Supplementary Committee Agenda

Epping Forest District Council

Finance and Performance Management Cabinet Committee Monday, 20th July, 2015

Place:	Committee Room 2, Civic Offices, High Street, Epping
Time:	7.00 pm
Democratic Services:	Rebecca Perrin, The Office of the Chief Executive Tel: 01992 564532 Email: democraticservices@eppingforestdc.gov.uk

7.a Financial Issues Paper (Pages 3 - 16)

(Director of Resources) To consider the attached report (FPM-007-2015/16).

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Report to the Finance and Performance Management Cabinet Committee

Epping Forest District Council

Report Reference: FPM-007-2015/16
Date of meeting: 20 July 2015

Portfolio: Finance

Subject: Financial Issues Paper

Responsible Officer: Bob Palmer – (01992 – 56 4279)
Democratic Services Officer: Rebecca Perrin - (01992 - 56 4532)

Recommendations/Decisions Required:

1. To recommend to the Cabinet the establishment of a new budgetary framework including the setting of budget guidelines for 2016/17 covering:

(a) The Continuing Services Budget, including growth items;

(b) District Development Fund items;

(c) The use of surplus General Fund balances; and

(d) The District Council Tax for a Band 'D' property

2. To recommend to the Cabinet the agreement of a revised Medium Term Financial Strategy for the period to 2019/20, and the communication of the revised Medium Term Financial Strategy to staff, partners and other stakeholders.

3. To recommend to the Cabinet a reduction in parish support, in line with the reduction in the central funding this Council receives.

Executive Summary:

This report provides a framework for the Budget 2016/17 and updates Members on a number of financial issues that will affect this Authority in the short to medium term.

In broad terms the following represent the greatest areas of current financial uncertainty and risk to the Authority

- Central Government Funding
- Business Rates Retention
- Welfare Reform
- New Homes Bonus
- Development Opportunities
- Income Streams
- Waste and Leisure Contracts
- Transformation

These issues will be dealt with in the following paragraphs, taking the opportunity to discuss some areas in greater detail following recent developments. Based on the information contained in the report Members are asked to set out, for consultation purposes, the budgetary structure for 2016/17.

Reasons for Proposed Decisions:

By setting out clear guidelines at this stage the Committee establishes a framework to work within in developing growth and savings proposals. This should help avoid late changes to the budget and ensure that all changes to services have been carefully considered.

Other Options for Action:

Members could decide to wait until later in the budget cycle to provide guidelines if they felt more information, or a greater degree of certainty, was necessary in relation to a particular risk. However, any delay will reduce the time available to produce strategies that comply with the guidelines.

Report:

General Fund Outturn 2014/15

1. Members have already received the outturn reports together with explanations for the variances. The Statutory Statement of Accounts for 2014/15 is currently being audited so some amendments may still be made to the outturn figures. In summary the General Fund Revenue outturn for 2014/15 shows that Continuing Service Budget (CSB) expenditure was £763,000 above the original estimate and £223,000 higher than the revised. The single largest variance was an adjustment to the opening CSB figures necessary for the change in Non-domestic Rate accounting.

2. The revised CSB estimate for 2014/15 increased from £13.784m to £14.324m with the actual being £14.547m. The main in year changes related to the savings on the directorate restructures (£290k) and the inclusion of the New Homes Bonus (£569k) but this was offset to a degree by the reduction in the income from the market at North Weald (£310k). Other savings were seen on the waste management contract (£63k) and improvements in income (Development Control £140k and rental income £277k). The only other significant cost increase worth mentioning is the £56,000 reduction in administration subsidy receivable from the Department for Work and Pensions.

3. Net DDF expenditure was £873,000 lower than the revised estimate. However £575,000 of this resulted from slippage so both expenditure and financing for this amount has been carried forward to 2015/16, giving a net underspend of £298,000. Three directorates had variances between their revised and actual DDF spending of more than £100,000. The largest variance was £325,000 on Governance, of which £101,000 relates to work on asset rationalisation. In Resources there was an underspend of £233,000, which includes £123,000 for building maintenance. Neighbourhoods had an underspend of £108,000, with the largest single item being a payment to NEPP for redundancies that will now be made in 2015/16.

