

Public Document Pack



Chairman and Members of the Joint Meeting of Scrutiny Committees.

Your contact: Peter Mannings
Extn: 2174
Date: 9 January 2014

cc. All other recipients of the Joint Meeting of Scrutiny Committees agenda.

Dear Councillor,

JOINT MEETING OF SCRUTINY COMMITTEES – 14 JANUARY 2014

Please find attached an **Essential Reference Paper 'C'** that was missing when the following report was included in the main agenda for the above meeting:

8. Revenue Estimates, Services - 2013/14 Probable, 2014/15 Estimate (Pages 3 – 20).

Please also find attached the following report which was marked “to follow” on the main agenda for the above meeting:

9. Consolidated Budget report 2014/15 and Medium Term Financial Plan (Pages 21 – 66).

Please bring these papers with you to the meeting next Tuesday,

Yours faithfully,

Peter Mannings
Democratic Services Officer
East Herts Council
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MEETING : JOINT MEETING OF SCRUTINY COMMITTEES
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 14 JANUARY 2014
TIME : 7.00 PM

ALL DIVISIONS**Essential Reference Paper C**

	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
SUMMARY OF CAPITAL CHARGES				
SERVICE				
CUSTOMER & COMMUNITY SERVICES	1,641,056	2,337,950	2,160,240	2,432,440
NEIGHBOURHOOD SERVICES	700,047	2,080,510	1,243,340	1,978,720
FINANCE & SUPPORT SERVICES	619,862	563,430	484,920	508,760
CAPITAL CHARGES	<u>2,960,965</u>	<u>4,981,890</u>	<u>3,888,500</u>	<u>4,919,920</u>

CUSTOMER & COMMUNITY SERVICES

Service	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
SUMMARY OF ESTIMATES				
SERVICE				
Chief Executive and Director of				
CC1 Customer & Community Services	46,248	50,200	55,160	61,570
CC3 Environmental Services	856,123	1,385,930	1,361,710	1,616,150
CC4 Customer Services & Parking	361,560	464,910	394,380	401,170
CC5 Communications, Engagement & Cultural Services	234,131	252,430	154,770	246,130
CC6 Economic Development	142,994	184,480	194,220	107,420
CAPITAL CHARGES	<u>1,641,056</u>	<u>2,337,950</u>	<u>2,160,240</u>	<u>2,432,440</u>

CUSTOMER & COMMUNITY SERVICES

CC3

	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £	
SUMMARY OF ENVIRONMENTAL SERVICES ESTIMATES					
SERVICE					
CCE1	Environmental Services	35,188	41,170	38,070	36,680
CCE3	Playgrounds	127,540	136,540	134,310	130,100
CCE4	Public Conveniences	23,780	22,550	18,370	18,370
CCE5	Refuse Collection - Domestic	45,564	559,810	560,040	545,450
CCE6	Refuse Collection - Commerical	19,080	22,430	22,000	25,350
CCE9	Recycling	98,420	98,910	98,730	359,770
CCE10	Parks & Open Spaces	40,050	40,420	40,390	40,410
CCE11	Buntingford Service Centre	20,144	16,680	16,680	14,470
CCE12	Animal Control	780	770	620	750
CCE13	Pest Control	1,550	1,540	1,230	1,500
CCE14	Environmental Co-Ordination Section	780	770	610	750
CCE15	Herts Environmental Forum	780	770	610	740
CCE16	Environmental Co-Ordination Service	1,020	0	0	0
CCE17	Leisure Services	780	770	610	740
CCE19	Leisure Provision	440,667	442,800	429,440	441,070
CAPITAL CHARGES		<u>856,123</u>	<u>1,385,930</u>	<u>1,361,710</u>	<u>1,616,150</u>

CUSTOMER & COMMUNITY SERVICES

CC4

	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
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SUMMARY OF CUSTOMER SERVICES & PARKING ESTIMATES

SERVICE

CCS1	Head of Customer Relations	1,550	1,540	1,230	1,500
CCS2	External Customer Services	36,349	32,090	27,560	28,250
CCS3	Web Team	2,330	2,310	2,460	2,250
CCS4	Information Management	780	770	610	740
CCS5	Car Parking	9,132	9,000	7,300	8,300
CCS6/12	Car Parks	311,419	419,200	355,220	360,130
	CAPITAL CHARGES	<u>361,560</u>	<u>464,910</u>	<u>394,380</u>	<u>401,170</u>

CUSTOMER & COMMUNITY SERVICES

CC5

	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £	
SUMMARY OF COMMUNICATIONS, ENGAGEMENT & CULTURAL SERVICES ESTIMATES					
SERVICE					
CCC1	Head of Communications, Engagement & Cultural Services	780	770	610	740
CCC2	Communications	2,330	2,310	1,850	2,250
CCC3	Engagement & Partnership Team	2,330	2,310	1,850	2,250
CCC7	Community Projects	49,424	47,670	7,320	0
CCC8	Revenue Contributions & Grants to Voluntary Bodies	132,747	140,900	79,850	156,000
CCC9	Hertford Theatre & Café	46,520	58,470	63,290	84,890
	CAPITAL CHARGES	<u>234,131</u>	<u>252,430</u>	<u>154,770</u>	<u>246,130</u>

CUSTOMER & COMMUNITY SERVICES

CC6

	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
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SUMMARY OF ECONOMIC DEVELOPMENT ESTIMATES

SERVICE

CCD1	Economic Development Section	4,660	2,310	1,230	1,500
CCD2	Markets	15,319	12,930	12,810	22,000
CCD4	Economic Development	220	220	220	220
CCD5	Town Centre Enhancements	122,795	169,020	179,960	83,700
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	CAPITAL CHARGES	142,994	184,480	194,220	107,420
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NEIGHBOURHOOD SERVICES

Service	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
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SUMMARY OF ESTIMATES

SERVICE

NS1	Director of Neighbourhood Services	37,096	41,700	46,670	57,430
NS2	Corporate Support Team	3,110	3,080	2,460	2,990
NS3	Planning & Building Control	123,058	111,970	118,660	124,180
NS4	Community Safety & Health	481,613	1,033,460	637,380	918,300
NS5	Housing Services	55,170	890,300	438,170	875,820
CAPITAL CHARGES		<u>700,047</u>	<u>2,080,510</u>	<u>1,243,340</u>	<u>1,978,720</u>

NEIGHBOURHOOD SERVICES

NS3

Service	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
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SUMMARY OF PLANNING & BUILDING CONTROL ESTIMATES

SERVICE

NSP1	Development Plans	9,450	7,290	6,630	5,560
NSP2	Building Control Section	14,848	20,090	16,790	18,850
NSP3	Development Control Section	40,240	49,590	45,100	44,770
NSP7	Conservation Service	58,520	35,000	50,140	55,000
CAPITAL CHARGES		<u>123,058</u>	<u>111,970</u>	<u>118,660</u>	<u>124,180</u>

NEIGHBOURHOOD SERVICES

NS4

	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
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SUMMARY OF COMMUNITY SAFETY & HEALTH ESTIMATES

SERVICE

NSS1	Community Protection	6,990	8,430	5,540	8,240
NSS6	Community Safety Section	1,550	770	620	750
NSS8	Community Safety Service	53,710	53,700	53,550	53,680
NSS9	Engineering & Drainage	2,330	2,310	1,230	1,500
NSS10	Engineering & Transport	217,570	235,010	227,810	238,960
NSS11	Environmental Health	22,466	24,470	29,740	33,420
NSS12	Private Sector Housing Grants	176,217	708,000	318,270	581,000
NSS15	Environmental Health Promotions	780	770	620	750
CAPITAL CHARGES		<u>481,613</u>	<u>1,033,460</u>	<u>637,380</u>	<u>918,300</u>

NEIGHBOURHOOD SERVICES

NS5

	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
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SUMMARY OF HOUSING ESTIMATES

SERVICE

NSH1	Housing Section	20,005	21,880	19,880	18,910
NSH2	Other Housing	0	827,900	368,000	820,740
NSH4	Housing Options	14,925	14,130	14,130	0
NSH5	Hillcrest Hostel	20,240	26,390	36,160	36,170
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	CAPITAL CHARGES	55,170	890,300	438,170	875,820
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FINANCE & SUPPORT SERVICES

