

## Cabinet

**Date: 14 September 2015**

**Subject: Draft Business Plan 2016-20**

**Lead officer:** Caroline Holland – Director of Corporate Services

**Lead member:** Councillor Mark Allison – Deputy Leader and Cabinet Member  
for Finance

**Contact Officer:** Paul Dale

### Recommendations:

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1. That Cabinet notes the rolled forward MTFS for 2016 - 20.
- 2 That Cabinet confirm the latest position with regards to savings already in the MTFS
- 3 That Cabinet agrees the approach to setting a balanced budget using weighted controllable expenditure for each department as the basis for the setting of targets
- 4 That Cabinet agrees the proposed departmental targets to be met from savings and income
- 5 That Cabinet agrees the timetable for the Business Plan 2016-20 including the revenue budget 2016/17, the MTFS 2016-20 and the Capital Programme for 2016-20.
- 6 That Cabinet note the process for the Service Plan 2016-20 and the progress made so far.

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### 1. Purpose of report and executive summary

- 1.1 This report presents an initial review of the Medium Term Financial Strategy and updates it for development as part of the business planning process for 2016/17.
- 1.2 The report sets out the approach towards setting a balanced budget for 2016-2020 and a draft timetable for the business planning process for 2016/17. It also proposes initial departmental targets to be met from savings and income over the four year period of the MTFS.
- 1.3 Cabinet are also asked to agree the timetable for the business planning process for 2016/17.

## Details

### 2. Medium Term Financial Strategy 2016-20

#### 2.1 Background

Council on 4 March 2015 agreed the Budget 2015/16 and MTFS 2015-19. Whilst a balanced budget was set for 2015/16 and indicated for the following two years requiring the use of reserves, there were gaps remaining in 2018/19 and beyond which need to be addressed, as shown in the following table:-

(cumulative figures)	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Budget Gap	0	0	0	14,367

2.2 The initial phase of the business planning process is to re-price the MTFS and roll it forward for an additional year. Development of the MTFS in recent budget processes allowed for various scenarios on a range of key variables to be modelled and it is intended to do the same this year and where feasible, to improve the approach to modelling.

#### 2.3 Review of Assumptions

The pay and price calculations have been reviewed using the approved budget for 2015/16.

##### 2.3.1 Pay

The current assumptions regarding pay inflation incorporated into the MTFS are

- 1.5% in each year of the MTFS

In the Summer Budget 2015, which the government presented on 8 July 2015, it was announced that public sector pay awards will be funded for a pay award of 1% for 4 years from 2016/17 onwards.

In the light of this, provision for pay inflation has been recalculated using 2015/16 budgets and the following adjustments are required:-

#### **Provision for Pay Inflation:**

	2016/17	2017/18	2018/19	2019/20
Pay inflation in MTFS (%)	1.5%	1.5%	1.5%	1.5%
Pay inflation in MTFS (cumulative £000)	1,256	2,511	3,767	5,022
Revised pay inflation (%)	1.0%	1.0%	1.0%	1.0%
Revised estimate (cumulative £000)	883	1,767	2,650	3,534
Change (cumulative £000)	(373)	(744)	(1,117)	(1,488)

### 2.3.2 Prices

The current assumptions regarding price inflation incorporated into the MTFS are

- 1.5% in each year of the MTFS

The level of inflation has fallen significantly below the Government's 2% target. The Consumer Prices Index (CPI) was unchanged in the year to June 2015 (i.e., a 12-month rate of 0.0%) compared with a 0.1% fall in the year to May 2015. The Consumer Prices Index (CPI) grew by 0.1% in the year to July 2015 up from 0.0% in the year to June 2015. A smaller fall in clothing prices on the month compared with a year ago was the main contributor to the rise in inflation. Falling prices for food and non-alcoholic beverages partially offset the rise.

In the August 2015 Inflation Report it was noted that "CPI inflation was 0.0% in June, well below the MPC's 2% target. That undershoot largely reflects external factors but domestic cost pressures have also been weak. Inflation is projected to rise around the turn of the year as past falls in energy prices begin to drop out of the annual comparison. Thereafter, domestic pressures are likely to build alongside a steady expansion in demand, which absorbs the remaining economic slack. The MPC judges that it is currently appropriate to set policy so that it is likely that inflation will return to the 2% target within two years. Conditional on a gradual rise in Bank Rate, such as that currently implied by market yields, that is judged likely to be achieved."

