


Agenda Item No:	8	
Committee:	Cabinet	
Date:	13 December 2018	
Report Title:	Revised General Fund Budget and Capital Programme 2018/19; Draft General Fund Budget Estimates 2019/20 and Draft Medium Term Financial Strategy (MTFS) 2019/20 to 2023/24; Capital Programme 2019 - 2022	

Cover sheet:

1 Purpose / Summary

To consider and approve:

- the revised General Fund Budget and Capital Programme for 2018/19.
- the Draft General Fund Budget Estimates 2019/20 and the Draft Medium Term Financial Strategy 2019/20 to 2023/24 for consultation;
- Capital Programme 2019-2022

2 Key issues

- Core Funding (Revenue Support Grant and Business Rates) in 2019/20 is expected to reduce by 9.1%, continuing the policy of austerity adopted by government as part of the four year financial settlement adopted in 2016/17. **Consequently, until the details of the Finance Settlement have been received (due on 6th December 2018), the figures detailed in this report should be treated as being provisional.**
- In accordance with the current MTFS approved by Council in February 2018 Council Tax is factored to increase by 1.97% in 2019/20 and 1.98% over the medium term.
- Council Tax Referendum limits for 2019/20 have yet to be formally announced. It is expected that they will be the same as for this financial year (2018/19) which was set at an increase of 3% or £5 whichever is the higher.
- Nothing has been included in the 2019/20 budget estimates in relation to the bid by the authorities in the Combined Authority's area to become a pilot for 75% Business Rates Retention Pilot Scheme (for one year only). The outcome of the bidding process will be announced as part of the Finance Settlement in December 2018.
- Revised estimates for 2018/19 are presently projecting an under-spend of £139,000 at the end of the financial year.
- An updated Capital Programme for 2018/19 and for the medium term 2019-22 is proposed.
- The Fenland Comprehensive Spending Review is ongoing to deliver the projects to meet the approved savings over the period of the MTFS to 2019/20
- Given the scale of the challenges and uncertainties faced by the Council, the financial forecasts represent a significant 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.

3 Recommendations

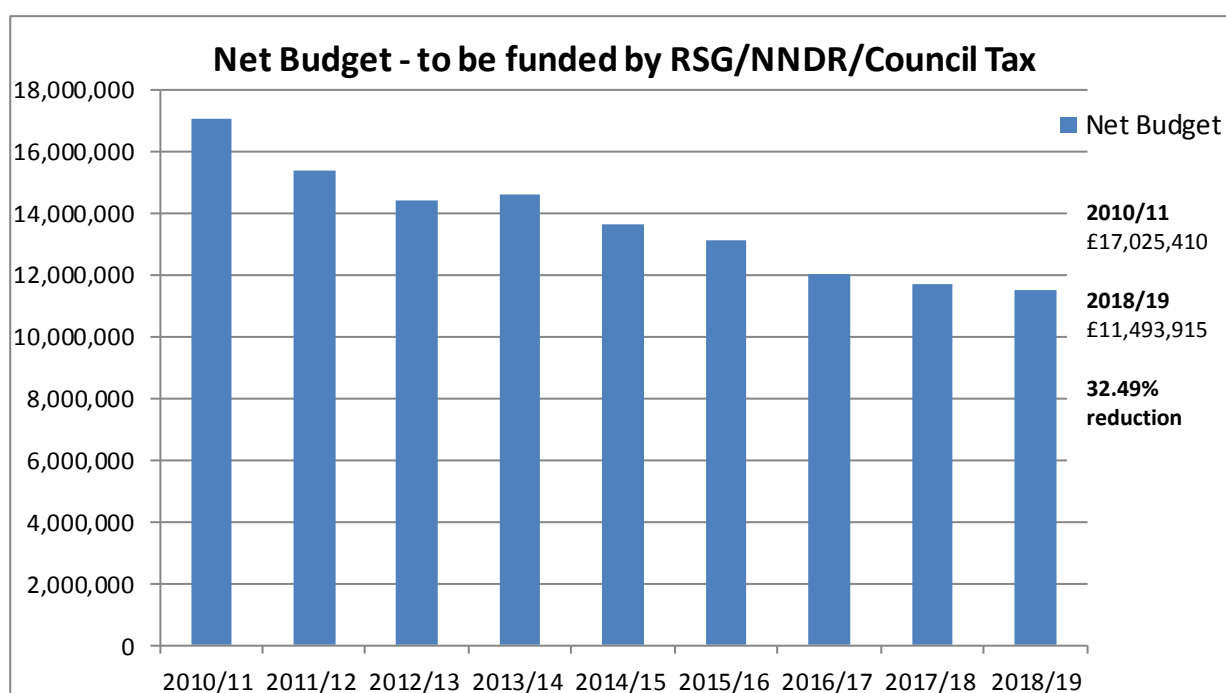
- It is recommended that :-
 - (i) the draft budget proposals for 2019/20 outlined in this report be approved for consultation;
 - (ii) the balance on the Pilots' National Pension Fund as detailed in paragraph 11.4 be transferred to a Local Plan Review Reserve;
 - (iii) the revised General Fund Budget and revised Capital Programme for 2018/19 be approved;
 - (iv) the proposed Capital Programme for 2019-2022 be approved.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Seaton, Leader Cllr Anne Hay, Portfolio Holder, Finance
Report Originator(s)	Kamal Mehta, Interim Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Contact Officer(s)	Paul Medd, Chief Executive Kamal Mehta, Interim Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Background Paper(s)	Provisional Finance settlement – Ministry for Housing, Communities and Local Government (MHCLG). Budget Statement 2018 (HM Treasury) Medium Term Financial Strategy working papers. Government announcements since February 2018.

