



South
Cambridgeshire
District Council

REPORT TO: Leader and Cabinet
LEAD OFFICER: Executive Management Team

13 February 2014

MEDIUM TERM FINANCIAL STRATEGY

Purpose

1. The purpose of this report is for Cabinet to approve and recommend to Council the Medium Term Financial Strategy (MTFS), which covers:
 - (a) the Capital Programme for the five years to 31 March 2019;
 - (b) the General Fund estimates and the resulting council tax for the financial year ending 31 March 2015;
 - (c) fees and charges for 2014-15;
 - (d) the MTFS for the General Fund for the five years to 31 March 2019;
 - (e) the list of Precautionary Items for the General Fund;
 - (f) the Housing Revenue Account (HRA) estimates and the rent increase for the financial year ending 31 March 2015;
 - (g) service and other charges for housing services for the financial year ending 31 March 2015;
 - (h) the HRA business plan for the next 30 years to 31 March 2044;
 - (i) the investment strategy for the year to 31 March 2015;
 - (j) the prudential indicators required by the Prudential Code for Capital Finance Local Authorities for the year to 31 March 2015.

2. These are key decisions because:
 - (a) they are likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates;
 - (b) they are likely to be significant in terms of their effects on communities living or working in an area of the District comprising two or more wards;
 - (c) they increase financial commitments (revenue and / or capital) in future years above existing budgetary approvals,and they were first published in the August 2013 Forward Plan.

Recommendations

3. That Cabinet recommends to Council that:
 - (a) the Capital Programme and the associated funding up to the year ending 31st March 2019 (**Appendix A1**) is approved as submitted;
 - (b) a contribution of £60,000 be paid to the Friends of Friendless Churches in respect of St Denis Church, East Hatley;
 - (c) projected Local Plan expenditure, as set out in this report, is included in the revenue estimates and MTFS;

- (d) the revenue estimates for 2014-15 are approved as submitted in the General Fund summary (**Appendix B1**);
- (e) the precautionary items for the General Fund (**Appendix B2**) are approved;
- (f) the Medium Term Financial Strategy for the General Fund (**Appendix B3**) is approved based on the assumptions set out in this report;
- (g) the fees and charges proposed for 2014-15 (**Appendix B4**) are approved;
- (h) Executive Management Team be instructed to identify additional income/savings of £300,000 in 2014-15 and further additional income/savings of £790,000 from 2015-16;
- (i) the council tax requirement for 2014-15 is £7,155,680;
- (j) the Council sets the amount of Council Tax for each of the relevant categories of dwelling in accordance with Section 30(2) of the Local Government Finance Act 1992 on the basis of a District Council Tax for general expenses on a Band D property of £122.86 plus the relevant amounts required by the precepts of Parish Councils, Cambridgeshire County Council, the Cambridgeshire Police and Crime Commissioner and the Cambridgeshire Fire Authority, details of those precepts and their effect to be circulated with the formal resolution required at the Council meeting;
- (k) the Housing Revenue Account (HRA) estimates and the rent increase for the financial year ending 31 March 2015 (**Appendices C and C1**) are approved, the rent increase being in accordance with rent restructuring guidance from the Department for Communities and Local Government;
- (l) the service and other charges for housing services for the financial year ending 31 March 2015 are approved (**Appendix C2**);
- (m) the HRA business plan summary for the next 30 years to 31 March 2044 (**Appendix C3**) is approved;
- (n) the borrowing and investment strategy for the year to 31 March 2015 (**Appendix D1**) is approved; and
- (o) the prudential indicators required by the Prudential Code for Capital Finance in Local Authorities for the year to 31 March 2015 (**Appendix D2**) be approved;
- (p) the Executive Director, Corporate Services, be given delegated authority to issue the final version of the Estimates Book, incorporating the amendments required from Council's decisions.

Reasons for Recommendations

4. The consideration and determination of the estimates (budget), the council tax and the rent increase will provide resources for the Council to continue to provide its services over the next financial year in order to achieve the strategic aims as far as possible within the current financial constraints.
5. The consideration and determination of the five year MTFs for the General Fund and the 30 year business plan for the HRA should give the Council some reassurance that the Council will be able to continue to provide services to the public over the foreseeable future and avoid any unpredicted need for emergency cuts in services to balance its budget.
6. The savings requirement of £300,000 in 2014-15 and a further £790,000 in 2015-16 and subsequent years equates to the authority achieving an average cost saving of over £18 per Band D property. The setting of council tax at £122.86 would be an increase of £2.40 for a Band D property.

