

## MEDIUM TERM FINANCIAL PLAN / ANNUAL BUDGET 2018/19

### 1. Purpose of Report

- 1.1 To consider the development of the Medium Term Financial Plan, set the General Fund revenue and capital budgets for 2018/19 and set the level of Band D Council Tax.

### 2. Background

- 2.1 On 4 October 2017 and 6 December 2017 the Cabinet considered a number of issues through the established Medium Term Financial Plan reporting, that would affect the annual budget for 2018/19. The figures as included in the reports were based on latest information available at that time, before the provisional local government finance settlement had been released, and before the national pay award offer had been put forward to the unions. **Details of the final finance settlement are yet to be received.**
- 2.2 In accordance with the Council's financial strategy, this report sets out the final proposals for:
- The General Fund Net Budget Requirement for 2018/19
  - A level of Council Tax for 2018/19
  - The Medium Term Financial Plan
  - The General Fund Capital Programme for 2018/19

### 3. Financial Strategy

- 3.1 The Council's financial strategy for 2018/19 is to:
- Deliver efficiencies and savings which protect the delivery of front line services provided in the Community;
  - Support on-going investment in services through the use of its reserves;
  - Ensure a sufficient and appropriate level of reserves are available during the period of the Medium Term Financial Plan to safeguard frontline services; and
  - Balance the needs of service users and council taxpayers

The budget set out is in line with this strategy.

- 3.2 The Council's financial strategy over the medium term period extends to:
- The alignment of the budget to the Council's Corporate Plan and essential services;
  - Continuation of partnering and collaboration with others to transform service delivery;
  - The utilisation of reserve balances (and when necessary external borrowing) to invest in assets and target valuable additional income; and
  - A financial commitment towards transforming the delivery of Council Services across the organisation
  - Ensure strategies developed through the corporate framework appropriately feed into the Council's financial strategy

#### **4. Medium Term Financial Plan – General Fund Budget**

- 4.1 Details of the provisional available resources and General Fund spending requirements were set out in the appendices to the December Cabinet report. Subsequent to that report, the provisional finance settlement has been released, a national pay offer of a 2% increase and a new minimum pay point of £8.50 has been put to the unions and the full detailed budget preparation process has taken place, including the allocation of central corporate costs to the Portfolios/Committees. The updated resource summary and budget requirements are now provided as appendix 1 and 2.
- 4.2 The available resources within Appendix 1 are largely in line with the December report, with minor updates as a result of New Homes Bonus (£66k to be received as a result of property growth in 2016/17) and the subsequent knock-on this has to the Tax Base, as well as changes in the performance of the collection fund.
- 4.3 Appendix 2 has been updated to take into account higher than originally anticipated costs of pay award (due to the increase to 2% and £8.50 minimum pay point), higher forecast interest earnings as a result of the movement in the base rate, new income generated from the purchase of an investment property and other minor adjustments.
- 4.4 The December report set out a balanced budget for 2018/19. Despite the added pay award pressures since then, the revisions that have occurred do not alter this overall position.
- 4.5 **Planned use of Reserves**
- 4.5.1 The projected year 2 sum for the 'ICT Protect and Maintain Service Delivery' project plan, in accordance with the Council's strategy will be financed through the use of reserves and so do not form part of the base budget. These projects are included within the overall Asset Maintenance and Replacement Programme included as appendix 3. Of the £750k ICT sum 83% is chargeable to the General Fund, and 17% to the HRA. This 3 year budgeted sum was approved during the setting of the 2017/18 budget.
- 4.5.2 As explained further in section 6 of this report, the Community Overview and Scrutiny Panel are recommending one-off 'Construction Grant' awards totalling £80,540 for 2018/19. In line with established financing arrangements, these awards will be funded via the use of reserves.
- 4.5.3 Other than the use of reserves as outlined above, the Council's successful efficiency programme and the generation of additional income has resulted in a balanced budget being set for 2018/19, despite the significant reduction in settlement resources, without requiring draw down from the General Fund Reserve.
- 4.6 **Summary of 2018/19 Proposals and the Medium Term Plan**
- 4.6.1 The General Fund net budget requirement for 2018/19 will be £17.243m (appendix 4a & 4b), an increase of £656k on the 2017/18 budget requirement.

