



Financial Plan 2015/2020

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Background

- Current Financial Plan 2014/2018 approved February 2015 prior to the General Election
- Financial Plan 2014/2018 assumed reductions in Revenue Support Grant (RSG) of 13% per year as period of austerity expected to continue
- Target savings in 2017/2018 of £2.1m
- Council Tax frozen since 2011
- Car parking charges frozen since 2010
- No increase in Planning Fees since 2012



Local Government Finance Settlement Headlines

- Local Government Finance Settlement announcement 18 December 2015
- Core Spending Power will fall by 0.5% to 2019/20
- Defined as Revenue Support Grant (RSG), retained Business Rates, New Homes Bonus, Improved Better Care Fund, Rural Services Delivery Grant, council tax
- Prioritised social care
- Council tax included in calculation of RSG
- Negative RSG for some authorities
- Offer to local government to 'fix' for 4 years (subject to efficiency plan)



Local Government Finance

Settlement Council Tax

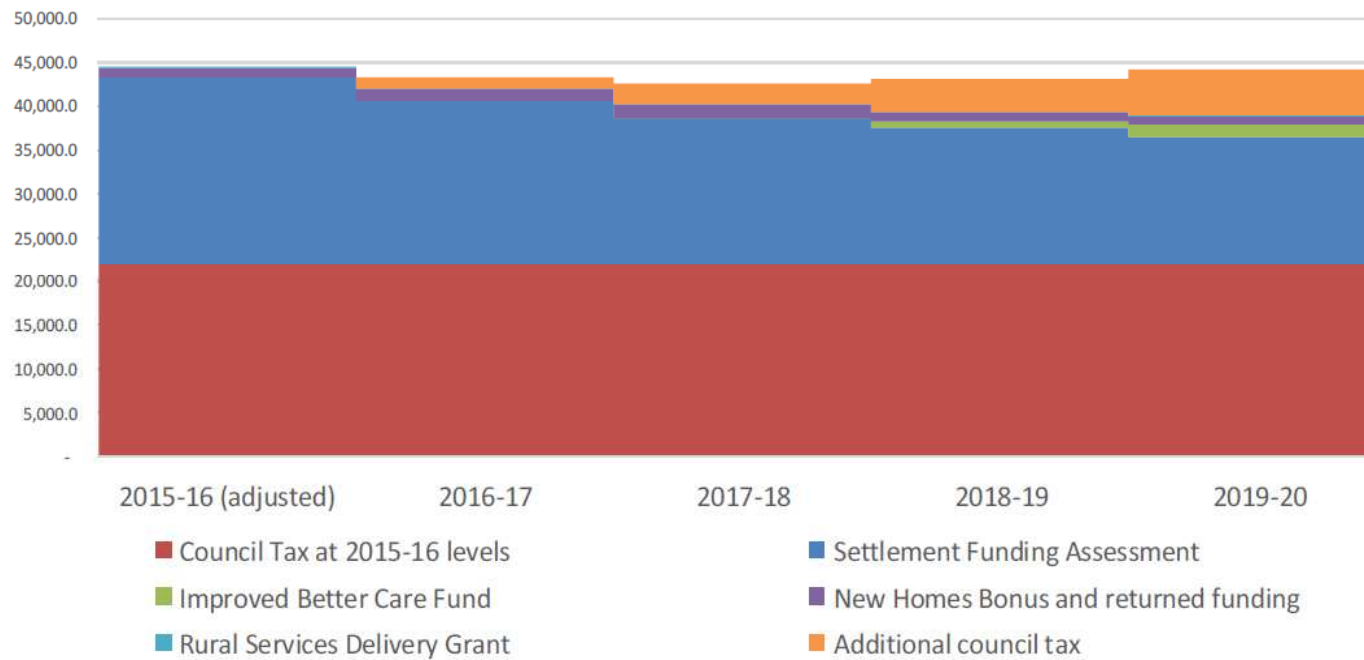
1. 2% referendum limit
2. 2% social care precept
3. Lower quartile Band D districts able to raise by the higher of £5 or 2% (which applies to BCKLWN)

Assumed growth in core spending power includes:

