



South
Cambridgeshire
District Council

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

12 February 2015

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 2020;
 - (b) the General Fund estimates and the resulting council tax for the financial year ending 31 March 2016;
 - (c) fees and charges for 2015-16;
 - (d) the MTFS for the General Fund for the five years to 31 March 2020;
 - (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 2016;
 - (g) service and other charges for housing services for the financial year ending 31 March 2016;
 - (h) the HRA business plan for the next 30 years to 31 March 2045;
 - (i) the investment strategy for the year to 31 March 2016;
 - (j) the prudential indicators required by the Prudential Code for Capital Finance Local Authorities for the year to 31 March 2016.

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 October 2014 Forward Plan.

Recommendations

3. That Cabinet recommends to Council that:
 - (a) the Capital Programme and the associated funding up to the year ending 31 March 2020 (**Appendix A1**) is approved as submitted;
 - (b) the revenue estimates for 2015-16 are approved as submitted in the General Fund summary (**Appendix B1**);
 - (c) the precautionary items for the General Fund (**Appendix B2**) are approved;
 - (d) the Medium Term Financial Strategy for the General Fund (**Appendix B3(A)**) is approved based on the assumptions set out in this report;

- (e) the fees and charges proposed for 2015-16 (**Appendix B4**) are approved (including those relating to the planning pre-application service, presented to the Planning Portfolio Holder on 3 February 2015; the portfolio holder endorsed the increase in fees, but as the new fees were likely to generate an annual increase in income of more than £50,000, recommended that Cabinet approve the increase in fees at this meeting);
- (f) Executive Management Team be instructed to identify additional income/savings of £670,000 from 2015-16;
- (g) the council tax requirement for 2015-16 is £7,478,550;
- (h) 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 £125.31 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;
- (i) the Housing Revenue Account (HRA) estimates and the rent increase for the financial year ending 31 March 2016 (**Appendices C and C1**) are approved, the rent increase being in accordance with rent restructuring guidance from the Department for Communities and Local Government;
- (j) the service and other charges for housing services for the financial year ending 31 March 2016 are approved (**Appendix C2**);
- (k) the HRA business plan summary for the next 30 years to 31 March 2045 (**Appendix C3**) is approved;
- (l) the borrowing and investment strategy for the year to 31 March 2016 (**Appendix D1**) is approved; and
- (m) the prudential indicators required by the Prudential Code for Capital Finance in Local Authorities for the year to 31 March 2016 (**Appendix D2**) be approved;
- (n) 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. As reported to Cabinet in November 2014, implementation of waste and recycling initiatives has resulted in savings of £400,000 that have been built in to the General Fund Revenue estimates for 2015-16 and the MTFs. This brings the total of savings achieved by the Council over the past four years to £5.5 million.
7. The additional income/savings requirement of £670,000 from 2015-16 equates to the authority achieving a further average cost saving of over £11 per Band D property.

The setting of council tax at £125.31 would be an increase of £2.45 for a Band D property.

Background

8. The draft revenue and capital estimates are published alongside this report and can be viewed via the following link:
<http://scams.moderngov.co.uk/documents/s79118/Estimates%20Book%202015-16.pdf>
9. The report will be considered by Scrutiny and Overview Committee on 10 February 2015.

Considerations

10. These are set out in detail in the Appendices:
 - (a) Appendix A – Capital Programme and associated funding to 31 March 2020;
 - (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 B3A & B – Medium Term Financial Strategy (MTFS) (General Fund);
 - (g) Appendix B4 – Fees and Charges for 2015-16;
 - (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 2015-16.
11. The underlying assumptions supporting the estimates and MTFS include:
 - (a) general provision for inflation where applicable of 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. 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 2015-16 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 25% is being split 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.

