


Agenda Item No:	5	
Committee:	Overview and Scrutiny Panel	
Date:	15 January 2018	
Report Title:	Interim Medium Term Financial Strategy and General Fund Budget 2018/19	

Cover sheet:

1 Purpose / Summary

To consider and make any appropriate recommendations to Cabinet on:-

- the Interim Medium Term Financial Strategy, Interim General Fund Budget 2018/19 and Interim Capital Programme 2018-2021 for consultation.


2 Key issues

- The interim budget proposals for 2018/19 as approved for consultation by Cabinet on 14 December 2017 are detailed in the attached report.
- Since then, the Provisional Local Government Finance Settlement for 2018/19 has been announced (on 19 December 2017) and as expected reduces the Council's Core Funding (Revenue Support Grant and Business Rates) by 8.6% (£377k) for 2018/19. In addition, following the revaluation in April 2017, further minor adjustments to the Council's contribution to the national business rates pool has resulted in a reduction in resources of £10k.
- Further reductions were provisionally announced for 2019/20 (in line with indicative figures included in the attached report and confirming that Revenue Support Grant will reduce to zero).
- The Provisional Financial Settlement also announced that reforms to the Business Rates Retention system will now be implemented from 2020/21 with a move to local government as a whole retaining 75% of business rates rather than the previous announcements of 100% retention. At the same time, the government will implement the outcome of the 'Fair Funding Review' following a consultation on a new funding distribution methodology.
- **Consequently, until more details for future years (2020/21 onwards) have been received and the reforms to the Business Rates Retention system and Fair Funding Review implemented, the figures for those years detailed in this report should be treated with caution.**
- The Cambridgeshire Combined Authority bid (which this Council was part of) to become a 100% Business Rates Retention Pilot for 2018/19 was unsuccessful. There will be an opportunity to bid again for a pilot scheme in 2019/20.
- The other major announcement from the provisional settlement affecting this Council was the raising of the referendum threshold for Council Tax increases from 2% to 3% for 2018/19.
- There has also been a separate announcement that Planning Fees will increase by 20% with effect from 17 January 2018 (there has been no increase in these fees since November 2012). Further details are contained in the Review of Fees and Charges report at a separate agenda item.

3 Recommendations

- It is recommended that Members consider and make any appropriate recommendations to Cabinet on:-
 - (i) the interim budget proposals for 2018/19 outlined in this report;
 - (ii) the updated capital programme.

Wards Affected	All
Portfolio Holder(s)	Cllr John Clark, Leader Cllr Chris Seaton, Portfolio Holder, Finance
Report Originator(s)	Brendan Arnold, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Paul Medd, Chief Executive Brendan Arnold, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	Provisional Finance settlement – Department for Communities and Local Government (DCLG). Budget Statement 2017 (HM Treasury) Medium Term Financial Forecasts working papers. Government announcements since February 2017.

Agenda Item No:	6	
Committee:	Cabinet	
Date:	14 December 2017	
Report Title:	Interim Medium Term Financial Strategy and General Fund Budget 2018/19	

Cover sheet:

1 Purpose / Summary

To consider and approve:

- the interim Medium Term Financial Strategy, General Fund Budget 2018/19 and Capital Programme 2018-21 for consultation;
- the revised General Fund Budget and Capital Programme for 2017/18.

2 Key issues

- Core Funding (Revenue Support Grant and Business Rates) in 2018/19 is expected to reduce by 8.6%, continuing the policy of austerity adopted by government as part of the 4 year financial settlement adopted in 2016. Further reductions are forecast for 2019/20. **Consequently, until the details of the Finance Settlement have been received (due in Mid-December 2017), the figures detailed in this report should be treated with caution.**
- It is proposed that Council Tax will increase by 1.98% in 2018/19 and over the medium term.
- Referendum limits have yet to be formally announced. We are expecting this to be the same as 2017/18 which was set at 2%.
- As detailed above, the Finance Settlement for 2018/19 has yet to be confirmed. Accordingly and because a number of budget variables cannot yet be finalised, an estimated shortfall in 2018/19 of £119k has been identified. For the reasons stated above and detailed in this report, this is an interim figure.
- No allowance has yet been made for any potential benefit from the Combined Authority's bid to become a pilot for 100% Business Rates Retention in 2018/19 (for one year only). The outcome of the bidding process will be announced as part of the Finance Settlement in December 2017.
- Revised estimates for 2017/18 are presently projecting a break-even position at the end of the financial year.
- An updated Capital Programme for 2017/18 and for the medium term 2018-21 is proposed.
- The Fenland Comprehensive Spending Review is ongoing and will help identify and deliver projects to meet the savings challenge over the period of the Medium Term Financial Strategy.
- Given the scale of the challenges faced by the Council, the financial forecasts represent a considerable achievement and demonstrates the focus from Members and Officers throughout the Council in delivering the required savings.

- The Council continues to focus on delivering quality services and to minimise the impact on front-line services.
- The Budget Statement was announced on 22 November 2017 and we expect the Local Government Finance Settlement for 2018/19 to be announced anytime up to the date of this meeting.

