East Northamptonshire Council

Finance Sub Committee – 26 November 2012

DRAFT Medium Term Financial Strategy

Purpose of report
The purpose of this report is to set out the Council's DRAFT Medium Term Financial Strategy (MTFS) 2013/14 to 2016/17, outline the DRAFT Revenue Budget 2013/14 and DRAFT Capital Programme 2013/14 to 2021/22.

Attachment(s)
Appendix 1 - MTFS 2013/14 – 2016/17
Appendix 2 - Draft Revenue Budget Proposals 2013/14
Appendix 3 - Draft Capital programme 2013/14 – 2021/22
Appendix 4 - Savings and Efficiencies pre 2013/14

1.0 Context

1.1 This report refreshes the Medium Term Financial Strategy 2012/13 to 2015/16 that was approved by Council in February 2012.

1.2 The MTFS 2012/13 to 2015/16 was formulated during a difficult financial settlement, which was designed to address the challenging national financial position.

1.3 Quarter one 2012 saw the UK economy enter a double-dip recession, posting three consecutive quarters of negative growth. This reduced confidence in the stability of the UK finances and increased the pressure on Government to stimulate growth.

1.4 During the first half of 2012 inflationary pressures receded slightly, business confidence began to increase and in quarter three the UK economy emerged from recession. However, there still remain fundamental weaknesses in the economy and the Bank of England has recently reduced UK growth forecasts for 2013 and said that recovery will be "slow and protracted".

1.5 It is now anticipated that the economy will not get back to pre-crisis levels until at least 2015, two years later than previously predicted.

This backdrop provides an extremely uncertain outlook for the UK and will continue to put pressure on Local Government finances over the medium term.

1.6 In October 2010 the Government announced its 2010 Spending Review (SR10) which set budgets for Government departments up to 2014/15.

1.7 The spending review set out the agenda for public service reform, shifting power away from Central Government to the local level.
The public service reform sets out the agenda for "increasing freedom, sharing responsibility and getting better value for money from public services". This is to be achieved by:

- Localising power and funding
- Cutting regulatory burdens
- Improving transparency, efficiency and accountability

1.8 Localising power and funding involved a review of local government. During 2011 the terms of reference for the Local Government Resources Review (LGRR) were announced. This review was to consider:

- changes to the way councils are funded
- look at ways to incentivise growth through retention of business rates
- increase autonomy and reduce dependency on central funding
- review how funding is raised locally

1.9 Following the review, Central Government set out proposals for a Business Rate Retention Scheme and intentions for localisation of council tax support.

2.0 Local Impact of Government proposals

2.1 There remains some short term uncertainty, but the biggest risk facing the Council is assessing the financial implications of the proposed changes to Local Government funding over the longer term. The local impact of the proposals is being modelled and a range of scenarios are being assessed.

2.2 The increasing financial pressure and changes to the way the Council is funded are being modelled. It has been identified that there is likely to be a funding gap between what the Council expects to spend, assuming it continues with current levels of service provision, compared to funding that is anticipated to be received.

2.3 The Graph below demonstrates the potential impact of three different funding scenarios and risk profiles which have been modelled for the period after the current spending review.

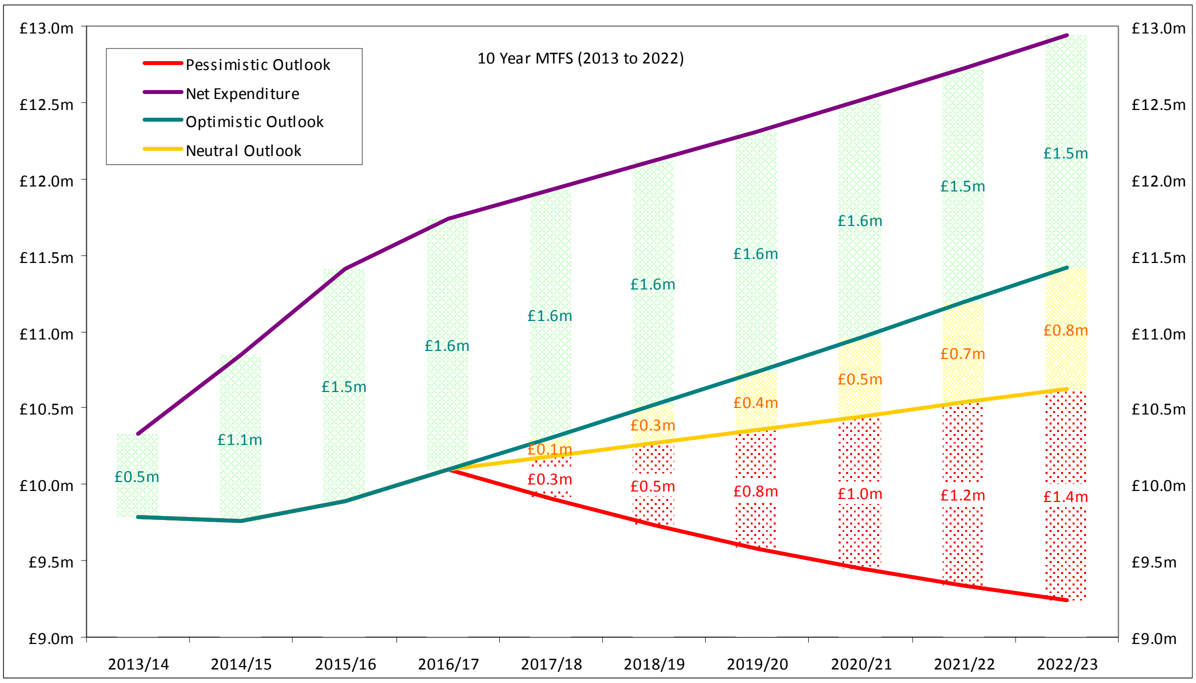
2.4 The major uncertainties and changes affecting Local Government are going to principally impact upon levels of funding. To recognise these risks different funding scenarios have been modelled. Work continues to be undertaken to refresh expenditure assumptions on the basis that existing service levels will continue.

