

## **MEDIUM TERM FINANCIAL PLAN 2018 ONWARDS**

### **1. Purpose of Report**

- 1.1 To consider the development of the Medium Term Financial Plan for 2018 onwards and to consider the factors that will influence its delivery and that of the annual budget strategy to 2022.

### **2. Background**

- 2.1 The MTFP update brought to October Cabinet provided a forecast on the financial position of the Council to the year 2021/22. This updated paper now provides a more up-to-date view on that forecast.
- 2.2 The challenge for the Council's Medium Term Financial Plan is to deliver an appropriate balance of service and budget which is sustainable in the medium term.

### **3. Autumn Statement / Local Government Finance Settlement**

- 3.1 On 22 November, the Chancellor of the Exchequer presented his autumn statement.
- 3.2 The Office for Budget Responsibility (OBR) has revised down the forecasts for productivity and GDP growth. The reduction in GDP growth has a knock on for both projected debt levels, and for public sector expenditure. The previously forecast £10bn surplus by 2019/20 (Autumn 2016) has now been replaced with a forecast deficit at over £30bn. Other than the NHS therefore, no Departmental Expenditure Limits have been increased in this budget.
- 3.3 Some fundamental changes to the operation of the business rates system were announced by the Chancellor. The switch from RPI to CPI to uprate the multiplier will have direct financial consequences as this will reduce the anticipated annual increases in business rates income. The introduction of 3-yearly revaluation (after next revaluation in 2022/23) will also cause more regular upheaval.
- 3.4 Housing was a major theme in this budget. There is likely to be a competitive bidding process for the various housing funds announced. The Council's Housing Development Officer will be looking into the possibility of any of this funding supporting the New Forest's housing needs.
- 3.5 The Local Government Finance Settlement for 2018/19 will be announced towards the middle of December. The settlement will be year 2 of the 4 year guarantee in terms of formula funding. As a result of the changes announced within the 2017/18 settlement, the current financial assumptions around New Homes Bonus allow for minimal new funding going forward. The business rate baseline figures within the settlement will need to be updated to CPI, rather than RPI, but any new adjustments made to the 2018/19 settlement should have a minimal impact to the current financial assumptions.

#### 4. Funding Assumptions over the Medium Term

4.1 The October Cabinet report outlined a deficit position of £441,000 for 2018/19, as a result of the following summarised changes in comparison to 2017/18;

	£
Funding Reduction	703,000
Pay and Price Increases	921,000
Savings/Income	-1,005,000
New Requirements / Income Reductions	175,000
Council Tax Yield (£5)	-353,000
<b>OCTOBER DEFICIT POSITION</b>	<b>441,000</b>

4.2 The following budget updates have been identified since October, which result in a balanced budget position for 2018/19;

	£	£	£
	<b>Requirements</b>	<b>Income/Savings</b>	<b>TOTAL</b>
<b>OCTOBER DEFICIT POSITION</b>			<b>441,000</b>
Car Parks Fees and Charges		-480,000	-480,000
Car Parks Maintenance	93,000		93,000
Health & Leisure Fees & Charges		-50,000	-50,000
Pre-app Fees and Charges		-25,000	-25,000
Licencing Fees		-16,000	-16,000
AMR Programme		-13,000	-13,000
Reduction in Delivery Plan Saving	50,000		50,000
	<b>143,000</b>	<b>-584,000</b>	<b>-441,000</b>
<b>LATEST POSITION 2018/19</b>			<b>0</b>

4.3 In delivering a balanced budget for 2018/19, the Council has taken actions since October to plan for additional income of £584k and allow for new budget requirements of £143k. In total, in developing the 2018/19 budget, overall net savings of £368k and increased net income of £903k have been identified.

4.4 As shown in more detail within appendix 1, the position to 2022, taking into account all latest funding and budget assumptions as highlighted in this report, demonstrates a balanced budget for 2018/19, a deficit for 2019/20 of £682k, increasing by £458k to a cumulative £1.140m deficit to 2021/22.

## 5. Emerging Challenges to be faced by NFDC

5.1 In addition to the £1.140m gap identified, there are also a couple of specific challenges that the Council will face over the medium term;

- Homelessness reduction act – c£60k of new burdens grant will be received over each of the next 3 years. This grant will be used to help support an increase in resources to meet the new statutory duties.
- Universal Credit – as the roll out progresses, the main challenges include assisting those making their claim and working with council tenants to ensure rent is paid on time, all the while managing the existing workload with reduced funding. There could also be wider implications to rent arrears, council tax collection and potential homelessness.

