

## FINANCIAL UPDATE 2017/18

### 1. PURPOSE OF THE REPORT

- 1.1 This report provides the panel with an update on the latest position with regards to the financial assumptions made within the forecast for the Medium Term, with specific focus on the 2017/18 budget.

### 2. BACKGROUND

- 2.1 Despite a significant change to settlement figures since the October MTFP, the latest Medium Term Financial Plan report reviewed by Cabinet in January still presented a forecast balanced budget for 2017/18.
- 2.2 This report provides some further information on the assumptions as included in that report, and summarises the changes since the previous MTFP report (October Cabinet).

### 3. LATEST ASSUMPTIONS 2017/18

- 3.1 The table below summaries the changes when making a comparison of the October to the January MTFP;

|  | £'000         |              |
|--|---------------|--------------|
|  | Pressures     | Savings      |
| New Homes Bonus Adjustment;                  | -726          |              |
| Additional Pension Costs                     | -160          |              |
| Pay & Reward Review                          | -125          |              |
| Recurring ICT Costs                          | -85           |              |
| Additional Business Rate Costs               | -23           |              |
| Amended AMR Budget                           |               | 397          |
| Budget Stabilisation - More Savings upfront  |               | 228          |
| HLC Income over in 16/17 + 17/18 F&C's yield |               | 185          |
| Increased Collection Fund Surplus            |               | 73           |
| Additional Senior Management Review Savings  |               | 70           |
| Increased Tax Base                           |               | 50           |
| Tourism Review                               |               | 40           |
| HLC Staff Turnover Changes                   |               | 40           |
| Income from development projects             |               | 27           |
| Other  |               | 9            |
| <b>CHANGES IDENTIFIED</b>                    | <b>-1,119</b> | <b>1,119</b> |

- 3.2 The one outstanding significant piece of information is how the business rate scheme reset will have an impact on the Council's funding. The current baseline assumption of £3.733m and locally retained surplus of £600k represent a collective 24% of the Council's total funding (with Revenue Support Grant, New Homes Bonus and Council Tax making up the rest). Any change in the collective value of business rates funding could therefore represent a significant issue to the Council, especially in light of the need to bring forward savings plans in order to offset the £1.119m of new budget pressures as shown above.
- 3.3 The Council's Revenues Manager is currently working on the DCLG return that will confirm the value of the funds forecast for 2017/18. The updated position will be included in the February Cabinet budget setting paper.

#### 4. USE OF RESERVES 2017/18

- 4.1 The January MTFP includes a summary of the Council's usable General Fund Reserve balances, and includes the summarised figures for the use of reserves in 2016/17 and 2017/18. Further details behind these summary figures are as follows;

|                              | <b>Balances<br/>31/03/2016</b> | <b>Planned<br/>Use of<br/>Reserves<br/>2016/17</b> | <b>Planned<br/>Use of<br/>Reserves<br/>2017/18</b> |
|------------------------------|--------------------------------|--|--|
|                              | £'000's                        | £'000's  | £'000's  |
| General Fund Reserve         | 3,000                          |  |  |
| Capital Programme Reserve    | 9,739                          |  |  |
| Capital Receipts Reserve     | 1,567                          |  |  |
|                              | <b>14,306</b>                  | <b>-877</b>  | <b>-887 *</b>                                      |
| Revenue contributions to     |                                | 83   | 83   |
| Capital Programme - original |                                | -626   | -262   |
| Capital Programme - new      |                                | -861   |  |
| Asset Maintenance Programme  |                                | -389   | -708   |
| Redundancy Costs             |                                | -520   |  |
| Financial Monitoring Revenue |                                | 1,436  |  |
|                              |                                | <b>-877</b>  | <b>-887 *</b>                                      |

\* The figure included within the January Cabinet paper was £974k. This adjusted figure now confirms the allocation of £87k of the £500k ICT Maintain and Protect front line services project that is rechargeable to HRA reserves.

#### 5. MEDIUM TERM FINANCIAL PLAN BEYOND 2017/18

- 5.1 The forecast 'gap' in the Council's budget requirement as against the funding for 2018/19 is £620k, increasing by a further £189k to a cumulative £809k in 2019/20. This includes an allowance of £200k PA in management led savings that have yet to be identified. The deficits excluding these unidentified savings increase to £820k and a cumulative £1.209m to 2019/20.

- 5.2 Service reviews are underway aimed at making a significant contribution towards closing this gap. Progress on these reviews is being regularly reported via the relevant scrutiny panel.
- 5.3 In late January, the Council's Audit Committee will review the Treasury Management Strategy for 2017/18. At present, the MTFP assumes a loss in interest earnings of £200k in 2017/18 (in response to the base rate reduction to 0.25% in August 2016), with a minimum subsequent improvement targeted of £50k in 2018/19, and a further £50k in 2019/20.
- 5.4 A Task & Finish Group has had an initial meeting to consider the development of a strategy centred around Commercial Property Investment, with a focus on District wide economic regeneration and income yield. Work on developing the strategy is now underway, and will be reported back to this panel in due course.

## **6. HOUSING REVENUE ACCOUNT**

- 6.1 The Housing Revenue Account forecast budget for 2017/18 will be reviewed by EMT and then the Tenants working group during January, before being presented to Cabinet in February. The November Cabinet meeting included a report confirming the buy back and development strategy for 2016/17 – 2018/19.
- 6.2 A significant point of note is that the Council will begin repayment of the HRA resettlement loan in 2017/18.

## **7. CRIME & DISORDER / EQUALITY & DIVERSITY / ENVIRONMENTAL IMPLICATIONS**

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

## **8. CONCLUSION**

- 8.1 Despite significant funding and budget variations that have come to light since October, the Council is still on track to set a balanced budget for 2017/18.
- 8.2 The use of reserves is consistent with Council policy, and the levels of reserves remain appropriate to support General Fund activities.
- 8.3 Service reviews and strategy developments are underway in order to close the forecast deficits for 2018/19 and 2019/20, although it is likely that additional savings will still need to be identified in order to close the gap fully.

## **9. RECOMMENDATIONS**

- 9.1 That the members of COSP note the contents of this report, and feedback any relevant comments for inclusion within the February MTFP and 2017/18 budget setting report.

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**Background Papers**  
**MTFP – 05/10/2016**  
**MTFP – 04/01/2017**  
**HRA – 02/11/2016**