

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Portfolio Holder for Finance and the Executive Director – Commercialisation (S151)

**To:** Cabinet – 8 December 2015

**(Author:** Ken Trotter – Interim Chief Accountant)

**Subject:** Draft Budget, Medium Term Plan and Capital Strategy

**Purpose:** To consider the draft capital and revenue budget estimates, the medium term financial plan and the capital strategy and release for consultation.

### **Recommendation:**

- 1. That the draft capital and revenue budget estimates, the medium term financial plan and the capital strategy are reviewed and released for consultation.**

### **1.0 BACKGROUND**

- 1.1 The appendices to this report outline the 2016-17 revenue and capital estimates for the General Fund, the proposals for the setting of discretionary fees and charges, the outline position to 2019-20, the medium term financial plan and the capital strategy. The medium term financial plan sets out the framework within which the budget is to be set to ensure that it enables the Council to achieve its own corporate objectives. The capital strategy sets out the framework for the capital budget setting.
- 1.2 During recent years the council alongside many public sector service providers has experienced financial pressures in various combinations; public sector funding cuts, all time low returns on cash deposits and a national economic downturn affecting jobs, housing and business growth. During this same period the basis on which the public sector is funded has undergone unprecedented reform, radical changes that affect the council's funding financial position both directly and indirectly include National Welfare Reform, Localisation of Council Tax Relief, Business Rates Retention, New Homes Bonus and of course reduction and in some cases removal of a range of grant funding sources. Each change bringing elements of uncertainty in terms of impact.
- 1.3 Despite these challenges and as a result of the Council's prudent financial management and innovative income generation, the Council has been positioned to secure a sustainable financial future across the medium term with no dependency on reserves. This position is enabling the Council time to develop a clear financial strategy in the medium and longer term to identify and deliver the more complex transformational changes required to meet the significant financial challenges of future years.
- 1.4 This complex change has already started with the recent approval of the transformation programme, identification of projects and the formation of task and finish groups. Some changes have been delivered early, with accelerated savings, in respect of the integration of Housing services and financial re-engineering of the Minimum Revenue Provision position. Introduction of a Garden waste collection scheme has also been agreed for 2016/17.

1.5 This draft budget supports the principal of reducing reliance on RSG and provides funding for a growth fund to deliver on-going revenue income streams over the medium term. Reducing the reliance on uncertain sources of funding will make the council a more stable organisation able to deliver services to residents with more certainty in the longer term.

1.6 In 2015/16 £1.1m of funding was agreed and set aside to provide up-front investment for the transformation programme, which is in progress and no further funding requirements have been identified at this stage.

## 2.0 **OPTIONS**

2.1 That the draft capital and revenue budget estimates, the medium term financial plan and the capital strategy are released for consultation.

2.2 There are no alternative options presented, however amendments may be made before release for consultation.

## 3.0 **REASONS FOR RECOMMENDATION**

3.1 To comply with the budgetary and policy framework.

## 4.0 **EXPECTED BENEFITS**

4.1 To set an affordable and balanced budget for 2016-17 which delivers on the Council's priorities.

## 5.0 **IMPLICATIONS**

### 5.1 **Financial**

5.1.1 The report is of a financial nature and financial details are included within the appendix.

5.1.2 The 2015/16 Medium Term Financial Plan identified a budget gap of £1,712,000 by 2018/19 for the General Fund

5.1.3 This budget gap was examined in the current budget setting cycle and the revised position after 2015/16 initiatives & service adjustments shows the gap reducing to £357,000 in 2019/20 before the impact of the prudent approach to reducing reliance on the Revenue Support Grant (RSG) from central government.

5.1.4 An assessment of the 2015-16 out turn has been revised and presented as part of the Quarter 2 monitoring report. This will inform the reliance placed on the baseline used for setting the 2016-17 estimates. Based on the position at the 30 September 2015, various pressures, transformation items and efficiencies have been identified, forecasting a small below budget out-turn as an overall result. Recurring savings and one-off efficiencies are proposed to be used to offset Medium term budget pressures in respect of the impact of the Minimum Revenue Provision (MRP) policy which in turn will, allow time for the Moving Forward transformation programme to grow. Ongoing efficiencies and recurring savings have been reflected in the medium term plan. The Council will continue to review the financial performance of its services throughout the year.

5.1.5 Budget options allowing a balanced position to be forecast in the medium term are identified and examined in appendix A.