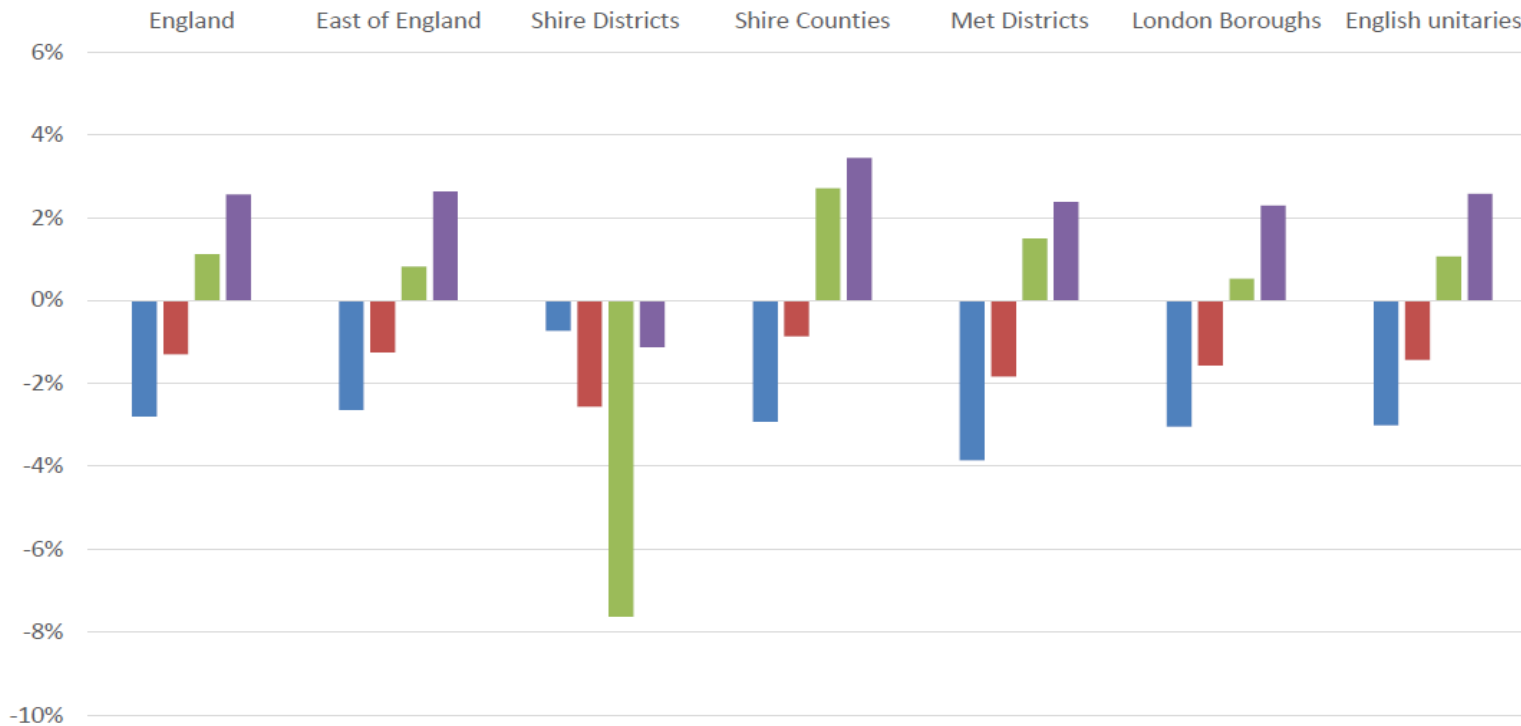
- 2 and 3 above
- 1.75% pa for inflation (average forecast CPI to 2020), over 4 years
- Growth in base extrapolated from last three years (estimated 7.8% in total)



Core Spending Power



Year on Year Percentage Change in Core Spending Power



Revenue Support Grant (RSG)

- The ending of RSG has been clearly signaled and it is assumed that the Council will receive no RSG after 2019/2020
- The reduction in Revenue Support Grant (RSG) is much greater than included in the current Financial Plan
- Whilst the Government has given some financial certainty by offering the option to 'fix' a four year settlement subject to publishing an 'efficiency plan'



Revenue Support Grant (RSG)

| | Revised Estimate 2015/2016 | Estimate 2016/2017 | Projection 2017/2018 | Projection 2018/2019 | Projection 2019/2020 |
|--|----------------------------------|-----------------------|-------------------------|-------------------------|-------------------------|
| | £ | £ | £ | £ | £ |
| Financial Plan 2015/2020 | 3,913,080 | 2,770,260 | 1,857,870 | 1,270,380 | 614,210 |
| £ reduction each year | | 1,142,820 | 912,390 | 587,490 | 656,170 |
| % reduction each year | | 29.21% | 32.94% | 31.62% | 51.65% |
| % Cumulative reduction from 2015/2016 | | 29.21% | 52.52% | 67.54% | 84.30% |