The provision for price inflation has been reviewed using the budgets for 2015/16. The majority of contracts are based on RPI increases and RPI annual inflation stands at 1.0% in July 2015, unchanged from June 2015. The budget for 2015/16 is therefore currently overprovided for this so it is proposed to reduce the inflation provision in 2016/17 to 0.5%

The latest projections are included in the following table:-

#### **Provision for Price Inflation:**

	2016/17	2017/18	2018/19	2019/20
Price inflation in MTFS (%)	1.5%	1.5%	1.5%	1.5%
Price inflation in MTFS (cumulative £000)	2,344	4,688	7,032	9,376
	0.5%	1.5%	1.5%	1.5%
Revised estimate (cumulative £000)	741	2,964	5,187	7,410
Change (cumulative £000)	(1,603)	(1,724)	(1,845)	(1,966)

### 2.3.3 Inflation > 1.5%:

There is also a corporate provision which is held to assist services that may experience price increases greatly in excess of the 1.5% inflation allowance

provided when setting the budget. This will only be released for specific demonstrable demand.

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Inflation exceeding 1.5%	540	536	536	536

In the Summer Budget 2015, it was announced that, from April 2016, a new National Living Wage of £7.20 an hour for those aged 25 and over will be introduced. This will rise to over £9 an hour by 2020. The impact of this on the Council's budgets is difficult to quantify as it will have a potential impact on a wide range of services which are currently outsourced, including care contracts. Employees of the council receive the London Living Wage which is currently £9.15 an hour.

The cash limiting strategy is not without risks but if the Government's 2% target levels of inflation were applied un-damped across the period then the budget gap would increase by c. £3m by 2019/20.

#### 2.3.4 Growth

The MTFs does not include any provision for growth from 2016/17 to 2019/20.

### 2.4 **Income**

2.4.1 The MTFs does not include any specific provision for inflation on income from fees and charges. However, in the business planning process for last year, service departments were able to identify increased income as part of their savings proposals.

2.4.2 As a result in the 2015/16 budget, additional income was agreed by Council on 4 March 2015: and out of savings agreed by Council of £16.591m, income proposals amounted to £2.610m (15.7%). These are summarised in the following table:-

<b>Savings met thorough Income</b>	2015/16 £000	2016//17 £000	2017/18 £000	2018/19 £000
Increase in level of charges	(34)	(1,110)	(315)	(16)
Expansion/New Service	(511)	(2,435)	1,396	415
Total	(545)	(3,545)	1,081	399

### 2.5 **Pension Fund**

2.5.1 The Pension fund demonstrated a significant reduction in deficit in 2015/16. However, the prospects for the costs of funding future year's benefits remain unclear. A revaluation will be undertaken using data at 31/3/2016. This will be implemented at 1<sup>st</sup> April 2017. It is not proposed to make any changes in assumptions about the pension fund until the valuation is clearer. There may

also be further changes to the administration of the scheme which would have an impact on the valuation.

## 2.6 Forecast of Resources and Local Government Finance Settlement

### 2.6.1 Background

Each year in December, the Department of Communities and Local Government (DCLG) notifies local authorities of their Provisional Local Government Finance Settlement. The final Settlement figures are published the following January/February but are generally unchanged from the provisional figures. The total amount of funding available for local authorities is essentially determined by the amount of resources that Central Government has allocated as part of its annual Departmental Expenditure Limit.

2.6.2 As part of last year's Settlement, final figures were announced for 2015/16 but no forecasts were provided for 2016/17 pending the outcome of the General Election in May 2015.

2.6.3 The Comprehensive Spending Review will be published on 25 November 2015.

### 2.6.4 Summer Budget 2015

The Summer Budget 2015 contained a number of policies which are expected to have an impact on local government but it is not possible to quantify the size and distribution of this across authorities at this stage. The Government intends to eliminate the deficit on public sector net borrowing by the end of 2019/12, one year later than previously stated in the March 2015 budget.

The budget also confirmed that protection will remain for health, education and international development and confirmed the intention to protect the defence budget, which will rise by 0.5% each year in real terms up to 2020/21. Protection of these areas will result in a larger share of the cuts falling on remaining non-protected departments including local government

### 2.6.5 Spending Review

On 21 July 2015 the Chancellor of the Exchequer launched the Spending Review 2015 which is to be published on 25 November 2015 will set out the government's proposed investment in public services and how it intends to deliver the £20 billion further savings which it estimates will be required to eliminate the deficit by 2019/2020. Government departments have been instructed to model two scenarios of 25% and 40% of savings within their resource budgets by 2019-20 in real terms. These are the same reductions requested ahead of the Spending Review of 2010. The protection previously announced for the four areas of NHS, education, international development and defence, were confirmed.