3 Recommendations

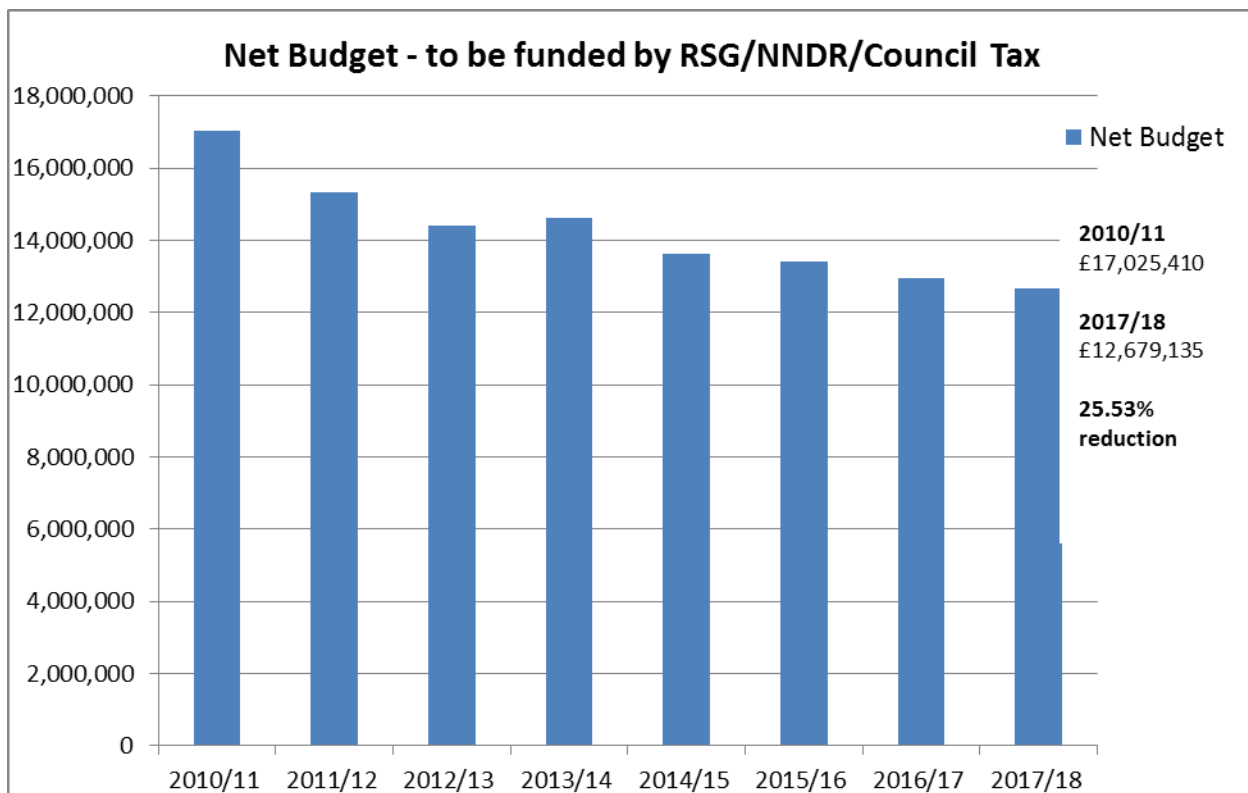
- It is recommended that :-
 - (i) the interim budget proposals for 2018/19 outlined in this report be approved for consultation;
 - (ii) the revised estimates for 2017/18 be approved;
 - (iii) the revised capital programme be approved.

Wards Affected	All
Portfolio Holder(s)	Cllr John Clark, Leader Cllr Chris Seaton, Portfolio Holder, Finance
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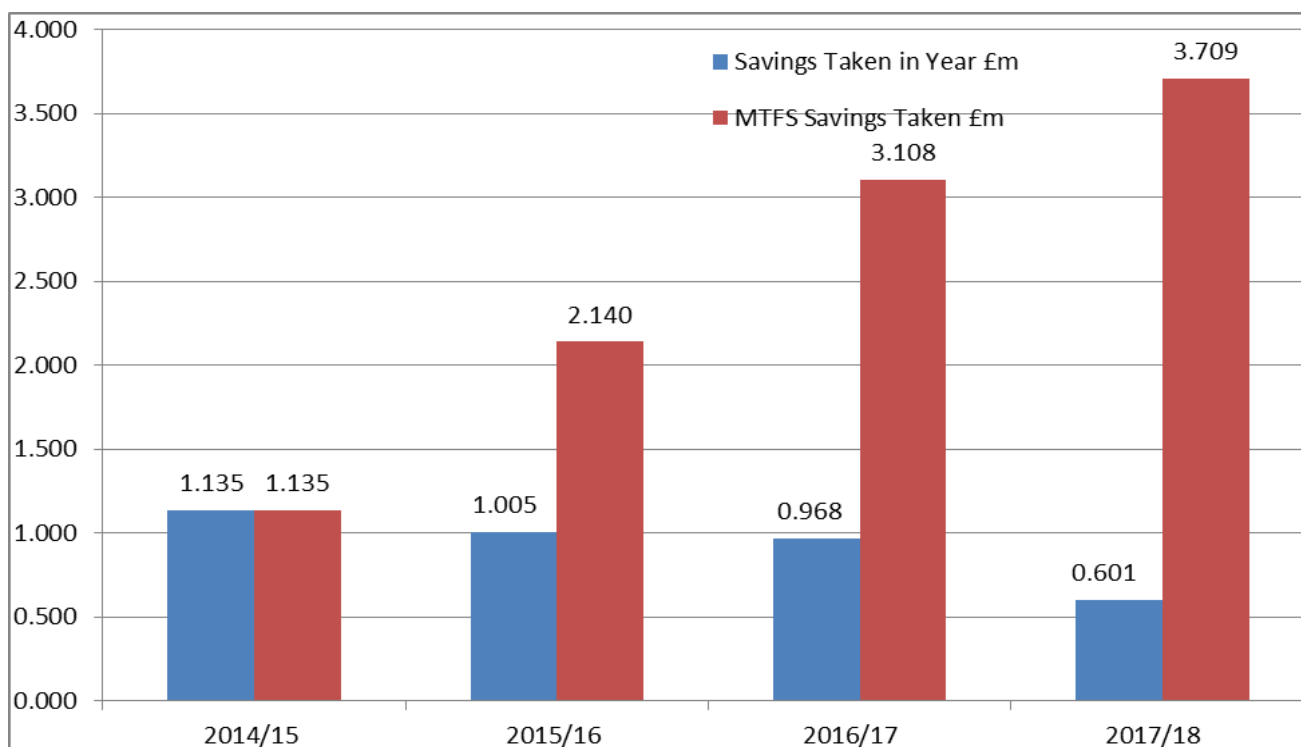
Report:

4 Introduction

- 4.1 This report sets out the financial implications of the council's priorities described in the draft Business Plan 2018/19. Revenue estimates are draft at this stage and along with the draft Business Plan will be subject to public and stakeholder consultation prior to final budget and council tax levels for 2018/19 being set in February 2018.
- 4.2 Much of the financial information provided is necessarily based on a number of assumptions which are wholly or partly influenced by external factors. Some of these factors, such as the final level of external grant support, the impact of the potential 100% business rates Pilot and the level of Government set fees, will not be known until later in the process and any amendments will be reported to Cabinet and Council at the February 2018 budget meeting.
- 4.3 Local Government has been at the forefront of the austerity measures introduced by the government following the General Election in 2010, to reduce the national deficit. This Council has seen significant reductions in its Net Budget since 2010 and by the end of 2017/18 this will have reduced by 25.53%. This is exemplified in the graph below:



The following graph illustrates how successful the Council has been in delivering savings over the last 5 years, which has enabled the Council to achieve a balanced budget.



During these years, Members have been very clear, that where possible, front line services should be protected. The Council's strategy of identifying savings 12 months in advance of the financial year has led to the successful delivery of the required savings targets and means the Council are in a good position to meet the challenges of 2018/19 and beyond. These savings have been achieved through a number of ways, such as Management and Service reviews, shared services, procurement and income generation.

5 Projected Outturn 2017/18

- 5.1 As part of the budget setting process for 2017/18, approved by Council on 23 February 2017, £0.601m of savings were required in order to achieve a balanced budget.
- 5.2 As reported during the course of this year, the required savings for 2017/18 have been identified and implemented.
- 5.3 Organisational efficiency changes (eg. Customer Access), Shared Service arrangements (Planning, Payroll and Internal Audit arrangements), additional income (higher retained business rates and higher surplus on Council Tax collection fund) together with the successful implementation of the Garden Waste subscription service have enabled the savings target to be met for this year with significant contributions towards the savings target for 2017/18.
- 5.4 Given the size of savings required, this is a considerable achievement and demonstrates the focus from Cabinet and Officers in delivering a balanced budget. The savings identified to date have not significantly affected front-line services as the Council is determined to maintain the quality of these services during these difficult and challenging times.
- 5.5 The latest revised estimates for 2017/18 are set out at Appendix A for approval. The current estimate for net expenditure is £12.679m, the same as originally estimated, which means a breakeven position is forecast by the end of the year. Additional income from the Garden Waste subscription service and Leisure Centres has been off-set by additional NNDR costs following revaluation, an increase in the bad debts provision relating to overpaid Housing Benefit and additional ICT software costs.

- 5.6 At the present time, Corporate Management Team, Senior Managers and the Accountancy Team are managing and monitoring the position carefully and will continue to review spending levels to ensure where possible, this position is maintained at the year end.

Pilots' National Pension Fund (PNPF)

- 5.7 Members will be aware of the Council's current and potential future liability to The Pilots' National Pension Fund. The latest estimate of the amount due to the PNPF is around £2m. This figure is currently being finalised by the PNPF and we are expecting a definitive figure in the next few weeks.
- 5.8 Officers are currently in discussion with DCLG regarding a potential 'capitalisation directive' which would effectively allow the Council to borrow to fund the lump sum due. Borrowing to fund revenue expenditure is not normally allowed, however, in exceptional circumstances, where the expenditure would put the authority in significant financial difficulties, DCLG in conjunction with HM Treasury can give approval.
- 5.9 If a 'capitalisation directive' is not forthcoming, the Council will need to fund the amount due from the Pilots' National Pension Fund reserve. If the reserve is required to pay the estimated £2m due, there will be a balance of £350k left in the reserve which can be used to support the Medium Term Financial Strategy (MTFS) as required.
- 5.10 The Council is currently paying around £90,000 per annum to the PNPF as its' deficit contribution and as this amount would not be required in future years, it would be available to fund any borrowing resulting from a 'capitalisation directive' if approved or to support the MTFS as required.
- 5.11 As a result of the above, the General Fund Balance is forecast to remain at £2.422m at the end of 2017/18.

