

FINANCIAL PLANNING 2017/18

<u>Report of the:</u>	Head of Financial Services
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Annexe 1: Objectives of the Medium Term Financial Strategy Annexe 2: Working Draft of the Cost Reduction Plan 2016-2020 Annexe 3: Budget Reporting Timetable
<u>Other available papers</u> (not attached):	Four year Financial Plan 2016 -2020 Service Plan for 'Managing Resources' Corporate Priority

REPORT SUMMARY

This report asks the Panel to note progress made on identifying savings within the 2016/17 budget to reduce the use of New Homes Bonus to £500,000 and seek guidance on the approach to be used in preparing a budget for 2017/18.

RECOMMENDATION (S)

- (1) That the Panel notes the progress made to identify in-year budgeted savings for 2016/17 to reduce the use of New Homes Bonus to £500,000.**
- (2) That the Panel agrees the approach to be taken to the 2017/18 budget review as set out in this report.**
- (3) That the Panel provides guidance on the revised four-year Financial Plan.**

Notes

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The Council agreed the Financial Plan 2016-20 at the February budget meeting.
- 1.2 The Strategy and Resources Committee agreed a Corporate Plan which included a key priority 'Managing Resources' in April 2016.

2 Background

- 2.1 The Medium Term Financial Strategy (MTFS) aims to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan.
- 2.2 The MTFS will be used to provide a framework for the annual budget review. The key components of the MTFS are set out in Annexe 1.
- 2.3 This report considers the steps needed to achieve a balanced budget in 2017/18 and in future years.

3 Financial Projections

- 3.1 The four year budget forecast anticipates the need for savings of £2.2 million over the next three years. The assumptions used in preparing the forecast are clearly stated in the Financial Plan. As with any financial forecast, there is scope for position to be better or worse than anticipated.
- 3.2 The financial projections will be updated as the impact of new regulation and funding changes become clearer. It is, however, anticipated that the focus of the budget review will be on the delivery of budget saving, either through cost reduction or income generation.

4 Current Budget Position

- 4.1 The Council is in the process of closing last year's accounts. The provisional position is that the revenue working balance will be maintained at approximately £3 million.
- 4.2 The final expenditure figures for 2015/16 will be reported to Strategy and Resources Committee at the end of June and underspends on some budgets may provide opportunities to identify on-going savings.
- 4.3 There is no planned use of the working balance in 2016/17 although approximately £634,000 of New Homes Bonus is being used to help fund general fund services.
- 4.4 Based on the provisional outturn figures for last year, the highest risk to the 2016/17 budget as in previous years is the cost of dealing with homelessness.

5 Budget Forecast for 2017/18

- 5.1 The following forecast for 2017/18 has been extracted from the Four Year Financial Plan:-

FINANCIAL POLICY PANEL
24 MAY 2016

	2017/18 £000	2016/17 £000
Net Cost of Service b/f (excluding use of New Homes Bonus & interest on balances)	8,702	
Pay & Prices Increases - Prices	+ 180	
Pay & Price increases – Pay	+ 180	
Contingency for Service Changes and Pressures	+ 334	
Pension Fund valuation 2016	133	
Loss of Housing Benefit Admin Grant	51	
Increase in provision for property maintenance	50	
Impact of latest benefit reforms	100	
Increases in Fees & Charges	-200	
Annual Savings Target	-895	
Forecast Net Cost of Services	8,301	8,702
Interest on Balances	-220	-220
Use of New Homes Bonus	-500	-634
Use of Business Rates Equalisation Reserve	0	-121
Transfer from Working Balance (-)	0	0
Forecast Net Expenditure	7,581	7,727
Formula Grant Forecast	0	417
Transitional Grant	83	93
Business Rates Forecast	1,464	1,435
Council Tax Income Forecast	6,034	5,829
Collection Fund Deficit	0	-47
Collection Fund Income	7,581	7,727

5.2 The annual savings target for 2017/18 of £895,000 included within the Financial Plan comprises of £512,000 which has been agreed in principal by the individual service committees and £383,000 still to be identified.

5.3 A breakdown of the £512,000 is as follows:

	£'000	Committee
Alternative payroll provision	10	Strategy & Resources
Cap discretionary rate relief for business rates	22	Strategy & Resources
Shared ICT service	10	Strategy & Resources
Charging for Enabling Officer	3	Environment
Cease additional cuts to highway verges	150	Environment
Issuing of licences for professional users of park	10	Community & Well-Being
Introduce vending in parks	5	Community & Well-Being
Venues Service Review	64	Community & Well-Being
Operational efficiencies and income generation	238	All
Total Identified Savings	512	

5.4 The following table shows the assumptions that were used in preparing the forecast for 2017/18 in the Financial Plan:-

ASSUMPTIONS USED	BASE £000	2017/18 Forecast
General Inflation - prices	9,000	2.0%
Pay bill growth	11,000	1.0%
Fees & Charges allowance: annual increased yield on discretionary charges	- 6,600	3.0%
Interest rate used		1.5%
Reduction in Core Government Funding/Retained Business Rates	- 1,945	-20%
Increase in Council Tax income	- 5,829	£5 increase on Band D equivalent property

6 Use of New Homes Bonus

6.1 The New Homes Bonus protocol agreed by Strategy & Resources in September 2013 allowed for £500,000 per annum of grant to be used to finance the general fund.