5.2 In order to address the significant financial challenge, the Council needs to continue to develop the required actions as laid out in the October Medium Term Financial Plan, including;

- the continuation of the roll-out of pre-approved strategies to improve income and reduce costs
- the design and implementation of new strategies to improve income and reduce costs
- transformation of service delivery
- the alignment the Council's budget and spending to the Corporate plan
- the development a Capital programme that aids the delivery of the Council's corporate objectives and future direction of travel

## 6. Asset Maintenance and Replacement

### 6.1 Asset Maintenance and Replacement

6.1.1 The Corporate Overview and Scrutiny Panel were presented with a report on 16 November 2017, confirming the proposed Asset Maintenance & Replacement (AMR) programme for 2018/19. The summary programme, agreed by the panel at its meeting is shown below;

	<b>18/19</b>
	<b>£</b>
Offices Depots and Outlying Buildings (inc. Public Toilets)	540,000
Health & Leisure	570,000
Health & Leisure Income Generation	-30,000
ICT	250,000
Vehicles & Plant (revenue cost)	1,156,000
Non-Core project fund	201,000
Proportion to HRA	-200,000
Rephasing from 2017/18	-200,000
	<hr/> <b>2,287,000</b>

6.1.2 The 2018/19 AMR programme totals £2.287m, being funded within the General Fund revenue budget, in line with the £2.300m resources identified. The 2018/19 budget also includes year 2 of the 3 year 'Protect & Maintain Frontline Services' ICT fund, established as part of the 2017/18 budget setting. The £1.5m three year budget includes an initial estimate of £750k in 2018/19.

6.1.3 The panel supported the proposed AMR programme, and were also supportive of the recommendation to allow approval of the programme budget at the level as dictated above, rather than at scheme level, to enable suitable flexibility to deal with amendments to the programme as the delivery of individual projects progresses.

6.2 In order to meet the fiscal deadlines imposed on these projects, Cabinet are recommended to give their support to the programme now, so that officers can commence the up-front work involved in writing up the detailed specifications and preparing tender documents, where applicable, ahead of 1 April 2018.

## 7. General Fund Reserves

7.1 The table below summarises the General Fund reserves, available to support the Council's revenue and capital budgets over the medium term period as at 31/03/2017 and shows the planned use in 2017/18;

	<b>Balances 31/03/2017</b>	<b>Planned Use of Reserves 2017/18</b>
	£'000's	£'000's
General Fund Reserve	3,000	
Capital Programme Reserve	12,076	
Capital Receipts Reserve	755	
Earmarked Reserves	3,381	
	<b>19,212</b>	<b>-880</b>

7.2 The use of reserves includes the support of the Capital and Asset Maintenance and Replacement programmes, and includes the variations reported throughout the year via financial monitoring.

## 8. Fees and Charges

8.1 On 9 November 2017, the Environment Overview and Scrutiny Panel were presented with a Fees and Charges report, advising of the findings of the Task and Finish Group, established to review the charges levied by the Council with regard to planning pre application enquiries.

8.2 Members of the task and finish group and the overview panel were supportive of the proposed new fees, as set out in appendix 2. These fees now require formal approval from Council, before being implemented from 1 January 2018.

## **9. Housing Revenue Account**

- 9.1 The annual review of the Housing Revenue Account business plan will be considered by Cabinet in February, following consultation with tenants.

## **10. Crime and Disorder / Equality and Diversity / Environmental Implications**

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

## **11. Portfolio Holder Comments**

- 11.1 I am pleased to see that we are on target to produce a balanced budget for 2018/19. We continue to look ahead to 2019/20 and beyond and this continues to provide the Council with significant challenges.

## **12. Recommended**

- 12.1 That the Cabinet approve the emerging draft Medium Term Financial Plan 2018-2022 as set out within this report and that this forms the basis of the Council's 2018/19 General fund Budget that will be reported in February 2018.
- 12.2 That the Cabinet give their approval for initial preparatory works to commence with regards to the 2018/19 Asset Maintenance and Replacement programme, including approval of the programme budget at high level.
- 12.3 That the Cabinet recommend Council approve the schedule of fees and charges as set out in appendix 2.