Report:

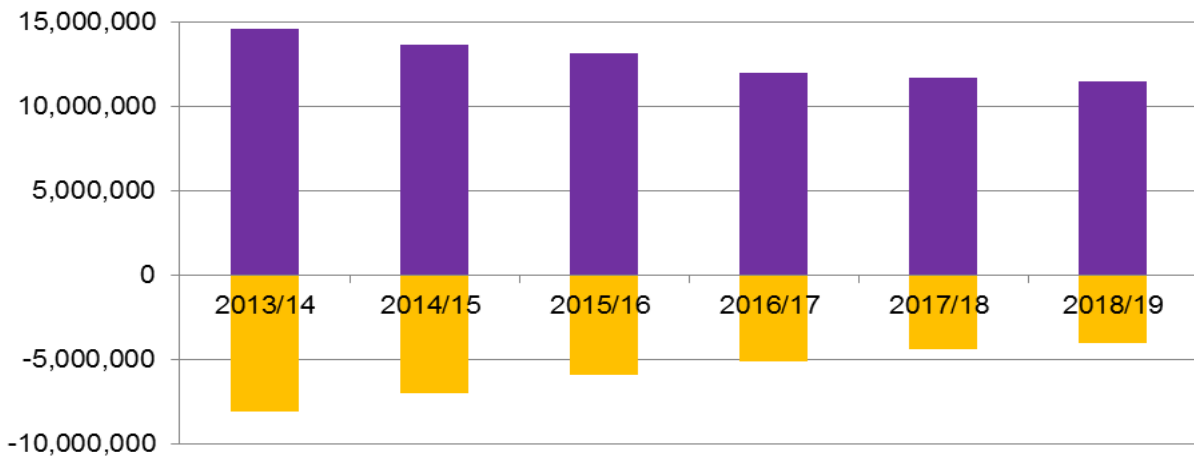
1 INTRODUCTION

- 1.1 This report sets out the financial implications of the council's priorities described in the draft Business Plan 2019/20. Revenue budget 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 setting for 2019/20 in February 2019.
- 1.2 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 75% 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 2019 budget setting meeting.
- 1.3 Local Government has been at the forefront of the austerity measures introduced by the government to reduce the national deficit following the General Election in 2010. This Council has had to reduce its Net Budget significantly since 2010 and by the end of 2018/19 it will have reduced by 32.49%. This is exemplified in the graph below:

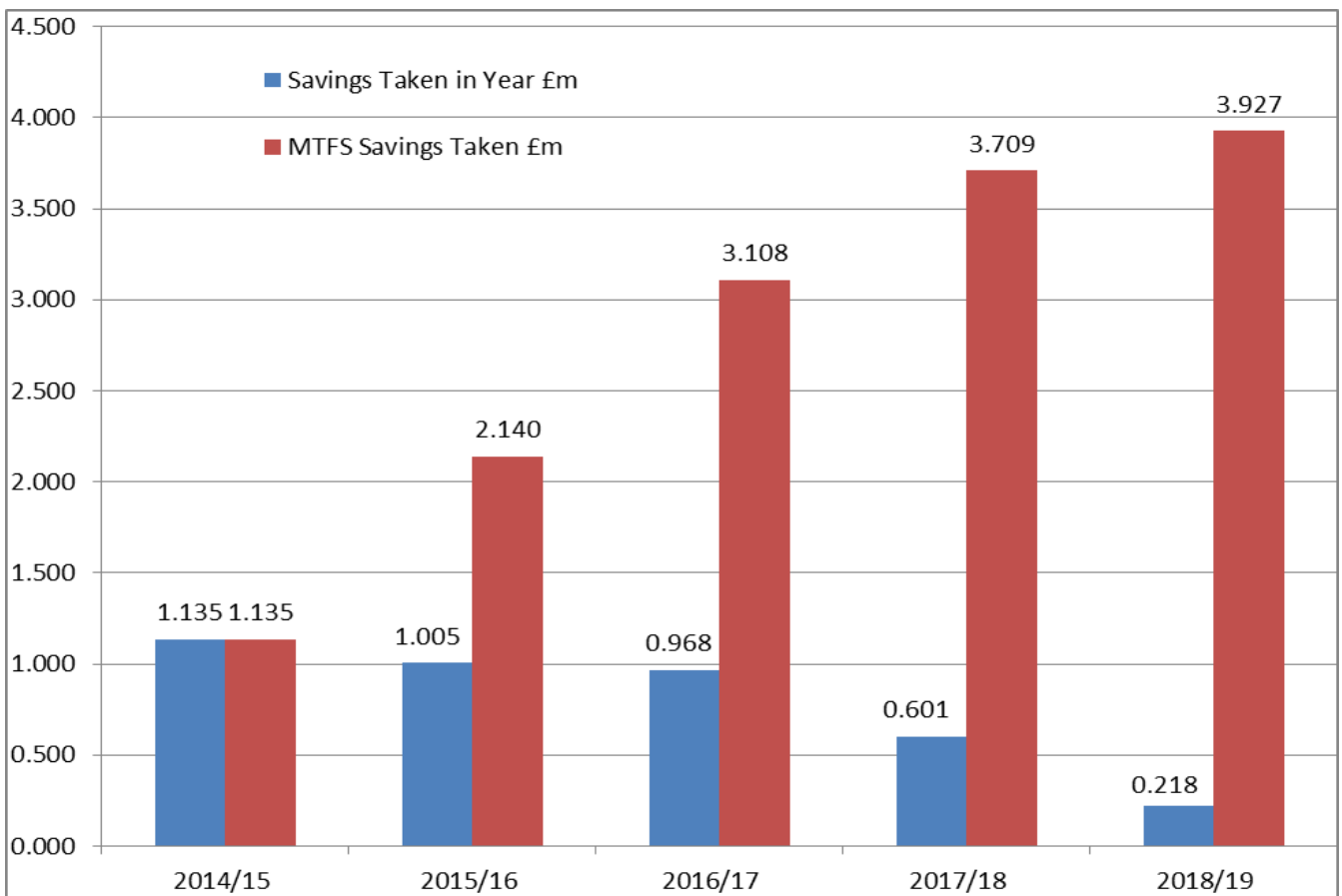


- 1.4 Since 2013/14 government support has reduced by around 50% and the Council's net budget by around 21% as illustrated in the following tables. In addition, Council Tax referendum principles have restricted increases in Council Tax.

	2013/14	2018/19	Reduction	%
Government Grant	£8,094,919	£4,004,727	£4,090,192	50.53
Net Budget	£14,604,750	£11,493,915	£3,110,835	21.30



1.5 The following graph illustrates how successful the Council has been in delivering savings over the last 5 years, enabling it to achieve balanced budgets each year.



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 2019/20 and beyond. These savings have been achieved through a number of ways, such as Management and Service reviews, shared services, procurement and income generation.

