

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 2016/17 to 2020/21) and the Capital Programme.

Forward Plan

2. This report appeared on the District Executive Forward Plan for January 2016.

Public Interest

3. This report is an update on setting the Council's budget for the next financial year 2016/17 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.

Background

5. The Medium Term Financial Strategy and Medium Term Financial Plan report for the financial year starting in 2016/17 was presented to District Executive in October 2015 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.

The Comprehensive Spending Review

6. The Spending review and Autumn Statement was announced on the 25th November 2015. There were a number of announcements that will affect SSDC's budgets going forward including:-
 - The removal of all Revenue Support Grant by 2019/20.
 - Local authorities to retain 100% of business rates.
 - Devolution of some costs in particular Housing Benefits administration.
 - A review of NHB – to be carried out in 2016 with a possible 4 year income stream rather than the current 6 to save £800 million.

- Local government to be allowed to spend capital receipts on reform programmes.
- Councils will be allowed to cut business rates to boost growth and elected city-wide mayors allowed to raise them under certain circumstances.
- A social care precept may be introduced by local authorities who are responsible for social care. The precept will work by giving local authorities the flexibility to raise council tax in their area by up to 2% above the existing threshold for spend on adult social care.
- The Spending Review invests £1.8 billion in digital technology and transformation projects across the public sector over the next 4 years.

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 2016. Budget savings have been included to date and it is estimated that the budget for 2016/17 is balanced pending the final details being confirmed:-

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Base budget	17,389.6	16,904.1	16,156.7	16,023.9	16,142.0
Additional payroll requirement	593.9	401.2	390.9	168.0	158.8
Inflation allowance on contracts	8.9	211.4	215.6	220.0	224.4
Budget pressures	273.4	385.3	315.2	322.8	319.8
Change in Interest Receivable	(100.0)	0.0	0.0	0.0	0.0
Savings	(1,244.1)	(78.0)	0.0	0.0	0.0
Revenue effects of Capital Programme	71.8	130.7	95.7	40.0	40.0
Once-Off Expenditure	(89.4)	0.0	0.0	0.0	0.0
Total Budget Requirement	16,904.1	17,954.7	17,174.2	16,774.7	16,885.0
Financed by:					
Revenue Support Grant	1,679.8	799.6	270.3	0.0	0.0
Council Tax Reduction Scheme then passed to Town and Parish Councils	(314.1)	(103.7)	(35.1)	0.0	0.0
Business Rate Retention Base Line	3,360.0	3,420.0	3,520.0	3,640.0	3,700.0
Received/Confirmed New Homes Bonus	3,000.0	3,000.0	3,000.0	395.9	
Use of Revenue Balances for 2016/17	312.1				
Expected New Homes Bonus	0.0	0.0	0.0	2,604.1	3,000.0

Once-offs funded from revenue balances	48.0	0.0	0.0	0.0	0.0
Council Tax	8,923.9	9,040.9	9,268.7	9,502.0	9,741.0
Funding for the Somerset Rivers Authority	(105.6)	0.0	0.0	0.0	0.0
	16,904.1	16,156.7	16,023.9	16,142.0	16,441.0
Budget Shortfall	0.0	(1,798.0)	(1,150.3)	(632.6)	(444.0)

Assumptions Made

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

	2016/17	2017/18	2018/19	Notes
Inflation	contractual obligations	contractual obligations	contractual obligations	Assumes inflation remains below 2%
Council Tax	1.95% £2.88 per Band D	1.99% £3.00 per Band D	1.99% £3.11 per Band D	Assumes that remains broadly in line with inflation
Pay	1%	1%	1%	
Pensions	13.9% plus £1,040k	13.9% plus £1,240k	13.9% plus £1,440k	Assume employers contributions increases as per actuarial valuation
Investment Income	Base 0.5%	Base 0.5%	Base 0.5%	Assume earnings will be 1.01% for 2016/17. Interest rates may increase in 2016.
Revenue Support Grant	-38.0% -£1.03m	-52.4% -£0.9m	-66.2% -£0.5m	Based on provisional figures
Non-Domestic Rates	0.95% £31.6k	1.79% £60.0k	2.92% £100.0k	As per Government baseline
New Homes Bonus	£4.6m	£4.6m	£4.0m	Current estimates assuming no top slicing

Government Grants

9. The provisional grant for 2016/17 was announced on the 17th December. The figures show a £1.029 million (38.0%) reduction from 2015/16.