	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £	
SUMMARY OF ESTIMATES					
SERVICE					
IS1	Director of Finance & Support Services	37,094	41,710	46,660	57,430
IS2	People & Property Services	347,167	287,510	221,530	229,190
IS3	ICT, Printing & DTP Services	13,200	13,090	16,870	19,130
IS4	Financial Services & Performance	12,713	14,560	12,240	14,990
IS5	Corporate Risk	5,024	5,760	4,220	4,840
IS6	Governance Support	26,950	22,440	19,140	17,810
IS7	Revenues & Benefits Shared Service	120,031	121,010	114,640	117,030
IS8	Other	57,683	57,350	49,620	48,340
CAPITAL CHARGES		<u>619,862</u>	<u>563,430</u>	<u>484,920</u>	<u>508,760</u>

2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
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SUMMARY OF PEOPLE, ICT AND PROPERTY SERVICES ESTIMATES

SERVICE

ISP1	People & Organisational Services	10,553	25,730	10,670	11,600
ISP2	Facilities Management	5,440	5,390	10,710	13,640
ISP3	Courier	1,550	1,540	1,230	1,500
ISP4	Asset Management	3,344	3,310	2,690	3,140
ISP5	Miscellaneous Properties	225,920	105,440	101,040	101,090
ISP7	Document Management	3,100	3,080	2,460	2,990
ISP8	Wallfields - Hertford	91,840	137,600	87,310	89,810
ISP9	Charrington House (Part)	5,420	5,420	5,420	5,420
	CAPITAL CHARGES	<u>347,167</u>	<u>287,510</u>	<u>221,530</u>	<u>229,190</u>

	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
SUMMARY OF ICT, PRINT AND GRAPHIC DESIGN ESTIMATES SERVICE				
ISS3 IT Services	10,880	10,780	15,020	16,880
ISS4 Corporate Resource Unit	1,550	1,540	1,230	1,500
ISS5 Desk Top Publishing	770	770	620	750
	<hr/>	<hr/>	<hr/>	<hr/>
CAPITAL CHARGES	13,200	13,090	16,870	19,130
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FINANCE & SUPPORT SERVICES

IS4

Service	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
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SUMMARY OF FINANCIAL SERVICES & PERFORMANCE ESTIMATES

SERVICE

ISF1	Financial Services	11,013	12,140	10,900	12,630
ISF2	Performance	1,700	2,420	1,340	2,360
	CAPITAL CHARGES	<u>12,713</u>	<u>14,560</u>	<u>12,240</u>	<u>14,990</u>

FINANCE & SUPPORT SERVICES

IS5

Service	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
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SUMMARY OF CORPORATE RISK

SERVICE

ISA1	Corporate Risk & Insurance	4,254	4,220	3,600	4,090
ISA3	Procurement	770	1,540	620	750
CAPITAL CHARGES		<u>5,024</u>	<u>5,760</u>	<u>4,220</u>	<u>4,840</u>

FINANCE & SUPPORT SERVICES

IS6

	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
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SUMMARY OF GOVERNANCE SUPPORT ESTIMATES

SERVICE

ISG1	Democratic Services	9,910	7,160	6,700	7,460
ISG2	Land Charges & LLPG	8,575	6,870	5,110	4,590
ISG3	Legal	5,871	5,820	4,740	5,670
ISG5	Elections	2,594	2,590	2,590	90
	CAPITAL CHARGES	<u>26,950</u>	<u>22,440</u>	<u>19,140</u>	<u>17,810</u>

FINANCE & SUPPORT SERVICES

IS7

Service	2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
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SUMMARY OF REVENUES & BENEFITS ESTIMATES

SERVICE

ISR1	Revenues & HB Section	120,031	121,010	114,640	117,030
	CAPITAL CHARGES	<u>120,031</u>	<u>121,010</u>	<u>114,640</u>	<u>117,030</u>

FINANCE & SUPPORT SERVICES

IS8

2012/13 ACTUAL £	2013/14 ESTIMATE £	2013/14 PROBABLE £	2014/15 ESTIMATE £
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SUMMARY OF OTHER ESTIMATES

SERVICE

ISO1	Corporate & Democratic Core	57,683	57,350	49,620	48,340
	CAPITAL CHARGES	<u>57,683</u>	<u>57,350</u>	<u>49,620</u>	<u>48,340</u>

EAST HERTS COUNCIL

JOINT MEETING OF SCRUTINY COMMITTEES – 14 JANUARY 2014

EXECUTIVE – 4 FEBRUARY 2014

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE

9. CONSOLIDATED BUDGET REPORT: PROBABLE OUTTURN 2013/14; REVENUE BUDGET 2014/15; MEDIUM TERM FINANCIAL PLAN 2014/15 TO 2017/18
-

WARD(S) AFFECTED: ALL

Purpose/Summary of Report:

This report recommends a revenue budget for 2014/15 in the context of:

- the Council's priorities
- the medium term financial plan to 2017/18
- funding the capital programme (subject of a separate report)
- the anticipated revenue budget outturn for 2013/14
- the proposed Treasury Management Strategy for 2014/15 (subject of a separate report to the Audit Committee followed by Executive)
- the council tax base for 2014/15 (agreed at Council on 11 December 2013)
- the NNDR base for 2014/15 (to be agreed at Council prior to Executive)
- proposals no council tax increase for 2014/15
- proposals for reserves and balances.

<u>RECOMMENDATION FOR JOINT MEETING OF SCRUTINY COMMITTEES:</u> that	
(A)	The Executive be advised of Scrutiny's comments on the proposals detailed in the report including any amendments to the budget which the Committee wish to be considered by the Executive.
<u>RECOMMENDATIONS FOR THE EXECUTIVE:</u>	
(A)	The probable outturn for 2013/14 be approved and it be agreed

	that any variation at out turn showing an improved position against the under spending reported below, be put to the cost of the priority spend reserve;
(B)	The revenue budget for 2014/15 be approved and, in support of the 2014/15 budget, a one-off payment be made from the reserves of £1.008m to fund a one-off payment to the Pension fund to cap the increased deficit repayments to £600k pa for future years;
(C)	The medium term financial plan to 2017/18 be approved; and
(D)	There be no increase in Council Tax for 2014/15 and 2015/16.

1.0 Background

1.1 The Council continues to set its Medium Term Financial Plans (MTFP) against a backdrop of reducing public expenditure and increasing financial constraints across the sector. The budget for 2014/15 is set in a significantly changed funding regime for Local Government which has the potential to increase the risks locally for financial planning going forwards. Although this new funding regime has been in place since 1st April 2013, the financial impacts are still to be fully analysed for a full financial year. These changes include:

- The cessation of Council Tax Benefit which has been replaced with a locally determined and managed Council Tax support scheme.
- The localisation of Business Rates which places the risks and rewards for increases and decreases in Business Rate yield with the Council.

1.2 The Council's Financial Strategy was updated in September and emphasised its prudent approach to long term commitments and the intention "to maximise the Council's financial resilience". The Strategy included a statement on the policy on general and earmarked reserves emphasising the need to maintain a good level of reserves, particularly given the need to be able to respond to any fluctuations in funding levels presented by the transfer of risk arising from the changes in the way Local Government is funded.

- 1.3 Following on from the Autumn Statement on 5th December 2013, the government announced the provisional Local Government Finance Settlement for 2014/15 and 2015/16 on 18th December 2013. This is subject to consultation and final checks by DCLG of the data they have used, and will not be finalised until the end of January 2014. The numbers in this report are subject to further revision once the settlement has been finalised if they should differ.
- 1.4 When the MTFP was refreshed in September 2013, assumptions were made about funding levels for the Council, based upon announcements made in the Comprehensive Spending review in June 2013. At that time, assumptions were made in our funding model that:
- Funding reductions already announced in 2014/15 would remain the same, and that there would be 10% reductions in our total funding from 2015/16 onwards.
 - That 40% would be top-sliced from New Homes Bonus funding.
 - An overall cap on welfare spending nationally. The impact specifically on East Herts was unknown.
- 1.5 Following the Autumn Statement in December 2013, and subsequent specific funding announcements, these assumptions have been updated to the following:
- Funding reductions in line with original 2014/15 announcements last year and provisional settlement for 2015/16 consistent with overall funding reductions already assumed in the September refresh
 - No top-slice of New Homes Bonus. However, a review was announced of the whole New Home Bonus scheme to be undertaken in early 2014, reporting “Easter 2014”
 - The Welfare Cap is still applicable although there is still no indication on what impact there may be locally.
 - Council Tax freeze grants from prior years were rolled into our base funding, although this is still all part of our overall funding settlement

1.6 Locally, there are also some further issues that we have considered in more detail since the September refresh and have included these in the updated model:

- The Executive requested that funding for one further year to Parish and Town Councils be included in the budget for 2014/15. This would be at 50% of the level of funding they received in 2013/14 in recognition of the impact of the localisation of Council Tax Support. At the same time, the Executive committed to continue to pass on 25% of the funding the Council receives for New Homes Bonus directly onto Parish and Town Councils.
- Priority Spend budgets for New Homes Bonus had previously been capped at 25% of the 2011 award. This has been amended to be 25% of total award.
- Budgets for 2014/15 (and future years where appropriate) have been amended following a budget challenge session held during August and September. All Heads of Service reviewed their budgets to see if there were efficiency savings that they could propose to meet future funding gaps.
- Following publication of Planning projections and the impact on housing levels for future years, the Council Tax Base and subsequent impact on New Homes Bonus projections at a District Level have been revised
- Results of the Triennial Pension review have been received. The impact of the results has been included in the model. There is a separate note included with this report that explains the rationale.
- As part of the Treasury Management Strategy, the implications of the new investment strategy have been included in the model, particularly in relation to investment in property funds. At this point, no assumptions have been made about investing directly in property.
- New savings, growth and special items have been identified and included in the model

1.7 The impact of the introduction of Council Tax Support in 13/14 and the scheme for 2014/15 was subject to a separate report to Executive in December. The implications of this are already

factored into the financial model.