Officers will be reviewing all available information as part of the business planning to produce as accurate forecasts of Government funding as possible.

At the moment there is potentially a wide margin of variation around the core assumptions used in the forecast.

#### 2.6.6 Funding Forecasts for 2016/17 to 2019/20

Forecasting resources for 2016/17 and beyond is fraught with difficulties since it requires making assumptions about a wide variety of variables which the Government are not prepared to release at the current time. These include indications of resources provided to Government Departments in their Departmental Expenditure Limits (DELs). The Government's protection of some departments (Overseas Aid, Education and Health) and the additional commitment to increase defence budgets will mean that other areas such as local government will continue to bear the brunt of the cuts in public sector funding.

2.6.7 The MTFs set out in Appendix 1 includes the latest forecast of resources agreed by Council in March 2015/16. The Summer Budget 2015 and commencement of the Spending Review process (to be published on 25 November 2015) have signalled that there will be changes to funding allocations for all Government departments including local government.

Details at an individual local authority level will not be available until December 2015 but some financial modelling has been carried out to produce three potential scenarios which should be used as a guide only to the possible implications for Merton's funding. The three scenarios are:-

	2016/17 'age cut in funding	2017/18 'age cut in funding	2018/19 'age cut in funding	2019/20 'age cut in funding
MTFS (Council March 2015)	(11%)	(9%)	(7%)	(4%)
Cipfa	(12%)	(12%)	(6%)	(6%)
DCLG (Smaller cut level - 25%)	(10%)	(10%)	(4%)	(4%)
DCLG (Higher Cut Level – 40%)	(15%)	(15%)	(9%)	(9%)

In all cases the cuts have been front-loaded as was the case with the previous cuts that the Government introduced in 2010.

2.6.8 The change in funding arising from each of the options is as follows and provides an indication of the range of uncertainty at the present time:-

Reduction/(Increase) in funding (Decrease)/ Increase in gap	2016/17 Change in funding £000	2017/18 Change in funding £000	2018/19 Change in funding £000	2019/20 Change in funding £000
MTFS (Council March 2015)	-	-	-	-
Cipfa	575	2,270	1,633	2,598
DCLG (Smaller cut level - 25%)	(896)	(348)	(2,019)	(1,980)
DCLG (Higher Cut Level – 40%)	2,782	6,087	6,815	8,919

2.6.9 Officers will continue to analyse all of the available information, from sources such as the Institute of Fiscal Studies (IFS) and London Councils, to produce as accurate forecasts of resources as possible. This will entail making assumptions about the extent to which Government ring-fencing will continue. Figures will be updated throughout the business planning process as more information becomes available.

## 2.6.10 Local authority public health allocations 2015 to 2016 – consultation

As part of a wider government action on deficit reduction, the Department of Health (DH) has been asked to deliver savings of £200 million in the financial year 2015 to 2016 through reductions in the Public Health Grant (PHG) to local authorities (LAs).

DH's preferred option of a flat 6.2 per cent cut would mean a reduction of £40.8 million for London boroughs in 2015-16, from £657.5 million to £616.7 million.

### Merton Share of Public Health £200m in year cut in 2015-16 - London boroughs

#### Straight 6.2% cut (£m)

	PH grant allocation excluding 0-5	0-5 allocation (part year)	Total 15/16 PH allocation	Revised allocation with 6.2% cut	Cut (£m)	Cut (%)	Total allocation (% England total)
Merton	9.236	1.476	10.712	10.048	-0.664	-6.2%	0.3%

The consultation closed on 28<sup>th</sup> August 2015. Further updates will be provided throughout the Business Planning process.

## 2.7 Council Tax and Collection Fund

### 2.7.1 Council Tax

The Council Tax income forecast in the current MTFS agreed by Council in March 2015 assumes that the Council Tax Base will increase by 0.5% per year with a collection rate 97.25%. It also assumes a freeze in Council Tax over the period of the MTFS. The Government have not yet indicated whether Council Tax Freeze Grant (CTFG) will be available in 2016/17. In 2015/16 CTFG equivalent to a 1% Council Tax increase was available to participating local authorities. A 1% increase in Council Tax would increase yield by C. £0.770m.

	2010/11	2011/12	2012/13	2013/14	2014/15
In year collection	97.26%	97.45%	96.83%	97.12%	97.26%

Based on these figures, the collection rate of 97.25% included in the Council Tax Base calculation seems reasonable.

