

## **Medium Term Financial Plan and Capital Programme Update**

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### **Purpose of Report**

1. To update members of the current position on the Medium Term Financial Plan (Revenue Budgets for 2015/16 to 2019/20) and the Capital Programme.

### **Forward Plan**

2. This report appeared on the District Executive Forward Plan for January 2015.

### **Public Interest**

3. This report is an update on setting the Council's budget for the next financial year 2015/16 and beyond.

### **Recommendation**

4. That the District Executive:
  - a) Note the current position and timetable for the Medium Term Financial Plan and Capital Programme;
  - b) Approve in principle the savings and additional income outlined in Appendix A.
  - c) Approve in principle the additional budget pressures outlined in Appendix B.
  - d) Approve in principle that the Capital Bids outlined in Appendix C are added to the Capital Programme in 2015/16.

### **Background**

5. The Medium Term Financial Strategy and Medium Term Financial Plan report for the financial year starting in 2015/16 was presented to District Executive in October 2014 outlining the approach to balancing the budget. This report updates members of the current position and requests an "in principle" approval to enable officers to consult on individual savings proposals.
6. Members are also asked to consider new capital schemes to go forward to full Council in February 2015 for approval.

### **The Medium Term Financial Plan**

7. Figures provided at this stage are still indicative and will continue to be amended until the budget is finalised in February 2015. Budget savings have been included to date and it is estimated that the budget for 2015/16 is balanced pending the final details being confirmed:-

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Base budget	17,540.8	17,379.6	16,933.4	16,711.1	16,613.9
Additional payroll requirement	271.1	598.1	510.3	476.7	320.9
Inflation allowance on contracts	162.0	172.0	175.4	178.9	182.5
Additional Budget Pressures	355.9	325.4	322.8	319.8	322.8
Change in Interest Receivable	(163.2)	0.0	0.0	0.0	0.0
Savings	(889.2)	(19.5)	(6.7)	0.0	0.0
Revenue effects of Capital Programme	42.4	95.7	95.7	95.7	40.0
Once-Off Expenditure	59.8	(127.4)	0.0	0.0	0.0
<b>Total Budget Requirement</b>	<b>17,379.6</b>	<b>18,423.9</b>	<b>18,030.9</b>	<b>17,782.2</b>	<b>17,480.1</b>
<b>Financed by:</b>					
Revenue Support Grant	2,709.4	2,032.1	1,524.0	1,143.0	857.3
Council Tax Reduction Scheme then passed to Town and Parish Councils	(351.4)	(320.7)	(292.6)	(272.1)	(257.3)
Business Rate Retention	3,328.4	3,389.8	3,423.7	3,457.9	3,492.5
New Burdens Grants	25.6	0.0			
Received/Confirmed New Homes Bonus	2,858.4	3,000.0	875.3		
Expected New Homes Bonus	0.0	0.0	2,124.7	3,000.0	3,000.0
Once-offs funded from revenue balances	101.8	0.0	0.0	0.0	0.0
Council Tax	8,613.8	8,832.2	9,055.9	9,285.0	9,519.7
Council Tax Freeze 2015/16	93.6	-	-	-	-
	<b>17,379.6</b>	<b>16,933.4</b>	<b>16,711.1</b>	<b>16,613.9</b>	<b>16,612.2</b>
<b>Budget Shortfall</b>	<b>0.0</b>	<b>(1,490.4)</b>	<b>(1,319.9)</b>	<b>(1,168.3)</b>	<b>(867.9)</b>

### Assumptions Made

8. There are several assumptions in line with the MTFS as part of the overall estimates contained therein:

	2015/16	2016/17	2017/18	Notes
Inflation	contractual obligations	contractual obligations	contractual obligations	Assumes inflation remains constant at 2%
Council Tax	0%	2%	2%	Assumes that remains broadly in line with inflation

	2015/16	2016/17	2017/18	Notes
Pay	2.2%	1%	2%	Assumes agreed 2.2% followed by 1% then a 2% increase
Pensions	13.9% plus £840k	13.9% plus £1,040k	13.9% plus £1,240k	Assume employers contributions increases as per actuarial valuation
Investment Income	Base 0.5%	Base 0.5%	Base 0.5%	Assume earnings will be 0.9% for 2015/16. Interest rates may increase in 2015.
Costs of Capital	£42k	£96k	£96k	Assumes gradual release of capital receipts from 2015/16 to fund capital schemes
Revenue Support Grant	-28.1%	-25%	-25%	Based on provisional figures
Non-Domestic Rates	6.24%	1.84%	1.0%	As per Government baseline
New Homes Bonus	£3.991m	£4.6m	£4.6m	Current estimates assuming no top slicing

### Government Grants

9. The provisional grant for 2015/16 was announced on the 18<sup>th</sup> December. The figures show a £1.1 million cut (28.1%) reduction from 2014/15.

### Savings

10. Savings plans are outlined in Appendix A. Members are requested to approve these in principle at this stage to enable any required consultation to take place.

