

MEDIUM TERM FINANCIAL PLAN 2019 ONWARDS

1. Recommendations

Cabinet are asked to recommend to Council;

- a) That the revised MTFP, as outlined within the report and Appendix 1 be adopted;
- b) That the reporting timeline as set out in section 7 be agreed; and
- c) That the Actions Required as set out in the report, be progressed.

2. Purpose of Report

- 2.1 To consider the initial development of the Medium Term Financial Plan 2019 onwards and consider the factors that will influence its delivery and that of the annual budget strategy 2020/21.

3. Background

- 3.1 Over the medium term covered by the previous administration (2016/17 – 2019/20), the Council achieved savings and generated new sources of income in excess of £8m to counteract the reductions in central government funding, and to contra the increases in expenditure that occur, primarily as a result of pay and price increases. The Council to date has been able to consistently produce a balanced budget protecting front line services.
- 3.2 The Council's financial strategy has been one of cost reduction and the crystallisation of efficiencies from all services, supported latterly with the targeting of new and additional income generation. Financial stability over the medium-to-long term has underpinned the Council's financial strategy, with due consideration being given to the potential implications that the Fair Funding Review and Business Rate Reset will have on this Council. The Council has understood the need to consider its overall organisational business model in order to ensure the future protection of its services and aligns the financial plan to ensure its delivery of key priorities as outlined in the Corporate Plan.
- 3.3 Actions need to commence on the development of future years' budgets. To support this work it is necessary that an assessment is made of the likely financial scenario based upon latest available information. To help support the important work of Portfolio Holders and officers in developing future plans, the future outlook and the current uncertainties are set out within this report and a prudent forecast set out at appendix 1.
- 3.4 The likelihood of the ongoing Fair Funding Review covering more than 1 financial year is looking very unlikely. The Business Rate Retention Scheme is currently under review with the latest expectation being based on a hard reset and a new 75% retention scheme (currently 50% scheme).

3.5 The Medium Term Financial Plan has been populated using the most up to date information currently available covering the period to 2023/24. The effect of the Fair Funding Review and final design of the Business Rate Retention Scheme as outlined in 3.4, including the timing of the initial reset, and frequency thereafter of partial or full resets, and the ultimate proportion of rates to be retained by the District Council, has the potential to significantly amend the funding figures currently forecast.

4. Funding Assumptions over the Medium Term

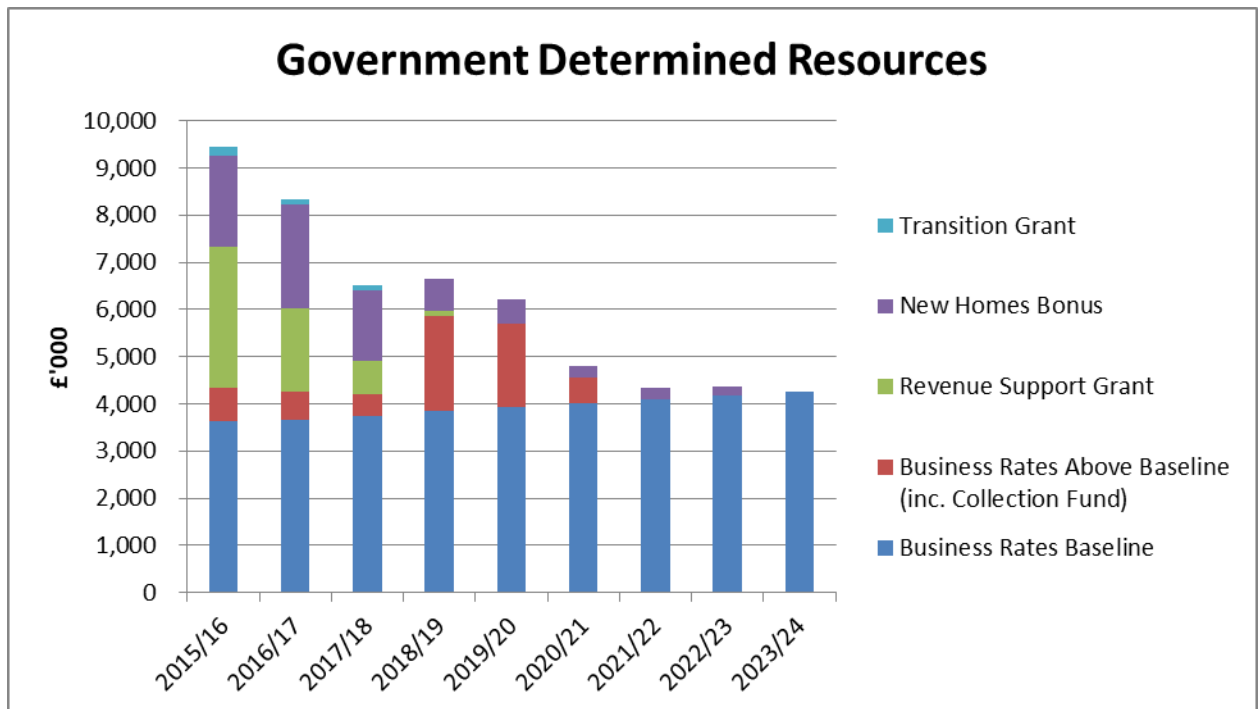
4.1 Funding support from Central Government from 2020/21, other than the Business Rate Retention scheme, is now limited to the receipt of New Homes Bonus (NHB). The Council is assuming that NHB as a funding source will also be phased out, and so only legacy payments are included in the MTFP forecast (i.e. payments received in relation to previous years' are received for 4 years) rather than new bonus being received annually.