1.8 The revised model shows a significant variation (reduction) in the new savings that have to be found in 2016/17 and 2017/18 and an increased contingency level in earlier years. These will have to be closely monitored given the level of risk in some of the supporting assumptions:

- Assumed continuation of New Homes Bonus throughout the life of the MTFP. This currently supports 8% of our cost of services of which only 50% of this could immediately be stopped in 2014/15. In 2017/18 this proportion rises to 11%.
- Achievement of increase in interest levels from investment opportunities estimated from property funds
- Continued delivery of savings already planned
- Identification of new savings for 16/17 and 17/18
- Inclusion of Council Tax Freeze grant for 14/15 and 15/16

2.0 Report

Opening balances 1 April 2013

2.1 The budget for 2013/14 was set in February 2013 with an expectation that 31 March 2013 would see a balance on the general reserve of £4,204k. The final accounts recorded a balance of £4,255k i.e. £51k higher than expected.

2.2 The unallocated general fund balance was £3,854k inclusive of the £168k building control surplus. Earmarked reserves compared as follows:

2.3

Reserve	Expected Balance 31.3.13 £000	Actual Balance 31.3.13 £000
Interest Equalisation	1577	1683
Insurance Fund	10	10
Emergency Planning	36	36
VAT partial exemption	146	146
Service Improvement	610	610
LDF/Green belt	764	814
Housing condition survey	65	65
Council election	25	25

LABGI	104	99
Leisure utilities/pensions	240	240
Restructure	33	33
Performance Reward Grant	42	62
Pension strain costs	95	0
Waste recycling income volatility	275	275
Footbridge reserve	150	150
Cost of change	565	1127
DCLG Preventing Repossession	25	30
DEFRA Env. Pollution	35	53
Waste Recycling Reserve	280	461
New Homes Bonus Priority Spend	0	133
Total	5077	6052

Taken together the additional general and earmarked reserves at out turn provide the Council with a further degree of resilience to meet short term pressures. The statement on reserves in September noted that the sum of the general reserve and general fund balance was £805k above ceiling.

Projected outturn 2013/14

- 2.4 The latest health check report at the time of drafting this report is the November report. This shows favourable variances of £1,374k offset by adverse variances of £887k, a net favourable variance of £487k. The health check report includes both service and non service estimates.

Priorities

- 2.5 The Council's priorities against which spending proposals need to be measured have been simplified to the broad strands of People Place and Prosperity.
- 2.6 In summary the key objectives of (and set out in full in) the Corporate Strategic Plan 2013/14 – 2016/17 are

People – Opportunities for everyone to contribute to and access the Council's services

- Support for the vulnerable
- Community engagement
- Health Inequalities
- Satisfaction with the Council

Place – Safe and Clean

- Increased waste recycling
- Satisfaction with cleanliness of the area
- Satisfaction with parks and open spaces
- A sustainable Hertford Theatre
- Reduced council carbon dioxide emissions
- Well managed Council assets
- Reduce fear of crime

Prosperity – Improving the economic and social opportunities to our communities:

- Parking and transport strategy
- Enhance broadband in rural area
- Zero per cent council tax increase
- Development meeting priorities
- Stream line the Council's back office
- Office and industrial space
- Improved economic resilience of market towns
- Guidance for development in Hertford and Ware
- Rural business programme
- Local Development Framework

2.7 The proposals in this report are designed to be consistent with achieving the above objectives within the resources available in particular further freezing of council tax.

2.8 With spending restraint likely to be with all Councils for some time the budget round has necessarily focussed again on where savings can be made that have least impact on priorities. The overall priority has continued to be the prudent management of the Council's finances to avoid unplanned service reductions.

Financial Strategy

2.9 Corporate Business Scrutiny Committee on 27th August 2013 considered a draft updated financial strategy 2014/15 to 2017/18 which was subsequently endorsed by the Executive. Key planning assumptions have subsequently been amended as detailed in Section 1 of this report. These can be summarised as follows:

- Announcements on our provisional settlements for 2014/15 and 2015/16 from Central Government
 - Reversal of the New Homes Bonus Top-Slice
 - 50% of prior year Localisation of Council Tax funding awarded to Town and Parish Councils plus committing 25% of estimated future years New Homes Bonus throughout the life of the MTFP
 - Priority Spend budgets for New Homes Bonus amended to be 25% of total award rather than capped at 2011 levels.
 - Amended for the results of the budget challenge sessions held with Heads of Service.
 - Revision of the Council Tax Base and future New Homes Bonus levels in line with future planning projections published by East Herts.
 - Impact of the Triennial Pensions review included in the model
 - Implications of the new Investment strategy included in the model.
 - New savings, growth and special items have been identified and included in the model
- 2.10 The MTFP retains contingency sums for 2014/15 through to 2015/16. Given the increased uncertainty due to funding changes and the fact that the settlement is still provisional then it is appropriate to retain some form of contingency. This sum would also fund any implications for in-year growth items and would ideally be used to pump prime any invest to save opportunities identified throughout those years, to generate new savings that are still to be identified for 16/17 and 17/18.
- 2.11 The MTFP also contains assumptions around the delivery of efficiency savings and it will be important to ensure that these are closely monitored to ensure that they are delivered on time.
- 2.12 The revised financial model for the MTFP is set out at **Essential Reference Paper B**.

Revenue Support Grant Settlement

- 2.13 The 2014/15 grant settlement was announced in December 2013 but remains provisional until the end of January 2014. Announcements on funding for 2015/16 have also been made, although these remain provisional until January 2014.
- 2.14 In 2013/14, the system for financing Local Government has changed. In prior years the way that East Herts was funded was as follows:
- Our share of Council Tax collected which we bill and collect on behalf of ourselves, Hertfordshire County Council, the Police Authority and our towns and Parishes
 - A revenue support grant that was the difference between our assumed level of spending need and our share of Council Tax and Business rates that we collected according to Government calculations.
 - A share of the yield from Business Rates (also known as NNDR) that the District collects on behalf of Government. The amount to be collected is set by the valuation office and we have no influence over the amount that the rates are set at.
 - Other specific grants, usually awarded with specific outcomes expected. Examples of this are Council Tax Freeze and Homeless grants as well as New Homes Bonus.
 - Any income that we are able to raise ourselves through fees and charges or investing the cash that we have in the bank through our treasury management strategy.
- 2.15 From 2013/14 the way we are funded changes in that the business rates that we collect are now used to fund our services. The main change for 2013/14 and future years is that the funding from Business Rates will no longer be a share of the National Pool and instead the Business Rates that we collect are shared between us as the billing authority, and precepting authorities and Central Government. The actual rates payable by a business are still determined nationally.
- 2.16 In the first year of the new arrangements, 2013/14, there is a gap between the Government's overall spending control totals and the

anticipated level of the local Business Rates share. This difference is made up by Revenue Support Grant (RSG). It is anticipated that the level of RSG will reduce in future years in-line with the forecasts for public spending outlined in the last Spending Review and the 2013 Autumn Statement. Certain special and specific grants for each authority have been amalgamated to give authorities more control over how they may be used.

- 2.17 Monitoring and forecasting the levels of business rate collection in 2013/14 and future years is therefore much more important than in previous years,
- 2.18 In addition to the changes in funding, the system by which vulnerable residents are able to receive support to pay their Council Tax bills has changed. Council Tax Benefit which was nationally funded and set, has been replaced by a locally determined Council Tax Support system. Funding for this forms part of the overall budget for 2013/14 and future years and the implications of a reduction in funding of the scheme have been included in the calculation of the overall budget.

