



REPORT TO: All Members
LEAD OFFICER: Head of Finance, Policy & Performance

13 January 2014

MEDIUM TERM FINANCIAL STRATEGY UPDATE
following publication of draft Estimates Book and
Provisional Local Government Finance Settlement

Purpose

1. The purpose of this report is to update Members on possible options for the Council's draft Medium Term Financial Strategy (MTFS) in the light of proposed revenue and capital budgets and the Local Government Finance Settlement for 2014-15.
2. Consideration of the authority's draft MTFS and proposed revenue and capital budgets are not key decisions at this stage, as these will be formally presented for approval to Cabinet and Council in February 2014.
3. The draft Estimates Book summaries and the draft MTFS forecasts are provided for information at **Appendices A and C** respectively.

Recommendations

4. Members are invited to note:
 - (a) the draft revenue estimates for 2014-15, including Staffing and Overhead Accounts, the General Fund and the Housing Revenue Account;
 - (b) the draft Capital Programme and estimates for 2014-15 to 2018-19;
 - (c) the draft revised MTFS, which incorporates the outcomes from the Local Government Finance Settlement.

Reasons for Recommendations

Draft Revenue and Capital Estimates and draft MTFS

5. The draft revenue and capital estimates set out the financial resources required for the authority to continue to provide its services and achieve its strategic aims as far as possible within the current financial constraints. The draft revised MTFS sets out the authority's financial position, incorporating the outcomes of the Local Government Finance Settlement.

Background and Considerations

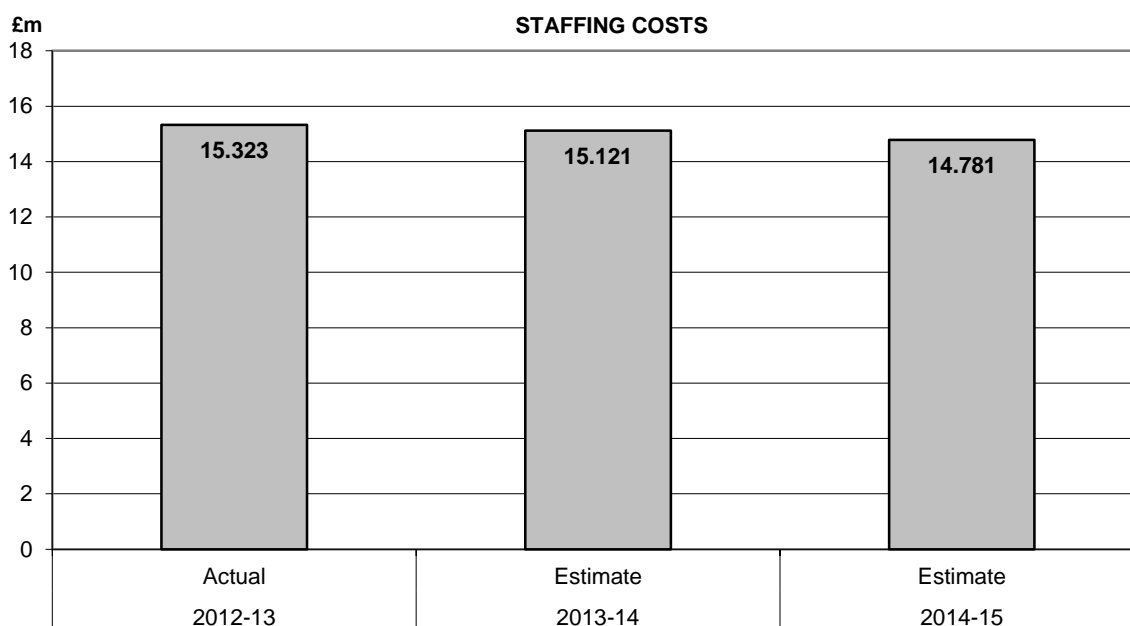
Draft Revenue and Capital Estimates

6. The draft staffing and central overhead accounts and portfolio service estimates form part of the overall considerations for the Council's annual budget setting exercise.
7. The draft Estimates Book is available to view via [this link](#). The draft General Fund, Housing Revenue Account and Capital Programme summary pages are provided for information at **Appendices A1 to A3** to this report, respectively.

8. The draft estimates incorporate all decisions made by Cabinet and Council up to and including the November 2013 meetings and reflect some movement of services between portfolios. Comparative figures for 2012-13 actual expenditure and the 2013-14 estimates also reflect these changes.
9. The draft estimates exclude the small number of 'Precautionary Items' listed at the back of the draft Estimate Book. They are specific, exceptional items of expenditure that may or may not occur during the budget period, but if they did the Council would be required to meet them. An updated list will be presented to Cabinet on 13 February 2014.
10. The final estimates will be summarised in a report for review by Scrutiny and Overview Committee on 11 February 2014, consideration by Cabinet on 13 February, and presentation to Council on 27 February for confirmation of the estimates and levels of the Council Tax and Rents.
11. The assumptions used in preparing the draft revenue and capital estimates are set out in **Appendix B**.

