STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

MEDIUM TERM FINANCIAL PLAN 2018/19 to 2021/22

November 2017

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1. Introduction

1.1. The Budget and Medium Term Financial Plan (MTFP) is a key element of the Council's budget and policy framework. It aims to ensure resources are directed effectively and efficiently towards delivery of the Corporate Plan. It describes the financial direction of the Council for planning purposes and outlines the financial pressures the Council is likely to experience over the next 4 years.

1.2. The budget and medium term financial planning process establishes how available resources will be allocated to services in line with Council priorities which have been determined following consultation with residents, councillors and other stakeholders. The process facilitates the Council in planning the prudent management of its finances, in building resilience and in providing for the needs of residents over the long term.

1.3. The MTFP is updated regularly to fit in with the budget cycle. This review of the MTFP builds on the existing strategy and updates assumptions to reflect known changes to income, costs and funding. The plan incorporates revenue and capital financial projections over the four years 2018/19 to 2021/22.

1.4. The Council will demonstrate economy, efficiency and effectiveness in the application of its resources. Value for Money (VFM) is maximised when there is an optimum balance between economy, efficiency and effectiveness.

- Economy: the price the Council pays for providing its services
- Efficiency: how much the Council gets out of what's put in (productivity)
- Effectiveness: value of the impact achieved (quantitative or qualitative)

2. Strategic Priorities

2.1. The Budget and Medium Term Financial Plan is driven by local priorities. The Council's spending strategy is set out in the Corporate Plan formally adopted by members of the Council.

2.2. Following the elections in May 2015, there was a fundamental review of the Corporate Plan focussing on the period 2015-2019 (up to the end of the current political administration).

2.3. The Council's 4-year Corporate Plan (2015-2019) articulates the aims, objectives and priority actions, which the Council is working to achieve over this period. Its delivery is measured through the Performance Framework, which has at its centre the three pillars of value for money - efficiency, economy and effectiveness. It in effect determines the Council's commitments in the delivery of services and community leadership to the citizens of Staffordshire Moorlands.

2.4. The Council's Corporate Plan was developed after taking into account the views and aspirations of Staffordshire Moorlands citizens and having come to a clear understanding of empirical evidence. The plan has taken due recognition of the national and regional policy framework. It has taken on board learning from the progress made by the Council and has benefitted from input from Members at a priority setting event which was held in September 2015.

2.5. The opportunity has now been taken, at the mid-point of the current administration, to reflect on the progress made during the first two years of the Plan and to reiterate the Council's commitment to the remaining objectives as well as adding any new areas of priority that have emerged since the Plan was first developed.

2.6. The Council's vision is expressed as:

"Achieving Excellence in the delivery of high quality services that meet the needs and aspirations of our communities"

This vision is articulated further by four aims:-:

- Help create a safer and healthier environment for our communiites to live and work
- Meet our financial challenges and provide value for money
- Help create a strong economy by supporting further regeneration of towns and villages
- Protect and improve the environment

2.7. These aims are supported by a number of objectives which also provide the framework for the delivery of service plans. The Council's objectives are summarised below:

	Aim	Objectives
1	Help create a safer and healthier environment for our communities to live and work	• Increased supply of good quality affordable homes • Develop a positive relationship with communities • Effective relationship with strategic partners • Effective support of community safety arrangements including CCTV • Provision of sports facilities and leisure opportunities focused upon improving health
2	Meet our financial challenges and provide value for money	• Effective use of financial and other resources to ensure value for money • Ensure services are easily available to all our residents in the appropriate channels and provided "right first time" • A high performing and well motivated workforce • More effective use of Council assets
3	Help create a strong economy by supporting further regeneration of towns and villages	• Encourage business start-ups and enterprises • Flourishing town centres that support the local economy • Encourage and develop tourism • High quality development and building control with an "open for business" approach
4	Protect and improve the environment	• Effective recycling and waste management • Promote environmentally sustainable policies and practices • Provision of high quality public amenities, clean streets and environmental health • Provision of quality parks and open spaces • Car parking arrangements that meet the needs of residents, businesses and visitors

2.8. The Council is committed to playing the lead role in championing the local area. In so doing the Council recognises its community leadership role. Fulfilling this role effectively means influencing partners in a number of key areas in order to ensure that services are shaped and delivered around the needs and aspirations of citizens.

