction in Asset & Equipment Resources	- 200	- 200	-	-
Beach Hut Income	- -	44	-	-
Ongoing savings/budget pressures	5	46	-	-
Senior Management Review	- 300	-	-	-
	- 880	- 398	-	-
Cumulative Savings	- 880	- 1,278	- 1,278	- 1,278
Budget Requirement	20,206	20,582	21,483	22,246
Total Funding Available (Appendix 1)	19,723	18,909	17,852	17,438
Estimated Cumulative Shortfall	- 483	- 1,673	- 3,631	- 4,808