4. For the non-directorate items there was a total underspend of £114,000. The main reason for this was £100,000 of money from the Heritable bank adminstration that had been written off. It now seems likely that the Council will recover 100% of the Heritable deposits. The overall movements on the DDF have combined to produce a balance that is higher than previously predicted at £3.599m at 31 March 2015. However, most of this amount continues to be committed to finance the present programme of DDF expenditure, particularly the Local Plan.

5. As the underspend on the DDF is matched by the variance on appropriations, the overall variance in the use of the General Fund Revenue balances is equal to the CSB overspend of £71,000. This translates into a reduction in balances of £64,000 compared to the revised estimate of an increase of £7,000. The other movement on the General Fund Revenue balance was the transfer of £500,000 to create the Invest to Save fund.

The Updated Medium Term Financial Strategy

6. Annexes 1(a/b) show the latest four-year forecast for the General Fund. This is based on adjusting the balances for the 2014/15 actuals, allowing for items already approved by Council and other significant items covered in the report. The annex (1b) shows that revenue balances will increase by £49,000 in 2015/16 before reducing in subsequent years by £151,000 in 2016/17, £110,000 in 2017/18, and £88,000 in 2018/19 before reducing by £48,000 in 2019/20.

7. For some time Members have aligned the balances to the Council's 'Net Budget Requirement' (NBR), allowing balances to fall to no lower than 25% of NBR. The predicted balance at 1 April 2016 of £9.342m represents nearly 73% of the anticipated NBR for next year (£12.852m) and is therefore somewhat higher than the Council's current policy of 25%. However, predicted changes and trends mean that by 1 April 2020 the revenue balance will have reduced to £8.945m. This still represents 66% of the NBR for 2019/2020 (£13.39m).

8. The financial position as at 1 April 2015 was not significantly different from what had been anticipated, reflecting the success of the cost control measures put in place. Further work was done on the 2014/15 revised estimates to identify and reduce budgets with a history of underspending. However, the outturn has shown that there are some areas where this has now been exhausted.

9. The target saving for 2016/17 has been reduced from the original level of £250,000 to £150,000. This is followed by targets of £150,000 for 2017/18, and £350,000 for 2018/19 and 2019/20. These net savings could arise either from reductions in expenditure or increases in income. If Members feel that the levels of net savings being targeted are appropriate, it is proposed to communicate this strategy to staff and stakeholders.

10. Estimated DDF expenditure has been amended for carry forwards, supplementary estimates and income shortfalls and it is anticipated that there will be £1m of DDF funds available at 1 April 2020. The four-year forecast approved by Council on 17 February 2015 predicted a DDF balance of £873,000 at the end of 2018/19.

11. Capital balances have been updated for recent outturn figures and the costs of taking forward the retail park at Langston Road. It is not anticipated that there will be any unallocated capital receipts available in future.

Continuing Services Budget

12. The CSB overspend against revised estimate was £0.223m, compared to a £0.551m saving in 2013/14. Within the overall overspend there was the usual small saving on the salaries budget. The salaries budget in total is approximately £20.5m and the General Fund underspend was just over £100,000. As vacancies have been removed from the establishment and the new directorate structures are much leaner the vacancy allowance has been reduced from 2.5% to 1.5% and the outturn much more closely matches the estimate.

13. There is currently an under spend on the salaries budget in 2015/16 and this is expected to continue, although without returning to the previous higher level. The aggregate overspend this year has partly arisen from efforts in recent years to ensure that budgets are closely aligned with actual spending in prior years.