2.9. The Council's influencing role is focused in the following areas:

- Support the police and other partners to reduce crime, the fear of crime and anti social behaviour
- Ensure there is effective health provision particularly for the elderly
- Support the development of rail links to the city of Stoke-on-Trent
- Ensure that the services provided by other public sector partners meet the needs of residents
- Work with Staffordshire County Council and other partners to ensure an effective partnership with central government

2.10. The Plan identifies key priority outcomes, which will be the highest priority in the development of perfromance targets and key actions. A significant proportion of the Council's resources will be directed towards achieving them:-

	Aim	Objectives
1	Help create a safer and healthier environment for our communities to live and work	• Increased supply of quality affordable homes • Improved health • Improved community safety
2	Meet our financial challenges and provide value for money	• Balanced and sustainable medium term financial plan position • Council services provide value for money • High level of resident and customer satisfaction
3	Help create a strong economy by supporting further regeneration of towns and villages	• Sustainable towns and rural communities • Increased economic growth
4	Protect and improve the environment	• High recycling rates • Quality parks and open spaces and clean streets

2.11. The Council maintains a Strategic Alliance with High Peak Borough Council, formed around the principle of shared services in the pursuit of efficiency and realisation of savings. The Strategic Alliance has enabled the implementation and transformation of a joint management structure and services, consequently realising significant efficiency savings.

2.12. The Council intends to continue to drive savings and service improvements through collaboration with its Alliance partner, High Peak Borough Council.

3. Current Spending Levels

3.1. The starting point for the development of the MTFP is the current level of spending and the approved capital expenditure commitments.

3.2. The Council's current year (2017/18) General Fund budget can be summarised as follows:

Income and Expenditure	2017/18 Budget
	£
Employees	8,311,440
Premises	1,936,990
Transport	1,210,730
Supplies & Services	4,541,910
Benefits	5,010
Borrowing	255,400
Parish Grant	27,610
Financing Costs	555,000
Unachieved Efficiencies (2014/15 – 2016/17 plan)	443,600
Contribution to / (from) Reserves and Balances	(528,390)
Total Expenditure	**16,759,300**
Fees and Charges / Other Income	(5,733,990)
Interest Receipts	(39,000)
Ascent LLP Income	(574,270)
Net Expenditure	**10,412,040**

3.3. The net expenditure is financed as follows:

Financing	2017/18 Budget
	£
Council Tax	(5,027,910)
Government Funding	(744,760)
New Homes Bonus	(945,570)
Business Rates Retention	(3,095,190)
Collection Fund Deficit	62,390
Efficiency Requirement	(661,000)
Total Financing	**(10,412,040)**

3.4. The medium-term projection for capital commitments approved by Members in February 2017 is detailed below: -

Service Area	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£	£	£	£	£	£
Asset Management	105,270	1,452,270	1,126,240	390,320	365,150	3,439,250
Affordable Housing	-	-	-	-	-	-
Growth Fund	-	700,000	800,000	-	-	1,500,000
Housing Grants	532,060	1,008,000	1,008,000	1,008,000	1,008,000	4,564,060
ICT Strategy	281,000	50,000	50,000	50,000	80,630	511,630
Other Schemes	350,500	66,500	164,000	50,000	50,000	681,000
Total Programme	**1,268,830**	**3,276,770**	**3,148,240**	**1,498,320**	**1,503,780**	**10,695,940**
Financed by:-						
External Contributions	685,950	1,085,810	1,008,000	1,008,000	1,008,000	4,795,760
Capital Receipts	-	-	18,000	150,000	190,000	358,000
Capital Reserve	482,880	417,120	-	-	-	900,000
S106 Planning	100,000	22,000	114,000	-	-	236,000
Borrowing	-	1,751,840	2,008,240	340,320	305,780	4,406,180
Total Financing	**1,268,830**	**3,276,770**	**3,148,240**	**1,498,320**	**1,503,780**	**10,695,940**

