

MEDIUM TERM FINANCIAL PLAN 2016 ONWARDS

1. Purpose of Report

- 1.1 To consider the development of the Medium Term Financial Plan 2016 onwards and to consider the factors that will influence its delivery and that of the annual budget strategy 2017/18.

2. Background

- 2.1 Over the previous medium term the Council has seen a significant reduction in funding grants (£1.994m (20.5%) comparing 2013/14 to 2016/17) and is forecast to receive further decreased funding going forward. The Council to date has been able to consistently produce a balanced budget, protecting front line services, doing so with only one increase to Council Tax in the past 5 years (1.67% in 2016/17, the first increase since 2% applied in 2010/11).
- 2.2 The Council has had to adapt and change in order to reduce the General Fund expenditure accordingly over the same period. A significant and recent demonstration of this has been the implementation of the new Senior Management structure, set to save the Council in the region of £800k per annum from 2016/17 onwards (with the majority already built into the 2016/17 budget).
- 2.3 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 available information. This future outlook is set out (Appendix 1) to help support the work of Portfolio Holders and officers in developing future plans.
- 2.4 Central Government has given councils the option of agreeing their settlement funding up to and including 2019/20, based on the figures received in February 2016. It is in the interests of this Council to accept this offer, and give increased certainty around its level of funding support going forward. The main condition of acceptance is that the Council must publish an efficiency plan. This report will act as the background to that plan, which is included as Appendix 1.
- 2.5 The standard approach for previous Medium Term Financial Plans has been to assess the on-coming 4 year period. In light of the significant changes ahead due to the Business Rate Retention scheme and the ability for this Council to guarantee its funding to 2020, as outlined above, this plan has been drafted covering a shorter 3 year period.

3. Budget Requirements and Assumptions over the Medium Term

- 3.1 Increases in costs are expected to total c£2.4m over the next 3 year period, based on current activity and latest figures received.

3.2 The Medium Term Financial Plan assumptions include:

- Annual Pay Award of 1% per annum
- An increase to the national living wage to £9.00 per hour by 2019/20
- Pension Increase Cost
- Apprentice Levy from 2017/18
- 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
- A general fund reserve of £3m over the period as set out in the Annual Financial Report 2015/16
- No likely impact on funding as a result of the EU referendum

3.3 A 2% annual increase in Council Tax had been allowed for in the previous Medium Term Financial Plan to 2019/20. This new plan includes annual Council Tax increases at £5 per band D, in line with information received from Government, based on allowable increases for 2016/17, making the assumption that this allowable level will continue.

4. Forward Look – Part 1

4.1 The table below depicts the estimated budget deficit, starting from the position as reported to Council in February 2016, allowing for known changes (combination of late February changes and updates since), for the period to 2019/20 (shown in more detail within Appendix 1);

	2016/17	2017/18	2018/19	2019/20	Total to 2020
Estimated Budget Deficit(-) / Surplus (£'000)	300	-1,132	-2,035	-1,207	-4,074

4.2 The figures shown above are made up of a combination of increased costs, increased Council Tax and reduced grant funding and, in their totality, represent a difficult financial challenge to the Council.

5. Forward Look – Part 2

5.1 As mentioned earlier on in the report, the Council has undergone a significant restructure in recent months, and that restructure gave rise to an opportunity to implement a Budget Stabilisation Strategy, with the objective of offsetting the cost increases over the period to 2020.

5.2 Each newly appointed Service Manager has been issued with a target, which represents their share of the estimated cost increases (according to their Service's budget requirements), amounting to £2.438m in total:

	2017/18	2018/19	2019/20	Total to 2020
Budget Stabilisation Strategy (£'000)	1,000	719	719	2,438

5.3 The items identified by the Service Managers in order to reach the £2.438m are intended to be management decisions (supported by their Portfolio Holders and presented to EMT by each Service Manager), and represent the officers' management contribution towards the overall budget deficit.

5.4 Although the Budget Stabilisation Strategy makes a significant contribution towards the required savings, further efficiency reviews are also to be expected from the Service Managers, with input from EMT, with a view to yielding further savings over the period of £500k.

	2017/18	2018/19	2019/20	Total to 2020
Service Manager Efficiency (£'000)	-	250	250	500

5.5 It is likely that the 2017/18 deficit will be closed, principally as a result of the Stabilisation Strategy, giving the Council a little more time to implement the more major reviews as necessary to close the remaining budget deficit.

6. Forward Look – Part 3

6.1 The budget deficit outstanding, after allowing for the items as included in the sections above, is £1.136m to 2020.

6.2 In February 2016 the Cabinet was presented with the Delivery Plan, linked to the Corporate Plan. The Delivery Plan outlined 26 service reviews, some of which will be included within the work undertaken by the Service Managers and others that are more fundamental and will therefore require significant member input, ultimately contributing towards the £1.136m.

6.3 The major service reviews identified included:

- Building Control
- Tourism Service
- Waste & Recycling
- Health & Leisure Centres
- Enforcement Activity (Streetscene / Parking)
- Building Works
- Property Services
- Accommodation Strategy
- Other

6.4 Although no financial targets have been placed on these individual reviews, their outcome and potential use of reserves needs to close the remaining budget deficit over the medium term period to 2020.

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 as set out in the 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 2017/18 budget;

	Cabinet Meeting	Report
1	October	Medium Term Financial Plan to 2020
2	December	Setting the Council Tax Base
3	January	Updated progress on MTFP
4	February	MTFP to 2020 and setting of 2017/18 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 The report outlines the financial forecast for this Council up 2020 and highlights the challenges ahead. As a prudent Council we have already started to address what has become the new landscape for Local Government and this report provides clear objectives for all involved; the real challenge is how our new Corporate Management Team, supported by all at New Forest, deliver these efficiencies while continuing to deliver on the front line services that our residents expect.

10. Recommended

Cabinet are asked to recommend to Council:

- a) That the revised Medium Term Financial Plan and efficiency plan, as outlined within the report and Appendix 1, be adopted;
- b) That the Government's offer of guaranteed funding levels up until 2020, through the publishing of the efficiency plan as laid out as Appendix 1 to this report, should be accepted;
- c) That the reporting timeline as set out in section 7 be agreed; and
- d) That the actions and development of plans for options to support the Medium Term Financial Plan, as set out in the report, be supported.

For Further Information Please Contact:

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