2.5 The Red line identifies the most pessimistic view of the Council's financial position over the long term. This assumes that the proposed changes will reduce the amount of funding available and, alongside weak growth expectations for housing and NNDR, this would lead to a large gap between what the Council is spending and what it receives to fund this spend.

2.6 The Amber line reflects the neutral view that, after any changes, funding would remain steady at around current levels. This scenario includes expectations of very small local growth (Housing and NNDR).

2.7 The Green line reflects the optimistic view which shows the impact of the funding changes having a positive impact and assuming local growth in Housing and NNDR would be strong.

2.8 There is a large amount of uncertainty about the amount of funding that will be received over the long term. The situation will be closely monitored and any risks and assumptions reviewed as necessary.

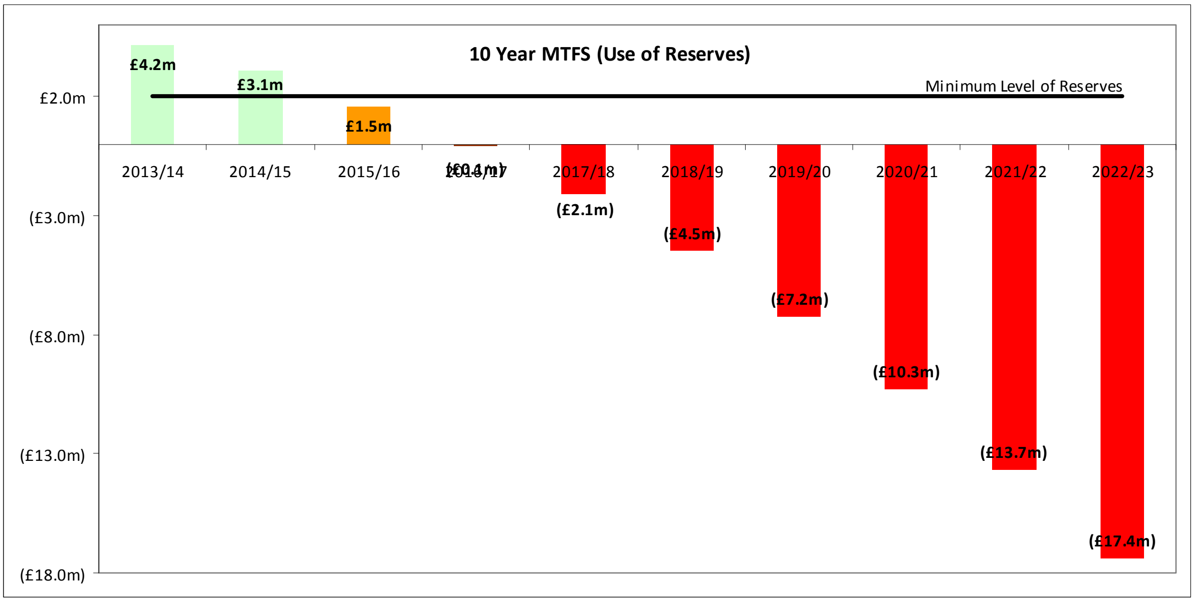


2.9 To meet historical funding deficits the Council has used revenue reserves to support the revenue budget. The MTFS 2012/13 to 2015/16 set out plans to reduce the amount of reserves that are used to support the budget and identify ways to reduce the gap between spending and funding by looking at other options.

2.10 The Council is continually reviewing the way services are delivered and looking for further efficiencies and new sources of income to reduce the funding gap. The Council has already achieved over £2.5m of savings and efficiencies in previous years. These savings are detailed in the appendices.

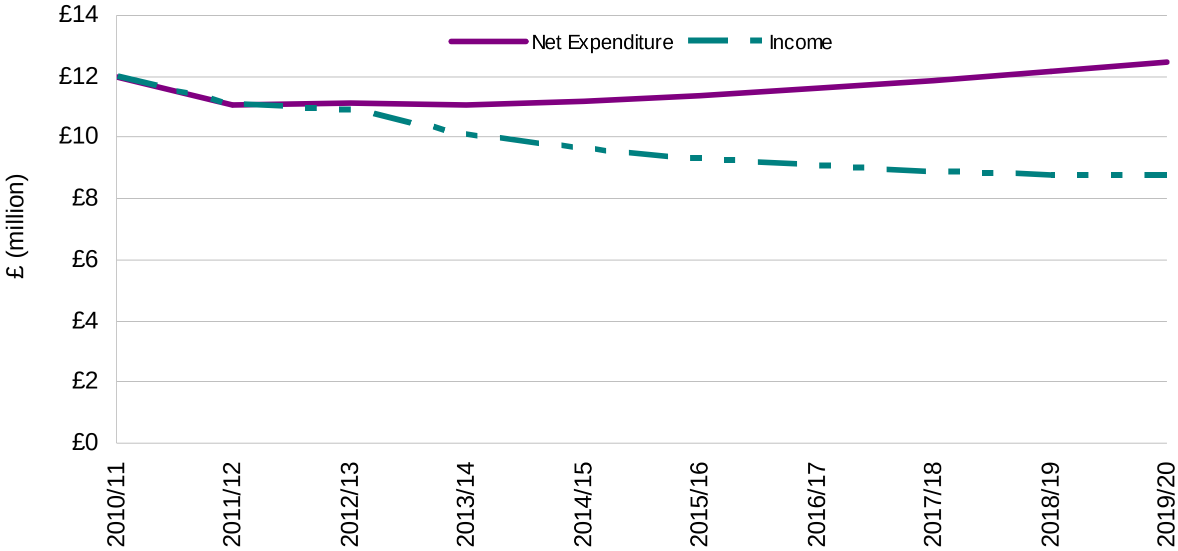
2.11 Using reserves to support revenue expenditure is not a sustainable source of funding. The Graph below demonstrates the position the Council would be facing if it were to use reserves to bridge the gap based on the most pessimistic outlook for funding. The other two scenarios (neutral and optimistic) reflect the same use of reserves over the short term. It is only the extent of negative reserves over the longer term that is reduced.

