

Subject:	The Medium Term Financial Strategy Update		Status:	For Publication	
Report to:	Cabinet		Date:	9 th July 2014	
Report of:	Head of Finance and Property Services		Portfolio Holder:	Finance and Resources	
Key Decision:	<input checked="" type="checkbox"/>	Forward Plan	<input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/>
				Special Urgency	<input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached:	No	
Biodiversity Impact Assessment	Required:	Yes/No	Attached:	Yes/No	
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1.	RECOMMENDATION(S)
1.1	That Members note the progress of the Medium Term Financial Strategy (MTFS)
1.2	That the current in year forecast surplus once confirmed be transferred to the Council's Transitional Reserve.

2. PURPOSE OF REPORT

- 2.1 The Purpose of the report is to update Cabinet on the Council's Medium Term Financial Strategy (MTFS).

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **Regenerating Rossendale:** This priority focuses on regeneration in its broadest sense, so it means supporting communities that get on well together, attracting investment, promoting Rossendale, as well as working as an enabler to promote the physical regeneration of Rossendale.
 - **Responsive Value for Money Services:** This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.
 - **Clean Green Rossendale:** This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition.

The primary focus of the Council's budget setting is to support its Corporate priorities.

4. RISK ASSESSMENT IMPLICATIONS

- 4.1 Members are required to remain focused on the Council's financial resources over the medium term
- 4.2 All local authorities have received an illustrative settlement for 2015/16. However, there remains uncertainty as to Central Government supported resources beyond 2015/16. Given the timing of the 2015 General Election it may well be the case that resources beyond 2015/16 are not announced until December 2015.

- 4.3 The MTFS is based on a set of assumptions, which by their nature, have the potential to result in the financial projections being over or under estimated.

5. BACKGROUND AND OPTIONS

5.1 For a number of years the Council has continued to reduce its net revenue expenditure in line with, initially its own efficiency agenda and more so of late: the impact of the Government's 2010 Comprehensive Spending Review, the 2013 Spending Review and subsequent settlements regarding Local Government Financing. Early financial planning has put the Council into a relatively stronger position when compared to other District Councils.

5.2 Recent annual budget setting has allowed for 0% increase in Council Tax together with prudent budget setting. This latter strategy has allowed for, in part, the building of a Transitional Reserve which is forecast to be required over the medium term to bridge the forecast funding gap between future annual revenue and expenditure.

5.3 Current Forecast for 2014/15

Appendix A details the MTFS and shows a forecast surplus for 2014/15 of £773k. This is driven in the main as follows:

- Additional income £4161k
- New Homes Bonus £191k
- Management Support Services to Lancashire County Council £61k
- Operational fleet savings and other department savings (Appendix B)
- Less other cost pressures (Appendix B) the main issue being Vat shelter income

It is recommended that the current forecast surplus once confirmed be transferred to the Councils Transitional Reserve.

5.4 MTFS to 2018/19

The forecast is detailed at Appendix A

The key underlying assumptions in the current MTFS estimates are as follows:

- A general pay award of 1.0% in each year, plus associated employment costs together with an assumed continuation of current arrangements by which all employees take 5 days unpaid leave each year (saving c. £80k pa).
- 0% Council Tax rise for 2015/16
- Annual Council Tax increases of 2% beyond 2015/16 (being the current level of council tax increase, above which the Council would have to hold a referendum)
- An anticipated Council Tax surplus of £100k pa above the 2014/15 Council Tax base assumptions.
- A continued year on year reduction in the Revenue Support Grant element of the Funding Formula for 2016/17 to 2018/189 in line with Local Government Association forecasts. This equates to a reduction of 20% each year and by the 2018/19 forecast

further reduces current resources by £704k per annum.

- A surplus of c £350k pa from the Council's share of Business rates due to, amongst other things, growth in business rateable values and a reduction in the level of provisions for revaluations and bad debts.
- An estimated increase of £70k in each year during the 6 year term of the New Homes Bonus (NHB) funding within the core underlying budget. As noted above the 2014/15 surplus is estimated at £191k and more or less continues over the MTFS period. Any further surplus above the base budget figure to be taken to reserves as in previous years.
- VAT shelter arrangements with Green Vale Homes (which Council uses to support pension costs) end in 2015/16. The final 2 years are anticipated to be in line with 2014/15 and is £124k pa below our core budget.
- The Homelessness Grant of £85k pa guaranteed for the first 2 years has been excluded in 2016/17 and 17/18 – no adjustment has been made to the cost base.
- A prudent view of income gains particularly in relation to core budget Planning and Taxis Licencing income as it is difficult to predict the future sustainability of this income.
- The impact of any scheme or changes in relation to Universal Credit has been forecast at £100k. This is a marker only and could prove over optimistic given the current grant split of 20% Council Tax support and 80% Housing Benefits and its current value of £450k. That said we still await confirmation of timescales and its operational impact.
- A neutral financial impact following the end of the current Capita contract October 2016.
- Income from renewable energy will commence in 2016/17. The reliance on this new income stream cannot be under estimated. With a combined value of in excess of £1m this income is fundamental to bridging the forecast resources deficit.
- The conclusions of 2016 actuarial pension review will be similar to the 2013 review and therefore assumes no further annual increase beyond the current 4.1% pa.
- The current waste recycling and disposal cost share arrangements will cease as from March 2018. The combined loss to the Council being £660k pa.

5.5 It is clear that the Council's Medium Term Strategy for managing its resources is successful and has enabled the Council to plan and consider priorities for how it allocates its resources. Looking forward the Council, having regard for the assumptions as listed in 5.4, should continue to make reductions in terms of its core budget. It is therefore recommended that the Chief Executive brings forward areas of focus and consultation to a future cabinet.

5.6 In addition, the Chief Executive will conduct a review of senior posts which are currently being held vacant – Director of Communities and Head of People and Policy and will consult on a revised structure which will be confirmed at a future meeting. It is not envisaged these posts will be recruited to but the review is necessary to understand and co-align the duties within the Council before making a decision to remove them from the

Council's structure.

COMMENTS FROM STATUTORY OFFICERS:

6.1 SECTION 151 OFFICER

6.2 Financial matters are dealt with above.

7. MONITORING OFFICER

7.1 No comments required for this report.

8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

8.1 The Equality Act 2010 requires the Council to have due regard in the exercising of its functions to three considerations. The need to:

- Eliminate discrimination. Harassment and victimisation and any other conduct that is prohibited by or under the Act.
- Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it.
- Foster good relations between people who share a relevant protected characteristic and those who do not share it.

The amount of regard that is “due” is set out in the Act and will depend on the circumstances of the case. Under the general equality duty there is a requirement to engage with people with protected characteristics and to have an adequate evidence base for Council decision-making.

The duty to inform, consult or involve requires that the council must involve communities and those directly affected at the most appropriate and proportionate level in ‘routine functions, in addition to one-off decisions.’ Further, under the duty of Best Value the Council is required to consult representatives of a wide range of local people; this should include local voluntary and community organisations and small businesses in such consultation.

9. CONSULTATION CARRIED OUT

9.1 Cabinet and Management Team

10. CONCLUSION

10.1 The Council must remain focused on identifying and delivering c. £1m of net revenue savings over the medium term. It must also ensure that all its budget resource allocations are to the core functions of the district Council and that the use of its resources has clear links to the Council's Corporate Priorities.

Background Papers

Document	Place of Inspection
Previous update to the MTFS (Budget Reports Feb' 2014, June & Nov' 2013)	Rossendale Borough Council website