The revenue Budget 2014/15

- 2.19 The budget 2014/15 can be summarised as follows:

	£000	£000
Neighbourhood Services	3,289	
Customer and Community Services	5,775	
Finance and Support Services	3,955	
- capitalised salaries	-26	12,993
Investment income net of interest payable		(208)
Further efficiency savings and fees net of growth		318
Contingency		513
Net Expenditure		13,616
Movement in Pension Reserve (Deficit contribution)		600
Contributions to reserves		(129)
Net Expenditure after reserves		14,807
Funded by:		
Collection Fund (Surplus)/deficit		0

RSG / Retained NNDR	(5238)
Grant to freeze council tax	(94)
General Revenue Grants	(16)
Leaving:	
Demand on Collection Fund	8739

Band D tax base	55,469
Band D tax	£157.54

Note 1 The service estimate figures exclude capital charges (see separate report) which will be added prior to publication of detailed estimates. Costs to be added relate to pension strain costs and pension contributions to fund the deficit which is not included in current costs.

2.20 The MTFP savings are set out at **Essential Reference Paper B**. Total ongoing savings for 2014/15 total £430k of which

- Additional proposals subject to confirmation £64k
- Savings achieved and included in detailed estimates £366k

2.21 In refreshing the MTFP the savings proposals in respect of 2014/15 have been varied from earlier proposals included in the Budget Strategy as follows:

£000

Amended Proposals

Planning and Building Control – reduction of savings by 72

Democratic and legal services, savings deferred to 14/15 13

Revenue affects of new Capital Schemes (addition of) (23)

Net reduction of 62

2.22 The contingency for 2014/15 at £513k has reduced from the figure reported in September at £692k.

Council Tax

2.23 We are assuming that Council Tax Freeze Grant, equivalent to 1% of the rise will be available to the Council should it choose to

freeze in 2014/15. The model assumes both a grant to cover the freeze in 2014/15 and 2015/16 and the corresponding Council Tax freeze. If this is not forthcoming, this will cost £94k.

Reserves

- 2.24 The proposals in this budget include one call on the general reserves, to fund the one-off contribution to the Pension fund. More detail can be found in **Essential Reference Paper D**.

The General Fund Balance is unchanged at £3,854k over this period. There is no planned call on the general fund in the period 2014/15 to 2017/18.

- 2.25 Movement on the General Reserve in 2013/14 based on the probable outturn is as follows:

	£000
Balance 1 April 2013	4,255
Add	
Planned use 2013/14 budget	0
Approval to use some of the 2011/12 under spending	-80
Net variance	558
Estimated balance 31 March 2013	4,733

- 2.26 In setting the budget for 2013/14 and MTFP it was previously planned to draw on earmarked reserves and these intentions are broadly retained. Some additional appropriations are now anticipated relations to the use of LABGI and Environmental Pollution.

- 2.27 The consequent (additions to) and withdrawal from reserves will result in year end balances as set out in the table below.

Reserve	Bal at 31/3/14 £000	Bal at 31/3/15 £000	Bal at 31/3/16 £000	Bal at 31/3/17 £000	Bal at 31/3/18 £000
Interest Equalisation	2,144	2,110	2,110	2,110	2,110
Insurance Fund	10	10	10	10	10
Emergency Planning	36	36	36	36	36
VAT partial exemption	146	146	146	146	146

Service Improvement	610	610	610	610	610
LDF /Green belt	734	714	444	384	324
Housing condition survey	79	43	57	71	71
Council Elections	50	75	0	25	50
LABGI	94	94	94	94	94
Leisure utilities/pensions	300	300	300	300	300
Restructure	33	33	33	33	33
Performance Reward Grant	35	0	0	0	0
Pension Strain costs	0	0	0	0	0
Waste recycling income volatility	275	275	275	275	275
Footbridge River Stort	150	150	150	150	150
Cost of Change	1127	1127	1127	1127	1127
DCLG Preventing Repossessions	30	30	30	30	30
Environmental Pollution	29	0	0	0	0
New Homes Bonus Priority Spend	313	313	313	313	313
Total	6,195	6,066	5,735	5,714	5,679

Robustness of estimates and adequacy of reserves

2.28 Section 25 of The Local Government Finance Act 2003 requires the Section 151 Officer to report on the adequacy of reserves and robustness of the estimates. The balance of this section represents the judgement of the Section 151 Officer.

2.29 The Council adopted a strategy in regard to reserves in September and the proposals as they currently stand breach that policy. However, given that there are a number of risk areas that need to be considered then it is the judgement of the Section 151 Officer that this level of reserves is adequate and not excessive. The increased level of uncertainty in funding going forward and the impact on the Council's services of the substantial changes in

Welfare Reform have added financial risk to the Council. Consideration is also given to the fact that this settlement is based on provisional information from DCLG.

- 2.30 This judgement has regard to the Council's record of containing spending within budget, it having identified saving options in excess of the sum needed to balance the MTFP and its prudent approach to risk management. Consideration has been given to potential calls on reserves to meet external "shocks" – from environmental, economic, and operational uninsured losses having regard to the Council's activities and scale of operations. A more detailed stress test is included at **Essential Reference Paper C**.
- 2.31 The Council retains very substantial investments in relation to its annual spend and has brought forward a paper in regard to considering a new Investment Strategy which is currently being considered and will be brought forward for further decisions in 2014. It is prudent to retain above minimum levels of reserves in these circumstances.
- 2.32 The relative risks to budget assumptions are set out below together with a judgement of relative risk of actual experience differing from current assumptions. The potential direction of variance needs to be considered e.g. the risk to pay and inflation assumptions is on balance that current planning assumption may prove optimistic.

Area of Risk	Factor	Comment and Mitigation	Illustrative Cost of variation
Volatility of grant income	Medium/High	Although the RSG element of formula grant is certain for 2014/15 retained business rate grant income is subject to changes in debit collectable.	A 5% reduction in RSG/NNDR Income = £262k
Localisation of council tax support replacing	High	In setting our local scheme	Each 1% increase in

Council Tax Benefit		there are risks about the increasing needs of our residents and there is a possibility that increasing numbers of individuals may come forward for support	spend on CTS would cost East Herts an additional £8k
Discretionary Rate Relief	Low	No provision is made in the MTFP to respond to proposed freedoms to extend discretionary NNDR relief. Any awards now directly impact on the Councils funding	The policy for 2014/15 has now been set.
Income achievement	Medium	Income levels are reviewed annually as part of the fees and charges report where Heads of Service will estimate the expected levels of income for their service areas based on the most up-to-date performance information that they have.	A 5% shortfall on car park income = £160k A 5% shortfall in other income = £85k

Achieving savings	Medium/High	Targets become increasingly challenging over the MTFP and public acceptability of some proposals may be difficult to achieve.	A 10% under achievement of total planned savings to 17/18 = £113k
Interest rates	High	There are divergent views on the direction of short term rates reflecting different assumptions about the impact of markets concerns about sovereign debt and how the UK economy will respond to public sector spending cuts and increased taxes. The MTFP anticipates investment returns consistent with OBR forecasts.	The £10m structured deposit has a floor rate of 3.7%. Other fixed rate deposits range from 0.6-2%. With varying terms to August 2014. The balance of funds (c £25m) are anticipated to return between 0.7% and 2.05% over the period of the MTFP. A 0.5% variance on overall investments equates to around £335k.
Compliance with grant requirements	Low	Recent audits record a good performance	Nil

Vacancy saving	Medium	The provision has been reduced to reflect current lower levels of turnover	The factor allowed is 2% a reduction to 1% would cost £110k
Pay and inflation	Medium	A 1% pay award has been assumed with further increases of 1%, 2.5% and 2.5% from April 15, 16 and 17 respectively	A 1% equates to circa £110k per year
Pension costs	Low	Pension contributions reflect the latest triennial review in 2013 and are therefore as up-to-date as possible. The next review will be in 2016 and will impact in 2017/18	Pension costs are not variable from 2014/15 to 2016/17
Council tax increases	Low	The target for zero increases is determinable by the Council.	A 1% increase = £94k
Changing Council priorities	Low	The Council has refined its key priorities and fine tuning rather than significant revision is likely.	Not quantifiable

2.33 The estimates are considered sufficiently robust for the Council to set a budget and council tax for 2014/15

2.34 **Essential Reference Paper C** sets out a stress testing of the MTFP by considering different scenarios by which the Council might be subject to unexpected financial pressures. The intention is to illustrate how resilient the Council's finances would be to a single or series of incidents.