2.12 All three scenarios turn reserves to a negative position in 2016/17 and the Council would have fully depleted its reserves and be required to find alternative sources of funding. The Council would be required to borrow to support this position and it is extremely unlikely that it would be able to afford the make the interest repayments required.



2.13 During summer 2012 the Local Government Association (LGA) undertook some financial modelling. They were able to use data published by the Department for Communities & Local Government (DCLG) from local authority data returns as well as future Government expenditure forecasts from the Office of Budget Responsibility (OBR).

2.14 The outcome of this analysis is similar to the analysis undertaken by the finance team and demonstrates the funding gap in future years.



[1]

2.15 The analysis provided by the LGA supports our view and reflects the uncertainty and enormous financial challenge that the Council faces.

2.16 All Councils are facing similar risks; all are putting systems and processes in place to reduce the amount of uncertainty surrounding future funding.

2.17 Whilst it must be recognised that there is a lot of uncertainty, the preparation and setting of a MTFS and budget must still take place.

3.0 Government Funding & Policy Changes

3.1 The landscape of local government finance is expected to continue to see dramatic change over the MTFS period.

3.2 The austerity measures being put in place by Government are having a direct impact on the way the Council is funded. SR10 announced two years of significant funding reductions for local government, which have resulted in changes to the way local government delivers its services. The third year has now introduced significant funding and policy changes, which are fundamentally changing the way funding is distributed across the public sector. The LGRR has identified the areas for significant change.

3.3 ***Business Rates Retention Scheme***
The existing Formula Grant regime will be replaced with a Business Rate Retention Scheme with effect from 1st April 2013. The key aim of this is to incentivise local business growth through the retention of Business Rates. It should be noted that councils will only get to retain a proportion of any growth in business rates. Following extensive lobbying from local government recent announcements from Government indicate that at least 25% of business rates growth will be retained locally. The Council is working with all other councils across Northamptonshire to enter into a pooling arrangement to seek to retain more of the business rates raised locally.

3.4 ***Local Council Tax Support Scheme***
The existing Council Tax Benefit scheme will cease from the end of March 2013 under the provisions of the Welfare Reform Bill. This scheme will be replaced with a localised scheme administered by the Council. The Government has announced that funding for the scheme will be reduced by 10%, although in real terms the increase is greater than this. There is the expectation that expenditure will be reduced by 10% in this area to offset the decrease.

The Council has been working closely with other councils including Northamptonshire County Council (NCC), to identify how some of this impact could be mitigated.

[1] Source: LGA Funding Model 2012

3.5 To demonstrate further the uncertainty facing the Council, we have forecast the future funding gap based 2 sets of assumptions. We have modelled the funding gap using national growth estimates as well as our own local growth assumptions.

3.6 The table below demonstrates the savings targets forecast over the MTFS based on the 2 sets of growth assumptions.

Savings Target	**2013/14 £000**	**2014/15 £000**	**2015/16 £000**	**2016/17 £000**
As at February 2012 MTFS	500	750	1,050	1,050
November 2012 *National Growth estimates*	750	1,300	1,660	1,820
November 2012 *Local Growth estimates*	540	1,090	1,520	1,640

3.7 CMT is developing proposals for savings to help meet the funding gap. However, given the level of savings already achieved (Appendix 4), the scope for further savings is limited. It is extremely unlikely that this gap can be bridged solely through continuing the approach applied to delivering savings previously. It is almost inevitable that, before the end of the current MTFS period, more radical options will need to be considered.

3.8 Many other councils are already in this position – the outsourcing proposals of Suffolk County Council and the London Borough of Barnet have received significant (albeit generally adverse) publicity, there are 22 pairs of councils now sharing management teams, and West Somerset Council recently announced that it was not financially viable in the medium-term and has been advised by DCLG to undertake a boundary review, presumably with a view to it potentially being absorbed by one of its neighbours.

3.9 The next section, Draft Revenue Budget 2013/14 identifies some of the savings proposals being developed.

3.10 There is the risk that the levels of savings required are not achieved. This risk will be reviewed and closely monitored to ensure any mitigating action is taken as necessary.

4.0 DRAFT Medium Term Financial Strategy (MTFS) 2013/14 to 2016/17

4.1 Each year the Council reviews and considers its financial position and develops a model for forecasting the likely position over the medium term of 4 years. This is an important part of the framework for future budget setting decisions. The process identifies the costs of providing existing services as well as any additional services or enhancements the Council deems as priorities. From these figures, the affordability of these plans can be assessed with reference to the likely impact they will have on taxation levels and the levels of reserves and balances.

4.2 The MTFS includes our capital spending plans as these have a direct and sometimes significant impact on our revenue expenditure. The process for new capital schemes as well as reviewing existing budget provision will be the same as for revenue budgets.

4.3 The MTFS includes:

- estimated receipts from central government in the form of core funding, through Revenue Support Grant, Business Rates retained locally, and grants such as New Homes Bonus;
- estimated income from Council Tax, based on our estimated Council Tax base and assumptions as to the level of Council Tax increases over the period; and
- the balancing figure of transfers to or from the Council's revenue reserves.

4.4 The overall purpose of the MTFS is to enable the Council to manage its future finances and ensure that its plans are sustainable. This is becoming increasingly difficult because of the severity of government spending cuts, recent freezes of Council Tax, high levels of inflation and some significant uncertainties over future costs and income. This report explores some of these details and sets out the MTFS based on a set of assumptions about those key variables.

4.5 The Council's financial strategy for the medium term is to:

"Ensure the financial position is stable and sustainable with resources focussed on its priorities"

4.6 The MTFS and Budget 2013/14 set out in this report have been developed to address the financial challenges identified above.