6 Budget Statement 2017

- 6.1 The Budget Statement on 22 November 2017 contained little which has a direct impact on this Council over the medium term. Councils are to be given the power to charge a 100% council tax premium on long-term empty properties (currently 50% premium which this Council applies), which if applied would raise around £13k per annum. This becomes effective from April 2019. In addition, business rates are to rise by the CPI measure of inflation, not the higher RPI. This will reduce the amount of business rates income retained by the Council, although the government has stated that local authorities would be fully compensated for the business rate changes announced.
- 6.2 There were no announcements on the proposed 100% Business Rates Retention system or the Fair Funding Review which are supposed to be in operation for the 2019/20 financial year.
- 6.3 Any adjustments to the business rates retention system and any further reform to the New Homes Bonus for 2018/19 will be made at the time of the Provisional Local Government Finance Settlement.

7 Fenland Comprehensive Spending Review

7.1 The total estimated savings generated from these proposals is £1.671m with £1m being achieved by the end of 2017/18. During the past two years, Members have received detailed business cases on several proposals which have either been complete or are progressing. These include the following:

- Community House external funding
- Ceasing YDC
- Garden Waste charging
- Leisure Centre management options
- Contact Centre review
- Internal Audit Partnership
- New Horizons Bus
- Local Council Tax Support Grant to Parish Councils withdrawn

7.2 The savings generated from these and other CSR proposals are included within the Medium Term Forecasts detailed at Appendix B and have significantly contributed to the required savings target over the medium term.

8 Local Government Finance Settlement

8.1 The Provisional Finance Settlement for 2018/19 is expected any time up to the date of this meeting. Consequently, the figures included in this report are estimates based on the overall funding position for local government over the period to 2022/23. It is therefore, inevitable that the actual figures to be announced in the settlement will be different from those detailed in this report.

8.2 As a result, updated estimates will be provided to members at this meeting if the settlement figures are received in time.

8.3 The estimated Settlement Funding Assessment for 2018/19 included in the draft budget is detailed below. This is consistent with the Council accepting the multi-year settlement offered last year with the business rates adjusted for CPI inflation rather than RPI.

Table 1 – Settlement Funding Assessment (Core Funding) – Estimate prior to provisional settlement

	Actual 2017/18 £000	Estimate 2018/19 £000	2018/19 % Reduction
Revenue Support Grant (RSG)	925	444	
Business Rates Baseline Funding	3,457	3,561	
Settlement Funding Assessment	4,382	4,005	-8.6%

8.4 The multi-year settlement announced last year, will result in RSG disappearing by 2019/20 with the Business Rates Baseline Funding increasing by CPI inflation. The Medium Term Forecasts detailed in Appendix B exemplify this position by reducing the overall Settlement Funding Assessment by 8.6% in 2018/19, 11.2% in 2019/20, with an inflationary increase of 2% in 2020/21 onwards.

- 8.5 This phasing out of RSG could be partly compensated by the expectation that local authorities will keep 100% of business rates income from 2019/20 (currently 50% - Fenland 40%, County Council 9% and Fire Authority 1%). However, this has not been modelled in the medium term forecasts, as there is no guarantee that additional resources will be forthcoming to District Councils from whatever distribution mechanism will be in place for business rates.

9 New Homes Bonus

- 9.1 In 2017/18, reforms to the allocation methodology of the New Homes Bonus were made which significantly reduced the total amount available for distribution which consequently reduced this Council's allocation.
- 9.2 The reforms key focus was to reduce the payments from 6 years to 5 years in 2017/18 and to 4 years from 2018/19. In addition, from 2017/18, a national baseline for housing growth of 0.4% was introduced, below which New Homes Bonus will not be paid, reflecting a percentage of housing that would have been built anyway.
- 9.3 There may be further changes to the allocation methodology in 2018/19 and future years as the government retains the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth. The government has also consulted on further changes, including the possibility of reducing New Home Bonus for housing granted on appeal.
- 9.4 Actual NHB received in 2017/18 was £1.649m and based on the current system, £1.396m has been included in the 2018/19 estimates.
- 9.5 Provisional New Homes Bonus allocations for 2018/19 will be announced as part of the Finance Settlement in December 2017. The allocations may change if any further reforms are implemented.

10 Business Rates

- 10.1 Members will be aware that the Business Rates Retention system was introduced in April 2013. Under this system, authorities would benefit if their actual Business Rates income collected in a year was higher than the baseline funding determined by government.
- 10.2 There has been real business rates growth in Fenland over the last three years, however how this impacts on the resources available to this Council is complex, due to the rules surrounding the Business Rates Retention system.
- 10.3 This Council is also part of a pilot scheme agreed between the Treasury and Cambridgeshire and Peterborough Councils, whereby the authorities will keep 100% of business rates generated above forecast levels (currently shared 50/50 with Central Government). This trial began in 2015/16 and the Council received an additional £319k of business rates in that year and a further £584k in 2016/17 as a result of the pilot scheme. For the final year of the trial period and as a result of the revaluation exercise in April 2017, only a nominal amount of £17k is expected in 2017/18.