2 CHANCELLOR'S BUDGET STATEMENT 2018

- 2.1 The Budget 2018 Statement on 29 October 2018 contained little which has a direct impact on this Council's revenue budget over the medium term. An additional £55 million was allocated for Disabled Facilities Grant to provide home aids and adaptations for disabled children and adults on low income. Details of how much has been allocated to Fenland is awaited. Various reliefs were announced for businesses and business premises with a rateable value below £51,000 will have their business rates bills cut by a third. This will benefit up to 90% of retail properties, for two years from April 2019. The initiative will reduce the amount of business rates income retained by the Council, however the government has stated that local authorities will be fully compensated.
- 2.2 There were no announcements on the proposed 75% Business Rates Retention system or the Fair Funding Review which are supposed to be in operation from 2020/21 financial year.
- 2.3 Any adjustments to the business rates retention system and any further reform to the New Homes Bonus for 2019/20 will be made at the time of the Provisional Local Government Finance Settlement scheduled for 6th December 2018.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 3.1 The Provisional Finance Settlement for 2019/20 is expected to be announced on 6 December 2018 (after this agenda has been despatched). Consequently, the figures included in this report are estimates based on the funding provisionally announced in the Final Settlement for 2018/19 (this financial year). It is therefore, conceivable that the figures announced in the Provisional Settlement are different from those detailed in this report. An update on any changes will be given to members at the meeting.
- 3.2 The estimated Settlement Funding Assessment for 2019/20 included in the draft budget is detailed below. This is consistent with the Council accepting the four year settlement which ends with the 2019/20 Settlement.

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

	Actual 2018/19 £000	Estimate 2019/20 £000	2019/20 % Reduction
Revenue Support Grant (RSG)	444	0	
Business Rates Baseline Funding	3,561`	3,640	
Settlement Funding Assessment	4,005	3,640	-9.1%

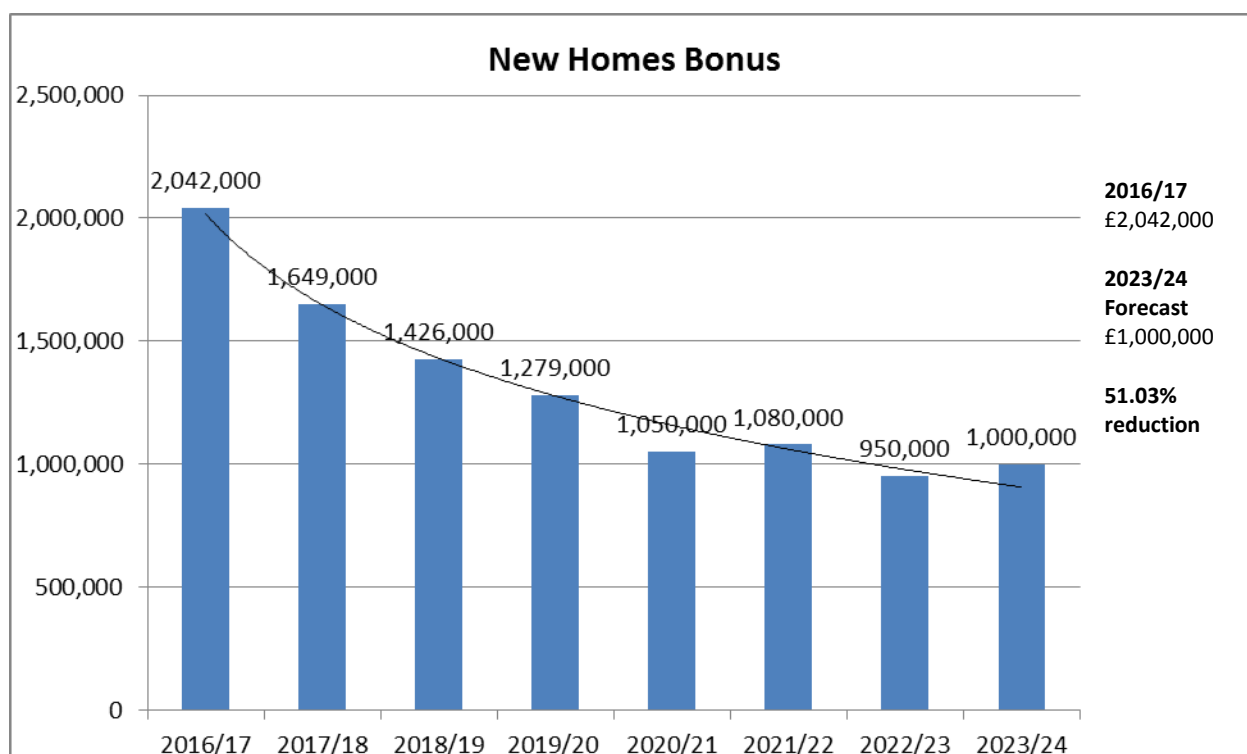
- 3.3 The provisional settlement for 2019/20 announced with the 2018/19 Final Settlement, will result in a nil RSG in 2019/20 with the Business Rates Baseline Funding increasing by CPI inflation for this Council. The Medium Term forecasts detailed in Appendix B exemplify this by reducing the overall Settlement Funding Assessment by 9.1% in 2019/20, with an inflationary increase of 2% in 2020/21 onwards.
- 3.4 The phasing out of RSG could be partly compensated by the expectation that local authorities will keep 75% of business rates income from 2020/21 (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.

Fair Funding Review

- 3.6 The Government has previously confirmed that it is looking to implement the Fair Funding Review in April 2020. Working groups are developing proposals for the Fair Funding Review and MHCLG is preparing for a consultation paper which is due imminently. The outcome of this review and the reform of the Business Rates Retention System (75% from April 2020) will have a significant impact on the future allocation of resource and represents major risks to the Council's medium term forecasts.

4 NEW HOMES BONUS

- 4.1 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.
- 4.2 The key focus of the reforms 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 is not paid, reflecting a percentage of housing that would have been built anyway.
- 4.3 Following a consultation exercise earlier this year, there may be further changes to the allocation methodology in 2019/20 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 which could significantly impact the amount received over the medium term.
- 4.4 Actual NHB received in 2018/19 is £1.426m and based on the current system, £1.279m has been included in the 2019/20 estimates. The graph below shows how the amount received from NHB has significantly changed over the past three years together with forecasts over the medium term.