4.7 The MTFS that is presented in this report ensures that the financial position of the Council over the medium term will be both stable and sustainable, with its resources focussed on priorities.

4.8 The key headlines of the MTFS are as follows:

Capital Programme	The Council will invest up to £10m over the next 10 years. The programme is fully funded.
Revenue Budget	The Council will spend around £10m each year. The reliance on one-off funding from reserves will reduce over the MTFS period.
Community Projects	The Council will set aside a proportion of New Homes Bonus over the next four years to fund investment in community projects and economic growth.
Reserves	A minimum level of reserves of £2m will be established to ensure the Council can meet any unforeseen costs in the long term, and to manage the shorter-term risks of Government policy changes and delivering the challenging actions required to achieve a stable and sustainable financial position over the next four years.

4.9 There are always risks in making assumptions, and the current significant uncertainties, the fragility of the economy and the political decisions that will need to be taken by the coalition government, make financial planning beyond 2013/14 extremely difficult.

5.0 Key Risks and Assumptions

5.1 *Employee Costs*

5.1.1 Three years of pay freezes have preceded this MTFS period. The unions recently submitted to the Local Government Employers (LGE) a claim for a 'significant' pay increase in 2013/14.

5.1.2 The LGE have responded and "it has been made clear that employers want to avoid a fourth year of pay freeze and will be working within the extremely challenging financial constraints to try and make that happen."

5.1.3 The current MTFS includes pay inflation at 2%. Government has indicated that an acceptable level of increase has been discussed at around 1% for 2013/14. It would be more realistic to reduce the level of pay increase to this level. This would have the impact of reducing forecast expenditure by around £80k a year.

5.2 ***Contract Costs***

5.2.1 As a result of new contracts started in 2012/13, contractual commitment costs for Environmental and Waste services are reducing. The contracts have been in place for a number of months and there is now more certainty when forecasting inflationary increases within the contract. Previous contract inflation was estimated at 3.5%, the actual inflation is lower than this. This reduction in contract costs is anticipated to amount to around £75k.

5.3 ***Fees & Charges***

5.3.1 The previous MTFS assumed an increase of 5% for all fees & charges across the Council. This rate is the same over the entire medium term period. There is a risk that this rate does not fully reflect increases in charges across the sector or mirror demand. To reflect the economic climate it may be necessary to consider whether Fees & Charges should be increased in line with the Retail Price Index (RPI).

5.4 ***Borrowing Costs***

5.4.1 The Council currently does not have any borrowing. However, to fund a capital investment programme which enables the Council to maintain its assets to provide its services, and to improve its assets to generate additional revenue savings, limited borrowing is likely to be required. The borrowing to support the capital programme over the medium term is anticipated to be temporary (1-2 years) as the Council seeks to realise the value of surplus buildings and land holdings to fund its capital spending over the medium term. If the possibility of accelerating asset sales materialises then the need to borrow will be reduced.

5.5 ***Investment Income***

5.5.1 The current low level of interest rates has resulted in significant reductions in our investment income. We assumed investment returns of 1% in 2012/13, increasing to 3% by 2015/16 as the economic position improves. It is now anticipated that investment returns will remain lower for longer than previously forecast and as a result the anticipated return on investment for 2013/14 is likely to be around 0.75%, increasing to around 2% by 2016/17. There are significant risks in estimating the rate at which the economic position will improve, and we have taken a relatively cautious view.

5.6 ***Council Tax Base***

5.6.1 The current rate of housing growth is much lower than the pre-recession rate. This makes it difficult to predict with confidence what the Council Tax base will be in future. This has a more significant impact now than it did in previous years because it not only affects the income we get from Council Tax but also the level of New Homes Bonus we receive. We had previously assumed increases in the base of 200 houses in 2012/13 and each subsequent year of the MTFS.

5.6.2 Given that economic recovery is forecast to be “slow and protracted” we are now forecasting lower increases in the number of houses each year. Average increases have been assumed at 170 houses.

5.7 ***Council Tax Freeze Grant (CTFG) and Council Tax increases***

5.7.1 In October 2012 a new CTFG for 2013/14 was announced which said councils that freeze tax levels will receive a grant equivalent to a 1% rise.

5.7.2 Given the Council’s current comparatively very low level of Council Tax, Members took the view during the budget setting for 2012/13, that council tax should be increased by the maximum amount permitted by the government without triggering a local referendum. It was therefore assumed in the MTFS that it will increase Council Tax by 3.5% each year of the MTFS.

5.7.3 The government has now reduced the limit from 3.5% to 2% for 2013/14, so the MTFS 2013/14 to 2016/17 assumes that council tax will be increased by 2% each year.

5.7.4 This places financial pressure on the Council as the forecast income to be raised from council tax is lower than previously estimated. The impact of this is estimated at around £600k over the medium term period.

5.8 ***Council Tax Support Scheme (CTS)***

5.8.1 The Council is currently consulting on the proposed CTS and is inviting feedback. The results of the consultation will be available by early December. The outcome of the consultation and update of the scheme will be reviewed and updated into the MTFS.

5.8.2 The MTFS assumes that there will be no overall effect on the Council's finances as a result of implementing the scheme.

5.8.3 A collection rate of 70% has been assumed but it is hoped that this can be exceeded.

5.8.4 The largest proportion of the council tax that is collected is passported to NCC. The Council is working with NCC to put arrangements in place for returning a larger proportion of any additional council tax income collected back locally, for example into funding the shortfall between the cost of Disabled Facilities Grants and the funding provided by the government for those grants .

5.8.5 The Council currently gives some discounts and exemptions in relation to council tax. The discounts and exemptions have been reviewed alongside the proposals for council tax support. The proposed changes to discounts and exemptions are subject to a decision at Policy & Resources Committee and then Council in January 2013 but the financial effect of the proposals to reduce or withdraw those discounts will be included in the MTFS after the key decisions have been taken.