Options

Council Tax

12. Cabinet could decide to recommend that Council sets the amount of District Council Tax for general expenses on a Band D property for 2015-16 of £125.31. **This is the recommended option.**
13. Alternatively, Cabinet could recommend either:
- (a) freezing council tax at its current rate of £122.86 for a Band D property. The Council would receive a grant equivalent of £77,670 for 2015-16. Indications are that this grant will be consolidated within the Council's future funding from Government; the General Fund forecast assumes that this grant would be subject to the same taper as Revenue Support Grant thereafter. The resulting council tax requirement for 2015-16 would be £7,332,330 and the savings requirement would be £815,000; or
 - (b) increasing council tax by a different amount – for example, an increase of 1% would result in a Band D council tax of £124.09, a council tax requirement of £7,405,740 for 2015-16 and a savings requirement of £745,000;
 - (c) these options are summarised in the table below and the 1.99% increase and freeze options are detailed in **Appendices B3(A) and B3(B)**:

Council tax increase £ / %	Resulting council tax £	Freeze grant £	Council tax requirement £	Savings requirement £
1.99%	£125.31	£0	£7,478,550	£670,000
1%	£124.09	£0	£7,405,740	£745,000
Freeze (0%)	£122.86	£77,670	£7,332,330	£815,000

14. The Provisional Local Government Finance Settlement, announced on 18 December 2014, set the limit for council tax increases, such that any council proposing an increase of 2% or more in 2015-16 will have to hold a referendum to obtain approval. The Minister for Local Government confirmed on 3 February 2015 that the council tax referendum principle for 2015-16 will be set at 2%.

Rents

15. Cabinet could decide to recommend that Council increases rents for existing tenants from the first rent week in April 2015 in line with the Department of Communities and Local Government (CLG) guidelines, based on an inflationary adjustment of 2.2%. **This is the recommended option.**
16. Alternatively, Cabinet could recommend either:
- (a) increasing rents by less than the CLG guidelines; however, this would result in less financial resources available to invest in housing services, which could mean for example that programmed improvement, refurbishment or new build works might take longer to deliver;
 - (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

17. 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

18. As detailed in the report and appendices.

Legal

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

Staffing

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

Risk Management

21. Risks and control measures concerning financial projections in the MTFS are included in the Council's Strategic Risk Register, which is included in the Position Statement report elsewhere on this agenda. The HRA Business Plan has its own associated risk register and is also mentioned in the Strategic Risk Register.
22. Risks with regard to the 2015-16 estimates and the MTFS include:
- (a) Additional income/savings: The actual realisation of the targets which have been included in the estimates and MTFS.
 - (b) Revenue Support Grant (RSG): The MTFS takes account of the 2015-16 local government finance settlement. From 2016-17 on, reflecting the Government's continuing emphasis on reducing the national deficit, the MTFS models RSG reducing to zero on a straight line basis over the next four years. It is possible that the next budget, spending review or settlement may front load this, resulting in greater reductions and therefore savings to be found earlier than forecast.
 - (c) Retained Business Rates (RBR): Although this is the second year of the scheme, it is still very difficult to forecast future income with any certainty. Business rate collection could be reduced should the local economy experience a downturn, or if local economic growth did not meet the anticipated level. There are a large number of outstanding appeals still with the Valuation Office Agency (VOA) which the Council would have to refund if successful; there is little information from the VOA about which of these appeals might be successful and when they might be decided.
 - (d) New Homes Bonus (NHB): There is a lack of certainty over NHB, where the underlying growth in the number of dwellings may not be achieved and the next Government may make fundamental changes to the scheme, e.g. cut or cap the 80% contribution, withdraw/replace it, or bring it within RSG where it could be subject to the Government's deficit reduction measures.
 - (e) General Election 2015: The new Government may change the methodology for any of the local government funding mechanisms, including RSG, RBR or NHB.
 - (f) Localised Council Tax Support Scheme (LCTSS): The original grant for the LCTSS has been rolled into the RSG, which is subject to the Government's deficit reduction strategy, meaning that the Council would have to fund future impacts on delivery of its LCTSS.
 - (g) Council Tax: Council Tax income would be affected if the number of domestic properties does not increase by as much as profiled in housing trajectory

forecasts. It may not be possible to increase Council Tax by 3.5% per annum from 2016/17 on, as currently provided for within the MTFS.

- (h) The Council's waste and recycling RECAP contract and separate paper recycle contract are both due for renewal in October 2015. Work has started on consultations and market testing, however no assumptions on possible financial effects have been built in to the estimates or MTFS at this stage.

Consultation responses (including from the Youth Council)

23. 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 2015-16 were the subject of public consultation until 31 January 2015. 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.
24. The draft revenue and capital estimates have been published alongside this report. The report will be considered by Scrutiny and Overview Committee on 10 February 2015 – 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

25. 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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