14. Previously it has been agreed that CSB expenditure should not rely on the use of balances to provide support but should be financed only from Government grant (RSG + Retained NDR) and council tax income. This means that effectively the level of council tax will dictate the net expenditure on CSB or the CSB will dictate the level of council tax. As Members have not indicated any desire to significantly increase the council tax, it is clear that the former will be the determinant. The four-year forecast, agreed in February, included the

assumption that Council Tax would increase annually by 2.5% from 2016/17. The Summer Budget made no mention of Council Tax capping, referendum limits or freeze grants. Therefore, at the moment the MTFS has maintained the previous assumption and includes an increase in the Council Tax of 2.5% for 2016/17.

15. The latest four-year forecast (annexes 1a & b) show that the original budget for 2015/16 missed that objective, as funding from Government Grants and Local Taxpayers was £42,000 below CSB. The revised estimate for this year shows no change in CSB for 2015/16, although the revised funding figure is £91,000 higher which creates the increase in reserves of £49,000.

Central Government Funding

16. As the significant changes were introduced from the start of 2013/14, it seems appropriate to drop some of the background previously provided as part of this report while Members became familiar with the new system. We now need to be looking forward as we will not be returning to a position without Local Council Tax Support or the 2010/11 level of formula grant at £9.415m. The table below sets out funding to date under the new system.

	2013/14 £m	**2014/15 £m**	**2015/16 £m**
Formula Grant	6.050	Not known	Not known
Homelessness Grant	0.113	Not known	Not known
Local Council Tax Support Grant	1.119	Not known	Not known
Funding Assessment	**7.282**	**6.375**	**5.393**
Decrease £	n/a	0.907	0.982
Decrease %	n/a	12.5%	15.4%

17. By providing only figures at the Funding Assessment level for 2014/15 and 2015/16 the DCLG has prevented a detailed comparison with earlier periods. However, it can still be seen that in three years under this new system funding reduces by £1.889m or by 25.9%.

18. The Summer Budget offered some comfort to people worried about cuts in public expenditure after the previous budget in March this year. There is a relative easing of the austerity programme with the first surplus put back from 2018/19 to 2019/20 and £17 billion more of borrowing to 2019/20. This means reductions in expenditure will not be as drastic, although the budget announcements on additional funding for defence and the NHS mean Local Government should not be too optimistic.

19. The Chancellor is looking for reductions of £37 billion in total and the Summer Budget gave detail of the £12 billion to come from welfare and the £5 billion of additional income from clamping down on tax avoidance. We will have to wait until the autumn and the conclusion of the Spending Review before we know where the other £20 billion will be taken from. This means we currently have to rely on educated guesswork to get to our Funding Assessment for 2016/17 and beyond. It is clear there will be further reductions in grant funding and in the revised MTFS we have assumed annual reductions of 10% throughout the period in the grant element of the Funding Assessment. This assumption will be revisited when better information becomes available.

20. As part of abolishing Council Tax Benefit and introducing LCTS the DCLG had to determine whether parish councils would be affected by the reduction in council tax base or left outside the calculations. Despite the consultation responses on the scheme being massively in favour of tax base adjustments only at district level the DCLG decided that parish councils should also be affected. One of the problems with this decision is that DCLG does not have a legal power to make grant payments direct to parish councils. This meant the

funding for these councils had to be included in the grants to districts and it was then for districts to determine how much of the grant was passed on. Members determined that parish councils should be fully protected from this change for 2013/14, a decision not shared by many authorities across the country. This meant that the figure notionally relating to parishes of £312,810 was topped up with an additional £7,460 to £320,270.

21. We do not have separate figures now for Local Council Tax Support, let alone a detailed split between the district and the parishes. In the absence of this information it was fair to assume the overall reductions of 12.5% and 15.4% were common to each element of the Funding Assessment. Funding to parish councils was reduced on that basis in 2014/15 and 2015/16. As our reduction is not yet known for 2016/17 I cannot recommend a specific value to reduce this funding, but it is important that the principle applied in previous years is maintained.

Business Rates Retention

22. As with the previous section, I will not repeat the background information on business rates retention as the system has now been with us for a couple of years. I will not explain “Tariffs” and “Top Ups” again but it is worth a reminder that we collect nearly £34m but retain less than £3.5m, or just over 10%.