3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**).

Background Papers:

Bank of England Inflation Reports

OBR reports

Local Government Finance Settlement December 2012.

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Report Author: Adele Taylor – Director of Finance and Support Services, Extn: 1401. adele.taylor@eastherts.gov.uk

ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS:

Contribution to the Council's Corporate Priorities/ Objectives	The budget and MTFP apply resources to achieve all the Council's priorities
Consultation:	The outcome from consultation will be reported separately as Essential Reference Paper E
Legal:	<p>The Council must set a lawful and balanced budget and subsequently set a council tax for 2014/15 within prescribed time frames.</p> <p>Members should have regard to the advice of the Section 151 but may take decisions at variance with this advice where there are reasonable grounds to do so.</p> <p>It is an offence for any Member with arrears of council tax outstanding for two months or more to attend any meeting of the Council or its committees at which a decision affecting the budget is made unless the Member concerned declares at the outset of the meeting that s/he is in arrears and will not be voting on the decision for that reason.</p>
Financial:	As set out in the report.
Human Resource:	Where savings options may cause redundancy the relevant HR policies will apply and those savings remain subject to the outcome of the application of those policies.
Risk Management:	Contingencies are included and the level of reserves forms part of the corporate approach to mitigation of risk.

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GENERAL FUND - MEDIUM TERM FINANCIAL PLAN

SUMMARY Model January 2014 for Scrutiny

Ref Paper

	2012/13 Actual	2013/14	2014/15	2015/16	2016/17	2017/18	
	£'000	£'000	£'000	£'000	£'000	£'000	
Net Cost of Services	13,310	14,218	13,962	14,293	14,966	15,659	A
Interest Payments	660	662	662	662	662	662	
Interest & Investment Income	-1,193	-996	-895	-1,113	-1,330	-1,650	B
Fees & Charges			-37	-81	-206	-332	
Growth Items			58	76	94	94	C
Special Items			376	65	3	1	D
Efficiency Savings - Existing plans			-64	-326	-339	-339	E
Efficiency Savings - to be Identified					-246	-165	E
One off Savings			-15				F
Known Changes				379	423	163	G
Application of New Homes Bonus *	238	558	1,095	1,356	1,592	1,798	H
Contingency		590	513	443			
Council Tax Support Scheme: grants to town and parish		255	127				
RCCO/Internal Interest	25	25	25	25	25	25	
Net Expenditure	13,040	15,312	15,807	15,780	15,643	15,915	
Contribution to / from Earmarked Reserves	1,443	-166	-95	-331	-21	-35	
Contribution to/ from Interest Equalisation reserve	1,249	600	-34				
Use of General Reserve	97						
Movement on Pension Reserve (Deficit Contribution)	118	493	600	600	600	600	
Net Expenditure after reserves	15,947	16,239	16,277	16,049	16,222	16,480	
Formula Grant/NNDR	-5,537	-5,940	-5,238	-4,439	-3,995	-3,596	I
Council Tax Freeze Grant	-233	-94	-94	-94			
Other general grants	-13	-16	-16				
New Homes Bonus	-772	-1,416	-2,190	-2,715	-3,188	-3,601	
Transfer (from)/to Collection Fund	-62	-95	-				
Transfer (from)/to NNDR Collection			-				
Demand on Collection Fund	9,330	8,677	8,738	8,800	9,039	9,284	
Council Taxbase	58,628	55,084	55,469	55,857	56,248	56,642	J
Council Tax at Band D	159.13	157.54	157.54	157.54	160.70	163.92	

Percentage Increase -1.00% 0.00% 0.00% 2.00% 2.00%

* 2014/15 onwards NHB application split between Priority Spending and Parish & Town Councils (as shown on the Known changes sheet)

Reconciliation of Net Cost of Services	2012/13 Actual	2013/14	2014/15
Net Cost of Services as per MTFP	13,310	14,218	13,962
Built into estimates:			
Application of New Homes Bonus	238	558	1095
New Home Bonus Income	-772	-1416	-2190
Council Tax Support Scheme: grants to town and parish			127
Capital Salaries	172	188	26
SPARC - Adjustments to recycling budgets		470	
2012/13 Carry forward budgets		81	
Net Cost of Services as per Revenue Estimates	12,948	14,099	13,020

GENERAL FUND - MEDIUM TERM FINANCIAL PLAN

SUB - SUMMARY January 2014 for Scrutiny

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Director of Neighbourhood services	126	120	116	118	122	126
Corporate Support	99	104	108	110	113	117
Planning & Building Control	1,262	1,185	1,136	1,174	1,243	1,314
Housing Services	423	539	477	507	523	539
Community Safety & Health	1,361	1,530	1,453	1,406	1,457	1,510
Chief Executive and Director of Customer & Community Services	142	134	150	153	158	163
Welfare Reform	2	170				
Environment	4,792	5,648	5,457	5,591	5,753	5,920
Customer & New Media	-706	-1,048	-865	-801	-725	-646
Economic Development	115	93	83	89	96	103
Community Engagement	746	741	728	707	724	743
Hertford Theatre	201	216	221	238	259	281
Director of Finance and Support Services	142	132	131	133	137	142
Governance Support	351	605	559	575	601	628
People & Property Services	2,481	2,376	1,045	1,066	1,100	1,135
ICT, Printing & DTP Services			1,280	1,307	1,356	1,406
Financial Support Services	555	569	552	562	579	597
Revenues & Benefits	202	168	245	279	350	423
Corporate Risk	338	353	336	342	351	361
Other	851	772	775	766	794	824
Capital Salaries	-172	-188	-26	-26	-26	-26
Net Cost of Services	13,310	14,218	13,962	14,293	14,966	15,659
Interest Payments	660	662	662	662	662	662
Interest & Investment Income	-1,193	-996	-895	-1,113	-1,330	-1,650
Car Parking Fees & Charges					-80	-160
Other fees & Charges			-37	-81	-126	-172
Growth 2014/15			58	58	58	58
Growth 2015/16				18	18	18
Growth 2016/17					18	18
Growth 2017/18						
Special Item			376	65	3	1
Savings 2014/15			-64	-64	-64	-64
Savings 2015/16				-262	-262	-262
Savings 2016/17					-14	-14
Savings 2017/18						
Efficiency Savings - to be Identified					-246	-165
One Off Savings			-15			
Known Changes				379	423	163
Application of New Homes Bonus *	238	558	1,095	1,356	1,592	1,798
Contingency		590	513	443		

Council Tax Support Scheme: grants to town and parish		255	127			
RCCO/Internal Interest	25	25	25	25	25	25
Contribution to Earmarked Reserves	1,620	99	39	39	39	25
Contribution from Earmarked Reserves	-177	-265	-134	-370	-60	-60
Contribution to/ from Interest Equalisation reserve	1,249	600	-34			
Use of General Reserve	97					
Movement on Pension Reserve (Deficit Contribution)	118	493	600	600	600	600
Net Expenditure	15,947	16,239	16,277	16,049	16,222	16,480
Formula Grant/NNDR	-5,537	-5,940	-5,238	-4,439	-3,995	-3,596
Council Tax Freeze Grant	-233	-94	-94	-94		
Other general grants	-13	-16	-16			
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Transfer (from)/to Council Tax Collection Fund	-62	-95	-			
Transfer (from)/to NNDR Collection Fund			-			
Demand on Collection Fund	9,330	8,677	8,738	8,800	9,039	9,284
Council Taxbase	58,628	55,084	55,469	55,857	56,248	56,642
Council Tax at Band D	159.13	157.54	157.54	157.54	160.70	163.92
Percentage Increase		-1.00%	0.00%	0.00%	2.00%	2.00%

* 2014/15 onwards NHB application split equally between Priority Spending and Parish & Town Councils (as shown on the Known changes sheet)