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 an increase in council tax of 1.95% (£2.88 per Band D per annum) for 2016/17. The Government has made it clear in their funding plans for local government that there is an expectation of modest increases in council tax as part of an overall funding package. The Government has outlined that an increase greater than 2% will result in a local referendum.

Somerset Rivers Authority and Council Tax Impact

13. The Government has amended the Somerset Council Tax Levels to a notional amount to allow each of the Somerset authorities to raise 1.25% towards interim funding for the Somerset Rivers Authority. This enables the Somerset authorities to raise council tax for other service needs up to the referendum limits.
14. The intention is that the amount will then be reduced when the SRA becomes a separate precepting body. The amount raised by South Somerset will then transfer to the SRA to ensure that taxpayers are not in effect levied twice.

Council Tax Reduction Scheme

15. Members of the District Executive will be asked to approve the scheme for 2016/17 in January 2016. The Medium Term Financial Plan currently assumes the same number of recipients as at the end of November 2016 will continue into 2016/17. This reflects a further reduction in claimants and the estimated budget is £8.479 million compared to £9.012 million in 2015/16. This results in an expected reduction in costs of £0.533 million in 2016/17.
16. Unfortunately the announcement regarding the SRA was not received early enough to enable the tax base to be amended. If SCC and SSDC amend their council tax precepts to the maximum allowed (note SCC can raise a further 2% for adult social care) the additional costs of the CTRS is estimated to be £195,000.
17. 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 £314,000 would be passported to Town and Parish Councils for 2016/17.
18. As the reduction in Revenue Support Grant has been frontloaded the reduction in grant to the Town and Parish Council will also reduce at a faster rate and the MTFP currently reflects that there will be no allocation by 2019/20.

Non-Domestic Rates

19. 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 2016.
20. 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

21. 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 Revenue Support Grant and then reissued as New Homes Bonus. SSDC has received a provisional figure of £4,658,223 for 2016/17. A consultation paper is currently in circulation proposing future reforms.

Car Parking Charges

22. At Full Council on Thursday 16th July it was “agreed to investigate a change to the Council Car Parking Policy to enable an initial free period of up to 2 hours of parking to be made available, where parking is currently charged at a timed rate”.
23. Officers have researched and investigated what might be the impact of applying an initial free period of up to 2 hours of parking for the short and medium stay car parks in Yeovil, Chard, Crewkerne, and Ilminster. They also considered the financial effect in towns where the council operate a parish or town financed free parking regime such as Castle Cary and Wincanton. Three main areas were considered as outlined below:-
 - **Financial modelling using South Somerset data to forecast financial impact.**
24. The current car parking income stands at £2.374m. The analysis indicates that implementing an up to two hours free parking scheme would result in a financial loss of between £1.2 and £1.5 m (a reduction of 53.5%). This would need to be added to the MTFP and therefore the savings requirement for 2016/17 would increase by a further £1.5 million to facilitate this. The capital costs of changing the machines and signage/advertising would be £20,000
25. The compilation of this report has required 30 hours of the Strategic Transport Officer, 60 hours of the Engineering and Property services officer and 7 hours of the Assistant Director Economy.
 - **The relevant policies in the South Somerset District Wide Car Parking Strategy (DWPS)**
26. The DWPS was reviewed and approved in April 2013. It acknowledges that charging is a vital element of managing car parks, and helps create compact and convenient town centres help match supply to demand by controlling duration of stay and turnover, which can have a positive effect on a town’s vitality.
27. A decision to implement a free parking would not require a further review of the Strategy as introducing an up to two hour free parking period accords with and is not contrary to any policy. However, there would be an impact on other aspects of the Strategy, such as the efficient use of long and short stay spaces, and the ability to reinvest in improvements to car parking.