6.2 Due to late changes in Government's funding assessment the Council had to increase this to £634,000 within the 2016/17 budget. However, it was agreed that officers would explore options to reduce the use of this grant back down to £500,000.

- 6.3 All areas of the 2016/17 budget have been reviewed and this has generated £119,000 of potential savings which will reduce the use of New Homes Bonus down to £515,000. The most significant of these being an increase in budgeted building control income £39,000 and grant receivable for local council support being £25,000 more than was expected.
- 6.4 Another reason to reason to reduce our reliance on New Homes Bonus is due to Government's review of this funding stream. The DCLG have been out to consultation on potential changes and it appears almost certain that the level in funding currently received from this source will be significantly reduced in future.

7 Updated Position

- 7.1 Since the production of the Financial Plan there have been a number of changes to the forecast mainly as a result of recently made decisions. As a result the forecast level of savings to be delivered to produce a balanced budget for 2017/18 has reduced from £383,000 to £220,000.

	£'000	2017/18 £'000
Savings to identified to balanced budget as per Financial Plan		383
Changes		
Budget Review exercise	-119	
Rental income from approved property purchases	-70	
Handback of Highways tree maintenance to SCC	-31	
Cease sweeping up verge grass cuttings (brought forward from 2018/19)	-52	
Restructuring of Highways Horticultural teams	-41	
Option rejected to hand back highway verge maintenance to SCC	+150	
		-163
Forecast Funding Gap for 2017/18		220

- 7.2 It is anticipated that further savings should be achievable to address the gap and the areas that officers expect these to come from are:

7.2.1 **Service Reviews:** In addition to the venues review which is looking at Hook Road Arena, Ewell Court House, Play House and Bourne Hall. The Car Parking Member Group is also looking at ways to generate further income from car parking and identify opportunities to reduce the cost of running car parks.

7.2.2 **Efficiency Savings:** Officers will continue to look at how services are delivered to maximise efficiency and the use of IT.

7.2.3 **Income generation:** At least three business cases will be submitted for consideration by members as part of the capital bid process which could potentially generate significant income streams for the council.

8 Forecast for 2018/19 and 2019/20

8.1 As with 2017/18 although the financial projections have improved from that published in the Financial Plan it still shows that a further £½ million of savings are still needed to be identified and delivered to enable a balanced budget with no use of general fund reserves for 2019/20.

8.2 There are still risks that may impact on these forecasts such as the impact of welfare reforms, works required to maintain services (e.g. building repairs) and funding requirements from the next pension fund valuation.

8.3 A programme has been implemented to deliver the necessary savings and additional income over the next four years.

8.4 The key features of the programme comprise:

8.4.1 A number of Service Reviews

8.4.2 'Doing Business Better' reviews with the aim of increasing efficiency, effectiveness and cost.

8.4.3 Property Related Review – to realise cost reduction of Council operational buildings, increase income from investment properties and generate new receipts from surplus buildings / land.

8.4.4 Income Generation – At least three business cases to be considered by members which will generate significant income streams to the council. Income generation proposals have also been considered within the four year plan agreed in principle by Members last year.

9 2017/18 Budget Timetable

9.1 The proposed revenue and capital programme reporting timetables are contained at [Annexe 3](#).

9.2 An updated cost reduction plan will be prepared for the September budget targets report where the efficiency savings for 2017/18 will be reassessed.

10 Financial and Manpower Implications

10.1 The financial outlook for 2017/18 was contained in the Four Year Financial Plan 2016-2020 and is summarised in this report.

10.2 It is inevitable that pressure will remain on all areas of expenditure, including the staff budget. The efficiency programme is based on a rolling programme of cost review and may be realisable through natural turnover and without compulsory redundancy, dependent upon the actual level of external funding available to the Council.

10.3 The staffing impact of any service changes will need to be considered where service options are put forward for consideration.

11 Legal Implications (including implications for matters relating to equality)

11.1 *Monitoring Officer's comments: There are no implications for the purposes of this report.*

12 Sustainability Policy and Community Safety Implications; Partnerships

12.1 There are no implications for the purposes of this report.

13 Risk Assessment

13.1 A high level of risk to Council finances has arisen from the resultant public sector spending cuts. The main risks for next year are set out in the 2016/17 budget report.

13.2 The longer term financial risks are contained in the Four Year Financial Plan 2016-2020.

14 Conclusion and Recommendations

14.1 The Council has agreed financial targets to achieve a balanced budget in 2017/18. After year-on-year of funding cuts the Council has become more adept at managing on reduced financial support from Central Government however the financial challenges have not diminished.

14.2 The Council has agreed that the use of New Homes Bonus to fund general fund services should be restricted to £½ million, savings and additional income have been identified that reduce the use of NHB close to £500,000 for 2016/17.

14.3 It is recommended that the cost reduction through efficiencies and service expenditure reviews are used as the main tools to achieve a balanced budget in 2017/18.

WARD(S) AFFECTED: (All Wards);