Investment Income - 12/12/2013

REF PAPER B

	2013/14	2014/15	2015/16	2016/17	2017/18	Assumptions	Source
total cash	67	67	60	60	0	60	
Fixed term							
Lloyds rate 3.72 to Apr 2015	10	10	10	10	10		
rolled over rat rate 1.1	372	372	110	140		Roll over for 1 year	Capital Assets Services
rolled over rat rate 1.4					200	" "	" "
rolled over rat rate 2.0						" "	" "
Natwest rate 2.25 to Oct 13	5	5	5	5	5		
Rate 0.8 to April 2014	20					95 Days Notice	
rolled over rate 0.6	15	35	50	70			
rolled over rate 0.7					100		
rolled over rate 1.1							
rolled over rate 1.4							
rolled over rat rate 2.0							
Lloyds rate 3% Jul-13	10	10	10	10	10		Capital Assets Services
Income	75					Roll over for 1 year	" "
rolled over rate 0.92	70	75	110	140		" "	" "
rolled over rate 0.75					200	" "	" "
rolled over rate 1.1						" "	" "
rolled over rate 1.4						" "	" "
rolled over rate 2.0						" "	" "
Barclays to Aug 14	5	5	5	5	5		Capital Assets Services
rate 2%	100	30				Roll over for 1 year	" "
rolled over rate 0.7%		23	50	70		" "	" "
rolled over rate 1.4%					100	" "	" "
rolled over rate 2.0%						" "	" "
Barclays Until April 14	5	5	5	5	5		Capital Assets Services
rate 0.88%	40	35	50	70		Roll over for 1 year	" "
rolled over rate 0.7%					100	" "	" "
rolled over rate 1.4%						" "	" "
rolled over rate 2.0%						" "	" "
Investec Rate	21.8	12	5	5	5		Investec
0.25%	55	15	38	70		Disinvest £10m in July 2014/15 and £7m in 2015/16	
0.75%					75		
1.40%							
1.50%							
LAM 3.00%	1	1	1	1	1		Funds placed in 2013/14
	30	30	30	30	30		
Property Fund		20	20	20	20		Investment commence in second quarter 2014/15
Rate 3.0%		220	640	700		Half Year income less £80k entry fees	
Rate 3.2%					800	Full year income	
Rate 3.5%						"	
Rate 4.0%						"	
Short term	10						Disinvesting in second quarter 2014/15
rate	0.4	0.4					
Income	40	20					
In house cash flow	45	40	35	40	45		
Total	842	895	1113	1330	1650		
Total - Feb 2012 MTFP	996	929	865	997	0		
Difference (2014/15 - 2016/17 to be funded from Reserves)	154	34	-248	-333	0	-1650	

	£million	Maturity
Lloyds min return	10	3.72% Apr-15
Nat west	5	0.60% Apr-14
Lloyds	10	1% Jul-14
Barclays	5	2% Aug-14
Barclays	5	0.88% Apr-14

Using Office Budget Responsibility (OBR)

13/14	0.70%
14/15	0.70%
15/16	0.95%
16/17	1.40%
17/18	2.05%

Growth	2014/15	2015/16	2016/17	2017/18
	£	£	£	
Environment				
Waste Services - Property Growth	22,000			
Customer & New Media				
Parking - Pay by Phone	8,000	8,000	8,000	
IT				
Growth from IT Capital Programme	10,000	10,000	10,000	
New Items				
People & Property				
Consultants fees re property investment appraisal	7,700			
Lighting columns maintenance costs	10,000			
Total growth	57,700	18,000	18,000	0

Special Items	2014/15	2015/16	2016/17	2017/18
	£	£	£	
Welfare Reform	120,000			
New items				
People, ICT & Property				
EHC disturbance Costs (Less SBC contribution)		2,450	2,700	1,200
Resource to facilitate HR performance reporting	20,000			
Compliance Surveys	30,000	30,000		
Customer Services & New Media				
Southmill Area Resident Permit Scheme	15,000	30,000		
Car Park Management System Consultancy - Specification & Tender Support	15,000			
Bisops Stortford Parking Futures	15,000			
Review of on-stree limited waiting bays	15,000			
Intranet consultation and redesign including role and template implementation	15,000			
Member's website consultation and redesign including role and template implementation	15,000			
Accessibility assessment of www.eastherts.gov.uk	10,000			
Finance & Performance				
Controlled Stationery - cheques		3,000		
Community Engagement				
20203/822 Development of Olympic Programme	500			
20203/822 Herts Savers Credit Union	5,000			
Revenues & Benefits				
Revenues & Benefits shared service - contribution to staffing	100,000			
Total Special Items	375,500	65,450	2,700	1,200
Built into 2014/15 Estimates				
People, ICT & Property				
EHC disturbance Costs (Less SBC contribution)	2,200			
	377,700	65,450	2,700	1,200

REF PAPER E

MTFP Savings 2014/15 To 2017/18		Note	2014/15	2015/16	2016/17	2017/18
			£	£	£	£
Planning & Building Control						
Reduction in budget				(61,000)		
Building Control Reduced Spending				(50,000)		
Planning administration				(34,000)		
Environmental Services						
Grounds Maintenance Contract Extension			(12,500)	(37,500)		
Community Engagement						
Hertford Theatre - new business plan				(14,300)	(9,500)	
People, ICT & Property						
Reduce HR support - Shared Support Services			(2,000)	(5,000)	(4,000)	
17719/053	Reduction in corporate training budget pro rata to staff reduction		(3,000)			
Phased reduction in hours of estates staffing			(14,000)			
SBC Contribution to EHC retained recharges			(9,560)			
Revenues & Benefits						
Shared service efficiencies				(15,000)		
Democratic & Legal Services						
Reduction in Legal third party payments budget				(27,000)		
Efficiency measures for electoral canvass				(12,500)		
Revenue effects of capital						
Bell Street Public Conveniences modernisation			(5,600)	(5,600)		
3G Artificial Turf Pitch development at Hartham Common (Management fee reduc			(17,000)			
Total			(63,660)	(261,900)	(13,500)	0
Savings to be Identified					(252,000)	(174,000)
Total savings to be built into estimates			(63,660)	(261,900)	(265,500)	(174,000)
Already built in to Estimates as part of Underspend Challenge						
Planning & Building Control						
Planning administration			(34,000)			
Community Safety & Health						
Set taxi licence fees to recover full costs			(5,000)			
Restructuring the services delivered by Licensing, Community Safety and Environmental Health leading to a reduction in resources			(3,420)			

Environmental Services	
Waste services contract transition	(100,000)
Community Engagement	
Hertford Theatre - new business plan	(45,000)
Democratic & Legal Services	
Land Charges - staffing reductions	(23,000)
	<u>(210,420)</u>
Already built into Estimates	
Community Safety & Health	
Restructuring the services delivered by Licensing, Community Safety and Environmental Health leading to a reduction in resources	(102,580)
Environmental Services	
Leisure Savings	155,000
People, ICT & Property	
Estimated Shared services Savings	(208,000)
	<u>(155,580)</u>
Items removed from Savings list (not built in to estimates)	
Planning & Building Control	
Building Control Reduced Spending	(50,000)
Development Control BPI led savings	(22,000)
	<u>(72,000)</u>
Total	<u>(501,660)</u>

REF PAPER F

One Off Savings	2014/15	2015/16	2016/17	2017/18
	£	£	£	£
Customer & Community				
Community Engagement				
Public Consultation & Research	(14,700)			
Total to be built in	(14,700)	0	0	0

REF PAPER G

OTHER KNOWN REDUCTIONS AND INCREASES

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Changes to Terms and Conditions		-92	-92	-92
Hertford Theatre Hydro Income		-11	-11	-11
National Insurance rebate (exact date uncertain)			222	222
LDF Public exam/Green belt review		250	40	40
Future Council elections		100		
Reduction in housing benefit over recovery		65	130	195
Adjust council tax admin grant		67	134	201
Causeway lease reversal of accrual				-380
Causeway car park - loss of net income				36
Leisure Contract reduction in contract expenditure				-48
Remove Council Tax Support Scheme				
Waste - Alternate Financial Model (AFM) income reduction				
		379	423	163
For information				
Application of New Homes Bonus - 25% to parish and towns		678	796	899
Application of New Homes Bonus - priority spending		678	796	899
		1,356	1,592	1,798

REF PAPER H

New Homes bonus - Income (expenditure shown on known changes sheet)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
New Homes Bonus 11/12 (to be received 11/12 to 16/17)	(415)	(415)	(415)	(415)	(415)	
New Homes Bonus 12/13 (to be received 12/13 to 17/18)	(425)	(425)	(425)	(425)	(425)	(425)
New Homes Bonus 13/14 (to be received 13/14 to 18/19)		(553)	(553)	(553)	(553)	(553)
New Homes Bonus 14/15 (to be received 14/15 to 19/20)			(797)	(797)	(797)	(797)
New Homes Bonus 15/16 (to be received 15/16 to 20/21)				(525)	(525)	(525)
New Homes Bonus 16/17 (to be received 16/17 to 21/22)					(473)	(473)
New Homes Bonus 17/18/ (to be received 17/18 to 22/23)						(828)
Built into Estimates	840	1,393	2,190			
	-	-	-	(2,715)	(3,188)	(3,601)