### Unavoidable Budget Pressures

11. Members are requested to approve in principle the unavoidable budget pressures attached at Appendix B.

### Council Tax

12. The MTFP currently reflects no increase in council tax for 2015/16. The Government has offered the equivalent of 1% in grant (approximately £94k) if the authority freezes council tax. The Government outlined that an increase greater than 2% will result in a local referendum.

### Council Tax Reduction Scheme

13. Members of the District Executive will be asked to approve the scheme for 2015/16 in January 2015. The Medium Term Financial Plan currently assumes the same number of recipients as at the end of November 2015 will continue into 2015/16. This reflects a further reduction in claimants and the estimated budget is £9.012 million compared to £9.319 million in 2014/15. This will result in a reduction in costs to SSDC of £0.307 million in 2015/16.
14. The Government grant to support the Council Tax Reduction Scheme for local authorities and town and parish councils has been absorbed into Revenue Support Grant and cannot be identified separately. Members approved in October that £351,410 would be passported to Town and Parish Councils for 2015/16.

## **Non-Domestic Rates**

15. In 2013 the Government introduced Non Domestic Rate (NDR) Retention that passed some of the risks and rewards from NDR to local authorities. Each local authority must set a budget for the NDR they expect to retain and in South Somerset this has been delegated to the S151 Officer (Assistant Director – Finance and Corporate Services) because of the considerable time constraints in place. Central Government requires the budget to be set by the 31st January 2015.
16. Members agreed to pool NDR at full Council in December. All of the pool members are meeting up early in January to review the risks and early estimates of the NDR1 calculations for each authority to check that pooling is still in the interests of the participating authorities.

## **New Homes Bonus**

17. In October 2012 members agreed that New Homes Bonus would be mainstreamed as part of the overall funding package for SSDC services. This is because in effect it is top-sliced from grant and then reissued as New Homes Bonus. SSDC has now received a provisional figure of £3.991 million for 2015/16.

## **Public/Stakeholder Consultation**

18. It is recommended that individual savings and additional income plans that are approved in principle are individually consulted upon where there is partnership, economic, or equalities issues to consider.

## **Budget Scrutiny**

19. A Task and Finish Group has undertaken a review of the budget with an emphasis of considering the risks and rewards of budgeting in an uncertain landscape. As part of the review the group investigated different components of the budget and the four key workstreams currently being undertaken to meet the budget shortfall over 2015/16 and 2016/17.
20. A report will be presented to Scrutiny Committee in January followed by a report to the District Executive and full Council in February 2015.

## **Diversity and Equality**

21. Each saving put forward has been reviewed by the Equalities Officer to ensure that any impact the saving will have on diversity and equality has been assessed and to ensure that any issues are highlighted to members before a decision is made.

## **Capital Programme and Strategy**

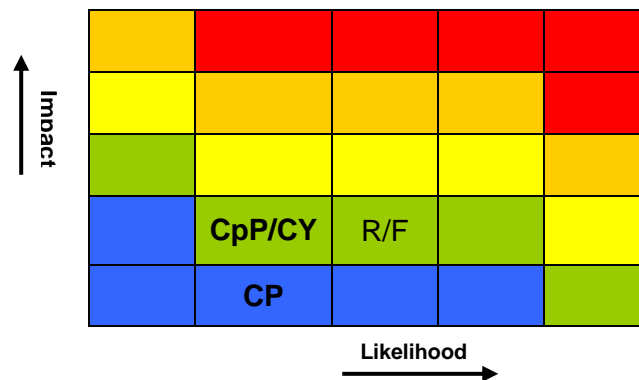
22. Members are asked to consider the new schemes outlined in Appendix C for inclusion in principle within the Capital Programme for 2015/16. If members approve all of the schemes outlined in Appendix C the capital costs will be £422,000 and revenue implications £12,600. The revenue costs have been included within the MTFP pending member decision.

## **Next Steps**

23. Work on the budget for 2015/16 will continue until February 2015. There are a number of issues and final adjustments outstanding:-

- A budget for NDR will be set in early January 2015;
- Confirmation of New Homes Bonus will be given in the middle of January 2015;
- Members will also review the results of consultation and equalities impacts of the savings outlined before approval in February 2015;
- Government Grants will be finalised by the middle of January 2015;
- The Council Tax Reduction Scheme will require approval in January 2015;
- The level of Council Tax will be approved in February 2015 and Council Tax surpluses in January 2015 as part of the MTFP;
- Use of Balances and final utilisation of NHB will be approved in February once the overall position of the MTFP is known.

## Risk Matrix



## Key

Categories	Colours (for further detail please refer to Risk management strategy)
<b>CpP</b> = Corporate Plan Priorities	Red = High impact and high probability
<b>F</b> = Financial	Orange = Major impact and major probability
<b>CP</b> = Community Priorities	Yellow = Moderate impact and moderate probability
<b>R</b> = Reputational risk	Green = Minor impact and minor probability
<b>CY</b> = Capacity	Blue = Insignificant impact and insignificant probability

## Background Papers

District Executive Reports	- February 2014 - October 2014
Council Reports	- February 2014