

REPORT TO: Cabinet
LEAD OFFICER: Executive Director (Corporate Services)

19 November 2013

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

Purpose

1. To provide Cabinet with an update to the General Fund forecasts and underpinning assumptions and their impact on the Council's MTFS.
2. This is not a key decision but it has been brought before Cabinet to facilitate the construction of detailed budgets for 2014-15 and to frame the Council's Medium Term Financial Strategy considerations including the likely scope of savings required over the forecast period. It was first published in the August 2013 Forward Plan.

Recommendations

3. It is recommended that Cabinet:
 - (a) Notes the General Fund forecasts at **Appendices A1 and A2**;
 - (b) Approves the assumptions underpinning the MTFS at **Appendices B1 and B2**;
 - (c) Authorises the Chief Executive, as head of paid service, to implement the required staffing changes necessary to complete the restructurings of the growth area teams; and
 - (d) Instructs the Head of Finance, Policy and Performance to bring forward detailed draft estimates 2014-15 based on the assumptions and issues contained in this report for consideration by Cabinet in the new year.

Reasons for Recommendations

4. The General Fund forecasts at Appendices A1 and A2 summarise the financial issues arising over the medium term and, together with the assumptions at Appendices B1 and B2, set the parameters for drawing up detailed budgets for 2014-15 and the likely scope of any required savings to maintain balances at a minimum level of £2.5m.
5. The forecast anticipates a continuing contraction in Central Government financial support for the Council, although at this stage, there is no certainty of the actual levels of funding receivable for 2014/15 and 2015/16. The update of the forecast in January 2014 will reflect the outcome of the Autumn Statement and the local government finance settlement figures.

Background

6. This report provides an update to the forecasts approved by Council in February 2013.

Considerations and Options

7. The General Fund forecasts set out at **Appendices A1 and A2** indicate that savings in the region of £1.0m to £1.3m need to be found to ensure balances are maintained

at no less than £2.5m by the end of March 2019. Appendix A1 has been framed on the basis of a 3.5% increase in council tax in line with the Forecast approved by Council in February 2013. Appendix A2 models the impact of no increase in council tax in 2014-15 together with the new council tax freeze grant announced by Government in June 2013.

8. The forecasts, otherwise, are based on a range of common assumptions set out in **Appendix B1** but, given the uncertainty about the financial settlement to be received from central government in 2014-15 and for future years, which could radically change the balance of resources and expenditure, no decision is being sought from Cabinet at this stage. An updated General Fund forecast will form part of the Cabinet agenda in January 2014, by which time the financial settlement should be known. The settlement for the financial years 2016-17 to 2018-19 will not be announced until after the General Election in 2015.
9. Revenue Support Grant (RSG) has been modelled in line with the March 2013 Budget (a reduction of 1% to the previously advised 2014-15 local government settlement, applied to the RSG line) and the June 2013 Spending Review (a reduction in local government spending reduction of 10% in 2015-16, again applied to the RSG line). Thereafter, RSG has been modelled as reducing to zero on a straight line basis by 2019-20.
10. New Homes Bonus (NHB) has been modelled in line with the parameters of the scheme and the latest version of the local plan housing trajectory. NHB for the first two years, totalling some £1.8m, has been used to meet General Fund expenditure and to replace previous income from Housing and Planning Delivery Grant and the Housing Growth Fund. Sums received in excess of this, from 2013-14, have been modelled as transferred to reserve to meet non-recurring expenditure on infrastructure, etc. The Government has announced its intention to reallocate £400m of NHB from local government to Local Enterprise Partnerships (LEPs) from 2015-16; it is currently consulting on how this will be applied between authorities. In advance of a formal decision by Council, it has been assumed that the Council will provide its share of the "local contribution" required for the upgrade of the A14 from the NHB Infrastructure Reserve. A table showing NHB receipts and allocations has been included for information at **Appendix B2**.