5.9 ***New Homes Bonus (NHB)***

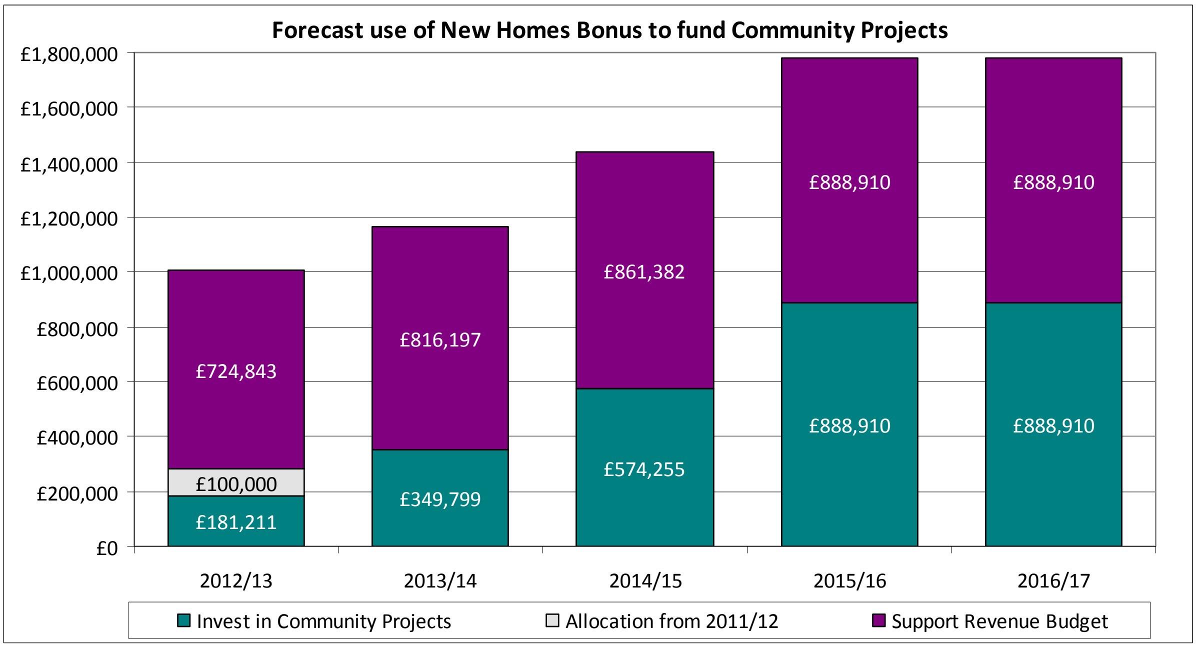
5.9.1 NHB was introduced in 2011/12 following the withdrawal of Housing & Planning Delivery Grant during 2010/11. It is based on the number of properties added to the Council Tax base in the year to 31 October, either as new homes or empty homes brought back into use.

5.9.2 Council decided last year to move towards setting aside 50% of the NHB grant towards investment in infrastructure for sustainable development. Due to the Council's ongoing budget deficit, the decision was taken that the level of NHB set aside for community projects over the period of the MTFS increases steadily from 20% in 2012/13 to 50% by 2015/16 and thereafter.

5.9.3 The monies set aside for Community Projects will be targeted into those areas of the District where development has taken place and will also be used to promote economic growth across the District.

5.9.4 For 2012/13, the Council will receive NHB of £906k in respect of new homes for the year to 31 October 2011. NHB for each new home is payable for six years, so it will grow incrementally each year as additional properties are added to the Council Tax base. Note that NHB is not ring-fenced and can be used as general revenue income.

5.9.5 The graph below sets out the forecast level of NHB over the MTFS and identifies the amount set aside for community projects on the basis of the current policy:



5.9.6 There is great uncertainty as to how fast the UK economy will recover. This reduces expectations for recovery of the housing market and therefore what level of NHB we will receive in future years. The approach to NHB is being re-considered as a result of the significant changes to the financial position and outlook.

5.9.7 The initial announcement from the government only identified how NHB would be funded for the first two years of the scheme. There is a significant risk, given the lack of growth in the national economy, that funding will be reduced in future to allow the government to afford to continue the scheme.

5.10 ***Government Funding***

5.10.1 The large reductions in Revenue Support Grant (RSG) and NNDR for 2011/12 and 2012/13 reflected the savings required over the life of SR10. It was anticipated that RSG would reduce further during 2013/14 and 2014/15. The MTFS previously assumed reductions in funding of 5% for each year of the MTFS.

5.10.2 There is a lot of uncertainty about future funding and only limited information is available for the first 2 years of the MTFS. However, informal comments from Whitehall suggest that the settlement will be worse than we had forecast, so beyond 2014/15 it has been assumed that funding will reduce by 7.5% each year to reflect the ongoing uncertainty and increased risk.

5.10.3 There will continue to be great uncertainty surrounding future funding until the settlement is announced in December 2012.

6.0 Draft Revenue Budget 2013/14

6.1 The Council is committed to focusing the resources on its priorities and will continue to drive out efficiencies to meet the financial challenges over the medium term.

6.2 The Council plans to spend £10.2m in 2013/14 with a budget requirement of £9.8m. A summary of the draft revenue budget for 2013/14 is set out below. At a later stage the budget will be reported at service expenditure level to improve the usefulness for the reader. This will be reflected in the update to this draft MTFS.

2012/13 £		2013/14 £
424,380	Central Services to the Public	432,170
3,720,530	Cultural, Environmental and Planning Services	3,634,540
4,540,440	Departmental Central Support Services	4,629,880
183,770	Housing Services	205,740
66,430	Highways Roads & Transport Services	67,660
432,570	Corporate and Democratic Core	435,360
606,020	Non-Distributable Costs	760,620
9,974,140	**Total Net Expenditure**	**10,165,970**
(545,399)	Amount to be met from Reserves	(343,441)
181,211	Community Projects	349,799
0	Savings Options	(548,885)
23,160	Interest Received & Paid	161,999
9,633,112	**Budget Requirement**	**9,785,443**

6.3 The draft budget includes savings proposals which have recently been implemented or are being developed to help bridge the funding gap that exists over the period of the MTFS.