Staffing and Overhead Accounts Estimates

12. Staffing and Central Overhead Accounts comprise staffing costs, analysed by portfolio, plus central overheads costs. The staffing and central overhead revenue estimates are recharged to all services, as appropriate. The 2014-15 estimate of £14.781m for net staffing expenditure is £340k (2.25%) less than the 2013-14 original estimate of £15.121m. This comparison is shown diagrammatically below:



13. The staffing and central overhead revenue estimates are recharged to all services, as appropriate. These are termed as Central, Departmental and Support Services in the portfolio service estimates and the analysis reflects the current service structure. This rechargeable expenditure has a significant impact on the total revenue expenditure of each service.

Portfolio Estimates

14. The revenue estimates for each portfolio have been analysed between direct costs, capital charges and recharges, so that the direct costs can be identified for comparison. This is considered appropriate because the direct costs are specifically within the control of the relevant cost centre manager. By contrast, the Staffing and Overhead Estimates determine the recharges and the capital charges are notional charges that do not affect the overall expenditure of the Council.
15. Two aspects of expenditure have not yet been fully reflected in the draft portfolio estimates and draft MTFS: inspection and other costs associated with the Local Plan; and costs related to Area Action Plans. These costs are being reviewed and will be included in the budget report in February 2014 for Cabinet and Council approval.

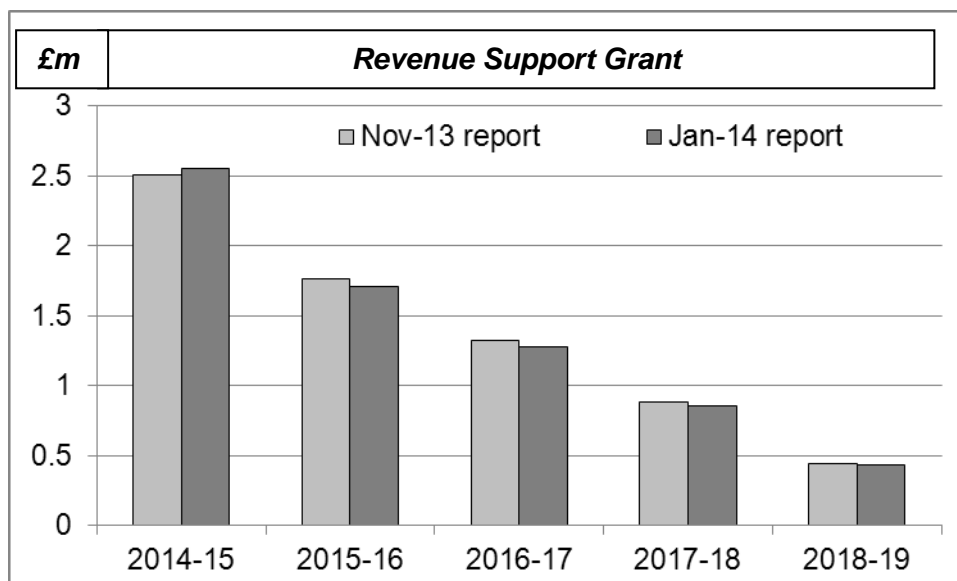
Capital Programme and Estimates

16. The overall capital programme for the Council will be subject to further consideration by Cabinet and Council in February 2014. Both the expenditure and funding could, therefore, be subject to change.
17. In order that all significant capital items may be evaluated consistently throughout the Council, those items in the capital programme in 2014-15 or later that are over £25,000 value in total will be subject to the completion of a proposal form, for consideration alongside the capital programme being approved in February 2014.