- 4.6.2 Net Savings and improved income generation totalling £1.377m have absorbed pay and price increases across the Portfolios totalling some £1.130m, and have also made an important contribution towards offsetting the reductions in government resources. The residual required increase in Council Funding has been achieved by an increase in Council Tax.
- 4.6.3 The proposed central support service business unit budgets have been provided at appendix 4c. Due to their nature, these costs end up across several Portfolio's, and so warrant separate inclusion as part of this budget setting report.
- 4.6.4 Band D Council Tax will be £168.36, an increase of £5 (3.06%) from 2017/18 and the cost to be met by council taxpayers will be £11,889,752.
- 4.6.5 The Medium Term summaries set out over appendices 1 and 2 provide an outlook of the future years' budgets. It is clear that the Council will need to continue to evolve and deliver the financial strategy in order to close the challenging deficits currently forecast.

## **5. General Fund Capital Programme and Financing**

- 5.1 The Council's proposed General Fund Capital Programme for 2018/19 totals £7.673m. The detail at project level and the proposed financing for the 2018/19 programme is detailed in appendix 5.
- 5.2 The Capital programme includes two significant projects to be funded by NFDC reserves / capital receipts, spanning 2-3 years;
- Development of Council owned land at Hardley Industrial Estate into a new Depot  
Land owned by the Council at the Hardley Industrial Estate has been identified as a suitable alternative depot site to Claymeadow, which for some time has been operating unsatisfactorily. The construction of a new modern depot facility will require detailed plans subject to usual planning permissions and an application for the suitable operating licence. A proportion of the Hardley site will also be leased to a third party. This, and the value of the land released at Claymeadow will generate a valuable income to the Council. Communication will commence with staff currently working from Claymeadow and will continue as the project develops. The funding included within the programme is indicative at this stage, and most importantly includes an element of funding in the 2018/19 financial year for the feasibility and preparatory works, before the full business case can be prepared and brought back to Cabinet for final approval.
  - Improved flexible working and utilisation of technology to improve efficiency and become an employer of choice; 'Smarter Working'  
The programme includes an indicative sum over each of the next 3 years in order to achieve the desired outcome of Smarter Working. This concept will focus on the employees being able to work remotely, utilising technology that is common place in the private sector, and also used by many other local authorities. One of the significant financial benefits of Smarter Working will be the Council's ability to downsize its office estate. The funding included within the programme is indicative at this stage, and most importantly includes funding in the 2018/19 financial year for the feasibility and preparatory works, before the full business case can be prepared

and brought back to Cabinet for final approval.

- 5.3 A range of Prudential Indicators need to be approved prior to the start of each financial year. Indicators for the Treasury Management function and Investment Strategy for 2018/19 to 2020/21 were considered by the Audit Committee on 26 January 2018 and have been recommended to the Council for approval. The indicators included within appendix 6 relate to the Capital Programme. The Cabinet is asked to consider the indicators and recommend them to Council for approval.

## **6. Committee and Overview Panel Comments / Recommendations**

- 6.1 The Corporate Overview and Scrutiny Panel (COSP) met on 18 January 2018 and have adopted the Budget Task and Finish Group recommendations that:

- a) measures be brought forward in a timely manner to eliminate the £600k deficit relating to Leisure Centre provision, either through private provision, through a charitable trust, or other means, perhaps identified by consultants, (subject to clear objectives at the outset on elimination of the deficit);
- b) ways to seek additional funding for CCTV be revisited;
- c) a Homelessness Task and Finish Group be created;
- d) the Council continue to work with CANF on Universal Credit;
- e) regular updates be brought to Corporate Overview and Scrutiny Panel on progress with partnership / collaborations, in particular the Planning function, with the NPA (or other authorities if no progress can be made), with positive timelines and definitive plans;
- f) the Council investigates other optional future waste management strategies, to seek greater efficiencies;
- g) efforts be made to enhance education on recycling, and to increase performance on recycling rates;
- h) a report be brought to Corporate Overview and Scrutiny Panel on the pension deficit and options on how this might be tackled;
- i) That a plan for smarter working be submitted to Corporate Overview and Scrutiny Panel.
- j) That measures to improve competitiveness of the Building Control function through use of new technology be investigated; and
- k) That an update report on progress with the Transportation function SLA with HCC be submitted to the relevant overview and scrutiny panel

- 6.3 The Community Overview and Scrutiny Panel met on 16 January 2018 and makes the following recommendations (as per report 4 on this Cabinet agenda):

- a) Grant awards totalling £218,020 be made (with £80,540 being one-off grants funded via reserves).