Background

7. The draft MTFS and estimates were made available to Members on 14 January 2014. This report will be considered by Scrutiny and Overview Committee on 11 February 2014.

Considerations

8. These are set out in detail in the Appendices:
 - (a) Appendix A – Capital Programme and associated funding to 31 March 2019;
 - (b) Appendix A1 – Capital Programme Summary;
 - (c) Appendix B – General Fund Considerations;
 - (d) Appendix B1 – General Fund Summary;
 - (e) Appendix B2 – Precautionary Items;
 - (f) Appendix B3 – Medium Term Financial Strategy (MTFS) (General Fund);
 - (g) Appendix B4 – Fees and Charges for 2014-15;
 - (h) Appendix B4(A) – Land Charges Fees;
 - (i) Appendix C – Housing Revenue Account (HRA);
 - (j) Appendix C1 –HRA Summary;
 - (k) Appendix C2 – HRA Charges;
 - (l) Appendix C3 – HRA Business Plan Summary;
 - (m) Appendix D – Financial Administration, Borrowing & Investment Strategy and Prudential Indicators;
 - (n) Appendix D1 – Borrowing & Investment Strategy;
 - (o) Appendix D2 – Prudential Indicators for 2014-15.
9. The underlying assumptions supporting the MTFS include:
 - (a) general provision for inflation where applicable of 2.4% in 2014-15, 2.1% in 2015-16 and 2.0% thereafter, in line with the Office of Budget Responsibility (OBR)'s forecast, or actual rates where known, on the basis that the present high rates will fall. This is applied to both expenditure and income (except the council tax and housing rents and charges);
 - (b) provision for an employer's pension contribution rate of 25% for 2014-15 and subsequent years. This takes account of pensions increases linked to the consumer price index (CPI). The outcome of the actuarial review concluded in December 2013 indicates that a contribution of 25% of pensionable salaries will be required for the next three years, plus a payment of £750,000 from the pension reserve. The intention is to split the 25% into two allocations: a cash contribution towards the historic deficit, charged against the General Fund and HRA; and a percentage charge to staffing accounts to meet ongoing future costs.

Approval of financial requirements

10. Two areas of financial requirements have arisen since the MTFS report to Cabinet in November 2013, regarding St Denis Church, East Hatley, and the Local Plan.
11. **St Denis Church, East Hatley:** In October 2013, the Planning & Economic Development Portfolio Holder agreed to transfer St Denis Church, East Hatley, to the Friends of Friendless Churches, subject to acceptable terms and conditions and appropriate support from the local community and recommended that the Finance & Staffing Portfolio Holder considered funding to support the maintenance of the church and facilitate the transfer. The Trustees of the Friends have agreed to accept a contribution of £60,000 and further contributions have been committed by local people. Cabinet is asked to approve payment of £60,000 to the Friends of Friendless

Churches, subject to acceptable terms and conditions and upon transfer of the Church, to be funded from underspends on other General Fund budgets in 2013-14.

12. **Local Plan:** Subject to the Planning Policy & Localism Portfolio Holder and Council deciding in the light of public consultation that the Local Plan is ready for submission to the Secretary of State, three areas of expenditure will arise:
- (a) With regard to the **Local Plan** itself, a budget requirement of £215,000 is projected over the period from 2014-15 to 2019-20, including £150,000 in 2014-15 for Inspectors costs for the examination of the Local Plan, currently expected to commence in June or July 2014. The £150,000 is a provisional sum at this stage and can be more accurately estimated once the Inspector has programmed the examination.
 - (b) A programme of **Area Action Plans (AAPs)** is proposed to help implement development proposals, starting in 2014-15 and continuing on a phased basis through to the end of 2019-20, at an estimated total cost of £475,000.
 - (c) **Supplementary Planning Documents (SPDs)** will need to be updated such that they can be adopted under the provisions of the new Local Plan (current SPDs will lose status when the new Local Plan is adopted) and to respond to changes in circumstances since they were adopted, some of which are now urgent, e.g. affordable housing and the District Design Guide. Costs are estimated to be £50,000 over the period of the MTFs.
 - (d) We will seek to keep these costs to a minimum, partly by joint working with Cambridge City Council where possible, and to finance them from developer contributions, then from the New Homes Bonus Infrastructure Reserve.