- **A comparative impact analysis derived from the experience of towns in the UK where free car parking periods have been introduced.**

a) National Evidence

28. The national reports compiled by the Welsh government, The Association of Town & City Management & The British Parking Association and the RAC support 4 broad conclusions:
- There is a lack of robust evidence that can be used to link car parking strategies and town centre footfall.
 - Charging for car parking is one of a complex array of factors that can influence town centre vitality.
 - Town centre economies are highly localised and differ considerably. Parking strategies and charges need to be tailored to local areas to maximise the impact on footfall.
 - Car park charging should not be viewed in isolation from other factors (availability of parking, signage, and traffic flow) which affect willingness to drive in town centres.

b) Local Evidence

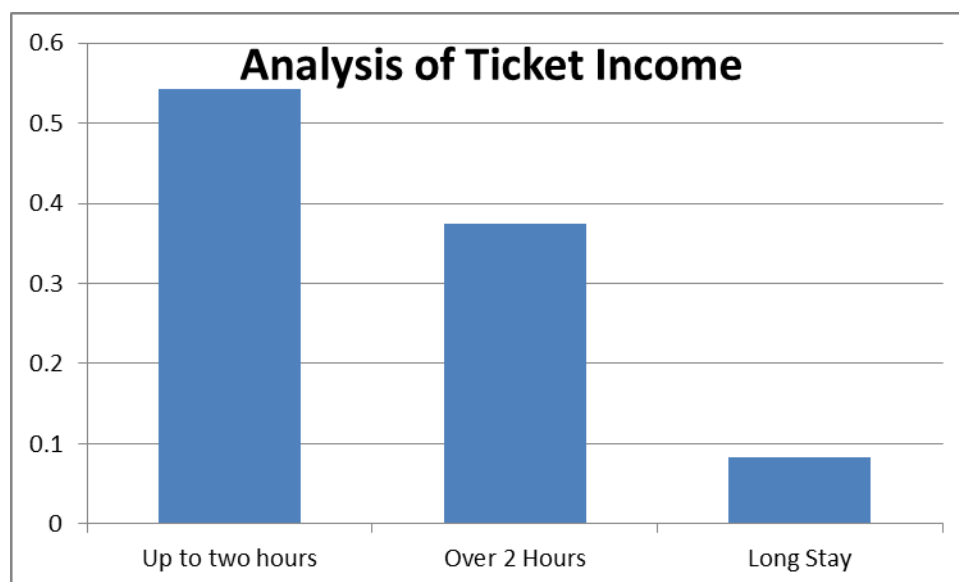
29. Some authorities that have introduced a free parking period have experienced a significant downturn in revenue. With 2 hours often being the most popular period of stay then this downturn has the potential to be considerable in South Somerset
30. There is a perception that reduced or free parking charges helps the high street, although it is very difficult to verify a direct link and a common theme of those consulted is that the actual town centre offer appears to have a greater bearing on the viability and vitality of a town centre than the tariff charged.
31. Any implementation of a free charging period should therefore be a targeted specific measure in a specific location that has been properly assessed to avoid an adverse effect on either the town centre or the revenue currently generated. It is also likely that should it subsequently prove to have an adverse impact, it would be very difficult to then remove what could still be a perceived benefit.

Other considerations

32. Before implementing such a scheme there are other considerations many of which would indicate an increased financial loss
- a) **Tariff Bands** – It is assumed that the existing tariffs for over 2 hours remain as they are now so in theory someone staying for an extra 1 hour over the 2 hour free period will be paying the existing 3 hour tariff and therefore not benefit from the first two hours free. The loss of income quoted above has been based on this assumption
 - b) **Tickets Machines** - The software in the 48 pay and display ticket machines across the district will have to be modified to enable the 2 hour free ticket to be issued. The cost of doing so is £292 per machine, total = £14,016