23. Unfortunately the local retention of Non-Domestic Rates has not gone as smoothly as we would have liked. We have remained successful at collecting Non-Domestic Rates and 2014/15 again saw performance exceed the target set by Members. The outcomes that have been less positive arise from design flaws in the system that are beyond the Council's control. When the system started it was not with a clean slate as authorities were required to take on the liabilities for all of the outstanding appeals, instead of this problem remaining with central government.

24. There is nothing within the current system to discourage speculative appeals that have no justification from coming forward. This meant it was no surprise that the deadline of 31 March 2015 for raising appeals against the 2010 valuation list produced an avalanche of new appeals. Several hundred new appeals were received and amongst the many spurious cases there are some of potentially national significance. All of the more traditional supermarket chains have raised appeals on their store valuations, to reflect the lower trading levels since the arrival of their newer discounting rivals. There probably is not a single council in the country that does not have several supermarkets operated by the traditional operators and so any significant reduction in valuations will impact not only on individual councils but also on the overall system.

25. Even before the fresh influx of appeals the Valuation Office Agency (VOA) had a huge backlog and has shown itself completely incapable of dealing with the additional pressures of the new system. This means we have a vast number of outstanding appeals with no realistic prospect of most of them being resolved in the short term and because of the uncertainty on the value of their ultimate settlement we have to make some provision against them. Given the number of new appeals and the short space of time between receiving notifications of the appeals from the VOA and having to prepare the 2014/15 accounts, a different methodology had to be applied in dealing with these appeals to those that we had known about for longer. The bottom line here is that it has been necessary to double the provision for these appeals from £1.5m to £3m.

26. The other key design flaw in the system is that the General Fund and the Collection Fund account for items in different years. This means the loss on the Collection Fund that has resulted from the increased provision for appeals will not be reflected in lower income to the General Fund until 2016/17. This rather odd situation means it appears that we have more income in 2014/15 than planned but the reality is we have less, we just leave it a while before we account for it. This is reflected in the Collection Fund Adjustment line shown within the

MTFS. For 2015/16 the deficit on business rates of £253,000 is largely off-set by a Council Tax surplus of £211,000. The effect is more noticeable in 2016/17 where the deficit on business rates of £439,000 is significantly larger than the Council Tax surplus of £170,000. Although it must be remembered that these deficits are based on the provisions for appeals and so ultimately the figures may vary significantly from our current predictions.

27. The risks and rewards of pooling have been considered several times and for the first time there was a wide consensus across Essex that a pool should be formed for 2015/16. This decision was arrived at following extensive financial modelling that showed the lower levy rate achieved meant an additional £3.431m would be retained across the pool, with this Council gaining approximately £136,000. The late surge of appeals referred to above may affect the viability of the pool and this will be closely monitored during the year with the other nine authorities in the pool.

28. Historically we have seen growth in the rating list each year and with the sites covered in the section on development opportunities there are good prospects for future growth. As we cannot yet accurately predict completion dates or rateable values for the developments the MTFS has not assumed any growth for these sites. This is a very prudent position that will be considered again as the budget cycle moves forward.

Welfare Reform

29. The primary focus of the Summer Budget was the latest phase of welfare reforms which are intended to reduce the annual welfare cost by £12 billion. This has been achieved through significant reductions to tax credits and the welfare cap and by requiring social landlords to reduce their rent by 1% each year for the next four years. The change in rent setting was a complete surprise and directly contradicts the previous policy of allowing increases above CPI. The business plans and borrowings of social landlords were based on the previous policy that we had been told would be in place for ten years. In common with other providers we will now have to re-evaluate our business plan and consider options such as reverting to the decent homes standard or amending our plans to repay debt. This may also impact on the building of new homes, the national estimate given by the Office for Budget Responsibility was a reduction of 14,000. Whilst the rent restriction will keep the national bill for housing benefit lower than it would otherwise have been it is another policy that has been imposed with little regard for the effect on local authorities.