- 4.5 Provisional New Homes Bonus allocations for 2019/20 will be announced as part of the Finance Settlement on 6th. December 2018. The allocations may change if any further reforms are implemented.

5 Business Rates

- 5.1 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.
- 5.2 There has been real business rates growth in Fenland over the last five years, however how this impacts on the resources available to this Council is complex, due to the rules and the operation of the current 50% Business Rates Retention system.

75% Business Rates Retention Pilot – 2019/20

- 5.3 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 2019/20 for the 75% Business Rates Retention Pilot Scheme. This is an initiative by the MHCLG as part of their preparations for the national scheme due to start in 2020/21.
- 5.4 The benefits of being a pilot area is that authorities will keep 75% of 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.
- 5.5 Depending on actual business rates received in 2019/20, the net effect of the pilot arrangement could be considerable for all of the Combined Authority area if the pilot is approved by the Government. This Council for example could receive up to £943k additional income according to the sharing methodology agreed between the partner authorities. **However, this figure is a best estimate based at this stage and consequently, no allowance for this has been made in the 2019/20 estimates.** It should be emphasised that any benefit from this pilot would be for one year only as the national 75% Business Rates Retention scheme is due to be implemented in 2020/21.
- 5.6 If the bid is successful (an announcement is expected to be made with the Provisional Finance Settlement on 6th. December 2018) Members will receive a detailed report on the proposals at the February 2019 budget meeting for final agreement before submission to MHCLG. Cambridgeshire County Council has agreed to be the lead authority for the management and operation of the Pilot if approved.

75% BUSINESS RATES RETENTION – 2020/21 ONWARDS

- 5.7 It is expected that the 75% Business Rates Retention Scheme will be implemented nationally from April 2020. Further consultations on how the new scheme will operate are expected from MHCLG shortly.
- 5.8 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 is meant to be fiscally neutral.
- 5.9 At the time of writing, the Fair Funding Review, the introduction of 75% Business Rates Retention and the reforms to the New Homes Bonus are all major risk areas for this Council over the medium term.

6 FENLAND COMPREHENSIVE SPENDING REVIEW

- 6.1 The estimated total net savings generated from the FDC-CSR proposals agreed previously at £1.667m will now amount to £1.8m by the end of 2020/21 with £1.23m achieved by the end of 2018/19 with a further £0.421m in 2019/20. During this year several proposals have been implemented. These include the following:
- Staffing Review of Customer Services, Human Resources, Accountancy and Vehicle Workshop
 - Leisure Centre management options (contract commences 4 December 2018)

- Leisure and Open Spaces Management Review
 - Community House closure
- 6.2 During 2019/20, further FDC-CSR proposals are due to be implemented. These include the following:
- Relocation of March and Wisbech Shops
 - CCTV – alternative service delivery
- 6.3 The savings generated from these and other CSR proposals are included within the Medium Term Financial Strategy detailed at Appendix B and have significantly contributed to the required savings target over the medium term. A progress update report on the FDC-CSR is to be considered by the Overview and Scrutiny Panel on 10th December 2018.

7 PROJECTED OUTTURN 2018/19

- 7.1 As part of the budget setting process for 2018/19, approved by Council on 22 February 2018, £0.218m of savings were required in order to achieve a balanced budget.
- 7.2 It is pleasing to report that the required savings for 2018/19 have been identified and implemented. In addition, all the required savings for 2019/20 have also been identified.
- 7.3 Organisational efficiency changes (e.g. Leisure and Open Spaces, Human Resources and Accountancy), the implementation of the new Leisure Centres management contract together with additional income have enabled the savings target to be met for this year with significant contributions towards the savings target for 2019/20.
- 7.4 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.
- 7.5 The latest revised estimates for 2018/19 are set out at Appendix A and show the likelihood of an under-spend in the region of £139k by the end of this financial year. Additional income from the Garden Waste subscription service (-£47k) and Marine Services (-£61k); the contingency sum for an enhanced Economic Development service not required this year (-£43k); higher forecast income from Investments and VAT sharing arrangement (-£45k) has been off-set by lower anticipated Planning Fees (£52k) and other service variations (£5k).
- 7.6 In addition, following a reassessment of the appeals provision for Business Rates for 2018/19, the levy payment due to the government this year has reduced by £420k and together with additional S31 Grant due from the government for reimbursement of small business rate relief, the total retained business rates for 2018/19 is forecast to be around £500K higher than originally estimated. However, due to the timing of the impact on the Council's budget of an increased appeals provision (a change in this year will impact in next year), the estimated retained rates and collection fund deficit in 2019/20 are around £500k greater than previously forecast. Consequently, to smooth out the timing impact of these changes, £500k has been set-aside in reserves in 2018/19 with the same amount being utilised from reserves in 2019/20. This will ensure that over these two years the impact on the Council's bottom line is mitigated.
- 7.7 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.

8 DRAFT BUDGET ESTIMATES 2019/20 AND MTFS

- 8.1 The Council's MTFS ensures that the commitments made in the Business Plan are funded not only in the year for which formal approval of the budget is required (2019/20) but for forecast years as well, within a reasonable level of tolerance.
- 8.2 The Council's medium term forecasts are shown at Appendix B and summarised in Table 2 below. The table also includes a 1.97% Council Tax increase in 2019/20 in line with the current MTFS and 1.98% per annum from 2020/21 onwards.

Table 2 - MTFS - 1.97% CT increase in 2019/20 and 1.98% increase in 2020/21 onwards

	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Expenditure					
Net Service Expenditure	13,765	14,079	14,435	14,787	15,135
Corporate Items	-1,423	-329	-369	-199	-249
Net Budget Requirement	12,342	13,750	14,066	14,588	14,886
Funding					
Revenue Support Grant	0	0	0	0	0
Retained Business Rates	-4,932	-5,028	-5,129	-5,231	-5,336
Business Rates Collection Fund Deficit	443	0	0	0	0
Council Tax Collection Fund Surplus	-50	-50	-50	-50	-50
Council Tax <i>(increases of 1.97% in 19/20 and 1.98% p.a 20/21 onwards)</i>	-7,803	-8,040	-8,282	-8,530	-8,785
Total Funding	-12,342	-13,118	-13,461	-13,811	-14,171
Surplus(-)/Shortfall(+)	0	+632	+605	+777	+715