100% Business Rates Retention Pilot – 2018/19

- 10.4 The Council has joined with the County Council, all other Districts within Cambridgeshire, Peterborough City Council and the Combined Authority to submit a bid to be a pilot in 2018/19 for the 100% Business Rates Retention scheme. This is an initiative by the Department of Communities and Local Government (DCLG) as part of their preparations for the national scheme due to start in 2019/20.

- 10.5 The benefits of being a pilot area is that authorities will keep all business rates income (subject to the usual tariff arrangements which redistributes business rates nationally), and will not be subject to any levy on rates growth above the baseline. However, the authorities will lose all Revenue Support Grant and Rural Services Grant.
- 10.6 Depending on actual business rates received in 2018/19, the net effect of these pilot arrangements could be considerable for all of the Combined Authority area. This Council for example could receive up to £460k extra income, after allocations to the Combined Authority are taken into account. However, this figure is highly speculative at this stage and consequently, no allowance for this has been made in the 2018/19 estimates. It should be emphasised that any benefit from this pilot would be for one year only as the national 100% Business Rates Retention scheme is due to be implemented in 2019/20.
- 10.7 If the Combined Authority is successful with its pilot bid (an announcement will be made with the Provisional Finance Settlement in December 2017), Members will receive a detailed report on the proposals during January 2018 for final agreement before submission by the Combined Authority to DCLG.

100% Business Rates Retention – 2019/20 onwards

- 10.8 It is expected that the 100% Business Rates Retention Scheme will be implemented nationally from April 2019. However, little progress has been made during 2017 due to the general election in May 2017.
- 10.9 The content and character of any new system and its effect on Fenland District Council are unknown at this stage and therefore no adjustments have been made to the business rates funding within the MTFS. Nationally, the implementation of this scheme will be fiscally neutral.
- 10.10 At the time of writing, the introduction of 100% Business Rates Retention and the reforms to the New Homes Bonus are the major risk areas for this Council over the medium term.

11 Draft Budget 2018/19 and Medium Term Strategy

- 11.1 The Council's Medium Term Financial Strategy (MTFS) ensures that the commitments made in the Business Plan are funded not only in the year for which the formal approval of the budget is required (2018/19) but for forecast years as well, within a reasonable level of tolerance.
- 11.2 The Council's Medium Term forecasts are shown at Appendix B and summarised in Table 2 below. The table also exemplifies the impact of an indicative 1.98% Council Tax increase per annum from 2018/19.

Table 2 - Medium Term Forecast - 1.98% CT increase in 2018/19 onwards

	Estimate 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000
Council Tax-base	28,979	29,279	29,579	29,879	30,179
Assumed Council Tax increase	1.98%	1.98%	1.98%	1.98%	1.98%
Resources (Income)					
Revenue Support Grant	444	0	0	0	0
Business Rates Baseline	3,561	3,556	3,627	3,700	3,774
	4,005	3,556	3,627	3,700	3,774
Business Rates – income above baseline (government grants for reimbursement of reliefs, growth less levy payment)	949	1,067	1,088	1,109	1,132
Council Tax	7,548	7,778	8,013	8,255	8,502
CT Collection Fund surplus	110	75	75	75	75
Total Resources	12,612	12,476	12,803	13,139	13,483
Forecast Net Expenditure	12,801	13,144	13,621	13,797	14,126
Contingency Items	220	340	535	655	775
<i>Savings identified but not yet implemented:</i>					
Savings identified 2018/19	-290	-290	-290	-290	-290
Savings identified 2019/20		-341	-341	-341	-341
Savings identified 2020/21			-40	-40	-40
Forecast Expenditure after contingency/savings	12,731	12,853	13,485	13,781	14,230
Funding Gap	119	377	682	642	747
<i>Contribution from Reserves</i>	-119				
Funding Gap – after use of reserves	0	377	682	642	747
Forecast General Fund Balance	2,422	2,422	2,422	2,422	2,422

- 11.3 Government grant figures for 2018/19 will be announced as part of the finance settlement in the next couple of weeks. Figures for 2019/20 - 2022/23 are still the subject of speculation but are consistent with the multi-year settlement figures announced last year and also with the announcements on business rates in the Autumn Budget Statement 2017.

- 11.4 This will mean that in 2019/20, the Council will no longer receive any Revenue Support Grant. In order for Councils to continue to contribute to the financial austerity measures of Central Government, it has been proposed that an additional tariff adjustment is applied to councils who no longer receive Revenue Support Grant. This could be around £94,000 for Fenland in 2019/20 and is included in the overall business rates income for that year. However, this could change pending the detailed implementation of the 100% Business Rates Retention scheme.
- 11.5 The level of net expenditure for 2018/19 is currently estimated to be £12.611 million after all identified savings and contingencies are included. This includes the assumptions detailed at Appendix C.
- 11.6 The forecasts include all proposed savings from the FDC-CSR process over the next three years together with assumptions regarding additional receipts from Council Tax and Business Rates.