### 2.7.2 Collection Fund

The share of the collection surplus/deficit for Council Tax and NNDR based on the estimated Collection Fund balance at 31 March 2015 are summarised in the following table:-

	Estimated surplus/ (deficit) as at 31/03/15	Estimated surplus/ (deficit) as at 31/03/15	Total surplus/ (deficit) as at 31/03/15
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(655)	(655)
GLA	1,300	(262)	1,038
Merton	4,813	(393)	4,420
Total	6,113	(1,310)	4,803

2.7.3 Merton's share of the surplus (council tax) and deficit (NNDR) were built into the MTFs agreed by Council in March 2015.

2.7.4 Since then, the Council has produced its draft 2014/15 accounts as at 31 March 2015 which are currently being audited. The draft accounts for 2014/15 include the following surplus/deficit for Council Tax and NNDR as at 31 March 2015:-

	Surplus/ (deficit) as at 31/03/15 Outturn	Surplus/ (deficit) as at 31/03/15 Outturn	Total surplus/ (deficit) as at 31/03/15
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(3,102)	(3,102)
GLA	1,274	(1,241)	33
Merton	4,716	(1,862)	2,854
Total	5,990	(6,205)	(215)

2.7.5 The overall change in shares of surpluses/deficits is:-



	Surplus/ (deficit) as at 31/03/15	Surplus/ (deficit) as at 31/03/15	Total surplus/ (deficit) as at 31/03/15
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(2,447)	(2,447)
GLA	(26)	(979)	(1,005)
Merton	(97)	(1,469)	(1,566)
Total	(123)	(4,895)	(5,018)

2.7.6 The net change in Merton's share of the surplus/deficit is therefore:-

	Estimated Surplus/ (deficit) as at 31/03/15	Outturn Surplus/ (deficit) as at 31/03/15	Surplus/ (deficit) as at 31/03/15 Change
	£000	£000	£000
Council Tax	4,813	4,716	(97)
NNDR	(393)	(1,862)	(1,469)
Total	4,420	2,854	(1,566)

2.7.7 There is no change to the surplus/deficit figures agreed for 2015/16 as all variations are managed via the Collection Fund. However, the net deficit of £1.566m will need to be taken into account when calculating the Merton General Fund's share of any surplus/deficit due to/from the Collection Fund in 2016/17.

2.7.8 The calculation of the estimated surplus/deficit on the Collection Fund as at 31 March 2016 will be made later in the budget process when key variables are firmed up and council tax base and NNDR returns have been completed. Until this time, the reduction in the net surplus carried forward from 2015/16 of £1.566m will be included in the draft MTFS for 2016/17.

2.7.9 Business Rates Review - The Government is currently undertaking a Review of Business Rates, which is due to report by Budget 2016, and published its interim findings in the Summer Budget 2015. The review will be fiscally neutral and will be completed by the end of 2015.

The Government has committed to:

- \* consult further with stakeholders on the proposed appeals system ahead of enabling legislation being considered in Parliament in the Enterprise Bill;
- \* include provisions on improved information sharing between the VOA and local authorities as part of the Enterprise Bill;

- \* continue work across Government to reduce the ratepayer burden of sharing the same information with multiple government bodies;
- \* continue work with local authorities and ratepayer representatives to further standardise billing and investigate digital channels to ease the burden on ratepayers of receiving, understanding and paying business rates bills.

The government commits to making these improvements by 2017.

2.7.10 The Government has confirmed the valuation date for the 2017 Business Rates Revaluation will be the 1st April 2015. This means that the Rateable Value (RV) for all commercial premises will be revalued having regard to their rental values as at the 1st April 2015. At revaluation, the multipliers are revised so that the overall national business rates bill only changes in line with inflation.

## 2.8 Capital Financing.

2.8.1 In setting the 2015/16 budget substantial savings on the revenue budget were achieved by using capital receipts to finance all assets with lives below 8 years. It is proposed for 2016/17 onwards to extend this to utilising all capital receipts on the existing programme.

## 2.9 Re-priced MTFS 2016-20

2.9.1 Taking into account the latest available information as summarised in this report, with revised assumptions

- reducing the provision for general price inflation to 0.5% in 2016/17
- using all capital receipts to fund the capital programme
- reduction in the net surplus on the Collection fund as at 31/03/15 of £1.566m

the opening position for the re-priced MTFS is set out in the following table:-

(cumulative figures)	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Budget Gap	0	0	3,515	15,301

2.9.2 A more detailed MTFS is included as Appendix 1. The gap over the four year period is c. £15m which is substantial and does not make any revisions to government funding which will not be known until the provisional Local Government Finance Settlement is announced in December 2015 following central government's Spending Review which is due to be published on 25 November 2015.