4.2 The assumptions on Business Rate funding will require updating as the ongoing work taking place at the MHCLG on the revisions to the Business Rate Retention Scheme continues. At present, it has been assumed that a hard baseline reset will take place in 2020/21. In planning for this hard reset, the Council established a Business Rate Equalisation Reserve and has made contributions towards this reserve since 2017/18. There are 2 potential scenario's which could see the financial position of the Council change significantly from the figures currently included within the outlook at appendix 1;

1. The Council may still retain some of the above baseline growth when the reset occurs (£1.6m in 2019/20) through redistribution or transition grant,
2. There is increasing likelihood that the planned 3 year spending review will not be published this year. Although changes to the business rate system could be implemented in isolation of the spending review, this is considered unlikely. The reset may therefore be delayed completely, meaning the Council will potentially retain all growth for another fiscal period (2020/21).

Both scenarios are unknown at this time and so prudent financial planning means that all growth beyond annual inflationary increases to the baseline have been removed from the assumptions in this initial MTFP forecast.

4.3 The following graph demonstrates the severity of the reductions between 2015/16 to 2017/18, the relative stability seen over the period 2017/18 to 2019/20, the large reduction in funding forecast in 2020/21 and confirms the current funding assumptions thereafter to 2023/24:



4.4 An expected reduction is also being allowed for in the MTFP in relation to the Flexible Homelessness Support Grant currently being received (£410k in 2019/20). The Homelessness Task and Finish Group is looking at ensuring the Council is utilising its resources in the most efficient way possible in order to achieve better outcomes for homeless people within the District.

5. Spending Plans over the Medium Term

5.1 Increases in costs are expected to total c£2.95m over the next 4 year period, based on current activity and latest figures received. The assumptions include the following areas of pay and price increases;

- Annual Pay Award of 2% per annum
- Incremental progression
- Pension Increase Costs (see para 5.2)
- Local pay structure review
- Fuel and Energy Cost Increases

All other increases to be absorbed within existing overall Portfolio budgets, except where they are agreed policy or strategy developments

5.2 During 2019, the Pension Fund actuary will conduct their 3 yearly review, the result of which determines the contributions necessary from the scheme members for the next 5 year period. The actuary will also be considering de-grouping the pension scheme, meaning that this Council would get an employer rate and fixed charge specific to us, rather than being the average of the scheme members in the same group. Future MTFP reports will report on the implications of this proposal and the 2019 valuation. For the time-being, the assumptions within this report are based on the rates as determined by the 2016 valuation.

- 5.3 Due to the late removal of negative RSG in 2019/20, and the positive business rate performance, the 2019/20 budget included a few items of expenditure within revenue that would ordinarily have been funded from capital reserves. These one-off sums can now be removed from the revenue MTFP forecast (totalling £900,000).
- 5.4 The plan also includes assumptions as a result of decisions and reviews that have commenced in prior years, where work is currently underway or is scheduled to commence. These savings and income adjustments totalling £450,000 include:
- Business Rate Exemption of the Council's Health & Leisure Centres
 - Health & Leisure Centre Operational Review
 - Investment Property Income
 - Phase 2 of the pest control review
 - Planned reductions to community grants / Service Level Agreements
 - Other adjustments from decisions taken previously, such as business development projects and previous reviews
- 5.5 New Budget Requirements also exist over the period, including:
- Electoral Review of the District
 - Increase in NNDR of the Council's Car Parks (following reduction in 2018/19)

6. Forecast Budget Deficit and Actions Required

Forecast Budget Deficit

- 6.1 The budget deficit outstanding, after allowing for the items as included above, is £2.955m to 2023/24. This is made up of the annual budget deficits as represented by the following table:

	2020/21	2021/22	2022/23	2023/24	Total to 2023/24
Estimated Budget Deficit Before Council Tax Contribution (£'000)	360	1,156	660	779	2,955

- 6.2 The government currently allows for the maximum allowable Council Tax increases in all of their funding assumptions going forward. At the present time, this is the greater of £5 or 2.99% per annum. The revised deficits, after allowing for maximum allowable Council tax increases over the period (equivalent to c£360k PA) are shown below:

	2020/21	2021/22	2022/23	2023/24	Total to 2023/24
Estimated Budget Deficit After Council Tax Contribution (£'000)	-	792	291	405	1,488

Actions Required and Underway

- 6.3 The Council has been proactive in its approach to deal with the forecast deficits over the period. In order to ensure that planned and further savings and efficiencies are realised and income generation improved, reviews and strategy developments need to maintain momentum and be driven by EMT and Portfolio Holders, supported by member panels, task and finish groups and officers around the Council.