FORMULA GRANT AND RETAINED NNDR

		2013/14	2014/15	2015/16	2016/17	2017/18
Settlement December 2012						
NNDR		2,377	2,450			
RSG		3,573	2,746			
		<u>5,950</u>	<u>5,196</u>			
Settlement December 2013						
Indicative NNDR figures						
Billing Authority Baseline		21,556	21,976	22,583		
EHC Baseline (80%)		17,245	17,581	18,066		
EHC Baseline Funding Level		2,377	2,423	2,490		
Tariff		14,868	15,158	15,576		
EHC NNDR 1						
	Note 1					
Billing Authority Baseline		21,544	21,975	22,583	23,260	23,958
EHC Baseline (80%)		17,235	17,580	18,066	18,608	19,166
EHC Baseline Funding Level - Budget Figure		2,367	2,423	2,490	2,565	2,642
Tariff (as above)		14,868	15,158	15,576	16,043	16,525
BUDGET TOTALS						
	Note 2					
RSG	Note 3	3,573	2,815	1,949	1,430	954
NNDR		2,367	2,423	2,490	2,565	2,642
		<u>5,940</u>	<u>5,238</u>	<u>4,439</u>	<u>3,995</u>	<u>3,596</u>
CSR 2013						
Less 10% 16/17 onwards			5,238	4,439	3,995	3,596

Note 1 - Figures for 2014/15 onwards based on indicative settlement figures pending completion of East Herts NNDR1 return

Figures for 16/17 & 17/18 assume a 3% uplift

Note 2 - Budget figures shown in bold

Note 3 - 16/17 & 17/18 RSG are assumed figures

REF PAPER J

Calculation of Council Tax base

	13/14	14/15	15/16	16/17	17/18
ST Figures 14/12/12					
Eligible chargeable properties	59,354				
Council tax benefit scheme	(4,639)				
Estimated growth	0.89%	487			
Non collection allowance	1.25%	(690)			
Increase - CT reduction scheme		175			
Increase - Wider CT reforms		397			
Assume increase of 0.5% per annum (SC 18/12/2012)			275	277	278
	55,084	55,359	55,636	55,914	
Revised Tax base 13/12/2013 From Final Tax base report		55468.63			
Assume increase of 0.7% per annum (SC 19/11/2013)			388	391	394
		55,469	55,857	56,248	56,642

Pay and Price Assumptions for Medium Term Financial Plan

Data Table	2013/14	2014/15	2015/16	2016/17	2017/18
Overall salary increase (Inclusive of everything)*	1.75%	1.75%	1.75%	3.25%	3.25%
Members Allowances	0.00%	1.00%	1.00%	2.50%	2.50% **
Inflation	2.00%	2.30%	2.10%	2.00%	2.00%
NNDR	2.50%	2.00%	3.00%	3.00%	3.00%
Fuel	2.50%	2.30%	2.10%	2.00%	2.00%
Contract Index - All Contracts	3.20%	2.30%	2.10%	2.00%	2.00%
Contract Index - Street Cleansing	1 2.60%	2.30%	2.10%	2.00%	2.00%
Contract Index - Refuse Only	2 2.60%	2.30%	2.10%	2.00%	2.00%
Contract Index - Parking	3 3.10%	2.30%	2.10%	2.00%	2.00%
Contract Index - Leisure	4 3.10%	2.80%	3.30%	3.60%	3.80%
Income					
Increase for Fees & Charges	2.50%	2.50%	2.50%	2.50%	2.50%
Increase for car parks	0.00%	0.00%	0.00%	2.50%	2.50%

1. Street cleansing / Grounds Maintenance - CPI
2. Refuse & Recycling - CPI
3. Parking - April CPI applied in January
4. Leisure - January RPIx applied in January

*Salary Increase

Pay award	1.00	1.00	1.00	2.50	2.50
Pay allowance - increments and local award	0.75	0.75	0.75	0.75	0.75
	1.75	1.75	1.75	3.25	3.25

** Subject to IRP recommendation

ESSENTIAL REFERENCE PAPER C

Stress testing the MTFP: The Council's ability to withstand significant external shocks

Given that the MTFP is based on less than full knowledge of the future, there will be "events" which cannot be predicted or the impact of which cannot be quantified. It is important to consider the Council's ability to withstand any such events.

Below is set out an internal assessment of the Council's financial position. The Council's external auditors reviewed the financial resilience of the Council in 2013 as part of its overall assessment of our financial accounts. (see Audit Committee 18 September 2013) and gave a positive report.

External shocks can be divided between scenarios which trigger unavoidable spending from demand or price pressures and those arising from unforeseen shortfalls in income and might include any of the following:

- Continuation of public sector funding reductions
- A loss on investments arising from failure of one or more banks
- Changes in the arrangements for Local Government financing directly impacting on funding levels, including level of localised business rates being much lower than expected
- Failure of a major supplier
- A natural disaster
- Unforeseen additional take up of council tax support
- Prolonged pay and/or price inflation above expectation
- Investment returns running below forecast
- Costs arising from litigation

The Council seeks to mitigate the risk of some of the above – for example by insurances, its prudent approach to treasury management and the integration of service and financial planning over the medium term. However, none of the mitigation measures can offer a 100% guarantee the Council will not be subject to a significant financial shock.

The comments here are therefore not about likelihood but only about the ability to cope should any of the scenarios materialise.

The Council's budget requirement for 2014/15 is £14m. For the purpose of stress testing the impact of the event(s) is set at "major"- level 1 = 10% of the requirement and "severe" - level 2= 20% of the requirement i.e. circa £1.4m and £2.8m

The tools to cope with such an event are:

- Spendable reserves
- Borrowing and capitalisation including immediate access to cash
- The Bellwin formula
- Emergency increases in fees and charges
- Emergency reduction in spending
- Council tax

Spendable Reserves

The use of reserves is a potential response to meet non-recurrent shocks and potentially to buy time to make adjustment to spending if the shock is of a continuing nature.

The current approved Reserves Policy sets a minimum balance of £3m and a ceiling of £7.1m. The projected balance at March 2014 currently exceeds the ceiling but is subject to a number of risks as highlighted in the consolidated budget report. Earmarked reserves might be redirected in the short term providing another further coverage over the period of the MTFP if required.

Reserves are adequate to meet more than one level 2 events or a combination of Level 1 and 2 events.

A one off call on reserves would reduce cash balances and return on investments, but there is currently an earmarked reserve that could be brought into play that is specifically for interest being below the level set in the budget.

However, prior to a continuing call on reserves other options as set out below would be applied.

If the event was of a continuing nature the implications would be much more challenging and as noted above. The current MTFP includes a range of savings and to reduce spending by another £2.8m per year (Level 2 “shock”) would be extremely difficult being equivalent to over 25% of payroll costs. In such a scenario the council would have to look to a combination of:

- Targeted reductions in staffing
- Renegotiations of terms and conditions
- Significant increases in fees and charges
- Renegotiation of major contracts
- An exceptional increase in council tax

At this stage the benefits of more detailed financial contingency planning in applying the above tools to meet such a challenge is not considered cost effective as no contingency plan can anticipate all circumstances which might be in place. The circumstances are likely to trigger a business continuity event or emergency planning event and contingency planning is focused in these areas of service delivery.

Borrowing and Capitalisation

The council has a negative Capital Finance Requirement estimated at £40m at March 2014 which within the constraints of the Prudential Code permits borrowing to meet capital expenditure in response to shocks. In extremis the Council might seek approval from the Secretary of State to charge revenue cost to capital to spread the cost.

Bellwin Scheme

This refers to the scheme by which DCLG will meet the uninsurable costs of immediate response to an emergency such as caused by bad weather.

The threshold above which grant becomes payable is 0.2% of net revenue expenditure (£30k for East Herts) after which 85% of costs are recoverable. This “insurance policy” is limited to costs of immediate response and not to recovery i.e. costs incurred (within two months of an incident)

- *by a local authority in England on, or in connection with, the taking of immediate action to safeguard life or property or to prevent suffering or severe inconvenience, in its area or among its inhabitants;*
- *as a result of the incident(s) specified in the scheme which involved the destruction of or danger to life or property.*

Emergency Increases in Fees and Charges

Fees and charges which are subject to the Council's discretion raise income of about £4m per year. A 10% across the board increase would generate an extra £400k per year although consideration would need to be given that some of these fees and charges are only able to be set at "cost recovery" levels so may increase the need to increase discretionary fees and charges at more than 10%. It is more likely that this scenario would be considered as part of a package of measures rather than on an individual basis.

Emergency reductions in spending

The Council cannot instantly reduce much of its spending.