2.9.3 There are risks involved from the current economic situation which may increase the gap and similarly, use of reserves to fund the gap only provides one-off funding and there is still a necessity to find ongoing savings in future years to maintain a balanced budget.

2.9.4 The flexibility introduced to enable service departments to look at income increases and savings proposals together should result in more effective planning. It still ensures that the capacity of each department to generate income and identify expenditure reductions is reflected in the targets set.

## 2.10 Summary

2.10.1 There has been a substantial improvement in the council's strategic approach to business planning in recent years and it is important that this is maintained. Planning should be targeted towards the achievement of a balanced budget over the four year MTFS period rather than on shorter time. The progress made in reducing the gap to more manageable levels has to be continued this year.

2.10.2 Progress made in recent years in identifying savings over the whole period of the MTFS has reduced pressure on services to make short-term, non-strategic cuts. However, because there is still a sizeable gap over the four year period, and there has been some use of one-off reserves (amounting to £5.8m in the current MTFS) there is a need to set savings targets aimed at eliminating this gap on an ongoing basis.

## 3. Approach to Setting a Balanced Budget

3.1 This is the initial report on the business planning process for 2016/17 and there is a great deal of work to be done, including the following key areas that are expected to be at the forefront.

- a) Review of Outturn 2014/15 and Current Budget and Spending 2015/16  
There may be issues identified during the final accounts process and from monthly monitoring that have on-going financial implications which need to be addressed in setting the budget for 2016-20.
- b) Review of Central Items  
All central items will be closely reviewed to assess the implications for 2016-2020.
- c) Further Departmental Savings/Income Targets  
Initial targets have been set for departments to identify savings and/or income proposals for c. £14m. Details of the draft targets set are included in paragraph 3.4.

Work is currently underway on developing proposals to achieve these targets.

- d) Review of funding  
It is too soon in the financial year to accurately predict what the ongoing impact, particularly over a four year period, will be but the information will be updated during the business planning process.

e) Capital Programme 2016-20

Changes in the capital programme may arise due to slippage, re-profiling and addition/deletion of schemes. This will have an impact on the capital financing costs of the programme. There is a more detailed analysis and discussion of capital related issues in Section 4 of this report.

3.2 Formula Grant and Business Rates Retention

3.2.1 Further analysis and review in the current year will be undertaken to try to improve forecasting, particularly over the longer term.

3.3 Savings agreed and incorporated into the MTFS

3.3.1 As indicated in paragraph 2.8, the draft budgets in 2016/17 and 2017/18 are currently balanced assuming that departments achieve the savings/income proposals previously agreed by Council. The MTFS includes the following amounts for previously agreed savings/income proposals:-

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Savings in MTFS (cumulative)	15,960	21,392	22,540	22,540

3.3.2 However, it is also dependent on pre agreed savings for 2014/15 and 2015/16 being achieved and as reported to the Overview and Scrutiny Commission's Financial Monitoring Task Group on 22 July 2015 this is not currently the case. The draft final accounts show that there was a shortfall for 2014/15 with an ongoing shortfall of £0.180m expected for 2015/16. At the end of 31 July 2015, there is a shortfall for 2015/16 savings of £0.424m forecast.

Department	Target Savings 2014/15	2014/15 Actual Shortfall	15/16 Shortfall expected	Target Savings 2015/16	2015/16 Period 3 Forecast Shortfall	2015/16 Forecast Shortfall in delivery of 2014/15 and 2015/16 savings
	£000's	£000's	£000's	£000's	£000's	£000's
Corporate Services	1,650	(58)	0	1,170	(71)	(71)
Children Schools & Families	860	(40)	0	781	0	0
Community & Housing	2,465	(2,426)	(971)	2,154	(377)	(1,348)
Environment & Regeneration	784	(504)	(11)	978	(3,356)	(3,367)
<b>Total</b>	<b>5,759</b>	<b>(3,028)</b>	<b>(982)</b>	<b>5,083</b>	<b>(3,804)</b>	<b>(4,786)</b>

It is imperative that firm discipline is maintained in delivering savings and departments should be beginning the planning for delivering 2016/17 savings now. Where difficulties are foreseen with achieving any of the savings currently incorporated into the MTFs, then alternative measures must be identified before the 2016/17 budget is set.