- 6.4 The reviews and strategies that are underway which are targeted with making a significant contribution to the forecast budget deficit include:
- Commercial / Residential Property – Officers are working on implementing the two approved strategies to invest in Commercial and Residential Property, with an outcome of both being the generation of new additional income, targeted at £1m once fully rolled out.
 - Leisure Delivery Review – A task and finish group is currently considering alternative models of delivery for the Council’s Health & Leisure Centres. The financial outcome of this review combined with the operational review is targeted at significantly reducing the annual subsidy on Health & Leisure.
- 6.5 The Council will utilise the accrued balance in the Business Rate Equalisation Reserve to address the remaining budget shortfall over the period covered by this MTFP.
- 6.6 Appendix 1 summarises in numbers the information covered in sections 4 to 6 within this report.

7. Reporting Timeline

- 7.1 It is important that the Medium Term Financial Plan supports the ambition of the Council and remains driven by the objectives to be set out in the new Corporate Plan. The organisation must be able to support both and must remain vigilant and susceptible to change. A timeline is set out below for Cabinet which supports the development of the MTFP, through to the final setting of the 2020/21 budget:

	Cabinet Meeting	Report
1.	November	Medium Term Financial Plan to 2024
2.	December	Setting the Council Tax Base
3.	February	MTFP to 2024 and setting of 2020/21 budget

8. Crime and Disorder / Equality and Diversity / Environmental Implications

- 8.1 There are no direct implications as a result of this report.

9. Portfolio Holder Comments

- 9.1 Local government finances continue to come under pressure from both inflationary costs and reduced central government support. These issues alone make setting the Medium Term Financial Plan a difficult process and this is exacerbated by our lack of funding certainty.
- 9.2 Against this difficult backdrop we continue to put forward both a balanced and prudent budget that ensures that we deliver on the front-line services for our residents.
- 9.3 Such an achievement requires us to review all services along with their method of delivery and with this comes difficult decisions, decisions that we are not afraid to take and which ensure that this Council remains fit for purpose as we go forward in this changing landscape.

For Further Information Please Contact:

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MEDIUM TERM FINANCIAL PLAN 2019-2024

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000's	£'000's	£'000's	£'000's	£'000's
FUNDING					
Government Determined Resources	5,477	4,808	4,341	4,356	4,257
Council Tax (Including Property Baseline Growth)	12,542	12,616	12,691	12,766	12,841
TOTAL FUNDING	18,019	17,424	17,032	17,122	17,098
Change in Funding From Previous Year		595	392	-90	24
SPENDING PLANS					
Pay & Price Increases		955	675	665	655
Budget adjustments relating to one-off items for 2019/20					
Investment as outlined in ICT Strategy (19/20)		-789			
Funding of One-off Community 'Construction Grants' (19/20)		-61			
Revenue Contribution towards Capital Outlay		-50			
Ongoing Savings Analysis					
Health & Leisure Centre Business Rates Exemption		-150			
Health & Leisure Centre Operational Review		-100			
Investment Property Income		-62			
Pest Control Review		-52			
Reduction in community revenue grants / SLA's		-20	-11		
Income from Development projects		-30			
Tourism Review		-25			
		-1,339	-11	0	0
New Budget Requirements					
Investment in an Electoral Review of the District		15		-15	
NNDR Reduction in Car Parks		34			
Reduction in Flexible Homelessness Support Grant		100	100	100	100
		149	100	85	100
Change in Spending from Previous Year		-235	764	750	755
ANNUAL BUDGET DEFICIT		360	1,156	660	779
CUMULATIVE BUDGET DEFICIT		360	1,516	2,176	2,955
Cumulative Council Tax Increase - Based on Maximum		-360	-724	-1,093	-1,467
CUMULATIVE BUDGET SURPLUS (-) / DEFICIT AFTER COUNCIL TAX		0	792	1,083	1,488

Options Identified to Close Remaining Deficit

Cumulative Property Investment Income	-188	-438	-688	-688
Leisure Delivery Review	0	0	-250	0
Annual Contribution to (-) / Use of Budget Equilisation Reserves	188	-354	-145	-800
CUMULATIVE SURPLUS / SHORTFALL (-)	0	0	0	0

Reserves Supporting the MTFP

General Fund Balance	3,000	3,000	3,000	3,000
Budget Equilisation Reserve	2,490	2,136	1,990	1,190