New Homes Bonus

- The Government has issued a consultation document on New Homes Bonus: 'Sharpening the Incentive'
- £800 million has been removed from the New Homes Bonus to divert to social care from 2017/2018
- The plan assumes that the government's 'preferred options' will be adopted.
- The Council's current capital plans for housing development are key in continuing to support the receipt of new homes bonus.



New Homes Bonus

- Government's 'preferred options' –
 - reduction in 2017/2018 from 6 years to 5 years, and then to 4 years from 2018/2019
 - withholding new bonus allocations if no local plan has been produced
 - reduction for homes built on appeal
 - only making payments above baseline representing deadweight
- The Government are also consulting on a further reduction to 3 or 2 years



New Homes Bonus

| | Revised Estimate 2015/2016 | Estimate 2016/2017 | Projection 2017/2018 | Projection 2018/2019 | Projection 2019/2020 |
|--|----------------------------------|-----------------------|-------------------------|-------------------------|-------------------------|
| | £ | £ | £ | £ | £ |
| Financial Plan 2015/2020 | 2,918,980 | 3,275,250 | 2,577,900 | 1,633,900 | 1,422,230 |
| £ reduction/(increase) each year | | (356,270) | 697,350 | 944,000 | 211,670 |
| % reduction/(increase) each year | | (12.21%) | 21.29% | 36.62% | 12.95% |
| % Cumulative reduction/ (increase) from 2015/2016 | | (12.21%) | 11.68% | 44.02% | 51.28% |



Retained Business Rates

The baseline business rates will increase annually in line with the increase in the business rates multiplier

| | Revised Estimate 2015/2016 | Estimate 2016/2017 | Projection 2017/2018 | Projection 2018/2019 | Projection 2019/2020 |
|--------------------------------------|----------------------------|--------------------|----------------------|----------------------|----------------------|
| | £ | £ | £ | £ | £ |
| Financial Plan 2015/2020 | 4,983,950 | 5,025,480 | 5,124,320 | 5,275,490 | 5,444,110 |
| £ increase each year | | 41,530 | 98,840 | 151,170 | 168,620 |
| % increase each year | | 0.83% | 1.97% | 2.95% | 3.20% |
| % Cumulative increase from 2015/2016 | | 0.83% | 2.82% | 5.85% | 9.23% |



Retained Business Rates

The Council will retain 40% of any net growth in the business rates achieved and 100% of any growth in business rates from Renewable Energy facilities

The Financial Plan 2015/2020 includes assumptions on significant growth in business rates

| | £ |
|-----------|-----------|
| 2015/2016 | 126,000 |
| 2016/2017 | 500,000 |
| 2017/2018 | 538,000 |
| 2018/2019 | 715,220 |
| 2019/2020 | 1,058,100 |



Retained Business Rates

There can however be no guarantee that these projects will materialise as developers/businesses will respond to changing market conditions. There is therefore a significant level of risk with this approach.

There is also risk to business rates growth from –

successful appeals to the Valuation Office against the valuation list – power station, GP surgeries

legal challenge on reliefs – NHS Foundation Trusts



Retained Business Rates

The next revaluation in business rates to reflect changes in the property market will be in 2017. At revaluation the multipliers are revised so that the overall national business rates bill only changes in line with inflation. It is expected that all baselines and therefore tariffs/tops ups will be adjusted for the changes in rates income resulting from the move from the 2010 list to 2017 list from April 2017.

There is however a risk that during the revaluation process some/all growth gets absorbed and/or redistributed.



Retained Business Rates

100% business rates retention from 2020.

The revised arrangements for business rates retention will not provide this Council with funding to replace the reductions announced in RSG.

We expect that under the new arrangements there will still be a formula adjustment to redistribute business rates between two tier authorities and to address economic differences. We await the outcome of the consultation for further details.



Internal Drainage Board Levies (IDBs)

IDB levies of £2.6m are paid by the Council to the various Boards.

The levies count as spending of the Council but a contribution is made by Government as part of the financial settlement.