- 3.3.3 In addition to reviewing savings, the impact of changes in capital financing, potential changes in grant income and adjusting profiling of planned use of reserves will be utilised to assist in balancing the budget. All potential avenues will be reviewed and modelled throughout the Business Planning process.
- 3.3.4 Some savings will however be required to balance budgets over the period of the MTFs and draft targets are proposed for this. Draft proposals will be brought forward during the budget process and subject to scrutiny as has been the case in previous years.
- 3.3.5 It should also be recognised that in setting the 2015/16 budget not all savings targets were achieved. Prior to modelling options against the controllable budgets will be the identification by departments of the underachieved 2014/15 and future year targets where reductions were not agreed by members.

### 3.4 Savings Targets for 2016-20

- 3.4.1 The approach to setting savings targets for departments for this year's Business Planning process is again based on using controllable budgets and aimed to protect front-line services and services to the vulnerable in line with the 'July principles'. Weightings for each department; Corporate Services, Environment and Regeneration, Community and Housing, and Children, Schools and Families in the ratio (100%) : (100%) : (67%) : (50%), have been applied which reduces the impact on Adult Social Care, Children's Social Care and vulnerable groups. The targets set also take into account the level to which departments have identified savings against targets set for previous years.
- 3.4.2 Initial targets have been set for each department are set out in the following table:-

<b>SERVICE DEPARTMENT'S SAVINGS TARGETS FOR 2016-2020 BUSINESS PLANNING PROCESS</b>	<b>Total £000</b>
Corporate Services	2,072
Children, Schools & Families	2,393
Environment & Regeneration	6,199
Community & Housing	3,384
<b>Total Savings/Income Proposals</b>	<b>14,048</b>

3.4.3 In order to achieve a balanced budget over the whole MTFS period 2016-20 additional savings will be required. Based on the table in paragraph 2.9.1, the amount needed to balance is £1.253m (£15.301m - £14.048m). Using the weighted controllable budgets, the targets for each department are set out in the following table:-

<b>DEPARTMENTAL SAVINGS TARGETS USING 2015/16 CONTROLLABLE BUDGETS</b>	<b>Controllable Expenditure 2015/16 £000</b>	<b>Weighting by dept. No.</b>	<b>Weighted Controllable £000</b>	<b>SAVINGS TARGET £000</b>
<b>Corporate Services</b>	<b>20,197</b>	1.50	30,296	266
<b>Children, Schools and Families</b>	<b>28,273</b>	0.75	21,205	187
<b>Environmental Services</b>	<b>27,993</b>	1.50	41,990	369
<b>Community and Housing</b>	<b>48,959</b>	1.00	48,959	431
<b>Total</b>	<b>125,423</b>		<b>142,450</b>	<b>1,253</b>

3.4.4 Progress on identifying draft proposals will be included in reports throughout the Business Planning process.

### 3.5 Replacement Savings

3.5.1 Monitoring of the delivery of savings is important and it is essential to recognise as quickly as possible where circumstances change and savings previously agreed are either not achievable in full or in part or are delayed.

## 4. Capital Programme for 2016-20

4.1 Since the capital programme was approved by Council in March 2015 and the revenue implications built into the MTFS, there have been a number of amendments arising from outturn 2014/15, monthly monitoring and a review by project managers. There has been a great deal of effort made to ensure that the capital programme set is realistic, affordable and achievable within the capacity available. This has been accompanied by improved financial monitoring and modelling of the programme's costs over the period of the MTFS which has enabled the budgets for capital financing costs to be reduced and therefore scarce resources to be utilised more effectively.

4.2 It is important to ensure that the revenue and capital budgets are integrated and not considered in isolation. The revenue implications of capital expenditure can quickly grow if the capital programme is not contained within the Council's capacity to fund it over the longer term. For example, the capital financing costs of funding £1m (on longer-life assets and short-life assets financed in 2016/17) for the next four years of the MTFS would be approximately:

Capital financing costs of £1m over the MTFS period	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Longer life Assets	20	73	72	71
Short-life assets	20	236	228	220

4.3 The bidding process for 2019/20 was launched at the Capital Programme Board on 16 June 2015. Bids were due for return on 10 August 2015. Any resulting revisions to the programme and new schemes will be reported to Cabinet in October.