Contingencies

- 11.7 Contingencies have been included to allow for pay awards (an additional 1% p.a. from 2018/19 at a cumulative cost of £120k p.a.); funding of future high priority capital schemes (£100k p.a. from 2018/19) and for the impact on future Employer Pension Costs resulting from the externalisation of the Leisure Centres Management (£75k p.a. from 2020/21).
- 11.8 The total contingency included in the Medium Term Strategy for the above items is £220k in 2018/19, rising to £775k in 2022/23.
- 11.9 This results in a current estimated funding gap of £119k in 2018/19. As detailed in Section 5 above, there is expected to be a balance on the PMPF reserve following settlement of the liability of at least £350k. For the purpose of this report and to produce a balanced budget for 2018/19, it is proposed that £119k of this balance is used to fund the shortfall. As previously discussed, this current estimate of the funding gap for 2018/19 is an interim figure and will change as further information is received.
- 11.10 The forecasts are based on a proposed 1.98% Council Tax increase in 2018/19 and over the medium term. A Council Tax freeze in 2018/19 would increase the savings required by an additional £779,000 by 2022/23.
- 11.11 Taking into account the proposals in the above tables, the estimated level of expenditure in 2018/19 is detailed in Appendix A. The level of forecast resources available to the Council and the estimated levels of expenditure over the medium term are set out in detail in Appendix B.
- 11.12 The forecasts for the years 2019/20 – 2022/23 are uncertain at this stage and should be treated with extreme caution. The Provisional Finance Settlement announcements regarding government funding will be made imminently and therefore, the figures could be better or worse than forecast. Future announcements and consultation outcomes will also determine government funding for these years. In addition, the forecasts are dependent on achieving the savings identified through the Fenland CSR process.**
- 11.13 In addition, there are a number of options currently being investigated by Officers which could help mitigate the projected shortfalls over the medium term. These include prepayment of pension contributions; review of earmarked reserves; review of Single Persons Discount and Business Rates to ensure Council Tax and Business Rates income is maximised; capitalisation of the PMPF liability and the associated annual deficit payment and use of the balance on the PMPF reserve.

Risk Assessment

11.14 There is an element of risk inherent in any process that looks into the future to make forecasts, particularly in the current economic climate. The Council has a strong track record in good financial management as recognised in the recent Annual Audit Letter. This risk is further minimised by adopting the following methodology when preparing the draft estimates:-

- Service managers and the Accountancy Team working together to define likely service income/expenditure patterns matched with service delivery plans
- Maintaining “earmarked” reserves for potentially unbudgeted expenditure,
- Adopting clear guidelines and control systems (revenue monitoring procedures, Financial Regulations etc.) to alert service managers, and members should variances become significant,
- Using professional and expert advice and economic forecasts where these are available, e.g. treasury management, interest rates,
- Maintaining a rolling review of forecast estimates beyond the current year.

Council Tax Referendum

11.15 As part of the forthcoming 2018/19 Local Government Finance Settlement announcement in December 2017, the government will again propose that local authorities will be required to seek the approval of their local electorate in a referendum if they set council tax increases in 2018/19 that exceed the government set limit. This limit was set at 2% for 2017/18 and for the purposes of this report, the same 2% limit has been assumed for 2018/19.

11.16 Members will receive an update on the referendum limits and their impact on the forecasts contained in this report at the meeting, following the finance settlement announcement.

12 Capital Programme

12.1 Capital Expenditure and Income plans have been prepared through the Council’s service and financial planning cycle. The Council’s capital resources are dependent on government funding, external grants or through the ongoing disposal of assets.

12.2 A fully updated Capital Programme for 2018-21 is presented at Appendix C for approval. The only changes from the programme presented to Cabinet on 14 September 2017 are minor re-profiling of expenditure and income between years. The overall position remains the same. The updated current programme is fully funded subject to the realisation of £1.183m of capital receipts by 2020/21.

12.3 No further new schemes have been included in the programme, however there are a number of high priority projects currently being assessed by Officers which will result in new schemes being put forward for member's consideration between now and the final budget report in February 2018. These include maintenance and improvement of assets (mini-factories, car parks, industrial estates, open spaces, leisure centres) as detailed in the Asset Management Plan 2017-20 presented to Council on 15 December 2016.

12.4 Should resources from external funding and/or capital receipts not generate the level of receipts forecast, or there is a delay in disposal of assets, then the capital programme will need re-visiting to ensure funding is sufficient to meet proposed expenditure. Reviews of the programme and resources available are carried out regularly during the year.

12.5 Alternative methods of funding the capital programme, such as prudential borrowing, will require consideration. These methods, however, will incur additional annual revenue costs on the Council which will need consideration in the context of the Council's forecast financial position. For the purposes of this report, it is considered prudent for a contingency sum of £100k p.a. from 2018/19 to be included in the MTF5 as the revenue impact of funding any additional capital schemes.

13 Review of General Fund Balance and Specific Reserves

13.1 An important part of any budget strategy is the review and consideration of reserves. The strategy applies a robust but prudent use of these balances to cushion the impact of the economic climate, but maintaining the minimum level of reserves for the Council over the medium term.

13.2 The current strategy is not to use the general fund balance to fund the projected deficits in future years from 2018/19 onwards. This will ensure the balance is kept above the target minimum level of £2m.

13.3 Sufficient levels of reserves are necessary to provide for various and unplanned for contingencies that may include:-

- significant increased costs of providing statutory services
- significant increased contractual costs
- an unexpected and/or significant event or disaster, e.g. civil emergency
- the need to make significant payments in relation to prior year adjustments under the direction of the external auditor

14 Fees and Charges

14.1 The Overview and Scrutiny Panel will consider all fees and charges at their meeting on 15 January 2018 and recommend levels to Cabinet at their meeting on 18 January 2018.