Payroll is a significant cost and it takes time to implement staffing reduction if legal challenges to dismissal are to be avoided and changes to terms and conditions by negotiation or imposition are protracted. Not filling vacancies has limited impact when turnover is low, as it currently is.

Contractual payments for outsourced services, rents, business rates, utility costs, licences, postal costs make up a further tranche of spending not able to be turned off at short notice.

A lead in time of 6 to 9 months is indicative of the minimum time to implement significant reductions in spending efficiently and mitigate impact on services.

Exceptional council tax increase

A 1% increase in council tax generates about £94k per year DCLG has indicated that an increase in Council Tax in excess of 2% for 13/14 would trigger a referendum and although the level for

14/15 has yet to be announced, it is likely to be similar. It would therefore be unlikely that the raising of exceptional Council Tax would be a tool that could be used to mitigate any financial shocks.

Liquidity and Access to Financial Markets

The Treasury Management Strategy ensures the Council always has ready access to cash, with 50% or so of investments currently in realisable short term UK treasury bills and other investments in short dated bank deposits. Although the latest Treasury Management strategy is looking to change the nature of our investment levels, it will still ensure that we maintain “safe” levels of ready access to cash.

The Council’s major debtors are council tax payers and businesses for business rates and adequate provision is made for bad debts. These sources of income are subject to ongoing monitoring and rates of collection remain high.

The Council has no requirement to refinance outstanding debt and capital expenditure will be financed by reduction in investments rather than external borrowing.

The Council is therefore well placed to withstand short term lack of liquidity in financial markets.

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PENSION FUND TRIENNIAL VALUATION 2013 – PENSION ARRANGEMENTS

1 Summary

- 1.1 The Council has recently received the results of the triennial valuation 2013 which is used to determine the employer contribution rates for the next three years, with effect from 1st April 2014.
- 1.2 The Pension Deficit at the start of this triennial valuation (31st March 2013) was £19.717 million. The Pension Fund benefiting from higher than expected Investment returns.
- 1.3 The purpose of this summary report is to set the context for the lump sum payment to be made from reserves to the pension fund and stabilise the employer contribution rate and annual deficit contribution for the period 2014/15 to 2016/17.
- 1.4 The proposal is:
- An additional lump sum payment of £1.008 million,
 - Stabilise the annual Pension Deficit Contribution for the 4 year period April 2014 to March 2018 to £600,000, and
 - Stabilise the employer contribution rate to the pension fund to a fixed rate of 16.6% of pay in each of the next three years.

3. Financial Implications

- 3.1 Following the 2013 valuation the actuary for the pension fund has proposed the following certified employer contribution rates as set out in the table below:

	% of payroll to future benefits	% of payroll to past accrued benefits.	Monetary amount p.a. to finance Pension Deficit. £'000
Current Arrangements for 2013/14	16.6%	0%	428
Proposed certified rates for the year ending			
31 March 2015	16.6%	0%	1,608 (Note 1)
31 March 2016	16.6%	0%	600
31 March 2017	16.6%	0%	600

Note 1: includes one off lump sum contribution of £1.008 million.

3.2 This one off payment would be met from balances and reduce the requirement to reflect increased contributions in budgets for the next three years. This payment will also reduce the deficit earlier and the Fund will benefit from additional cash returns as there will be more assets available for investment.

4. Explanation

4.1 The Local Government Pension Scheme (LGPS) undergoes a financial valuation every three years; this is carried out by the scheme actuary, Hymans Robertson LLP. The triennial valuation is an assessment of the financial health of the pension fund and the results of which is used to determine the contributions that the Council will need to pay to the Fund from 1st April 2014 to 31st March 2017.

4.2 The previous triennial valuation was carried out at the valuation date of 31st March 2010; at this point in time the Council's element of the Fund was shown to be £20.585 million in deficit or 74% funded. The latest 2013 valuation is based on an assessment of the fund as at 31st March 2013. The result shows that the deficit position has improved slightly, resulting in a Deficit Contribution of £19.717 million and a funding level of 79%. The assets and the liabilities of the pension fund from the two valuations are summarised in the table below.

	2010 Valuation	2013 Valuation
	£'000	£'000
Assets	80,446	93,138
Liabilities	(59,861)	(73,421)
Deficit	(20,585)	(19,717)
Funding Level	74%	79%

5. Options to address the pension fund deficit

5.1 The Actuary is required by Regulations to set a prudent contribution rate in order to ensure the long term solvency of the pension fund. Therefore any funding deficit identified will be recovered through a 20 year period, and be reflected in employer contribution rates.

5.2 For 2013/14, as recommended in the 2010 valuation, the Council is paying 16.6% of payroll to meet the cost of future accrual of pension benefit and an annual lump sum payment of £428,000 towards reducing the deficit.

5.3 Following the release of the results for the 2013 valuation, the actuary has proposed a future payroll rate of 18.9% to address future benefit

accruals. In addition to a monetary amount of £1.092 million to address the deficit is proposed.

- 5.4 As an alternative option, the actuary also calculated a lump sum payment that could be paid into the fund to stabilise both the contribution rate at 16.6% over the three year period to March 2017 and an annual contribution payment of £600,000 over the next four years (to 31st March 2018), as set out in 3.1 and determined to be £1,008 million.
- 5.5 Were the annual deficit contribution to remain at £428,000 for the three year period to 31 March 2017, the council would face a significantly increased annual contribution estimated to be £1 million approximately in 2017/18. The option proposed at paragraph 5.4 enables the Council to stabilise the annual deficit payment over a four year period.
- 5.6 Based on analysis provide by the actuary and using an expected return of 4.8% per annum, by paying a lump sum payment of £1.008 million into the fund this would generate an additional £0.153 million over a 3 year period. This is because there is an opportunity gain, by putting a cash sum into the Fund to repay some of the deficit earlier, particularly if investment returns are in line with or better than the actuary's expectation of returning 4.8% over the long term. The investment returns will be earned sooner by paying in the £1.008 million lump sum up front. Of course the benefit would be increased if investments outperform the actuary's return assumption.
- 5.7 A 1.1% average rate of return is forecast for the council's investments over the next three years. The rate of investment return earned in the pension fund will be significantly more, so there is significant benefit to choose the lump sum payment option.

6. Risk Management Implications

- 6.1 There is a risk that the investment return achieved by the pension fund is lower than expected, market returns could deteriorate over the next 3 years and may not reach the assumption set by the actuary.
- 6.2 It should be noted that other factors also impact on the Pension Fund's performance in both the short and long term. For example changes to the membership demographics compared to the Funding model

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ESSENTIAL REFERENCE PAPER 'E

East Herts Council Budget Consultation 2013

East Herts Council is committed to effective consultation when setting each year's budget. This year, consultation concentrated on 4 key areas with an opportunity to raise any other ideas or suggestions in regard to the budget for the Council. The consultation activity with regard to setting the 2014/15 budget is detailed below.

BUSINESS BUDGET CONSULTATION 2013

The 2013 Business Budget Consultation took place with representatives of Bishop's Stortford Chamber of Commerce on 10th December at Next Step Centre in Bishop's Stortford (part of Hertford Regional College).

The following questions were presented to Chamber Members covering 4 key areas, which helped structure the meeting and prompt discussion. A summary of the responses is included under each question heading.

1. If the Council were in a position to make a single significant investment to support the local economy what do you think it should be?

There was a very strong feeling in the group that car parking is the most critical issue for towns and that multi storey car parking would contribute to prosperity. Linked to this was a view that transport masterplanning was needed and should incorporate car parking policy.

2. If the Council had the resource to develop a business centre locally what activities would you like to see at the centre? (e.g incubation, enterprise training, manufacturing, services to business)

This issue was not addressed in detail but strong interest exists for incubation support for start up business. There was also a need to support existing and developing businesses.

3. Is the Coalition Governments welfare reform having an impact upon your business? (workforce issues, recruitment)

There were no clear opinions about this. Comments indicated that welfare reform is a fairly new policy and that it was too early to understand the impact upon business.

4. What local car parking initiatives might be helpful for business?

Parking rebate schemes for town centre workers might also help as would low occupancy time rebates. The RINGO scheme was good but people find it difficult to understand. Pay On Exit system preferred to Pay and Display.

5. Other issues/comments

The idea of support models for Chambers of Commerce was raised. France and Germany provide public sector funding for their Chambers in return for the delivery of economic services. Could Bishop's Stortford be a pilot for a similar approach?

There were a range of ideas proposed including grant support for small business, youth enterprise schemes, urban funding schemes/urban conference, apprenticeships, national insurance holidays and a general feeling that access to business related support should be simplified.