## **7. Stillwater Park**

- 7.1 Annually, the Cabinet recommends to Council the proposed Fees and Charges increase for the licence fees and service charges at Stillwater Park.
- 7.2 In line with previous years, the level of increase being proposed is in line with September RPI inflation, equivalent to 3.9%.

## **8. Risk Management**

- 8.1 The budget for 2018/19 is based upon best estimates, but there still remains some uncertainty, particularly surrounding the on-coming Business Rate retention scheme (in replacement of all other central funding) and the continuing uncertain economic climate.
- 8.2 The Council provides regular financial monitoring reports, providing valuable updates on the latest forecasts as against original expectations and has £3m in the General Fund Reserve, available to support service delivery budgets. Within this context, the budget as now presented to Cabinet is considered to be robust and deliverable.

## **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 I endorse the content of the report and am pleased that significant savings continue to be delivered. These actions enable the Council to both fund the annual increases in costs and make a significant contribution towards the reductions in central government funding that helps keep the increase in cost to taxpayers to less than 10p a week and maintains core services like refuse collection. Over the medium term there is still considerable work to be done taking into account the current forecasts.
- 10.2 Cabinet response to Budget Task & Finish Group recommendations;
- a) Plans are being developed by Management to address the £600,000 operating deficit. A T&FG is being established to look at how best to maintain the standards of Council facilities going forward, through alternative operating models.
  - b) the Portfolio Holder for Community has agreed to produce a report on a review of the benefits of the CCTV service going forward. This will be presented for consideration by the Community Overview and Scrutiny Panel during 2018/19.
  - c) The Portfolio Holder for Housing is in the process of developing a homelessness strategy that will be considered for adoption in 2018/19 in accordance with the new Corporate Framework.
  - d) CFNF - Agreed
  - e) Aware that the Chief Executive and officers are engaging with the NPA on areas of Partnership and collaborative working – any developments here, and with others will report back to Cabinet.
  - f) The new waste and recycling manager will start early February, and will work closely with the Portfolio Holder with the development on a wider environmental strategy for the district, as set out within the new Corporate Framework.
  - g) See (f) above
  - h) The HCC annual review of Pension fund performance will be shared with COSP.
  - i) As covered earlier in this report, a business case on 'smarter working' will be prepared and presented to COSP.

- j) Building Control are working with ICT on a review into how best utilise technology in an attempt to maintain, or potentially grow their market share. An update on this service will be reported during 2018/19.
- k) The Portfolio Holder for Planning and Infrastructure will produce a report with reference to Transportation matters during 2018/19 to the Environmental Overview and Scrutiny panel.

## 11. Recommended

Cabinet is asked to recommend to Council that:

- 11.1 there is a General Fund Net Budget Requirement in 2018/19 of £17,243,480 as set out in appendix 4 to this report, including use of reserves to finance the ICT protect and maintain frontline services projects, and one-off construction grants as set out in appendix 3;
- 11.2 the site licence fees and service charges at Stillwater Park be increased by 3.9% in line with RPI inflation;
- 11.3 the Band D Council Tax for 2018/19 shall be £168.36;
- 11.4 the General Fund Capital Programme for 2018/19 of £7.673m, as set out in appendix 5 to this report be approved; and
- 11.5 that each of the prudential indicators, the Limits for 2018/19 to 2020/21 and the Minimum Revenue Provision Policy Statement as set out in Appendix 6 to the report be approved and adopted.

### For Further Information Please Contact:

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### Background Papers:

MTFP – October 2017  
MTFP – December 2017