6.4 The table below identifies these proposals in detail

Options	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Transfer Public Conveniences to Town Councils	22	22	22	22
Upgrade Printing Hardware	20	20	20	20
Implementation Started	**42**	**42**	**42**	**42**
Increase Planning Fees *(Legislative Change)*	60	60	60	60
Continued Service Efficiency Reviews	117	242	242	242
Reduction in running costs of Recycling Centres	24	33	33	33
Changes to NNDR Discretionary Rate Relief Policy	0	94	94	94
Empty Homes Project	12	12	12	12
Review contributions to third party	20	20	20	20
Council Tax Changes	75	75	75	75
Employee Pay award at 1% *(Currently 2% in MTFS)*	80	160	240	320
Rental Income	43	50	50	50
Business Rates Retention *(indicative estimate of pooling)*	250	250	250	250
Leisure Centre *(Invest to Save)*	150	400	400	400
To Be Implemented	**831**	**1,396**	**1,476**	**1,556**
Total Proposals	**873**	**1,438**	**1,518**	**1,598**

6.5 As noted above in sections 1 and 2 of the report there is significant uncertainty regarding the level of government funding. The impact on the draft budget will need to be assessed following the provisional local government finance settlement, which is expected to be announced in December 2012.

7.0 Draft Capital Programme 2013/14 to 2021/22

7.1 The main aim of the Draft Capital Programme 2013/14 to 2021/22 is to set out a programme which is affordable, ensures business continuity for the Council's services and enables investment in Council priorities. To achieve these, often competing, objectives, the Council's capital spending is reviewed and scrutinised in the same way as revenue to ensure the schemes put forward meet the Council's priorities.

7.2 The draft programme is focussed on maintaining business continuity, meeting statutory obligations and investing in assets to improve revenue income streams. The main schemes and how they are funded are shown in the table below:

	2013/14 £	**2014/15 to 2021/22 £**
Housing	400,000	3,200,000
Leisure & Tourism	1,850,000	0
Environment	0	80,000
Vehicle Replacements	16,600	66,400
Property	25,000	200,000
Corporate Systems	463,830	3,265,000
Draft Capital Programme	**2,755,430**	**6,811,400**
Funded by:		
Capital Receipts *(Asset Sales)*	2,000,000	1,830,540
Government Grant *(Disabled Facilities Grant)*	170,000	1,530,000
Borrowing	585,430	3,450,860
Total Funding	**2,755,430**	**6,811,400**

7.3 It is anticipated that the remaining capital reserves will be fully depleted by the end of 2012/13. The future capital programme will be funded from Government grants and proceeds from the sale of council property & land assets. To manage the risk of timing difference between capital expenditure being incurred and receipts from assets sales being received the Council will use temporary borrowing to finance the programme during the next 5 years. Once receipts from assets have been realised their first use will be to repay existing borrowing rather than undertake further capital investment projects. For the period beyond 5 years there are insufficient capital receipts (based on existing surplus sites) to finance the capital programme, it is therefore assumed this will be funded from permanent borrowing unless other ways can be found to fund the programme.

7.4 A number of identified asset sales are progressing well, with agents appointed, bids received and one small sale completed. It is anticipated that the asset sales may happen sooner than forecast but due to the significant risks to recovery of the housing market and possible reduced demand for land for residential use, a prudent view have been taken.

7.5 *Significant changes*

7.5.1 Since the previous capital programme was approved in February 2012 there have been some key decisions made which have impacted on the forecast capital spend.

Scheme	**Impact**
Car Scheme	In October 2012 the decision was taken to end the car scheme for employees. This reduces capital spend for future years as there will be no future replacement of the cars. Expenditure of £336k has been taken out of the programme.

7.6 To support the future capital programme and to support community projects the Council is actively seeking further external funding from Government, developers and other organisations to invest in economic growth in the District.

8.0 Reserves and Balances Strategy

8.1 Historically the Council has used its reserves to fund the Council's capital and revenue spending. This is not sustainable on an ongoing basis. The aim should be to achieve a balanced budget (i.e. no draw on reserves) over the period of the MTFS.

8.2 ***Minimum Level of Reserves***
There is a regulatory requirement to set a minimum level of reserves.

8.3 Having considered the risks facing the Council in the short, medium and long term its is proposed to maintain the minimum level of reserves as follows:

- An underlying minimum level of £1m for the long term, and
- In the short to medium term to maintain the minimum level to £2m to reflect the uncertainties currently facing the Council. These include the recoverability of the costs of replacing the Nene Centre Roof, the delivery of a cost reduction programme to ensure on-going revenue spending is sustainable, and changes to Government policy which could significantly impact on the Council's funding position (e.g. localisation of business rates, localisation of council tax discounts, council tax benefits and universal credit)

8.4 The table below sets out the Council's forecast reserves position:

	Forecast position as at				
	31/3/2013 £000	31/3/2014 £000	31/3/2015 £000	31/3/2016 £000	31/03/2017 £000
Underlying minimum level of reserves	1,000	1,000	1,000	1,000	1,000
Enhanced minimum level of reserves	1,000	1,000	1,000	1,000	1,000
Total minimum level of reserves	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**
Earmarked reserves	319	319	319	319	319
Revenue reserves	2,710	2,366	2,247	2,251	2,251
Capital reserves	0	0	0	0	0
Total Reserves	**5,029**	**4,685**	**4,566**	**4,570**	**4,570**

9.0 MTFS & Budget Setting Timetable (Next Steps)

9.1 The key to developing and delivering a stable and sustainable MTFS is to engage with all members to ensure the best interests of the Council are taken into account when the Budget is set by Council on 27 February 2013. This engagement will be through a forthcoming Member Workshop. The workshop will raise awareness of the financial position facing the Council and set out the strategic financial choices open to members. The output from the workshop will be the driver behind the MTFS and draft Budget 2013/14 being developed.