4.4 The current capital provision and associated revenue implications in the currently approved capital programme, based on July 2015 monitoring information and maximum use of capital receipts, are as follows:-

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Capital Programme	51,822	41,645	29,098	23,074
Revenue Implications	13,655	14,015	14,264	15,259

4.5 The potential change in the capital programme since Council in March 2015 is summarised in the following table:-

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Capital Programme:					
- As approved by Council	41,933	57,408	34,526	29,579	9,979
- Revised Position with Slippage revisions	35,423	51,822	41,645	29,098	23,074
Change	(6,510)	(5,586)	7,119	(481)	13,095
Revenue impact					
As approved by Council	13,558	14,029	15,828	17,276	18,827
Revised	13,325	13,655	14,015	14,264	15,259
Change	(233)	(374)	(1,813)	(3,012)	(3,568)

## 5. Service Planning for 2016-20

5.1 The Service planning process for 2016-20 was launched in early September 2015. A plan has been created for each council service. These plans describe what the service does, its plans for the future linked to the Target Operating Model (TOM), its key performance indicators and how its plans will take place within the budget.

5.2 There will be three versions of service plans; First Draft, Second Draft and Final.

## **6. Alternative Options**

- 6.1 The range of options available to the Council relating to the Business Plan 2016-20 and for setting a balanced revenue budget and fully financed capital programme will be presented in reports to Cabinet and Council in accordance with the agreed timetable.

## **7. Consultation Undertaken or Proposed**

- 7.1 All relevant bodies have been consulted.

## **8. Timetable**

- 8.1 In accordance with current financial reporting timetables.
- 8.2 A chart setting out the proposed timetable for developing the business plan and service plans is provided as Appendix 2.

## **9. Financial, resource and property implications**

- 9.1 As contained in the body of the report.
- 9.2 The Chancellor of the Exchequer launched a Spending Review on 21 July 2015 and this will be published on 25 November 2015. Overall funding allocations for local government will be notified in the review but details of provisional funding allocations for each local authority will not be known until the provisional Local Government Finance Settlement is published in mid/late December 2015.

## **10. Legal and statutory implications**

- 10.1 As outlined in the report.

## **11. Human rights, equalities and community cohesion implications**

- 11.1 None for the purposes of this report, these will be dealt with as the budget is developed for 2016 – 2020.

## **12. Crime and Disorder Implications**

- 12.1 Not applicable.

## **13. Risk Management and health and safety implications**

- 13.1 There is a specific key strategic risk for the Business Plan, which is monitored in line with the corporate risk monitoring timetable.



**14. Appendices – The following documents are to be published with this Report and form part of the Report.**

Appendix 1 – Draft MTFS 2016-20: Re-priced and rolled forward

Appendix 2 – Business Plan and Service Planning Timetable 2016-20

**15. Background Papers**

15.1 The following documents have been relied on in drawing up this report but do not form part of the report:

2014/15 Budgetary Control and Final Accounts Working Papers in the Corporate Services Department.

Budget Monitoring working papers

MTFS working papers

**16. REPORT AUTHOR**

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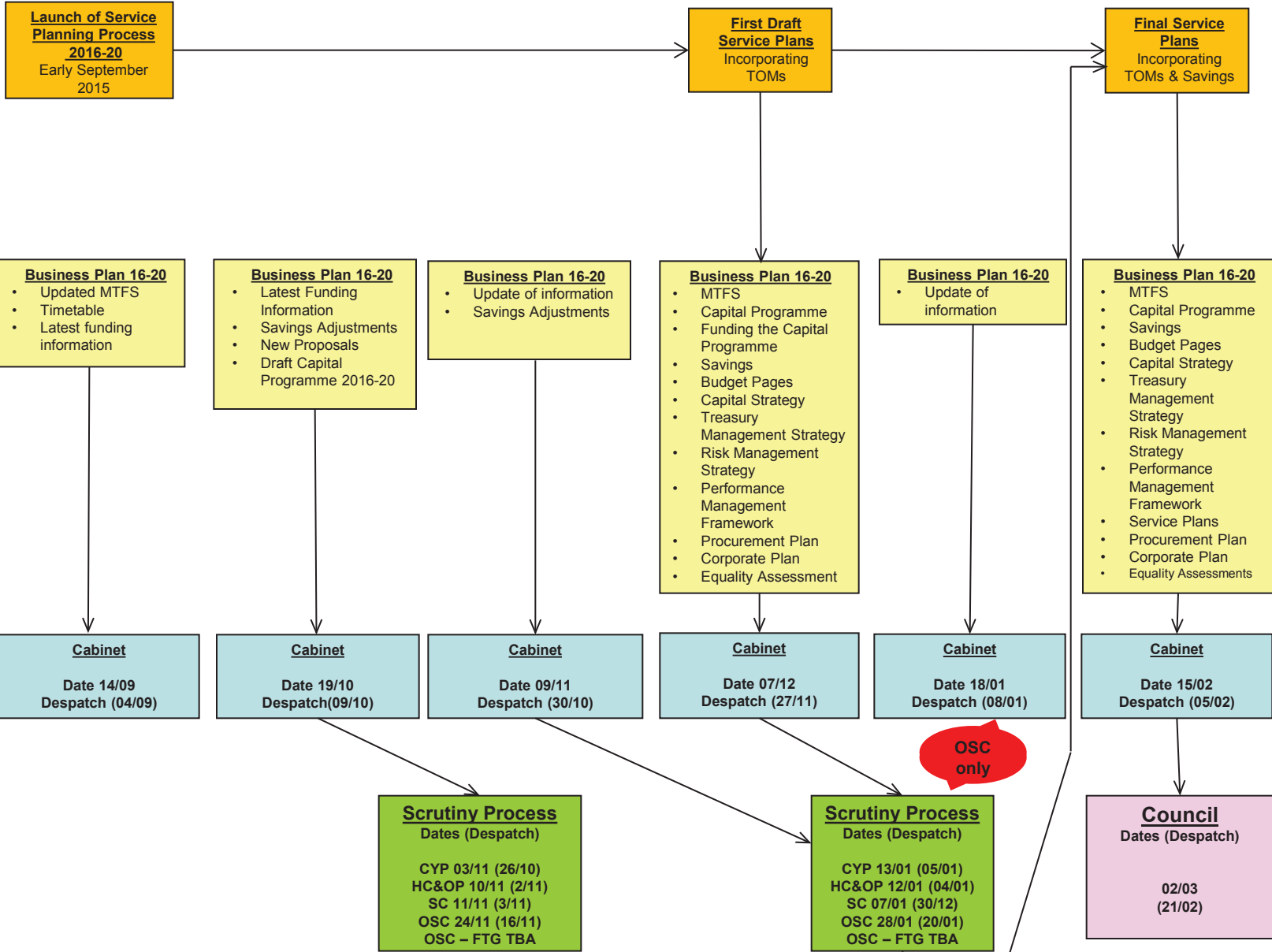
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## APPENDIX 1

