

MEDIUM TERM FINANCIAL PLAN 2018 ONWARDS

1. Purpose of Report

- 1.1 To consider the initial development of the Medium Term Financial Plan 2018 onwards and consider the factors that will influence its delivery and that of the annual budget strategy 2019/20.

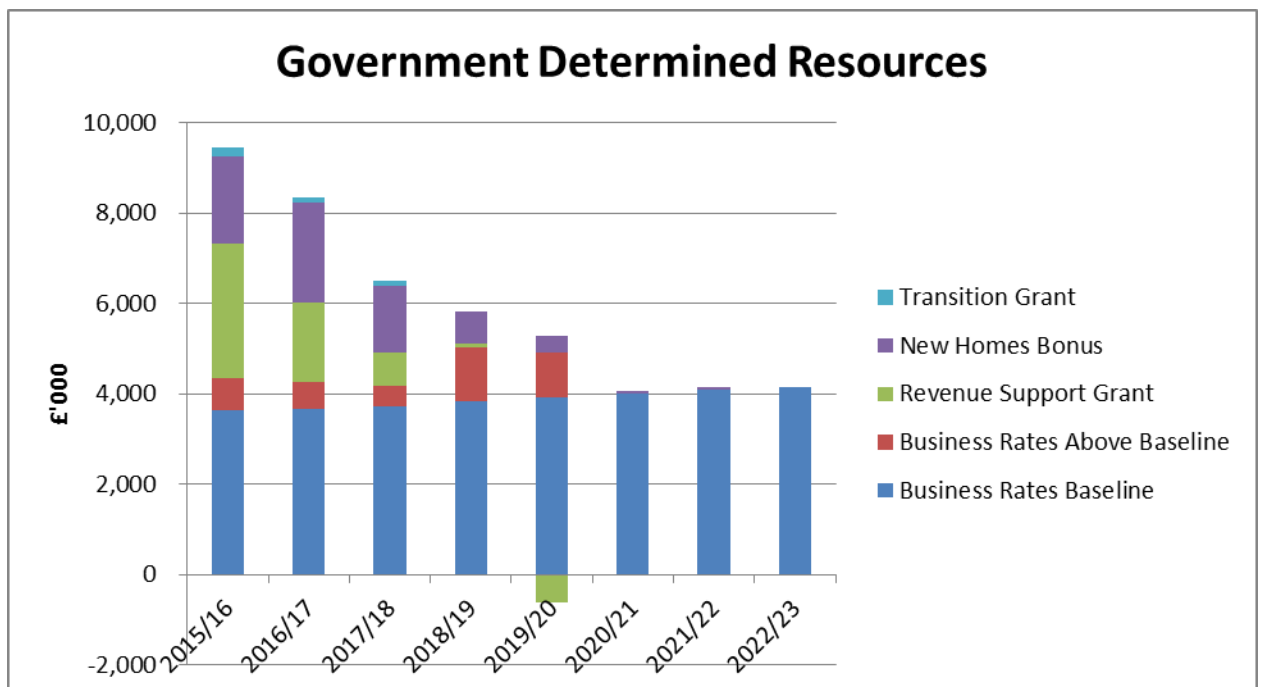
2. Background

- 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 38% to £5.812m in 2018/19) and is forecast to receive further decreased funding in 2019/20 (£4.660m), and 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, supported lately with targeting new and additional income generation. The Council has understood the need to consider its overall organisational business model in order to ensure the future protection of its services and ensure its financial sustainability.
- 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 The overall Fair Funding Review is ongoing and the Business Rate Retention Scheme is currently under review, with the latest formulation being based on a 75% retention scheme (currently 50% scheme).
- 2.5 The Medium Term Financial Plan has been populated using the most up to date information currently available covering the period to 2022/23. The effect of the Fair Funding Review and final design of the Business Rate Retention Scheme 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 results in a positive effect on the retained Business Rates for 2019/20 (overall growth of £1m assumed beyond the baseline). Hampshire County Council and the Hampshire Districts are also in the early stages of developing a 100% business rate pilot bid for 2019/20 which would result in additional Business Rates being retained within Hampshire. More information will be presented to members on this proposal as the bid develops.

- 3.2 The assumptions on Business Rate funding will require updating as the ongoing work on the revisions to the Business Rate Retention Scheme continues. At present, it has been assumed that a baseline reset will take place in 2020/21. The Council may retain some of the above baseline growth when the reset occurs, but prudent financial planning suggests that at this time, all growth beyond annual inflationary increases ought to be removed from the assumptions. A standard 2% growth has been assumed from the reset baseline from 2021/22 onwards.
- 3.3 By 2019/20, Revenue Support Grant will cease (£92k in 2018/19). Local Authorities affected by 'negative RSG' in 2019/20 (includes this Council at £612k) are looking for the Fair Funding Review to address this and do away with the current situation which suggests we are due to pay the Government this sum in 2019/20.
- 3.4 It is 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 2022/23 (£695k in 2018/19).
- 3.5 The following graph demonstrates the severity of the reductions since 2015/16, and confirms the current Government Determined Resource funding assumptions to 2022/23:



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. The assumptions include the following areas of pay and price increases;
- Annual Pay Award of 2% per annum
 - The impact of the national pay review to £9.00 minimum
 - 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
- 4.2 In order to offset the funding reductions and pay and price increases, the plan includes savings / income adjustments totalling c£1.9m:
- Ongoing savings from 2017/18 outturn
 - Health & Leisure Centre Operational Review
 - Reduction in Asset Maintenance & Replacement programme resources
 - Income to be generated through Property
 - Other adjustments from decisions taken previously, such as business development projects and previous reviews
- 4.3 New Budget Requirements also exist over the period, including:
- Additional Planning & Open Space Resources
 - Electoral Review of the District

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 £2.8m to 2023. This is made up of the annual budget deficits as represented by the following table:

	2019/20	2020/21	2021/22	2022/23	Total to 2023
Estimated Budget Deficit Before Council Tax Contribution (£'000)	577	1,014	584	615	2,790

- 5.2 The revised deficits, after allowing for maximum allowable Council tax increases over the period (equivalent to c£360k PA) are shown below:

	2019/20	2020/21	2021/22	2022/23	Total to 2023
Estimated Budget Deficit After Council Tax Contribution (£'000)	217	654	224	255	1,350

- 5.3 The deficits over the period to a cumulative £1.35m by 2023 represent a significant difficult financial challenge to the Council when considering the size of savings and efficiencies the Council has already had to identify the bridge the funding reductions over the previous medium term period, and considering the further reductions in spending already allowed for within the current plan period.

Actions Required and Underway

- 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 reviews and strategies that are underway which are targeted with making a significant contribution to the forecast budget deficit include:
- Leisure Delivery Review – A task and finish group is currently considering alternative models of delivery for the Council’s Health & Leisure Centres. The financial outcome of this review combined with the operational review is targeted at reducing the annual spend on Health & Leisure by £1m.
 - Commercial / Residential Property – Officers are working on implementing the two approved strategies to invest in Commercial and Residential Property, with an outcome of both being the generation of new additional income, targeted at £1m by the end of year 4 of their inception.
- 5.6 The Homelessness Task and Finish Group is looking at ensuring the Council is utilising its resources in the most efficient way possible in order to achieve better outcomes for homeless people within the District.

6. Investing in the Future

- 6.1 The February 2018 Budget Setting Paper included two projects in the capital programme that are specifically designed to assist the Council in becoming an employer of choice utilising current technology and embracing modern ways of working, and also utilising our assets to their maximum potential.
- 6.2 As outlined in that February 2018 report, design and feasibility is underway, and supporting strategies have been approved that feed into achieving these combined objectives, namely: the Organisational Strategy, HR and ICT Strategies. The ICT strategy clearly highlights that investment is required on ICT if the Council is to fully embrace the capabilities of new modern ICT.
- 6.3 Outline Business Cases confirming the level of investment required are currently being produced and will be presented to Cabinet upon completion. These documents will give a clear indication on the levels of anticipated resultant annual savings that will then make a valuable contribution towards the remaining budget deficit.

7. Reporting Timeline

- 7.1 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 2019/20 budget:

	Cabinet Meeting	Report
1.	November	Medium Term Financial Plan to 2023
2.	December	Setting the Council Tax Base
3.	January	Updated progress on MTFP
4.	February	MTFP to 2023 and setting of 2019/20 budget

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

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

9. Portfolio Holder Comments

9.1 With a reduction in government funding of just under six million pounds over the past four years and further reductions forecast, New Forest District Council continues to adapt its working practices and review its method of service delivery to ensure that it protects the front-line services that are so important to our residents. As consultants like to say, this is a journey and not a destination, which requires us to be both innovative and flexible two words that would not have been in a tradition Local Authorities vocabulary.

10. 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 the Actions Required as set out in the report, be progressed.

For Further Information Please Contact:

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MEDIUM TERM FINANCIAL PLAN 2018-2023

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000's	£'000's	£'000's	£'000's	£'000's
FUNDING					
Government Determined Resources	5,812	4,660	4,076	4,142	4,162
Council Tax (Including Property Baseline increase)	12,126	12,186	12,246	12,306	12,366
TOTAL FUNDING	17,938	16,846	16,322	16,448	16,528
Change in Funding from Previous Year		1,092	524	-126	-80
SPENDING PLANS					
Pay & Price Increases		930	830	710	710
Ongoing Savings Analysis					
Ongoing Savings from 2017/18 Outturn		-750			
Health & Leisure Centre Operational Review		-300	-300		
Asset / Equipment Resources		-300			
Property (Accommodation / Commercial)		-140			
Business Development / Previous Reviews		-55	-55		
		-1,545	-355	0	0
New Budget Requirements					
Planning & Open Space Resources		100			
Electoral Review of the District			15		-15
		100	15	0	-15
Change in Spending From Previous Year		-515	490	710	695
ANNUAL BUDGET DEFICIT		577	1,014	584	615
CUMULATIVE BUDGET DEFICIT		577	1,591	2,175	2,790
Cumulative Council Tax Increase - Based on £5		-360	-720	-1,080	-1,440
CUMULATIVE BUDGET DEFICIT AFTER COUNCIL TAX		217	871	1,095	1,350

Work In Progress

Leisure Delivery Review			-200	-200	
Commercial / Residential Property		-50	-250	-250	-250
		-50	-450	-450	-250
Cumulative WIP		-50	-500	-950	-1,200
Estimated Cumulative Surplus / Shortfall (-) After WIP		167	371	145	150

Reserves Supporting the MTFP

General Fund Balance	3,000	3,000	3,000	3,000
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