- 8.3 Government grant figures for 2019/20 will be announced as part of the provisional finance settlement on 6th. December 2018. The projections for 2020/21 onwards are based on the best estimates and information available and are consistent with the announcements on business rates in the Budget Statement 2018. However, subject to further clarity on the detailed implementation of the announcements, there remains a degree of uncertainty in these projections.
- 8.4 The net budget requirement for 2019/20 is currently estimated at **£12.342m** after all identified savings and contingencies are included. This includes the assumptions detailed at Appendix C. With the provisional funding and the 1.97% increase in Council Tax a balanced budget is presented for 2019/20.
- 8.5 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.
- 8.6 Contingencies have been included to allow for the impact on future Employer Pension Costs resulting from the externalisation of the Leisure Centres Management (£75k p.a. from 2020/21) and for borrowing costs associated with future high priority capital schemes (£85k p.a. from 2020/21).
- 8.7 Taking into account the proposals in the Table 2 above, the estimated net budget requirement in 2019/20 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. These show a funding gap of £715k by the end of 2023/24.

- 8.8 The forecasts for the years 2020/21 – 2023/24 are provisional at this stage and should be considered with extreme caution. The Provisional Finance Settlement announcements regarding local government funding are imminent and therefore, the figures could be different to those included in the forecast. Future announcements and consultation outcomes will also determine government policy and therefore the funding in the future years. In addition, the forecasts are dependent on permanently maintaining the savings identified through the FDC-CSR proposals.
- 8.9 Based on the forecasts which have been arrived at on the basis of best estimates and known and available information currently, further savings will be required over the medium term through an approach of similar character and reach to the FDC-CSR which is to be delivered by the end of 2019/20.

9 FEES AND CHARGES

- 9.1 The Overview and Scrutiny Panel will consider all fees and charges for 2019/20 at its meeting on 14 January 2019 and recommend the Schedule of Fees and Charges to Cabinet at its meeting on 17 January 2019.

10 COUNCIL TAX – 2019/20

- 10.1 As part of the 2019/20 Provisional Local Government Finance Settlement announcement in December 2018, the government is expected to 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 2019/20 that exceed the government set limit. This limit is expected to be set at 3% or greater than £5, whichever is higher for 2019/20 for District Councils
- 10.2 The referendum limit for 2019/20 at 3% is 1% higher than allowed for in the MTFS. For the purposes of this report, the figures in Table 2 above and Appendices A and B do not include the impact of this higher limit.
- 10.3 An additional 1% increase in Council Tax in 2019/20 would generate in the region of £77,000 of revenue per annum to the Council. Even with this additional revenue included, the estimates for future years show a significant and increasing shortfall (see Table 2 in paragraph 8.2 above and Appendix B).
- 10.4 After the estimates of expenditure and income have been prepared, and the Final Settlement has been received, the next step is to set the council tax for 2019/20 for Fenland District Council. This is the final piece of the “jigsaw” that identifies the balance of the total resources required to fund the Council’s services.
- 10.5 When considering the level of Council Tax to be set for 2019/20 it is not only important and critical but essential to give full and due regard and consideration to the projected budget shortfalls over the medium term – 2019/20 to 2023/24 as set out in Table 2 in paragraph 8.2 above. In order to meet the objectives and guidelines set out in the MTFS and based on the assumptions shown at Appendix B, the following council tax increases have been factored in to the calculations in line with the current policy :

YEAR	INCREASE FOR MTFS PURPOSES
• 2019/20	1.97%
• 2020/21 – 2023/24	1.98% per annum

The assumed increase for 2019/20 in the MTFS approved in February 2018 is at 1.98%. However, due to the way that the absolute monetary amount of council tax is calculated at Band D, which is to make it divisible by the 9 so that all the other bands also calculate exactly to the penny, the percentage increase to apply to achieve this is 1.97%.

- 10.6 It is expected that these increases together with the achievement of the identified efficiency savings, would provide the resources required to fund the current level of

service provision in 2019/20. However, over the period of the MTFS, the Council will need to consider its strategy to meet the estimated shortfalls shown at Table 2 and in Appendix B.

- 10.7 The Corporate Director and Chief finance Officer advises that the Council should consider carefully the implications of a Council Tax increase less than 1.97% in 2019/20 if it was minded to do that, in the light of the already stated uncertainties in future funding from 2020/21 and the spending pressures. The forecasts, even with the assumed increases in the Council Tax in paragraph 10.5 above show budget deficits which by 2023/24 amount in total to £715k that will need to be managed out to set balanced budgets over the period of the MTFS. The implication of a lesser increase is that the Council would be reducing its financial base permanently as it would not be able to recover potential revenue foregone due to the cumulative year on year impact. Council is also advised that the government recognised in 2017/18 that district council budgets were under significant pressure due to the ongoing impact of the austerity measures and in response changed the council tax raising limit in the referendum rules by introducing a monetary amount of £5 in addition to the then 2% limit whichever was the higher. In 2018/19 it raised the 2% limit to 3%. Effectively, the government loosened the rules on increases in council tax to relieve the pressure on district council budgets.

Council can of course agree to a higher increase (up to the referendum limit of 3%) and a 1% rise in Council Tax raises around £77,000 revenue per annum. This being so, with the 1.97% increase as per the MTFS figures in Table 2 / Appendix B the council will be foregoing its ability to raise an additional £77,000 on an ongoing basis.

Table 3 shows the implications of increasing the Council Tax in 2019/20 by 1.97% and 1.98% per annum thereafter compared to freezing the Council Tax in 2019/20 and increasing it at 1.98% per annum thereafter.

Table 3: MTFS Deficits at Differing Council Tax increases in 2019/20

Deficits based on different % increases	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Deficits at 1.97% increase <i>(as shown in Table 2/Appendix B)</i>	0	+632	+605	+777	+715
Deficits at 0% increase	+151	+787	+765	+942	+885

- 10.8 The Council's Band D Council Tax for 2019/20 at the 1.97% increase would be £265.59, an increase of £5.13 per Band D property on the current year. However, for the majority of properties in the district (84%) the increase will be proportionately less (although the percentage increase will be the same). Table 4 below shows the proposed Council Tax levels for each property band and the relevant increase at the 1.97% increase.