- c) Signage – The car park regulation notice boards will have to be changed to reflect the changes in free parking/tariffs and the cost of altering the signage will be £5,000.
 - d) Car park Orders – Any changes to the existing car park regulations/charges have to be advertised and a new off street car park order needs to be advertised as part of the consultation process, cost of advert and administration will be £1,000.
 - e) Incentive to stay longer than 2 hours – As indicated in point 1 above there is no incentive for the public to stay over and above the 2 hour free parking if the existing tariffs for over 2 hours remain in place. The only incentive would be to introduce new cheaper tariffs for 3 hours or more than those at present. The downside of this of course is that this would reduce the loss of annual income even further to that identified above.
 - f) Enforcement - Enforcement will be very difficult to implement and monitor. Unless vehicle registrations are noted there will be nothing to stop people returning to their car and obtaining another free 2 hour ticket or moving to another parking space in the car park or to another car park and obtaining a free ticket again. If the latter occurs it would be impossible to enforce due to logistics and time involved. The enforcement issues are a potential further loss of income over and above the figures quoted.
 - g) Displacement - The introduction of a free car parking period would have an impact on on-street car parking, especially (although not necessarily confined to) where charges are levied by SCC as drivers would be more likely to use SSDC's car parks instead. This displacement is likely to impact on the availability of spaces in SSDC's car parks at peak times.
 - h) Turnover of Bays - The impacts on turnover (positive or negative) would be dependent on the level of charges set for any subsequent period as indicated in point 5 above.
 - i) Impact on commercial providers of parking– At present the Quedam and the Yeo Leisure Centre generally reflect the car park charges and strategy this Council has in place for benchmarking initiatives. If free 2 hour parking is introduced this will have an impact on the viability of these commercial enterprises and their financial business plans.
 - j) Availability of income for reinvestment in car parks. The current operational budget uses a proportion of income allows for reinvestment and the car parking strategy policy Action PS14 suggests that the council will seek to reinvest a proportion of its car parking receipts to continually improve the parking experience through a variety of measures as indicated and as resources allow. A reduced receipt will reduce this opportunity and new measures such as pay on exit and new phone charging measures will need to be separately financed.
33. In conclusion whilst there is some evidence that footfall can increase with a free 2 hour parking period and also some evidence that measures such as the shop vacancy rate can improve, this is not a universal conclusion, and could equally or in part be due to the effect of town centre regeneration, new shops and other marketing initiatives.

34. In South Somerset 2 hours is the most popular period of stay therefore the loss in income has the potential to be considerable, and from the detailed work undertaken up to £1.5m per annum and £15m over a ten year period. The chart below shows clearly that the majority of income is from up to 2 hours. Currently there has been no provision made within the MTFP for a period of free parking given the financial impact it would have.



Public/Stakeholder Consultation

35. 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

36. A report will be presented to Scrutiny Committee in January followed by a report to the District Executive and full Council in February 2016.

Diversity and Equality

37. 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

38. New schemes will be presented to Members in February 2016.

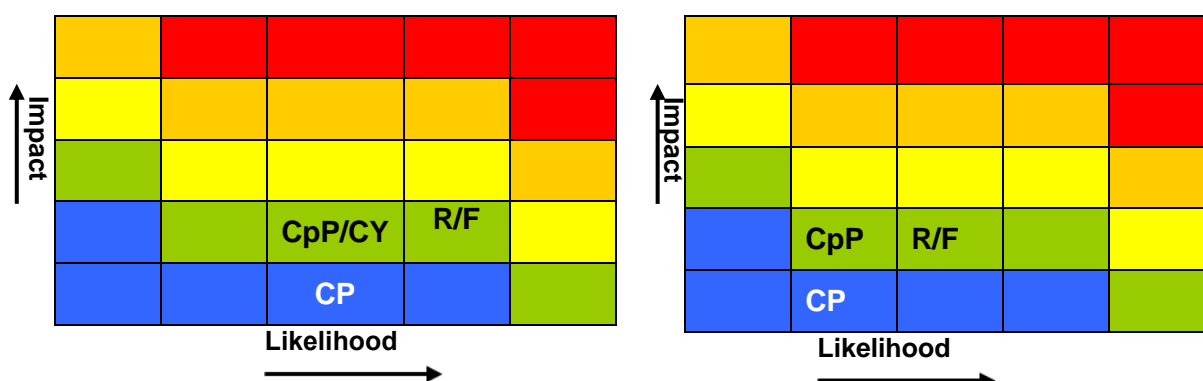
Next Steps

39. Work on the budget for 2016/17 will continue until February 2016. There are a number of issues and final adjustments outstanding:-

- A budget for NDR will be set in early January 2016;
- Confirmation of New Homes Bonus will be given in the middle of January 2016;
- Members will also review the results of consultation and equalities impacts of the savings outlined before approval in February 2016;
- Government Grants will be finalised by the middle of January 2016;
- The Council Tax Reduction Scheme will require approval in January 2016;
- The level of Council Tax will be approved in February 2016 and Council Tax surpluses in January 2016 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

Risk Profile before officer recommendations Risk Profile after officer recommendations



Key

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

Background Papers

District Executive Reports - February 2015
 - October 2015
 Council Reports - February 2015