### **For Further Information Please Contact:**

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### **Background Papers:**

MTFP – October 2017  
ENV Panel – November 2017

## MEDIUM TERM FINANCIAL PLAN 2017-2022

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000's	£'000's	£'000's	£'000's	£'000's
<b>FUNDING</b>					
Business Rates Baseline	3,733	3,853	4,378	4,466	4,555
Business Rates Above Baseline	456	1,175	0	0	0
Revenue Support Grant	723	92			
New Homes Bonus	1,490	633	288	14	
Transition Grant	111				
<b>Total Government Determined Resources</b>	<b>6,513</b>	<b>5,753</b>	<b>4,666</b>	<b>4,480</b>	<b>4,555</b>
Council Tax					
Base from Previous Year		11,675	11,732	11,790	11,848
Base Line Adjustment		57	58	58	58
<b>Total Council Tax</b>	<b>11,675</b>	<b>11,732</b>	<b>11,790</b>	<b>11,848</b>	<b>11,906</b>
<b>TOTAL FUNDING</b>	<b>18,188</b>	<b>17,485</b>	<b>16,456</b>	<b>16,328</b>	<b>16,461</b>
<b>Cumulative Reduction</b>		703	1,732	1,860	1,024
<b>%age reduction</b>		4%	10%	10%	6%

**Pay & Price Increases**

Pay & Price Increases - October	921	744	698	542
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**Ongoing Savings Analysis**

Ongoing Savings - October Report	-1,005	-735	-55	0
Car Parks Fees and Charges	-480			
HLC Fees & Charges	-50			
Pre-app Fees and Charges	-25			
Licencing Fees	-16			
AMR Programme	-13			
Reduction in Delivery Plan review Savings	50			
	-1,539	-735	-55	0

**New Budget Requirements**

New Requirements - October Report	175	0	0	0
Car Parks Maintenance	93			
	268	0	0	0

**TOTAL BUDGET REQUIREMENT**

	17,838	17,847	18,490	19,032
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**Total Funding Available (as above)**

	17,485	16,456	16,328	16,461
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**Estimated Cumulative Surplus / Shortfall (-)**

	-353	-1,391	-2,162	-2,571
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**£5 PA Council Increase**

	353	709	1,068	1,431
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**Estimated Cumulative Surplus / Shortfall (-)**

	0	-682	-1,094	-1,140
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**Reserves Supporting the MTFP**

General Fund Balance	3,000	3,000	3,000	3,000
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## APPENDIX 2

### Current and Proposed Charges and Officer Hourly rates

Enquiry Type	Charges including VAT		
	Current	Proposed	Inc
Planning Application Checking	£30.00	£42.00	40%
Householder Is development acceptable enquiry	£90.00	£130.00	44%
Householder Is permission required and acceptable enquiry	£180.00	£211.00	17%
Householder post decision clarification	£52.00	£86.00	66%
Non Householder post decision clarification	£212.00	£264.00	25%
Shop fronts, telecommunications and changes of use enquiry	£90.00	£130.00	44%
Small scale development pre application enquiry	£277.00	£396.00	43%
Minor development pre application enquiry	£555.00	£726.00	31%
Major development enquiry	£832.00	£1188.00	43%
Principles of development enquiry	£2120.00	£2862.00	35%
Larger schemes enquiry	Hourly rate	Hourly rate	N/A
Trees enquiries	No charge	No charge	N/A
Straightforward Heritage Advice enquiry	£27.00	£66.00	144%
Complicated Heritage Advice Enquiry	N/A	£198.00	N/A
Advertisement Enquiry	N/A	£86.00	N/A
High Hedge Enquiry	N/A	£173.00	N/A
Conditions Pre App Householder	N/A	£86.00	N/A
Conditions Pre App Non Householder	N/A	£132.00	N/A
Catch All Enquiry not covered above	Hourly Rate	Hourly Rate	N/A

#### Officer Scale

#### 2017/18 Charge per hour (inc. on costs; to be recalculated on 1/4/18)

Executive Head	£83.00
Service Manager	£82.00
Team Leader	£76.00
Senior Planner	£55.00
Technical Officer	£36.00
Administrative Support	£35.00