Issues to be incorporated in the detailed budgets

11. The Finance and Staffing Portfolio Holder approved the Council's Capital Strategy on 15 October 2013. The strategy sets out how capital expenditure will be evaluated for inclusion in the Council's capital programme. The strategy indicates that the General Fund capital programme can be funded up to 2015/16; thereafter, parts of the programme that were funded from residual Housing and Planning Delivery Grant will need to be funded from either New Homes Bonus or revenue savings. The Housing Revenue Account (HRA) capital programme is funded from capital receipts or HRA revenue.
12. The growth area teams in the Planning and New Communities Department include several fixed term appointments that are due to terminate in March 2014. As there will be an ongoing resource need on Northstowe and other major settlement sites, the Head of New Communities has prepared an indicative schedule of staffing requirements for next 5 years. The authority will seek Planning Performance Agreements (PPAs) from developers of such sites; it is expected that monies from PPAs will fund the posts for the first 3 years; requirements after that time will be subject to a further review.

13. In September 2013 Council agreed that an initial financial contribution of up to £900,000 be established to achieve the acquisition of Gypsy and Traveller sites at Fen Road and Blackwell, Milton and New Farm, Whaddon, the allocation of funds to refurbish the site at New Farm, Whaddon, to include the addition of two further pitches, and the purchase of the site at Fen Road, Milton, the transactions to be on a business case, with the Council investment being recovered through the income collected from the sites. £300,000 has been included in the Capital Programme in respect of the acquisition of the Blackwell and New Farm sites and refurbishment of the latter. The purchase of the Fen Road site still needs a full detailed business case demonstrating financial viability, including that the site requires planning permission.
14. In February 2013, Council resolved that Executive Management Team be instructed to identify further savings of £920,000 in 2014-15 and subsequent years, which have been met, mainly from: the grants review; the restructuring in Health & Environmental Services; the Internal Audit partnership with Peterborough City Council; the removal of some posts from the establishment; the withdrawal of the Parish Council Tax Support Grant; and the Conservation / Urban Design restructure. The Business Improvement and Efficiency Programme (BIEP) was established to identify and implement opportunities to make future savings from 2015-16; a list of BIEP projects is included for information at **Appendix B1**.
15. The Local Government Pension Scheme (LGPS) will change in April 2014, mainly to reflect a rebalancing of the costs of funding the scheme in the future between employers and employees. Another aspect is that employees will be allowed to change to a 50:50 option. There will be additional national insurance costs in 2015-16 arising from changes to the state pension scheme – employees will have to pay an additional 1.2%; employers an additional 3.4%. The effects of the April 2014 LGPS rebalancing and the 2015-16 additional national insurance costs have been reflected in the MTFs; however, no modelling has been done regarding the 50:50 option at this stage as it is not known how many employees might take this up.
16. Provision has been made in the MTFs for an employer's Local Government Pension Scheme (LGPS) contribution of 25%. In the detailed draft budget estimates brought to Cabinet in 2014, this contribution will be allocated in line with best accounting practice between a provision for the historic pension fund deficit against Corporate Management and a charge against service estimates for the cost of future pension fund liabilities.
17. Approval is sought to give delegated approval to the Chief Executive as head of the paid service, in consultation with the Leader and Portfolio Holder responsible for staffing, as appropriate, to implement other changes to the establishment which are currently being formulated and for their impact to be included in the estimates

Implications

18. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Financial

19. As detailed in the report.

Legal

20. There are no legal implications resulting from this report.

Staffing

21. Outcomes of known restructuring exercises have been reflected in the staffing figures within the forecasts.

Risk Management

22. There are a range of risks to any financial forecast but those specifically identified include:
- (a) Uncertainty over the level of central government funding;
 - (b) Uncertainty over levels of business rates yields arising from successful valuation appeals;
 - (c) Outcome of the triennial review of the Cambridgeshire Local Government Pension Scheme, due in December 2013; and
 - (d) The degree to which staff will opt of the Local Government Pension Scheme given the issues identified in the body of the report

Equality and Diversity

23. The report is for information and in itself has no equality impact.

Climate Change

24. There are no climate change implications resulting from this report.

Consultation responses (including from the Youth Council)

25. Executive Management Team and Cabinet have been consulted on the assumptions that build up the MTFs.

Effect on Strategic Aims

Aim 1 – We will listen to and engage with residents, parishes and businesses to ensure we deliver first class services and value for money.

26. Maintain financial resilience while channelling our resources to create opportunities for investment, sustainable borrowing and economic growth. The level of savings required may impact on the ability of the Council to meet its strategic aims.

Background Papers

Where [the Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012](#) require documents to be open to inspection by members of the public, they must be available for inspection: -

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

Original Estimates 2013-14

Office for Budget Responsibility Economic and Fiscal Outlook March 2013

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