30. The reduction in tax credits is also likely to have a direct negative effect on local authorities. Tax credits are part of the income that is included in the calculation of entitlement to Local Council Tax Support (LCTS), reducing this income will increase the number of people entitled and the amounts they are entitled to. So a central government saving on tax credits will increase the costs to local authorities of their LCTS schemes. This presents us with a choice, we can either reduce the amount of money allocated for LCTS and consequently increase the size of the bills for those receiving support or we can subsidise LCTS by making reductions in other General Fund areas to pay for it. Which of these options an individual supports will probably be influenced by whether or not they are currently paying all of their Council Tax.

31. Some residents will receive council tax bills for the first time because of these changes. Charging too much is likely to result in first time payers ignoring the debt because they have no realistic prospect of paying. Likewise charging too little could have the same effect due to a belief that it is not cost effective to enforce such a small debt. So in trying to claw back any increase in cost through increasing the charge, from the 20% that has been in place for the first three years of LCTS, to 30% or more we need to be careful that we do not create a situation where we actually end up collecting less. The collection rate for people previously on 100% Council Tax Benefit is nearly 20% lower than that achieved for non-benefit/support cases.

32. The introduction of the previous Benefits Cap at £26,000 did not have a dramatic impact across the district. However, the current reduction by £6,000 to £20,000 is likely to cause greater changes in people's behaviours and working patterns. It should certainly encourage those that are able to work to do more work, as should the introduction of the National Living Wage. With a number of compensating changes taking place at once it is difficult to predict the outcomes. At this stage we have to hope there will be an increase in employment and earnings although it is possible that we will see more rent and Council Tax arrears and homelessness and increase in LCTS costs. The Institute for Fiscal Studies have been critical of the Summer Budget as they predict it will hit the poor hard.

33. The other major change that has received considerable media coverage is the replacement of a collection of different benefits with a single Universal Credit (UC). Before the general election I had predicted that whatever the outcome of the election there would be a re-evaluation of this programme and significant changes to it. I was wrong, as the programme has been retained as it is and Mr Duncan-Smith continues to oversee it at the Department for Work and Pensions (DWP). This district is in the fourth tranche of the roll out and so will start making UC payments in December 2015 to new single claimants. However, those payments will not cover couples, families or the disabled who still sit outside UC and so we will be operating the current housing benefit system in parallel with UC. The latest estimate from the Major Projects Authority is that UC will not be fully operational until April 2020. There is still no clarity over the time period and process for the migration of our existing housing benefit claims to Universal Credit. The DWP is still to decide on the role it wants local authorities to perform under the new system.

<u>New Homes Bonus</u>

34. The amount of New Homes Bonus (NHB) payable for a year is determined by the annual change in the total number of properties on the council tax list in October. This means that the bonus is payable on both new housing and empty properties brought back in to use. The increase in the tax base is multiplied by a notional average Council Tax figure of £1,439, with an additional premium for social housing. The calculated figure is then shared with 20% going to the county council and 80% to the district, with the amount being payable for six years. There are still three months to go before the additional amount for 2016/17 will become clear, but based on the position at 1 June it appears we should receive approximately £230,000.

35. In the lead up to the general election there was concern that the NHB might have been removed or diminished in some way. The Labour party were very clear in their manifesto that they would stop NHB and put the top-sliced funding back into the general grant allocation mechanism. There is still a concern that the scheme may be amended or restructured as many areas of the country are unhappy with the re-distributional effect it has. It is possible that this could be linked to changes in the planning system as the government clearly still sees local authorities as obstructing housing development. An alternative allocation system may not be as generous to this Council but the funding would not be completely lost as any new allocation system normally has floors and ceilings to prevent large fluctuations in funding in any one year.

36. Another concern is that the high levels of NHB income arising in 2011/12 £424,000, 2012/13 £566,000 and 2013/14 £558,000 may not be repeated in subsequent periods. The scheme operates over a rolling six year period and so the £424,000 that was first paid in 2012/13 will drop out for 2018/19. If the income arising in respect of 2017/18 is lower, as has been the case for 2014/15 and will also be the case for 2015/16, then the total NHB due will reduce. To include the full £230,000 in 2016/17 would take the NHB income in the CSB to £2.33 million. However, it may be prudent to cap the NHB CSB figure at £2.2 million and take any amount above that to the DDF. This can be reviewed again later in the budget cycle and in subsequent periods when there is more certainty about the future of the scheme and the amounts we will receive from it.