Table 4: Proposed FDC Council Tax levels 2019/20 (1.97% increase) by Property Band

Property Band	Proportion to Band D	% of Properties	Current 2018/19 Council Tax £	Proposed 2019/20 Council Tax 1.97% increase £	Increase per annum £	Increase per week pence
A	6/9	37.38	173.64	177.06	3.42	6.6p
B	7/9	27.19	202.58	206.57	3.99	7.7p
C	8/9	19.04	231.52	236.08	4.56	8.8p
D	9/9	9.96	260.46	265.59	5.13	9.9p
E	11/9	4.76	318.34	324.61	6.27	12.1p
F	13/9	1.29	376.22	383.63	7.41	14.3p
G	15/9	0.35	434.10	442.65	8.55	16.4p
H	18/9	0.03	520.92	531.18	10.26	19.7p

11 REVIEW OF GENERAL FUND BALANCE AND EARMARKED RESERVES

- 11.1 An important part of any budget strategy is the review and consideration of reserves. Earmarked Reserves are typically held and used in a planned way to deal with issues where it is foreseen that resources need to be set aside to meet a specific need but the exact amount and timing is not known. General Reserves are held to cushion the impact of an event or events that cannot be foreseen whilst maintaining these resources at a consistent and reasonable level over the medium term.
- 11.2 Sufficient levels of reserves are necessary to provide for various contingent and unplanned items that could include:-
- significant increased costs of providing statutory services
 - significant increased contractual costs
 - an unexpected and/or significant event or disaster, e.g. civil emergency
 - an unexpected major liability in law
 - the need to make significant payments in relation to prior year adjustments under the direction of the external auditor
- 11.3 The Council's current forecast uncommitted General Fund Balance at 31 March 2019 is £2.422m and has been consistently maintained around this level for a number of years. It is expected that this level of Balance will be maintained over the length of the MTFS in light of the future uncertainties and risks in respect of future funding for local government and particularly District Councils highlighted in this report.
- 11.4 Following the repayment of the Council's liability to the Pilots' National Pension Fund (PNPF) earlier this year, there currently remains a balance of £451k in the PNPF reserve. As this is no longer required for this purpose, it is proposed that this balance be transferred to a Local Plan Review Reserve to fund the review of the Local Plan scheduled to commence in 2019/20. The estimated cost of the Local Plan Review is £600k over the period 2019/20 to 2021/22. Therefore, to ensure that the reserve is built up to the required level to fund this significant requirement any surplus at outturn in 2018/19 will also be used for this purpose.

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 2018-22 is presented at Appendix D for approval. The programme has been updated to ensure it adequately reflects the cost and anticipated timing of schemes previously approved. Additionally, the profiling of income due to be received from disposal of assets has been updated. The total capital receipts expected over the period covered by the programme is unchanged at £836K.
- 12.3 During the year several new schemes have been incorporated into the capital programme for 2018/19. Of these, three relate to the replacement or enhancement of recreation facilities. These schemes are predominantly funded from S106 monies held by the Council. Earlier this year the Council received notice from its supplier that the existing printing devices used by Council Officers and Members could no longer be supported under the current maintenance agreement. Following an evaluation the replacement devices have been purchased and funded from capital resources. Due to lower usage costs these devices will deliver revenue savings to the Council over their useful life. Provision has also been made in this financial year for the cost of undertaking reversion works to the premises the Council leases in March to operate the One Stop Shop facility. As noted above, Officers are taking forward a project to relocate services currently

provided from the Wisbech and March One Stop Shops in line with FDC-CSR proposals. Capital Expenditure will be required in both 2018/19 and 2019/20 to complete this project.

- 12.4 The Asset Management Plan has been revisited and this has identified a small number of areas where additional investment is now required in future financial years. Council approved the acquisition of new audio visual equipment for the Council Chamber at its meeting on 15 November 2018 and the programme has been updated to reflect the estimated cost. Funds have also been allocated to undertake essential health and safety works to Fenland Hall, as identified in an updated condition survey. Further condition surveys and inspections will be undertaken between now and February 2019 to determine if any further updates to the Asset Management Plan are necessary. The impact of these will be reflected in the final capital programme to be approved in February 2019.
- 12.5 From 4th December 2018 the Council entered into a fifteen-year contract for the management and operation of the Council's leisure centres. As part of that contract, Freedom Leisure agreed to undertake a significant investment programme in the Hudson leisure centre buildings in the early years of the contract and to replace leisure equipment, as necessary, over the life of the contract. The cost of this investment and replacement programme is reflected in the fees payable to the Council by Freedom over the life of the contract. The Council's agreement with Freedom means that the Council will incur capital expenditure as and when investment works are undertaken and when replacement equipment is purchased. Over the life of the four-year capital programme set out in Appendix D, investment in improved facilities is estimated to be £973k and replacement equipment is expected to cost £745k.
- 12.6 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 including through borrowing. Reviews of the programme and resources available are carried out regularly during the year.
- 12.7 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 £85k per annum from 2020/21 to be included in the MTFs as the revenue impact of funding any additional capital schemes.

13 Risk Assessment

- 13.1 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 expenditure that it is known will occur but the exact amount and timing of the expenditure is not known
 - Maintaining an adequate level of general reserves to meet sudden and or unforeseen expenditure,
 - Adopting clear guidelines and control systems (robust revenue and capital budget management and monitoring procedures, Financial Regulations and Contract Procedure Rules etc.) to alert service managers, and members before variances reach tolerance levels,

- 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.

13.2 These assumptions are made with all available information but are necessarily calculated based on broad assumptions. In the current economic climate, some of these assumptions are particularly volatile. The MTFS will be prepared annually on a rolling basis so that as information becomes more certain the figures will be updated and early consideration can be given to any action or changes in direction that may be required.

