

MEDIUM TERM FINANCIAL PLAN 2017 ONWARDS

1. Purpose of Report

- 1.1 To consider the initial development of the Medium Term Financial Plan 2017 onwards and consider the factors that will influence its delivery and that of the annual budget strategy 2018/19.

2. Background

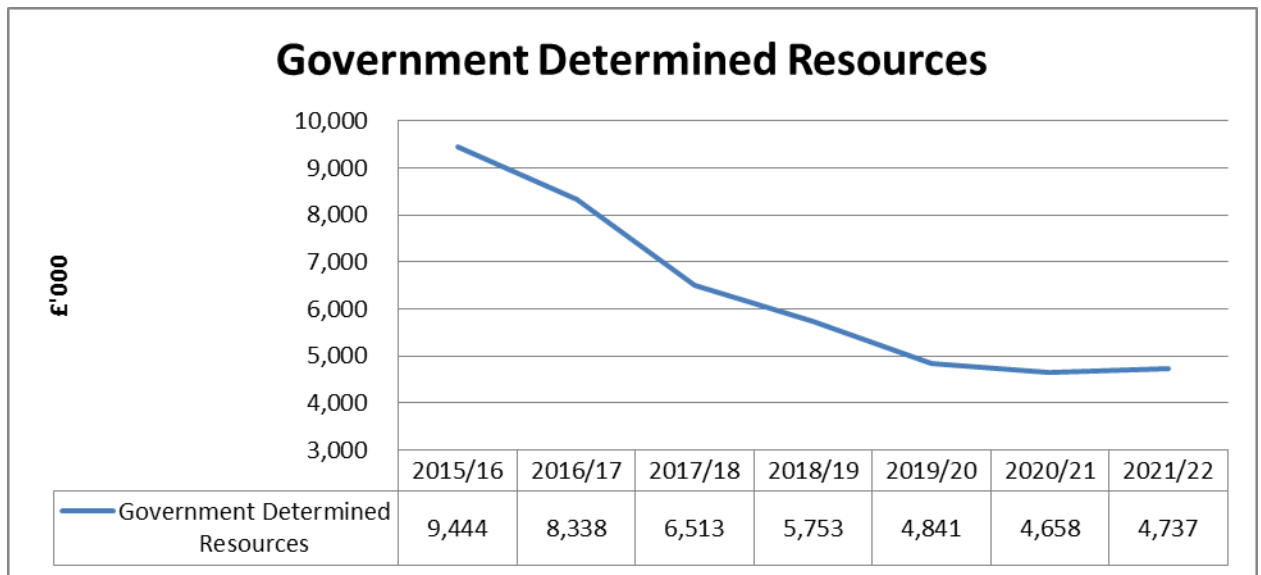
- 2.1 Over the previous medium term the Council has seen a significant reduction in government determined resources (£9.444m in 2015/16, reduced by 31% to £6.513m in 2017/18) and is forecast to receive further decreased funding going forward. Despite these funding reductions, the Council to date has been able to consistently produce a balanced budget protecting front line services.
- 2.2 The Council's financial strategy to date has been one of cost reduction and the crystallisation of efficiencies from all services (Senior Management Review, Budget Stabilisation), supported lately with targeting new income generation (Commercial Property Investment Strategy). Whilst the cost reduction approach has been effective in achieving balanced budgets thus far, and is forecast to yield further savings over the next 2 years, going forward the Council will need to consider its overall organisational business model in order to ensure the future protection of its services and ensure its financial sustainability. Actions to be considered are explored further in section 5.
- 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 latest available information. This future outlook is set out within this report and appendix 1, to help support the important work of Portfolio Holders and officers in developing future plans.
- 2.4 In October 2015, the Government committed that local government should retain all taxes raised locally, including 100% of locally collected business rates. This amounted to a significant reform of the local government finance system. Latest information suggests that as a result of the general election in June 2017, the bill is now effectively suspended with no current plans for its introduction. The overall 'Fair Funding' review will continue but the DCLG is thinking again about 100% retention. The Pilots currently underway in Greater Manchester and Liverpool City Region will continue, and any consideration of future initiatives on 100% rate retention will take the pilots into account.
- 2.5 The Medium Term Financial Plan has been populated using the most up to date information currently available covering the period to 2021/22. The effect of the final design on the business rate retention system as outlined in 2.4, including the frequency 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.

3. Funding Assumptions over the Medium Term

- 3.1 The performance of the Business Rates collection fund in 2016/17 results in a positive

effect on the retained Business Rates for 2018/19 (a share of the collection fund surplus equivalent to £373k currently assumed).

- 3.2 The assumptions on business rate funding will require updating as the ongoing Fair Funding review takes shape. At present, it has been assumed that the Council will be no better or worse off due to changes in business rates, than previous determinations had advised. From 2020/21, retained annual business rate growth of 2.0% has been allowed for on the baseline.
- 3.3 By 2019/20, Revenue Support Grant will cease (£723k in 2017/18). It is also highly likely that the New Homes Bonus scheme will cease to provide a reliable funding source going forward, and so it is being assumed that this will cease entirely by 2021/22 (£1.480m in 2017/18).
- 3.4 The following graph demonstrates the severity of the reductions since 2015/16, and confirms the current Government Determined Resource funding assumptions to 2021/22:



- 3.5 An annual £5 increase in Council Tax has been allowed for in this Medium Term Financial Plan, in line with information received from Government based on allowable increases.