Development Opportunities

37. There is a separate Cabinet Committee for co-ordinating asset management issues so I do not intend to devote too much space to developments. However, it is necessary to touch briefly on the number of opportunities that currently exist in the district and their potential benefits. This is particularly important given the increased significance of retained business rates.

38. Following the decision of Council to proceed with the retail park without a joint venture partner, the land has now been acquired. An opening date of Christmas 2016 has been targeted but depending on the size and nature of any construction issues this may slip to Easter 2017. As the project progresses during the budget cycle there should be a clearer idea of the size of the rental stream and when it will commence. This will influence the decision on the structure of the borrowing necessary to support the project. Initial discussions have been held with Arlingclose and work is continuing to model the future cashflows.

39. Progress has been less encouraging with the mixed use re-development of the St Johns area in Epping. The land acquisition from ECC has taken much longer than anticipated. It will be a considerable relief when it is finally possible to complete the purchase of their land. Other possibilities for Waltham Abbey and North Weald are also being evaluated.

40. The income in the MTFS has not been adjusted but the capital projections have and it is clear that the retail park will use up the available capital receipts. This will require a different way of thinking in the future as capital will no longer be freely available and borrowing costs will need to be considered as part of any options appraisals.

Income Streams

41. At this time last year there was concern about several of the key income streams that are monitored on a monthly basis. During the second half of the year most of the income streams performed well and the outturn for some exceeded the revised estimate. The position for this year at the end of June is –

Activity	Annual Estimate	Estimate to end June	Actual to end June	Possible Shortfall/(Surplus)
Off Street Parking	£1,200,790	£200,416	£211,396	on target
Building Control	£386,000	£106,550	£125,348	(£40,000)
Dev. Control	£595,000	£131,320	£197,539	(£100,000)
Land Charges	£215,000	£59,860	£49,541	£40,000
Licensing	£295,060	£61,130	£61,274	on target
Fleet Ops.	£230,340	£60,780	£61,564	on target

42. It is too early in the year to draw strong conclusions from this data as monthly trends do fluctuate between years and one or two large applications can make a big difference on Development Control. However, at this stage the indications are encouraging and the improved income position in the second half of 2014/15 has continued into 2015/16.

43. There is a note of caution on Land Charges as the legal position of this service and the role that local authorities will play in the future is uncertain. There is also a shortfall on the income for the first quarter, although this is more than outweighed by the very positive first quarter for Development Control.

44. A key income stream worth commenting on is the market at North Weald. After a succession of amendments to the rental agreement the Council has decided to look at other income generating opportunities on the site and re-tender. The current operator has been given notice and his agreement will finish at the end of December 2015. The CSB estimates will be adjusted once it is clear what use will be made of the area in future and the income that this will provide.

45. There is also a note of caution on the off street parking income. This is currently in line with the profiled estimate but the new parking fees are being introduced in July and so it remains to be seen how the users of the car parks will respond to these changes. The position on all of the income streams set out above will continue to be carefully monitored.

Waste and Leisure Contracts

46. Two of the Council's high profile and high cost services are provided by external contractors, Biffa for waste and SLM for leisure. Following an extensive competitive dialogue procedure Biffa took over the waste contract in November 2014. The contract hand over and the first six months of the new service went well. However, in May the service was re-organised on a four day week basis and considerable difficulties were encountered. The service has now been stabilised with Biffa committing significant additional resources. The service was procured at a lower cost and the savings were included in the MTFS. Biffa are confident that they will be able to fulfil their obligations at the price they tendered and have indicated that the additional resources will stay in place until the transition is completed.