	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000
Local Plan:	190	5	0	0	0	50
- met from MTFs	30	0	0	0	0	0
- remaining	160	5	0	0	0	50
AAPs	40	65	95	135	45	95
SPDs	10	20	20	0	0	0
Totals,	210	85	115	135	45	95

to be funded from developer contributions / infrastructure reserve

Options

Council Tax

13. Cabinet could decide to recommend that Council sets the amount of District Council Tax for general expenses on a Band D property for 2014-15 of £122.86. **This is the recommended option.**
14. Alternatively, Cabinet could recommend either:
- (a) freezing council tax at its current rate of £120.46 for a Band D property. The Council will receive a grant equivalent of £74,650 from 2014-15. Indications are that this grant will be consolidated within the Council's future funding. The General Fund forecast however assumes that this grant would be subject to the same taper as Revenue Support Grant thereafter. The resulting council tax requirement for 2014-15 would be £7,015,900 and the full year savings requirement would be £1,250,000; or
 - (b) increasing council tax by a different amount – for example, an increase of 1.5% would result in a Band D council tax of £122.26 and a council tax

requirement of £7,120,730 for 2014-15 and a full year savings requirement of £1,140,000

- (c) these options are summarised in the table below and detailed in **Appendices B3(a) and B3(b)**:

Council tax increase £ / %	Resulting council tax £	Freeze grant £	Council tax requirement £	Full year savings requirement £
1.99%	£122.86	£0	£7,155,680	£1,090,000
1.5%	£122.26	£0	£7,120,730	£1,140,000
Freeze (0%)	£120.46	£74,650	£7,015,900	£1,250,000

15. It was expected that the Autumn Statement or Local Government Finance Settlement would set the limit for council tax increases, above which authorities would have to hold a referendum to obtain approval. The Council Tax Referendum Principles for 2014-15 were only released on 5 February 2014, the date of publication of this report, and require authorities to hold a referendum if the proposed council tax increase is 2% or higher.

Rents

16. Cabinet could decide to recommend that Council increases rents for existing tenants from the first rent week in April 2014 in line with the Department of Communities and Local Government (CLG) guidelines, based on an inflationary adjustment of 3.7%, with a maximum variation of £2.00 towards the phasing in of rent restructuring. **This is the recommended option.**
17. Alternatively, Cabinet could recommend either:
- (a) increasing rents by less than the CLG guidelines; however, this would result in less financial resources available to provide services to tenants; or
 - (b) increasing rents by more than the CLG guidelines; however, this would exceed the Government's limit to protect tenants from unacceptable annual increases and, as the CLG guideline level of increase has been assumed in the calculations by the Government for the purposes of the self-financing settlement, could result in future funding problems.

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 and appendices.

Legal

20. The pressure to reduce budgets and the continuation of a poor financial settlement could adversely affect the provision of statutory services.

Staffing

21. The restructurings and additions/reductions in staffing levels have been incorporated in the estimates.

Risk Management

22. If available, Cabinet will need to consider the impact of the final settlement in its recommendations to Council. Risks and control measures concerning financial projections in the MTFs are included in the Council's Strategic Risk Register, which is due for its quarterly review next month. The HRA Business Plan has its own associated risk register.
23. One of the greatest areas of risk is with regard to Retained Business Rates, introduced in 2013-14. As we are still in the first year of this new scheme, it is very difficult to forecast future income with any certainty, especially with high levels of outstanding appeals and little information from the Valuation Office Agency about which of these might be successful and when they might be decided, and very late and changing guidance from the Department for Communities and Local Government about how the forecasts are derived.

Consultation responses (including from the Youth Council)

24. The MTFs provides the framework within which resources can be allocated to meet the Council's service priorities. The Council's proposed Objectives and Actions for 2014-15 were the subject of public consultation until 31 January 2014. The final Corporate Plan is recommended for approval by Council elsewhere on this agenda; £50,000 has been included in the draft revenue estimates to meet the cost of implementing actions to meet Corporate Plan objectives.
25. Draft versions of the MTFs and the draft estimates pack for 2014-15 were made available to Members electronically on 14 January 2014; feedback from Members has been taken into account in preparing the draft estimates and MTFs. This report will be considered by Scrutiny and Overview Committee on 11 February 2014 – feedback from that committee will be reported to Cabinet.

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. The determination of the budget, council tax and rents will provide resources for the Council to continue its services in order to achieve the strategic aims as far as possible within the current financial constraints.

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.

Local Government Financial Settlement
Localised Council Tax Support Scheme
Estimate files in the Finance, Policy & Performance team
Draft Estimates Book

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