

## MEDIUM TERM FINANCIAL PLAN 2016 ONWARDS

### 1. PURPOSE OF REPORT

- 1.1 To consider the development of the Medium Term Financial Plan for 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 Central Government's offer of guaranteed minimum funding levels has been accepted by the Council, giving increased certainty to the forecast budget position to the year 2019/20. The Council's efficiency plan will be published on the website before the deadline of 14 October.
- 2.2 The MTFP update brought to July Cabinet provided an initial forecast on the financial position of the Council to the year 2019/20. This updated paper now provides a more up-to-date view on that forecast.
- 2.3 In late November, the new Chancellor of the Exchequer will present the Autumn statement, his first, and the first since Brexit in June. Whilst he has abandoned his predecessors pledge to balance the books by the end of this parliament, no further details are available at this stage on what he is likely to announce.
- 2.4 By the end of this parliament, local government will be 100% funded by Business Rates, rather than the current 50% retention scheme and various grants. The intention is that the change will be fiscally neutral over the medium term period. The framework legislation will be released early 2017, with 'pilot' schemes taking place in the north of the country from April 2017. The main incentive under the scheme is that all growth is to be retained locally (at least until a reset takes place), rather than subjected to a levy. At present NFDC retains a relatively small proportion of the total collected, and so the key factor for NFDC will be how the redistribution formula is constructed.

### 3. LOCAL GOVERNMENT FINANCE SETTLEMENT

- 3.1 The bullet points below summarise the most relevant features of the 2017/18 Local Government Finance Settlement Technical Consultation Paper, issued by the DCLG in September 2016:
  - Broad confirmation of the policy on council tax increases, with 2% increase for Band D generally, a further 2% for social care precept, and 2% or £5, whichever is higher, for districts (like NFDC) and police and crime commissioners.
  - Potential to extend the referendum thresholds to the larger town and parish councils. Whilst this has been threatened in previous years, this time it looks like it is a genuine proposal.

- Confirmation that the change in yield caused by the 2017 revaluation will be financially neutral for individual local authorities. Any change in Non-Domestic Rating Income caused by revaluation will be offset by changes in top-ups and tariffs. It appears that there will be no further adjustment to the baseline to reflect the appeals on the 2017 rating list.
- The offer of the four-year settlement is reiterated, with the deadline of 14 October 2016. There are still unspecified threats to authorities who do not sign up (largely that there will be an annual settlement). The Government is expecting most authorities to sign up, and might add further grants to the four-year offer at the next settlement (although of course at that point it will be a three-year offer).

#### **4. FUNDING ASSUMPTIONS OVER THE MEDIUM TERM**

- 4.1 The anticipated reduction in grant funding over the next 3 year period amounts to £3.051m (37% reduction from 2016/17).
- 4.2 There is still a level of uncertainty around these funding assumptions, as we bear in mind that the Country has a new Prime Minister and a new Cabinet since our last detailed finance settlement was released.
- 4.3 If Council tax increases over the period are assumed at £5 per band D property, this decreases the reduction in the Council's overall funding to £1.898m (10% overall reduction in the Council's funding). **Appendix 1** provides the breakdown of these funding assumptions.

#### **5. BUDGET ASSUMPTIONS OVER THE MEDIUM TERM**

- 5.1 Increases in costs due to Pay & Price increases over the period are estimated to amount to £2.438m. The assumptions include:
- 1% Pay award for all employees
  - Contractual increments
  - Pension increase cost in line with advice received from HCC
  - Implementation of the National Living Wage
  - Apprentice Levy from April 2017
  - Fuel and energy cost increases
- 5.2 The Budget Stabilisation Strategy issued each of the 17 Service Managers with a 3 year savings target equivalent to their proportion of the £2.438m increase in costs. Other savings are also expected to materialise over the period, resulting in total forecast savings of £3.635m. The assumptions making up this total include:
- Budget Stabilisation Strategy
  - Service Management Led Reviews
  - Town and Parish grant payment reduction
  - A reduction in Asset Maintenance / Equipment Resources
  - Reinstatement of Beach Hut Income
  - Additional Senior Management Review Savings (as reported in 16/17)

- Ongoing Savings from Previous Years (as reported in 16/17)

- 5.3 New Budget Requirements for 2017/18 include a reduction in licencing income due to the nature of the income collection (5 yearly licence), and an initial forecast reduction in interest earnings, as a direct result of the reduction in base rate to 0.25% in August 2016 (had been 0.5% since March 2009). A reduction in earnings of £200k has been allowed for in 2017/18, with an improvement of £50k built in to each of the following 2 financial years.
- 5.4 As shown by **Appendix 2**, the summary position, taking into account all funding and budget assumptions as highlighted in this report, result in a balanced budget for 2017/18, a deficit for 2018/19 of £622k, increasing by £225k to a cumulative £847k deficit in 2019/20.

## 6. OPTIONS FOR DELIVERING FINANCIAL SAVINGS

- 6.1 There are currently a number of service reviews underway, outside of the scope of the Budget Stabilisation Strategy, with the intention that the outcomes will close the remaining budget deficit over the 3 year period. The reviews currently underway include:
- Building Control
  - Tourism Service
  - Waste & Recycling
  - Health & Leisure Centres
  - Enforcement Activity
  - Building Works
  - Transportation
  - Accommodation

## 7. DRAFT RESOURCE PLANS

- 7.1 Each Portfolio Holder has set out a draft Resource Plan which identifies the aims, performance levels and challenges which are likely to be faced in the future. These are attached as **Appendices 3-8**.
- 7.2 The Budget Task & Finish Group will review these plans and feedback their comments and observations to Cabinet.

## 8. ASSET MAINTENANCE AND REPLACEMENT

- 8.1 The 2016/17 budget for Asset Maintenance and Replacement includes £2.5m within the revenue funded budgets, and a contribution of £392k from reserves. The proposed make-up of the balanced 2017/18 budget includes £2.8m for the Asset Maintenance and Replacement Programme from revenue, reducing to £2.3m in 2018/19. It is unlikely therefore that reserves will be needed in 2017/18, but are likely to be called upon in 2018/19 in order to fund specific projects.

8.2 Officers are currently putting together a programme within the parameters as set out above, to be agreed by Executive Management Team. A summary of the programme will be included in the next MTFP, with the intention of gaining approval for works to start on specifications and tendering. This will improve the likelihood of the programme being delivered in the correct financial year enabling the Council to plan its funding requirements and delivery programme more accurately.

## **9. CRIME AND DISORDER / EQUALITY AND DIVERSITY / ENVIRONMENTAL IMPLICATIONS**

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

## **10. PORTFOLIO HOLDER COMMENTS**

10.1 Whilst we continue to look to identify future efficiencies this Council remains in a strong economic position.

## **11. RECOMMENDED**

11.1 The Cabinet are asked to recommend to the Council 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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### **Background Papers:**

None