47. The leisure management contract was due to expire in January 2013 but an option was exercised that extended the contract for three years. A Leisure Strategy has been prepared and this included the intention to follow a similar route to the waste procurement with the use of competitive dialogue. It now appears unlikely that the new contract will be let before the old contract has expired so a negotiation will be needed to extend the current contract. The MTFS had anticipated the new contract would commence during 2016/17 and includes CSB savings of £125,000 in 2016/17 and a further £125,000 in 2017/18. The size and timing of these savings will be kept under review as the budget develops.

Transformation

48. A budget of £150,000 was included in the DDF for 2014/15 to allow the Chief Executive to take forward Transformational Projects. This funding has now been re-phased with £75,000 in 2015/16 and £75,000 in 2016/17. The bulk of the money, approximately £110,000, will be spent on a fixed term 18 month contract for additional resource at the Assistant Director level.

49. As part of the revised estimates for 2014/15 Members created an Invest to Save budget of £0.5m. This fund is intended to finance schemes which can produce reductions to the net CSB requirement in future years. There have been a limited number of schemes coming forward to date but more should be developed as the budget progresses.

DDF

50. The carry forward of £575,000 represents a decrease of £107,000 on the £682,000 of slippage for 2013/14. The two largest carry forwards are for the asset rationalisation programme (£111,000) and the Transformation item mentioned above (£75,000). The financial forecast shows that not all DDF funding is currently allocated to schemes, it indicates that approximately £1m of DDF will be available at 1 April 2020. However, a recent financial update to Cabinet for the Local Plan indicated that this is likely to consume most of the fund.

The Capital Programme

51. The Government's attempt to boost right to buy sales by increasing the discount that tenants can receive to £75,000 has been successful. In 2013/14 sales increased to 53 from 13 in 2012/13 and this trend was maintained in 2014/15 with 46 sales. There have been a further 6 sales in the first three months of 2015/16. The Capital Programme has been adjusted to reflect this higher level of Council house sales.

52. Significant receipts have previously been generated through the sale of other assets. Land values in some areas are starting to improve again and a number of potential projects are currently being evaluated. As non-housing receipts are not included in the estimates before completion has occurred no allowance has been made in the MTFS.

53. The capital outturn report considered by the Finance and Performance Management Cabinet Committee on 18 June 2015 highlighted that the variance of £3.9m was a substantial increase on the previous year's figure of £2.6m. Non-housing expenditure was £2.5m below the estimate at £5.6m, whilst housing expenditure of £13.8m was £1.4m below the estimate of £15.2m. The slippage in the programme will be carried forward to subsequent periods.

A revised Medium Term Financial Strategy

54. Annexes 1 (a & b) show a four-year forecast with target levels of savings to bring the projections closer to the policy of keeping reserves above 25% of the NBR. The net savings included are £150,000 for the two years 2016/17, 2017/18 before increasing to £350,000 for 2018/19 and 2019/20. These savings would give total CSB figures for 2015/16 revised of £13.348m and 2016/17 of £13.003m.

55. This proposal sets net DDF expenditure at £1.844m for the revised 2015/16 and £550,000 for 2016/17, and given the possibility of other costs arising, it is likely that the DDF will be used up in the medium term.

56. No predicted non-housing capital receipts are being taken into account, as any disposals are still some way off. Over the period of the MTFS the balance shown at Annex 1 (b) on the Capital Fund is used up entirely. As already stated above, this will be the first time capital resources are not freely available and a change in thinking is needed to ensure any capital proposals include borrowing costs.

57. Previously the Council has taken steps to communicate the MTFS with staff, partners and other stakeholders. This process is still seen as good practice and a failure to repeat the exercise could harm relationships and obstruct informed debate. If Members agree, appropriate steps can be taken to circulate either the full strategy or a summarised version.

The Council Tax

58. The Summer Budget contained no information about further incentives for authorities to freeze the Council Tax for 2016/17. In the absence of any other information the assumption included in the MTFS approved by Council in February 2015 has been maintained and an increase of 2.5% has been applied for 2016/17 and subsequent years.