FENLAND DISTRICT COUNCIL

Summary of Draft Revenue Estimates

	Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Interim Estimate 2018/19 £
Service Summary			
Growth & Infrastructure	1,230,795	1,295,235	1,354,535
Housing, Environment, Leisure & Community	4,256,287	4,019,700	4,213,670
Planning, Resources & Customer Services	5,631,620	5,865,275	5,985,770
Policy & Governance	1,648,040	1,884,010	1,728,740
Capital Charges	2,475,000	2,475,000	2,475,000
NET COST OF GENERAL FUND SERVICES	15,241,742	15,539,220	15,757,715
Corporate Items			
Contributions to/ (from) Earmarked Reserves	664,383	414,730	24,340
RTB/VAT Sharing Income	-130,000	-160,000	-60,000
Capital Charges Reversal	-1,365,770	-1,405,432	-1,416,110
Investment Income	-140,000	-110,000	-140,000
New Homes Bonus	-1,649,140	-1,649,138	-1,396,000
New Homes Bonus Adjustment	0	-8,175	0
Transition Grant	-1,580	-1,580	0
Council tax Support - <i>Payments to Parish Councils</i>	59,500	59,510	30,000
Corporate Adjustments	-2,562,607	-2,860,085	-2,957,770
Net Expenditure before savings	12,679,135	12,679,135	12,799,945
Contingency Items - Pay Award etc			220,000
<i>Savings identified not yet implemented</i>			-290,000
NET EXPENDITURE - after savings	12,679,135	12,679,135	12,729,945
Contribution from balance on Pilots' National Pension Fund Reserve	0	0	-119,000
NET EXPENDITURE after use of balances/reserves	12,679,135	12,679,135	12,610,945
Core Government Funding			
Revenue Support Grant	-924,958	-924,958	-443,802
Business Rates Baseline Funding	-3,457,064	-3,457,064	-3,560,780
Business Rates - income above baseline (government grants for reimbursement of reliefs, growth less levy payment)	-1,003,963	-1,003,963	-948,903
Council Tax Collection Fund Surplus(-)	-140,900	-140,900	-109,590
Business Rates Collection Fund Deficit(+)	101,052	101,052	0
COUNCIL TAX REQUIREMENT	7,253,302	7,253,302	7,547,870
Forecast General Fund Balance - 31st March Balance 1st April 2017	2,421,631 2,421,631	2,421,631	2,421,631

DRAFT MEDIUM TERM FINANCIAL FORECAST

RESOURCES STATEMENT	Approved Estimate 2017/18 £000	Projected Outturn 2017/18 £000	Forecast Estimate 2018/19 £000	Subject to 100% BRR			
				Forecast Estimate 2019/20 £000	Forecast Estimate 2020/21 £000	Forecast Estimate 2021/22 £000	Forecast Estimate 2022/23 £000
A Resources							
(i) Central Government							
Revenue Support Grant	925	925	444	0	0	0	0
Business Rates Baseline Funding	3,457	3,457	3,561	3,556	3,627	3,700	3,774
	4,382	4,382	4,005	3,556	3,627	3,700	3,774
			-9%	-11%	2%	2%	2%
(ii) Council Tax							
Council Tax Payers	7,253	7,253	7,548	7,778	8,013	8,255	8,502
Collection Fund Surplus	141	141	110	75	75	75	75
(iii) Business Rates							
Retained income above baseline	1,004	1,004	949	1,067	1,088	1,109	1,132
Collection Fund Deficit(-)	-101	-101	0	0	0	0	0
Use of Balances							
(iv) General Fund	0	0	0	0	0	0	0
Total Use of Resources	12,679	12,679	12,612	12,476	12,803	13,139	13,483
B Spending Levels							
(i) Budget	14,328	14,336	14,197	14,493	14,791	15,047	15,326
Contingency Items	0	0	220	340	535	655	775
New Homes Bonus	-1,649	-1,657	-1,396	-1,349	-1,170	-1,250	-1,200
Savings Identified 2018/19			-290	-290	-290	-290	-290
Savings Identified 2019/20				-341	-341	-341	-341
Savings Identified 2020/21					-40	-40	-40
Budget after efficiency savings	12,679	12,679	12,731	12,853	13,485	13,781	14,230
Funding Gap	0	0	119	377	682	642	747
Contribution from balance on PNPf reserve			-119				
Funding Gap - after use reserves		0	0	377	682	642	747
C Council Tax Increase			1.98%	1.98%	1.98%	1.98%	1.98%
D Forecast Balances							
(i) General Fund	2,422	2,422	2,422	2,422	2,422	2,422	2,422

Assumptions

- Council Tax base increase 2018/19 2.05%, 2019/20 onwards 1.00%
- Government Support - 2018/19 - 2019/20 as per multi-year Finance Settlement, resulting in zero RSG in 2019/20.
- No details of the 100% Business Rates Retention system are currently available to enable forecast of impact of this system on the MTFs, so 2020/21 - 2022/23 forecasts based on current Business Rates system.