4. Spending Plans over the Medium Term

- 4.1 Increases in costs are expected to total c£3.2m over the next 4 year period, based on current activity and latest figures received.
- 4.2 The Medium Term Financial Plan assumptions include;
 - Annual Pay Award of 1% per annum (equivalent to £220k PA)
 - The impact of the local pay review, to £8.00 minimum (no inclusion of nationally muted £9.00 at this stage)
 - Pension Increase Costs
 - 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

- 4.3 The Budget Stabilisation Strategy, established following the inception of the revised Service Management structure completed in 2016/17, will be in its second year of the original 3 year programme in 2018/19. Savings from this strategy resulted in adjustments to the base budget for 2017/18 (year 1) of £1.579m. Current projections allow for further reductions in relation to this strategy, as demonstrated by the figures in the following table:

	2017/18	2018/19	2019/20	Total to 2020
Budget Stabilisation Strategy (£'000)	1,579	372	540	2,491

- 4.4 The items identified by the Service Managers in order to reach the £2.491m 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.

- 4.5 Although the Budget Stabilisation Strategy makes a significant contribution towards the required savings, further efficiency reviews outlined in the Council's Delivery Plan 2017/18, are also to be expected to yield further savings over the period, with £400k currently allowed for in the Medium Term assumptions to 2021.

- 4.6 Other assumptions already included within the forecast include;
- A reduction in Asset Maintenance & Replacement Resources from 2018/19
 - An increase in interest earnings (back to previous levels prior to the base rate reduction)
 - Income from Development projects carried out in previous years

5. Forecast Budget Deficit and Actions Required

Forecast Budget Deficit

- 5.1 The budget deficit outstanding, after allowing for the items as included above, is £1.3m to 2022. This is made up of the annual budget deficits as represented by the following table:

	2018/19	2019/20	2020/21	2021/22	Total to 2022
Estimated Budget Deficit (£'000)	143	447	458	252	1,300

Sensitivity analysis based on changes to pay award and the rate of inflation could well increase the annual deficits, as demonstrated by the alternative table below:

	2018/19	2019/20	2020/21	2021/22	Total to 2022
Estimated Budget Deficit (£'000)	513	719	682	478	2,392

- 5.2 The figures shown in each case above are the net effect taking into account the combination of reduced grant funding, increased Council Tax and increased costs.

The deficits over the period to 2022 represent a difficult financial challenge to the Council, when considering the figures already allow for significant levels of anticipated savings / efficiencies.

- 5.3 The reduced level of forecast deficit in 2021/22 is reflective of the likely on-going position, should the Council see and retain 2% annual growth in its retained Business Rates, and continue to increase Council Tax over the period to fund the anticipated annual cost increases.

Actions Required

- 5.4 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 key officers around the Council.
- 5.5 The Council needs to ensure its organisational business model best supports the Council’s future success in frontline service delivery and financial sustainability. The Council’s policies and strategies that affect economic growth across the District need to be aligned with the business model.
- 5.6 The actions the Council needs to consider are best summarised in five key action points:

1.	Aligning resources to the Council’s corporate plan and essential services
2.	Continuation of partnering and collaboration with others to reduce costs and transform service delivery
3.	Continuing on our path to act more business-like with targeted additional income generation
4.	Aiming to maximise income from local government finance reform
5.	Encouraging channel shift and the use of digital interaction, transforming our approach to customer services

6. Reporting Timeline

- 6.1 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 2018/19 budget:

	Cabinet Meeting	Report
1.	October	Medium Term Financial Plan to 2022 & Organisational Business Model
2.	December	Setting the Council Tax Base
3.	January	Updated progress on MTFP
4.	February	MTFP to 2022 and setting of 2018/19 budget

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

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

8. Portfolio Holder Comments

8.1 In the changing context of local government finance I support the Council's direction of travel as outlined in this report.

9. Recommended

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 6 be agreed; and
- c) That consideration of the Council's organisational business model and plans for options to support the Medium Term Financial Plan as set out in the report, be progressed.

For Further Information Please Contact:

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MEDIUM TERM FINANCIAL PLAN JULY 2017

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000's	£'000's	£'000's	£'000's	£'000's
FUNDING					
Government Determined Resources	6,513	5,753	4,841	4,658	4,737
Council Tax	11,675	12,084	12,498	12,916	13,337
TOTAL FUNDING	18,188	17,837	17,339	17,574	18,074
Change in funding from previous year		351	498	-235	-500
SPENDING PLANS					
Pay & Price Increases		921	744	748	752
Ongoing Savings Analysis					
Budget Stabilisation Strategy		-372	-540		
Delivery Plan Reviews		-200	-175	-25	
Asset / Equipment Resources		-380			
Interest Earnings		-150	-50		
Income from Development projects		-27	-30	-30	
		-1,129	-795	-55	0
Change in spending from previous year		-208	-51	693	752
ANNUAL BUDGET DEFICIT		143	447	458	252
Cumulative Budget Deficit			590	1,048	1,300
Other Efficiency & Saving Plans		?	?	?	?
Income from Generation Strategies		?	?	?	?
On-going savings from 2016/17 outturn		?			
Organisational Business Model		?	?	?	?
General Fund Reserve		3,000	3,000	3,000	3,000