9.2 The next steps for setting and approving the MTFS & Budget are shown below:

Date	Task	Who?
Nov – Dec 2012	Update draft MTFS *(update assumptions, refresh budget pressures, identify savings proposals, challenge & refine options)*	CMT
26 Nov 2012	Draft MTFS & budget plans	Fin Sub Ctte
13 Dec 2012	Member Budget Workshop	All Councillors
Dec 2012	Provisional Funding Settlement	Government
Dec 2012	Refine & finalise MTFS & budget plans	CMT
09 Jan 2013	Update on draft MTFS & budget plans	Fin Sub Ctte
Late Jan 2013	Final Funding Settlement	Government
31 Jan 2013	Recommend Budget & MTFS to Policy & Resources Ctte	Fin Sub Ctte
11 Feb 2013	Recommend Budget & MTFS to Council	P&R Ctte
27 Feb 2013	Approve MTFS, Budget & Council Tax	Council

10.0 Equality and Diversity Implications

10.1 There are no equality and diversity implications arising from this report. Separate assessments will be produced as savings plans are developed over the period of the MTFS to help deliver the savings yet to be identified.

11.0 Legal Implications

11.1 There are no legal implications arising from the report.

12.0 Risk Management

12.1 The risk register includes the corporate risk of "failure to develop and deliver sustainable budgets (Risk 257)". The purpose of the MTFS is to ensure that this risk is anticipated and addressed.

12.2 The key risks relating to the MTFS are:

- Unable to recover costs for replacement of Nene Centre Roof
- Major uncertainty regarding future Government funding levels
- Uncertainty around the impact of localisation of Council Tax
- Uncertainty around impact of Business Rates Retention and pooling
- Uncertainty around levels of growth, nationally and locally
- Inability to deliver cost reduction programme

13.0 Financial Implications

13.1 The report is of a financial nature and the implications are set out within the report.

14.0 Corporate Outcomes

14.1 The Corporate Outcomes that the MTFS seeks to help deliver are:

- Good Quality of Life
- Good Value for Money
- Effective Management
- High Quality Service Delivery
- Strong Community Leadership

15.0 Recommendations

15.1 Finance Sub Committee is recommended to note the contents of this report, specifically the:

- Draft Medium Term Financial Strategy (MTFS)
- Draft Revenue Budget 2013/14
- Draft Capital Programme for 2013/14-2021/22 (subject to the ongoing review of schemes within that programme)

(Reason: To ensure that the Sub-Committee is aware of the forecast financial position so that in due course the Council complies with its constitution in setting its Budget).

Person originating report: Glenn Hammons, Chief Finance Officer, Section 151 Officer
ghammons@east-northamptonshire.gov.uk

Date: 26 November 2012

DRAFT Medium Term Financial Strategy 2013/14 to 2016/17

Appendix 1

2012/13 Revised Budget £	2012/13 Forecast Outturn £		2013/14 Draft Budget £	2014/15 Indicative Budget £	2015/16 Indicative Budget £	2016/17 Indicative Budget £
424,380	417,470	Central Services to the Public	432,170	430,460	438,360	446,405
3,720,530	3,943,310	Cultural, Environmental and Planning Services	3,634,540	3,671,320	3,707,710	3,744,461
4,540,440	4,263,345	Departmental Central Support Services	4,629,880	4,721,105	4,814,155	4,909,039
183,770	152,510	Housing Services	205,740	228,140	250,980	276,107
66,430	66,980	Highways Roads & Transport Services	67,660	68,910	70,190	71,494
432,570	438,890	Corporate and Democratic Core	435,360	438,210	441,120	444,049
606,020	528,680	Non-Distributable Costs	760,620	651,430	662,450	673,656
9,974,140	**9,811,185**	**Total Service Expenditure**	**10,165,970**	**10,209,575**	**10,384,965**	**10,565,211**
		Other Expenditure/Adjustments				
(545,399)	(382,444)	Amount to be met from reserves	(343,441)	(119,493)	4,750	0
181,211	181,211	Community Projects (New Homes Bonus)	349,799	598,423	949,774	1,100,781
0		Savings options to be determined	(548,885)	(1,091,150)	(1,520,400)	(1,641,700)
23,160	23,160	Net Interest Received / Paid	161,999	162,719	74,323	74,323
(341,028)	**(178,073)**	**Total Other Adjustments**	**(380,527)**	**(449,501)**	**(491,553)**	**(466,596)**
9,633,112	**9,633,112**	**Total Budget Requirement**	**9,785,443**	**9,760,074**	**9,893,412**	**10,098,615**
		Sources of Funding				
(4,831,611)	(4,831,611)	Revenue Support Grant/NNDR				
38,850	38,850	Transfer From Collection Fund	20,000	10,000	0	0
(906,055)	(906,055)	New Homes Bonus	(1,165,995)	(1,435,637)	(1,777,820)	(2,201,562)
(91,096)	(91,096)	Council Tax Freeze Grant 2011/12				
0	0	Council Tax Freeze Grant 2012/13				
(47,100)	(47,100)	Other income grants	0	0	0	0
		Revenue Support Grant	(2,425,781)	(1,954,922)	(1,808,303)	(1,672,680)
		Business Rates Retention	(2,257,673)	(2,297,634)	(2,125,311)	(1,965,913)
		Re-distributed Grant (NHB/Safety Net)	(58,748)	(81,010)	(74,935)	(69,315)
(5,837,012)	**(5,837,012)**	**Total Funding**	**(5,888,197)**	**(5,759,203)**	**(5,786,369)**	**(5,909,470)**
3,796,100	**3,796,100**	**Amount to be met from Council Tax**	**3,897,245**	**4,000,871**	**4,107,043**	**4,189,145**
30,700	**30,700**	**Council Tax Base**	**30,900**	**31,100**	**31,300**	**31,300**
123.65	**123.65**	**Equivalent Band D Tax**	**126.12**	**128.65**	**131.22**	**133.84**
		% change in Council Tax	**2.00%**	**2.00%**	**2.00%**	**2.00%**