Assumptions built into Budget and Medium Term Forecasts

Within the forecasts are a number of assumptions which are necessary to produce the overall budget strategy. However, there is an element of risk associated with this process although we aim to mitigate these risks as detailed in paragraph 11.17 of the main report.

The main assumptions are as follows:

- 1.98% Council Tax increase for 2018/19 and thereafter;
- 2.05% increase in Council Tax base in 2018/19 and 1.00% thereafter;
- 1% pay award per annum for 2018/19 and thereafter;
- Allowance for pay increments;
- Implementation of the increase to the National Living Wage from April 2017;
- Forecast increase in Employer's Pension Contributions (as determined by the latest triennial valuation of the Cambridgeshire Pension Fund in 2016). The current years' contribution takes the form of a percentage of pay (17.4%) together with a lump sum payment of £785,000. For 2018/19 and 2019/20, the percentage of pay remains at 17.4% with the lump sum payments increasing to £825,000 and £865,000 respectively. For 2020/21 onwards, following the next triennial valuation, a further 0.2% increase in the percentage paid has been assumed;
- Inclusion of the Apprenticeship Levy from April 2017 at an annual cost of around £33,000;
- Inclusion of a vacancy factor in 2018/19, equivalent to a reduction in staff costs of 0.75% (£94,000 in 2018/19);
- 0% general inflation for the period of the Medium Term Forecasts;
- Specific allowance for inflation for business rates, external contracts, energy and water, drainage board levies;
- Investment interest rates to stay at current rates until second quarter of 2019 when market rates are forecast to begin rising slowly;
- Continuing impact of 2017/18 in year income pressures;
- Assumptions regarding forecast income levels from fees and charges have been included. These are a combination of fee increases (where applicable) and review of activity levels. This is pending the review of fees and charges by Overview & Scrutiny Panel in January 2018;
- Allowance has been made for higher non-collection rates for Council Tax due to the impact of the local Council Tax Support Scheme;
- The New Homes Bonus for 2018/19 onwards has been included as detailed in paragraph 9.4 above;
- Contingencies for an additional 1% pay award for 2018/19 onwards, potential additional employers pension costs associated with leisure outsourcing and revenue funding of future high priority capital schemes are included in the Medium Term forecasts.

CAPITAL PROGRAMME AND FUNDING 2018- 2021

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
CURRENT FORECAST EXPENDITURE	2,362	1,748	1,195	1,195
FORECAST RESOURCES AVAILABLE				
Capital Grants	983	950	950	950
Usable Capital Receipts - In Year	525	368	175	115
Usable Capital Receipts - B/fwd	39	0	0	0
Reserves used in year to fund Capital	719	251	0	0
Section 106's	38	0	0	0
Borrowing - Internal	58	179	70	130
Total Forecast Resources	2,362	1,748	1,195	1,195

CAPITAL PROGRAMME SUMMARY 2018 - 2021

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
Leisure Centres								
1 Energy Plan - RE:FIT	27				27	27		
2 Essential Buildings Safety Improvements	6				6	6		
Regeneration Programmes								
3 Fenland Renaissance and Place Shaping	30				30	30		
4 Heritage Lottery Fund - Match Funding bid	50	100			150	150		
5 Heritage Lottery Fund - 24 High Street, Wisbech	75	74			149	149		
Parks and Open Spaces								
6 Wisbech Park, Bandstand	9				9	0	9	£9k Section 106
Highways								
7 Street Light Improvements - FDC	100				100	100		
8 Street Light Improvements - Parishes (Categories 1 & 2)	12	151			163	163		£163k Capital Reserve
9 Street Light Improvements - Wimblington Road, March	10				10	10		£10k Capital Reserve
10 Street Name Plates/District Facilities Signage	24				24	24		
Port								
11 Mooring & Fuelling Facilities, Sutton Bridge	134				134	134		
Vehicles and Plant								
12 Vehicles	401	276	170	170	1,017	1,017		
ICT System Replacement Programme & Upgrades								
13 Replacement & Upgrade Programme	108	75	75	75	333	324	9	£2k Travellers Sites Reserve
Improvement of Assets								
14 Sewage Treatment Works Refurbishment	18				18	18		
15 Energy Plan - Invest to Save Projects	18				18	18		
Economic Estates								
16 Mini-Factories Refurbishment	40				40	40		
Community Fund								
17 March Athletics Club		8			8	8		
18 Estover Playing Field Sports Provision, March		100			100	100		£100k Management of Change Reserve
Sub -Total	1,062	784	245	245				

CAPITAL PROGRAMME SUMMARY 2018 - 2021

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
B/FWD	1,062	784	245	245				
Rural Community Fund								
19 Coates Athletic Football Club - Changing Facilities		14			14	14		
20 Friday Bridge Play/Skate Park & MUGA	77				77	77		
Community Safety								
21 Wireless CCTV	181				181	181		£181k Management of Change Reserve
22 Wenny Road Chatteris CCTV	29				29		29	£29k Section 106
23 Alarm Receiving Centre	30				30	30		£30k Management of Change Reserve
Private Sector Housing Support								
24 Private Sector Renewal Grants	40	40	40	40	160		160	£160k Govt Grant
25 Disabled Facilities Grants	943	910	910	910	3,673		3,673	£3.673m Govt Grant
Total - Current Approved Programme	2,362	1,748	1,195	1,195	6,500	2,620	3,880	