FENLAND DISTRICT COUNCIL

Summary of Revenue Estimates

	Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 £
Service Summary			
Growth & Infrastructure	1,352,835	1,563,495	1,267,960
Housing, Environment, Leisure & Community	4,407,360	4,395,640	4,218,834
Resources & Customer Services	6,030,610	6,123,340	6,386,320
Planning, Policy & Governance	1,681,310	1,703,960	1,889,020
NET COST OF GENERAL FUND SERVICES	13,472,115	13,786,435	13,762,134
Corporate Items			
Contributions to/ (from) Earmarked Reserves	-13,360	250,450	-602,380
RTB/VAT Sharing Income	-60,000	-90,000	-40,000
Financing Charges - <i>Interest/Minimum Revenue Provision</i>	866,415	659,158	795,818
Investment Income	-140,000	-155,000	-180,000
New Homes Bonus	-1,426,180	-1,426,180	-1,279,000
Council tax Support - <i>Payments to Parish Councils</i>	30,000	29,750	0
Corporate Adjustments	-743,125	-731,822	-1,305,562
Net Expenditure before further CSR savings	12,728,990	13,054,613	12,456,572
<i>CSR Savings identified not yet implemented</i>			-115,000
Net Expenditure after further CSR Savings	12,728,990	13,054,613	12,341,572
Contribution from General Fund Balance	-72,891	0	0
NET EXPENDITURE after use of balances/reserves	12,656,099	13,054,613	12,341,572
Core Funding			
Revenue Support Grant	-443,802	-443,802	0
Business Rates Baseline Funding	-3,560,925	-3,560,925	-3,639,904
Business Rates - net additional income above baseline <i>(government grants for reimbursement of reliefs, growth less levy payment)</i>	-1,162,184	-1,699,698	-1,291,626
Council Tax Collection Fund Surplus(-)	-110,000	-110,000	-50,000
Business Rates Collection Fund Deficit(+)	168,682	168,682	442,988
Council Tax	-7,547,870	-7,547,870	-7,803,030
Surplus(-)/Shortfall(+)	0	-139,000	0

APPENDIX B

Medium Term Financial Strategy

	Projected 2018/19 £000	Estimate 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000
Expenditure						
Service Expenditure						
Gross Service Expenditure	24,700	22,296	22,045	22,477	22,908	23,486
Fees and Charges	-7,335	-6,021	-6,095	-6,178	-6,266	-6,351
Grants and Contributions	-2,732	-1,645	-988	-961	-932	-917
Recycling Credits	-847	-865	-883	-903	-923	-943
Total Net Service Expenditure	13,786	13,765	14,079	14,435	14,787	15,275
Corporate Items						
Corporate Expenditure/Savings						
Council Tax Support Grant - Parish Councils	30	0	0	0	0	0
Financing Charges - Interest on External Borrowing	507	502	502	502	502	502
Financing Charges - Current Capital Programme - MRP	152	250	250	250	250	250
Financing Costs - Leisure Contract Capital Schemes		41	268	268	268	268
Savings from Prepayment of Pension Lump Sum			-35	-35	-35	-35
A14 Upgrade - contribution			32	32	32	32
CSR Savings identified but not yet implemented		-115	-266	-266	-266	-266
Contingencies						
Financing Costs - Capital Programme New Schemes			85	85	85	85
Triennial Pension Fund Valuation			75	75	75	75
	689	678	911	911	911	911
Corporate Income Items						
RTB/VAT Sharing Income	-90	-40	-40	-40	-10	-10
Investment Income	-155	-180	-200	-210	-200	-200
New Homes Bonus	-1,426	-1,279	-1,050	-1,080	-950	-1,000
Contribution to(+)/from(-) Earmarked Reserves	250	-602	50	50	50	-90
	-1,421	-2,101	-1,240	-1,280	-1,110	-1,300
Total Corporate Items	-732	-1,423	-329	-369	-199	-389
Gross Service/Corporate Expenditure	25,389	22,974	22,956	23,388	23,819	24,397
Gross Service/Corporate Income	-12,335	-10,632	-9,206	-9,322	-9,231	-9,511
Net Budget Requirement	13,054	12,342	13,750	14,066	14,588	14,886
Funding - RSG/NNDR/CT						
Revenue Support Grant	-444	0	0	0	0	0
Retained Business Rates	-5,260	-4,932	-5,028	-5,129	-5,231	-5,336
Business Rates Collection Fund Deficit	169	443	0	0	0	0
Council Tax Collection Fund Surplus	-110	-50	-50	-50	-50	-50
Council Tax (<i>increases of 1.97% in 19/20 and 1.98% p.a 20/21 onwards</i>)	-7,548	-7,803	-8,040	-8,282	-8,530	-8,785
Total Funding - RSG/NNDR/CT	-13,193	-12,342	-13,118	-13,461	-13,811	-14,171
Surplus(-)/Shortfall(+)	-139	0	+632	+605	+777	+715

Summary

Total Gross Expenditure	25,389	22,974	22,956	23,388	23,819	24,397
Funded by:						
Fees and Charges	-7,335	-6,021	-6,095	-6,178	-6,266	-6,351
Grants and Contributions	-2,732	-1,645	-988	-961	-932	-917
Recycling Credits	-847	-865	-883	-903	-923	-943
New Homes Bonus	-1,426	-1,279	-1,050	-1,080	-950	-1,000
Other - Investment Income, VAT/RTB, Reserves	5	-822	-190	-200	-160	-300
Revenue Support Grant	-444	0	0	0	0	0
Retained Business Rates	-5,091	-4,489	-5,028	-5,129	-5,231	-5,336
Council Tax	-7,658	-7,853	-8,090	-8,332	-8,580	-8,835
Total Funding	-25,528	-22,974	-22,324	-22,783	-23,042	-23,682
Surplus(-)/Shortfall(+)	-139	0	+632	+605	+777	+715

Assumptions built into Budget and Medium Term Financial Strategy (MTFS)

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 the aim is to mitigate these risks as detailed in section 13 of the main report.