	2016-17	2017-18	2018-19	2019-20
	£'000	£'000	£'000	£'000
<b>2015/16 MTFP</b>	<b>645</b>	<b>876</b>	<b>1712</b>	<b>1712</b>
RSG Model adjustment	(282)	(424)	(592)	(450)
Unavoidable growth	184	122	122	122
Investment income	122	153	112	112
Welland Homes	417	512	138	138
Zero Based Review	(376)	(414)	(589)	(602)
Accelerated Savings	(384)	(384)	(384)	(384)
New Service – Garden Waste	(49)	(43)	(5)	(5)
MRP adjustment	(250)	(259)	(286)	(286)
<b>Where We Are</b>	<b>27</b>	<b>139</b>	<b>228</b>	<b>357</b>
RSG Reliance Reduction	428	698	1,014	1,429
Community Assets	(135)	(155)	(175)	(195)
<b>Where we are Heading</b>	<b>320</b>	<b>682</b>	<b>1067</b>	<b>1591</b>
<b>Budget Options</b>	<b>(320)</b>	<b>(682)</b>	<b>(1,067)</b>	<b>(1,591)</b>
<b>Where we need to be</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**NB:** 2019/20 has an assumed starting position as it was not in the 2015/16 MTFP

- 5.1.6 Only a small amount of the Local Government Settlement is now received in the form of Revenue Support Grant (RSG). Instead of receiving a fixed funding amount from government, from 1 April 2013 we have been reliant on a new model which is geared towards the local raising of funds. Changes to schemes in respect of non-domestic rates (NDR) and localised council tax reduction scheme (LCTRS) have brought a greater degree of risk and variability to the Council's funding. The 2015/16 position has been reviewed and in line with the latest information from central government (Comprehensive spending review) assumptions have been amended in respect of expected reductions in this grant. The budget assumes an accelerated further reduction for the medium term, taking our reliance on RSG to nil by 2019-20 (on a phased basis as above).
- 5.1.7 Unavoidable growth is in respect of a 1% salary increase, staff increments and an increase in National Health Insurance contributions due to changes in legislation in respect of Pension contributions
- 5.1.8 Investment income was based on increases in investment returns which have not been available during 2015/16 and this causes a reduction in the overall budget. Projected balances and revised investment returns are examined further in appendix A.
- 5.1.8 The establishment of Welland Homes is essentially complete and a board of directors appointed. However assumptions in the original business plan have been examined and a revised plan is presented in appendix A.
- 5.1.9 A zero based review has been carried out on all major budgets and cost reductions / increased income projections agreed with Budget holders. These were reflected in 2014/15 & 2015/16 monitoring reports.
- 5.1.10 Accelerated savings are shown in detail in the 2015/16 Quarter 2 financial forecast out turn report. These reflect a revised approach to the operation of the Housing Revenue Account which has also been examined and a revised strengthened position shown below.
- 5.1.11 A pilot scheme in respect of kerbside garden waste collection was approved by cabinet on 10<sup>th</sup> November 2015 and financial implications included in the report on the scheme have been incorporated into the base budget as appropriate.

- 5.1.12 Changes to the MRP position are also included, in detail, in the 2015/16 Quarter 2 financial forecast out turn report.
- 5.1.13 A further report to Council is anticipated in respect of a change of use of Garages and car parking spaces for rent which are currently managed within the HRA. Recommendations in respect of re-designating these as Community Assets and appropriating them to the general fund are in progress.
- 5.1.14 The 2015/16 report on the budget for the HRA did not specifically show the MTFP and highlighted a deficit of £147k for the current year. This deficit was increased to £391k following approval for carry forward of £244k of capital expenditure in June 2015. Details of the revised strengthened position are included in the 2015/16 Quarter 2 financial forecast out turn report.
- 5.1.15 HRA general balance is projected at £8,968,000 (Table 9 in appendix 1 of the report) with £2,000,000 considered to be a reasonable level consistent with the risks on the service. The MTFP therefore includes a balanced budget for the period which includes approx. £11,783,000 for a proposed Affordable Housing programme to replace lost rent from Right to buy sales and changes planned in the National Rent policy. In addition £2,409,000 has been proposed to be transferred to the major repairs reserve in 2015/16 to support this programme in respect of timing differences on funding and potential acceleration of the programme by purchasing rather than building units.

## 5.2 Risk Management

- 5.2.1 Risks are highlighted within the appendix.

## 6.0 WARDS/COMMUNITIES AFFECTED

- 6.1 Budget implications affect all wards.

## 7.0 ACRONYMS

- 7.1 None

---

Background papers:- None

---

### Lead Contact Officer

Name and Post: Julie Kennealy Executive Director (Place) (Section151)

Telephone Number: 01775 761161

Email: [Julie.Kennealy@breckland-sholland.gov.uk](mailto:Julie.Kennealy@breckland-sholland.gov.uk) or alternatively [ktrotter@sholland.gov.uk](mailto:ktrotter@sholland.gov.uk)  
(Interim Chief Accountant (Deputy S151))

**Key Decision:** No

**Exempt Decision:** No

**This report refers both Mandatory Service and Discretionary Services**

**Appendices attached to this report:**

Appendix A – Budget estimates and medium term financial plan

Appendix B – Budget Summary 2016/17

Appendix C – Spalding Special Expenses

Appendix D – Reserves

Appendix E – Capital estimates

Appendix F – Capital strategy

Appendix G – Treasury Strategy

Appendix H – Fees & Charges