Clearly with the significant reductions in RSG an increasing proportion of the IDB levies and any increases in future will have to be met from overall Council funding.



Financial Plan 2015/2020

- We can present a balanced budget for 2015/2020
- There is significantly more downside risk in the funding assumptions in particular with respect to business rates growth than at any time in recent years.
- Requires draw from General Fund Balances
- Target savings in 2019/2020 are £2.7m
- Council Tax proposed increase of 0.8%
- Increased fees and charges including car parking, garden waste service and crematorium fees



Financial Plan 2015/2020

- No growth items unless statutory – Government's minimum pay pledges, apprenticeship levy
- Public sector pay increases capped at 1%
- During the estimates preparation work has already commenced on identifying areas for cost reduction either in reducing expenditure or increasing income. All service managers were tasked with presenting proposals to Management Team which will now need to be worked up into the 'efficiency plan', for consideration by Members, as required by Government.



Financial Plan 2015/2020

| | November Revised 2015/2016 £ | Estimate 2016/2017 £ | Projection 2017/2018 £ | Projection 2018/2019 £ | Projection 2019/2020 £ |
|---|---------------------------------------|----------------------------|------------------------------|------------------------------|------------------------------|
| Borough Spend | 16,606,230 | 16,289,610 | 21,103,710 | 16,990,610 | 17,515,660 |
| Reimbursement of lump sum Pension Payment | 1,108,000 | 1,266,000 | (3,175,000) | 1,501,000 | 1,674,000 |
| Contribution (from)/to General Fund Balance | 356,460 | 414,590 | (492,270) | (1,874,840) | (2,740,440) |
| Borough Requirement | 18,070,690 | 17,970,200 | 17,436,440 | 16,616,770 | 16,449,220 |
| Revenue Support Grant | (3,913,080) | (2,770,260) | (1,857,870) | (1,270,380) | (614,210) |
| Business Rates Retention Baseline Funding | (4,983,950) | (5,025,480) | (5,124,320) | (5,275,490) | (5,444,110) |
| Business Rates Retention - Growth (net) | (126,000) | (500,000) | (538,000) | (715,220) | (1,058,100) |
| Business Rates Appeals - Power Station 2005 | 0 | 0 | (580,000) | 0 | 0 |
| Business Rates Retention - Renewable Energy | (568,280) | (755,610) | (772,230) | (1,789,220) | (1,828,580) |
| Council Tax Freeze Grant | (66,010) | 0 | 0 | 0 | 0 |
| New Homes Bonus | (2,918,980) | (3,275,250) | (2,577,900) | (1,633,900) | (1,422,230) |
| Council Tax Collection Fund Surplus | (200,000) | (250,000) | (450,000) | (250,000) | (250,000) |
| Council Tax band D | 111.97 | 112.87 | 115.01 | 117.20 | 119.42 |
| | 47,284 | 47,786 | 48,136 | 48,486 | 48,836 |
| Council Tax | (5,294,390) | (5,393,600) | (5,536,120) | (5,682,560) | (5,831,990) |
| Funding Position | 0 | 0 | 0 | 0 | 0 |



General Fund Balance

| | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 |
|--|------------------|------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ | £ |
| Balance b/f | 3,796,937 | 5,261,397 | 6,941,987 | 3,274,717 | 2,900,877 |
| Reimbursement of lump sum Pension Payment | 1,108,000 | 1,266,000 | (3,175,000) | 1,501,000 | 1,674,000 |
| Estimated Contribution to/(Draw from) Balances | 356,460 | 414,590 | (492,270) | (1,874,840) | (2,740,440) |
| | | | | | |
| Balance c/f | 5,261,397 | 6,941,987 | 3,274,717 | 2,900,877 | 1,834,437 |
| Minimum requirement | | | | | |
| 5% of Budget Requirement | 903,535 | 898,510 | 871,822 | 830,839 | 822,461 |
| Bellwin | 34,246 | 34,246 | 34,246 | 34,247 | 34,248 |
| Balance Required | 937,781 | 932,756 | 906,068 | 865,086 | 856,709 |



Efficiency Plan

Successful cost reduction achieved in past – easier wins now gone

Services reviews – Member and Officer Teams

Expectation that major changes will be required in what, how much and to what standard services can be delivered in future

Managing Expectations vital

The organisation and the extent of the services it is able to provide will look very different by 2020



Questions?