Conclusion

59. The Council remains in a strong financial position as the overspend in 2014/15 was not significant. It is comforting at this time to have substantial reserves as, whilst the General Election has delivered greater political certainty than had been anticipated, there remains a lot of funding and financial uncertainty.

60. The Summer Budget dealt with welfare and tax avoidance but we have to wait for the autumn (and experience tells us that there are different interpretations of what that means) and the conclusion of the Spending Review before finding out where the other £20 billion of savings will come from. It is clear that Local Government will have to play its part in reducing the deficit, but the size of that part is to be determined. The new Secretary of State seems committed to a much more collaborative approach towards Local Authorities.

61. There is also great uncertainty over what the final settlement figures will be for all of the business rate appeals and whether pooling will prove a success. Other questions remain in service areas, such as the timing and size of the savings from the new leisure contract and the outcome of the tender exercise to replace the market at North Weald.

62. For the moment we have to make prudent assumptions and look to see how we can best safeguard the Council's finances for the future. The updated MTFS sets out a programme of net savings that should be achievable and our financial strength allows us to look for the necessary savings over the medium term. This process will be assisted by having the Invest to Save fund to help with initial funding or investment, which should allow some more creative solutions to be developed.

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GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2014/15 - 2018/19

ORIGINAL 2015/16		REVISED FORECAST 2015/16	FORECAST 2016/17	FORECAST 2017/18	FORECAST 2018/19	FORECAST 2019/20
£'000	**NET REVENUE EXPENDITURE**	£'000	£'000	£'000	£'000	£'000
13,921	Continuing Services Budget	13,921	13,563	13,564	13,714	13,788
-573	CSB - Growth Items	-573	-410	-117	0	0
0	Net saving	0	-150	-150	-350	-350
13,348	Total C.S.B	13,348	13,003	13,297	13,364	13,438
1,129	One - off Expenditure	1,844	550	203	0	0
14,477	Total Net Operating Expenditure	15,192	13,553	13,500	13,364	13,438
-2	Contribution to/from (-) Other Res	-2	0	0	0	0
-1,129	Contribution to/from (-) DDF Balances	-1,844	-550	-203	0	0
-42	Contribution to/from (-) Balances	49	-151	-110	-88	-48
13,304	Net Budget Requirement	13,395	12,852	13,187	13,276	13,390
	FINANCING					
2,204	Government Support (NNDR+RSG)	2,205	1,985	1,786	1,607	1,447
3,434	District Non-Domestic Rates Precept	3,616	3,239	3,271	3,304	3,337
7,616	District Council Tax Precept	7,616	7,897	8,129	8,365	8,606
50	Collection Fund Adjustment	-42	-269	0	0	0
13,304	To be met from Government Grants and Local Tax Payers	13,395	12,852	13,187	13,276	13,390
	Band D Council Tax	148.77	152.46	156.33	160.24	164.25
	Percentage Increase %		2.5	2.5	2.5	2.5

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2014/15 - 2018/19

	REVISED FORECAST 2015/16	FORECAST 2016/17	FORECAST 2017/18	FORECAST 2018/19	FORECAST 2019/20
REVENUE BALANCES	£'000	£'000	£'000	£'000	£'000
Balance B/forward	9,293	9,342	9,191	9,081	8,993
Surplus/Deficit(-) for year	49	-151	-110	-88	-48
Balance C/Forward	9,342	9,191	9,081	8,993	8,945
DISTRICT DEVELOPMENT FUND					
Balance B/forward	3,599	1,755	1,205	1,002	1,002
Transfer Out	-1,844	-550	-203	0	0
Balance C/Forward	1,755	1,205	1,002	1,002	1,002
CAPITAL FUND (inc Cap Receipts)					
Balance B/forward	19,534	0	0	0	0
New Usable Receipts	1,559	1,555	1,555	1,555	1,555
Use of Capital Receipts	-21,093	-1,555	-1,555	-1,555	-1,555
Balance C/Forward	0	0	0	0	0
TOTAL BALANCES	11,097	10,396	10,083	9,995	9,947