The main assumptions are as follows:

- 1.97% Council Tax increase for 2019/20 and 1.98% p.a. thereafter;
- 1.38% increase in Council Tax base in 2019/20 and 1.00% thereafter;
- 2% pay award per annum for 2019/20 and thereafter;
- Allowance for pay increments;
- Continuing impact of increases to the National Living Wage from April 2018;
- 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 £825,000. For 2019/20, the percentage of pay remains at 17.4% with the lump sum payments increasing to £865,000. For 2020/21 onwards, following the next triennial valuation, a further 0.4% increase in the percentage paid has been assumed;
- Inclusion of the Apprenticeship Levy at an annual cost of around £34,000;
- Inclusion of a vacancy factor in 2019/20, equivalent to a reduction in staff costs of 0.75% (£86,000 in 2019/20);
- 0% general inflation for the period of the MTFS;
- 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 2018/19 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;
- The New Homes Bonus for 2019/20 onwards has been included as detailed in paragraph 4.4 of the report;

CAPITAL PROGRAMME AND FUNDING 2018- 2022

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
CURRENT FORECAST EXPENDITURE	3,687	5,739	1,473	1,415
FORECAST RESOURCES AVAILABLE				
Capital Grants	1,123	1,003	950	950
Usable Capital Receipts - In Year	144	467	225	0
Usable Capital Receipts - B/fwd	6	0	0	0
Reserves used in year to fund Capital	1,297	112	0	0
Section 106's and Other Contributions	314	0	0	0
Borrowing (Internal and Prudential)	803	4,157	298	465
Total Forecast Resources	3,687	5,739	1,473	1,415

CAPITAL PROGRAMME SUMMARY 2018 - 2022

	2018/19	2019/20	2020/21	2021/22	Total	FDC	External	External Funders and
	£000	£000	£000	£000	Cost	Funding	Funding	FDC Reserves/S106
					£000	£000	£000	
Leisure Centres								
Essential Building Safety Improvements	24				24	24		
Condition Survey Improvements	150	32			182	182		£182K R&M Reserve
Hudson Leisure Centre Improvements		973			973	973		New Scheme
Leisure Equipment		745			745	745		
Regeneration Programmes								
Fenland Renaissance and Place Shaping	30				30	30		
Heritage Lottery Fund - Match Funding bid	50	100			150	150		
Heritage Lottery Fund - 24 High Street, Wisbech	140	30			170	170		£50K Conservation Reserve
Heritage Lottery Fund - Acquisition of 11-12 High Street	150				150	150		
Cemeteries								
Rebuild Front Wall - Manea Churchyard		15			15	15		
Rebuild Front Wall - St Mary's Churchyard, Whittlesey	5	20			25	25		New Scheme
Remedial Works in Closed Cemeteries		25	25	25	75	75		New Scheme
Parks and Open Spaces								
West End Park, March - Replace Skate Ramps		120			120	90	30	Bid for grant funding to be submitted
Manea Multi-Use Games Area	23				23		23	S106 Funded Scheme
WisbechTown Park - Relocate Zip Wire and Install Multi Play Module	23	40			63	43	20	S106 Funded Scheme
Wisbech Jasmine Close Park	14				14		14	S106 Funded Scheme
Wisbech Skate Park, Bath Road	75				75	10	65	£30K External Contribution, £35K S106
Water Tower Park, Whittlesey	57				57	5	52	£47K Grant Funding, £5K Town Council
Refrubish Wall, The Pound, Whittlsey		20						
Car Parks								
City Road, March - Surfacing, Landscaping and Drainage	300				300	300		
Church Terrace, Wisbech - Surfacing, Landscaping and Drainage		220			220	220		
Church Lane, Chatteris			33		33	33		New Scheme
Highways								
Street Light Improvements - FDC (Cat 1)	44				44	44		
Street Light Improvements - FDC (Cat 2)		356			356	356		£47K Invest to Save Reserve
Street Light Improvements - Rechargeable Works	100				100		100	Fully re-charged to Clarion
Street Light Improvements - Parishes (Cat 1)	60				60	60		£60K Capital Reserve
Street Light Improvements - Parishes (Contribution to Cat 2 Replacements)	50	54			104	104		£104K Capital Reserve
Street Name Plates/District Facilities Signage	9		50		59	59		
Sub -Total	1,304	2,750	108	25	4,167	3,863	304	

CAPITAL PROGRAMME SUMMARY 2018 - 2022

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
B/FWD	1,304	2,750	108	25	4,167	3,863	304	
Office Accommodation								
AV Equipment in Council Chamber		40			40	40		New Scheme
Fenland Hall - Passenger Lift Replacement	39				39	39		
The Base CCTV	15				15	15		
Fenland Hall - Repairs and Renewal Works		130			130	130		
Reversion Works at March and Wisbech One Stop Shops	30	150			180	180	£150K Management of Change Reserve	New Scheme
Port								
Mooring & Fuelling Facilities, Sutton Bridge	130				130	130		
Suspended Quay -Structural Repairs/Fender Piles	35	190			225	225		
Boat/Vessels - Replacement Deck, Hull and Engines	42	30	30	30	132	132		
Replacement and Renewal of Navigation Aids	53				53	53		
Nene Parade Surface Water Pumping Station		50			50	50		New Scheme
Replacement of Expansion Joints		50			50	50		New Scheme
Vehicles and Plant								
Vehicles	497	677	160	160	1,494	1,494		
ICT System Replacement Programme & Upgrades								
Replacement & Upgrade Programme	121	75	75	75	346	346		
Replacement of Multi-Functional Devices	64				64	64		New Scheme
Improvement of Assets								
Sewage Treatment Works Refurbishment	50	242	150	150	592	592		
Energy Plan - Invest to Save Projects	7				7	7		
Eastwood Chatteris Car Park Improvements		75			75	75		
Lattersely Nature Reserve - Capping Layer		40			40	40		
March SWMP - Eastwood Cemetery Flood Prevention		80			80	80		
Birch Fen Silt Removal and Outfall Maintenance				25	25	25		New Scheme
Community Safety								
Control, Recording and Matrix Replament to Analogue		110			110	110		
Camera Replacements		20			20	20	£20K CCTV Reserve	
Sub -Total	2,387	4,709	523	465	8,064	7,760	304	

CAPITAL PROGRAMME SUMMARY 2018 - 2022

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
B/FWD	2,387	4,709	523	465	8,064	7,760	304	
Community Fund								
March Athletics Club	8				8	8		
Estover Playing Field Sports Provision, March	100				100	100		£100k Management of Change Reserve
Rural Community Fund								
Coates Athletic Football Club - Changing Facilities	14				14	14		
Friday Bridge Play/Skate Park & MUGA	98				98	77	21	£21K S106 Monies
Economic Estates								
Longhill, March - Drainage Works		40			40	40		
Staton Road, Whittlesey - Carriageway Resurfacing		40			40	40		£12K Station Reserve
Private Sector Housing Support								
Private Sector Renewal Grants	44	40	40	40	164		164	£164k Govt Grant
Disabled Facilities Grants	1,036	910	910	910	3,766		3,766	£3.766m Govt Grant
Total - Approved Programme	3,687	5,739	1,473	1,415	12,294	8,039	4,255	