<b>DRAFT MTF5 2015-19: RE-PRICED AND ROLLED FORWARD</b>				
	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Departmental Base Budget 2015/16</b>	<b>150,913</b>	<b>150,913</b>	<b>150,913</b>	<b>150,913</b>
Inflation (Pay, Prices)	1,624	4,731	7,837	10,944
Autoenrolment/Nat. ins changes	1,000	2,000	2,000	2,000
FYE – Previous Years Savings	(15,902)	(21,334)	(22,482)	(22,482)
Growth	(5,260)	(5,418)	(5,887)	(4,486)
Revenuisation	(102)	(102)	(102)	(102)
Taxi card/Concessionary Fares	450	900	1,350	1,350
Other	1,622	1,692	1,765	1,841
<b>Re-Priced Departmental Budget</b>	<b>134,345</b>	<b>133,382</b>	<b>135,394</b>	<b>139,978</b>
Treasury/Capital financing	13,655	14,015	14,264	15,259
Pensions	4,395	4,592	4,799	5,015
Other Corporate items	(13,289)	(13,131)	(12,659)	(14,063)
Levies	632	632	632	632
<b>Sub-total: Corporate provisions</b>	<b>5,393</b>	<b>6,108</b>	<b>7,036</b>	<b>6,843</b>
<b>BUDGET REQUIREMENT</b>	<b>139,738</b>	<b>139,490</b>	<b>142,430</b>	<b>146,820</b>
<b>Funded by:</b>				
Revenue Support Grant	(23,161)	(16,691)	(12,256)	(10,617)
Business Rates (inc. Section 31 grant)	(34,432)	(35,121)	(35,823)	(36,540)
C. Tax Freeze Grant 2015/16	0	0	0	0
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(2,904)	(2,615)	(2,294)	(968)
Council Tax inc. WPCC	(77,435)	(77,821)	(78,208)	(78,598)
Collection Fund – (Surplus)/Deficit	1,566	0	0	0
<b>TOTAL FUNDING</b>	<b>(141,164)</b>	<b>(137,044)</b>	<b>(133,378)</b>	<b>(131,519)</b>
<b>GAP excluding Use of Reserves (Cumulative)</b>	<b>(1,426)</b>	<b>2,446</b>	<b>9,052</b>	<b>15,301</b>
- Use of Reserves	1,426	(2,446)	(5,538)	0
<b>GAP including Use of Reserves (Cumulative)</b>	<b>0</b>	<b>0</b>	<b>3,515</b>	<b>15,301</b>

# BUSINESS PLANNING TIMETABLE - BUSINESS PLAN 2016-20



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