Draft MTFS

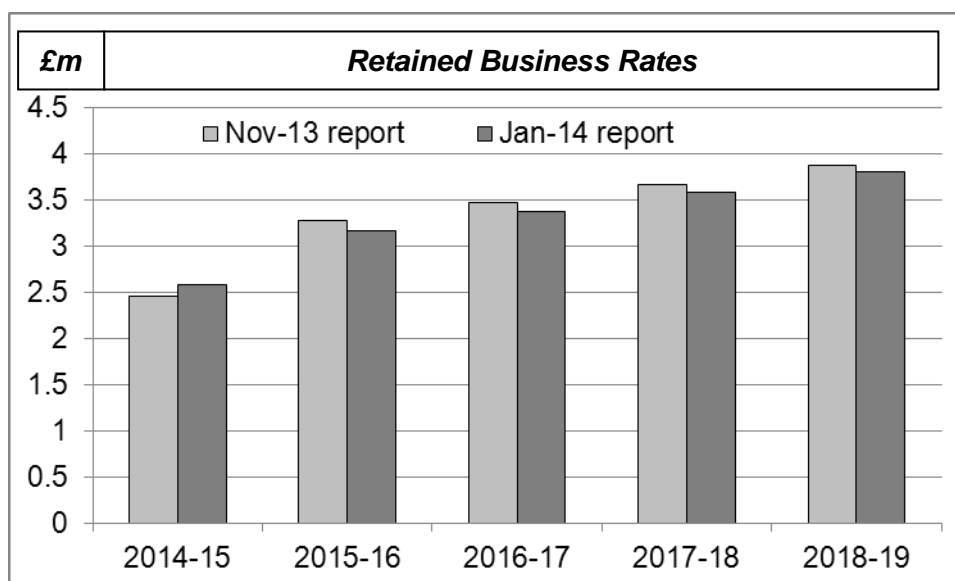
18. Indicative draft MTFS forecasts are provided for information at **Appendices C1 and C2**. These mirror the forecasts presented to Cabinet in November 2013:
 - (a) Appendix C1 has been prepared on the basis of a 3.5% increase in council tax, in line with the forecast approved by Council in February 2013;
 - (b) Appendix C2 models the impact of no increase in council tax for 2014-15, together with the new council tax freeze grant announced by the Government in June 2013.
19. General provisions for inflation of 2.4% in 2014-15, 2.1% in 2015-16 and 2.0% thereafter, in line with the OBR's forecast, have been used in compiling the MTFS.
20. Revenue Support Grant (RSG) in 2014-15 will be £2.555m, which is £49k more than the figure of £2.506m included in the MTFS presented to Cabinet in November 2013. The provisional settlement for 2015-16 is that RSG will fall to £1.707m, a reduction of £848k (33%) and £59k lower than November 2013's MTFS figure of £1.766m. From 2016-17 on, the draft MTFS models RSG decreasing to zero over the next four years, i.e. by approximately £427k each year. These comparisons are set out in the table below and shown diagrammatically in the chart on the next page:

<i>Revenue Support Grant</i>	Reported in November 2013	Per this report	Variance
2014-15	£2.506m	£2.555m	+ £49k
2015-16	£1.766m	£1.707m	– £59k
Increase / (Reduction)		(£848k) (33%)	



21. Retained Business Rates (RBR) for 2014-15 are estimated to be £2.576m, which is £120k more than the figure of £2.456m included in the MTFS presented to Cabinet in November 2013. For 2015-16, it is estimated that RBR will increase to £3.167m, £116k lower than November 2013's MTFS figure of £3.283m. From 2016-17 on, the draft MTFS models RBR increasing by approximately 6% each year. These comparisons are set out in the table and chart below:

Retained Business Rates	Reported in November 2013	Per this report	Variance
2014-15	£2.456m	£2.576m	+ £120k
2015-16	£3.283m	£3.167m	– £116k
Increase / (Reduction)		£591k 23%	



22. The draft MTFS forecasts indicate that savings in the region of £300 to £545k need to be found in 2014-15 and additional savings of £840k need to be found in 2015-16 to

ensure that the General Fund reserve balance is maintained at the minimum approved level of £2.5m by the end of March 2019.

Options

23. Members are invited to note the draft revenue and capital estimates and on the draft revised MTFS.

Implications

24. 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

25. The financial implications resulting from this report are set out in paragraphs 6 to 22 above.

Legal

26. There are no direct legal implications resulting from this report. The pressure to reduce budgets and the continuation of a poor financial settlement could adversely affect the provision of statutory services.

Staffing

27. The restructurings and additions/reductions in staffing levels have been incorporated in the estimates. There are no additional staffing implications resulting directly from this report. Business Improvement and Efficiency Programme (BIEP) projects may have staffing implications

Risk Management

28. Risks and control measures concerning financial projections in the MTFS are included in the Council's Strategic Risk Register. The estimates and recharges need to be endorsed so that they can be presented to Cabinet and confirmed by Council in February 2014.

Equality and Diversity

29. There are no direct equality and diversity implications resulting from this report.

Climate Change

30. There are no direct climate change implications resulting from this report.

Consultation responses (including from the Youth Council)

31. The Council's proposed Aims and Objectives for 2014-15 are currently out for public consultation until 1 February 2014.
32. The relevant cost centre managers, who are responsible for setting the level of their respective budgets and controlling the expenditure within them, have been consulted extensively in the preparation of the draft estimates figures.

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

33. The endorsement of the draft estimates and MTFS will enable the Council to maintain financial resilience while channelling its resources to create opportunities for investment, sustainable borrowing and economic growth.

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

Estimates files in the Finance, Policy & Performance team

Draft Estimates Book

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