Total Savings (February 2012)	**(500,000)**	**(750,000)**	**(1,050,000)**	**(1,050,000)**
Total Savings (October 2012)	**(750,000)**	**(1,300,000)**	**(1,660,000)**	**(1,820,000)**
Total Savings (November 2012)	**(540,000)**	**(1,090,000)**	**(1,520,000)**	**(1,640,000)**

Draft Revenue Budget Proposals 2013/14

Appendix 2

Options	Efficiency Type	2013/2014 £000's	2014/2015 £000's	2015/2016 £000's	2016/2017 £000's
Transfer public conveniences to TCs	Cash Saving	22	22	22	22
Upgrade Printing Hardware	Cash Saving	20	20	20	20
Implementation Started		**42**	**42**	**42**	**42**
Increase Planning Fees (Legislative Change)	Income	60	60	60	60
Continued Service Efficiency Reviews	Cash Saving	117	242	242	242
Reduction in running costs after sale of Rushden Recycling Centre	Cash Saving	24	24	24	24
Reduction in running costs after sale of Oundle Recycling Centre	Cash Saving		9	9	9
Changes to NNDR Discretionary Rate Relief Policy	Cash Saving		94	94	94
Empty Homes Project	Cash Saving	12	12	12	12
Review contribution to third party	Cash Saving	20	20	20	20
Council Tax Scheme Changes	Various	75	75	75	75
Employee Pay Award at 1% (currently 2%)	Cash Saving	80	160	240	320
Rushden Centre Rental Income	Income	43	50	50	50
Business Rates Retention *(Pooling)*	Income	250	250	250	250
Leisure Centre (Invest to Save)	Income	150	400	400	400
To Be Implemented		**831**	**1,396**	**1,476**	**1,556**
Total Proposals		**873**	**1,438**	**1,518**	**1,598**

DRAFT Capital Programme

Appendix 3

EXPENDITURE SUMMARY	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Housing Projects	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**
Leisure and Tourism Projects	**1,850,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Environment Projects	**-**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Vehicle Replacements	**16,600**	**16,600**	**-**	**-**	**-**	**16,600**	**16,600**	**16,600**	**-**
Essential Property Maintenance	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**
Corporate Systems	**463,830**	**370,000**	**460,000**	**470,000**	**520,000**	**260,000**	**235,000**	**500,000**	**450,000**
Total	**2,755,430**	**821,600**	**895,000**	**905,000**	**955,000**	**711,600**	**686,600**	**951,600**	**885,000**

Housing Projects									
Disabled Facilities Grants	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Total	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**

Leisure and Tourism Projects									
The Pemberton Centre Rushden	1,500,000								
Nene Community Centre - Improvements	350,000								
Total	**1,850,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Environment Projects									
Replacement of Wheelie Bins		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total	**-**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**

Vehicle Replacements									
Replacement Dog Warden Vans	16,600	16,600				16,600	16,600	16,600	
Total	**16,600**	**16,600**	**-**	**-**	**-**	**16,600**	**16,600**	**16,600**	**-**

Essential Property Maintenance									
Essential Property Maintenance	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**

Corporate Systems									
Service Transformation Programme		60,000						60,000	
Replacement PC`S, Monitors & Laptops	25,000	35,000	35,000	15,000	15,000	35,000	35,000	15,000	15,000
Replacement Printers & Scanners	15,000	15,000	5,000	5,000	15,000	5,000	5,000	5,000	10,000
Replacement Servers	20,000	10,000	30,000	15,000	20,000	30,000	10,000	10,000	25,000
Replacement Sun Server				30,000					30,000
UPS for L12				20,000				20,000	
Data Infrastructure Equipment	15,000	15,000	100,000	5,000	10,000	5,000	5,000	20,000	15,000
Licences	115,000	125,000	120,000	155,000	110,000	135,000	120,000	115,000	150,000
Storage/Replacement SAN	10,000	10,000	10,000	50,000	5,000	10,000	10,000	10,000	60,000
Council Chamber Project Screen	25,000			5,000				25,000	
Security Systems/GovConnect	10,000	10,000	10,000	30,000	10,000	10,000	10,000	10,000	10,000
ESRI - GIS Upgrade	70,000			10,000			10,000		70,000
CAPS Solutions/ERMS	103,830	10,000	40,000	10,000	10,000	20,000	10,000	200,000	10,000
Revenues and Benefits Upgrade	40,000	10,000	10,000	15,000	15,000	10,000	10,000	10,000	15,000
CRM Upgrades		70,000			300,000				
Telephone System	15,000		100,000		10,000		10,000		
Rushden Centre BC/DR				25,000					40,000
Replacement Finance System				80,000					
Total	**463,830**	**370,000**	**460,000**	**470,000**	**520,000**	**260,000**	**235,000**	**500,000**	**450,000**

Savings and Efficiencies Pre 2013

Savings	£000
Reduce Qualification courses	10
Increase Income Generation of Print Unit	10
Reduce Chairman Expenses	10
Cleaning Contract review	10
Reduced Audit Fees	12
Review Insurance Costs	13
Charge for Pre Application Discussions	15
Review Land Charges	20
Stop funding NEL	21
Reduce training budget	25
Stop Maintenance of Town Councils Car Parks	26
Closure of Oundle Recycling Centre	28
Utilities Costs Reduced	37
Various Savings Less than £10k	80
Transfer Public conveniences to Town Councils	111
Reduced ICT	121
Reduce Grants to Voluntary Sector, Community Safety and Arts & Heritage	129
Shared Services	154
Line by line review of budgets	352
New waste contract	364
Staff Restructures and Staff Benefits Reduced	1,007
Savings Pre 2013	**2,534**