4. Transformation Programme

4.1. Introduction

4.1.1. The Council's 'transformation programme' incorporates all major projects which meet the strategic priorities of the authority and have significant financial implications, including:-

- The capital programme
- The efficiency and rationalisation strategy
- Service reviews
- Member priority projects
- Other large scale projects

4.1.2. The delivery of transformation programme projects is monitored by the Transformation Board made up of Directors, Heads of Service along with key Corporate Service Managers and officers. A Director is allocated as 'project executive' and a full business case appraisal is completed for each project.

4.1.3. The progress and current financial projections of the transformation programme are explored below along with any potential revenue and capital consequences. Any further work required to identify the financial implications of the programme are discussed and will feed into the 2018/19 budget setting process.

4.2. The Capital Programme

4.2.1. The Capital Programme presented to Members in February 2017 has been reviewed, re-profiled and updated to reflect the latest position in terms of capital projections to 31st March 2022.

4.2.2. The latest capital projections, specifically identifying the major schemes, are summarised in the table below. Full detail is attached in Annex A.

Service Area	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
	£	£	£	£	£	£
Asset Management Plan	917,660	1,441,140	673,400	393,470	2,640,970	**6,066,640**
Affordable Housing	-	-	-	-	-	**-**
Growth Fund	-	-	-	-	-	**-**
Housing Grants	531,630	1,211,000	1,211,000	1,211,000	1,211,000	**5,375,630**
ICT Strategy	104,310	19,390	19,390	19,390	19,390	**181,870**
Other Schemes*	141,760	664,000	250,000	50,000	50,000	**1,155,760**
	1,695,360	**3,335,530**	**2,153,790**	**1,673,860**	**3,921,360**	**12,779,900**
Financed by:						
External Contributions	758,060	1,211,000	1,211,000	1,211,000	1,211,000	**5,602,060**
Capital Receipts	-	21,000	150,000	190,000	-	**361,000**
Capital Reserve	420,000	-	-	-	-	**420,000**
S106 Planning	22,000	114,000	-	-	-	**136,000**
Borrowing	495,300	1,989,530	792,790	272,860	2,710,360	**6,260,840**
Total Financing	**1,695,360**	**3,335,530**	**2,153,790**	**1,673,860**	**3,921,360**	**12,779,900**

**includes £700,000 provision for new schemes as detailed in 4.2.36*

4.2.3. The 2017/18 capital projections above include the carry forward of £93,380 capital budgets from 2016/17 as approved by Members in August 2017

Asset Management Plan

4.2.4. It is essential that the Council maintains an asset base, which delivers the ambitions of the Corporate Plan – however, this needs to be affordable. This is becoming increasingly difficult due to the age of a number of the Council's key buildings and the shrinking amount of financial resources available to support service delivery.

4.2.5. A stock condition survey has been undertaken on the Council's property assets. A report detailing the outcomes and actions emerging was presented to Cabinet on 20th September 2016. This included the potential capital and revenue financial implications of maintaining the Council's current property assets over a 30 year period. This was reviewed and updated in February 2017 to take account of any changes and updates to stock information since September 2016, and has subsequently been reviewed again for the purposes of this report.

4.2.6. The surveys have confirmed that a number of the Council's operational assets are dated in appearance, have structural issues or urgent health and safety work requirements or the electrical and mechanical infrastructure require updating. The investment required to ensure the assets remain fit for purpose is significant over the 30 year period and would consequently impact on future revenue budgets.

4.2.7. Therefore, the report discusses the options to either reduce the amount of capital expenditure or reduce the impact on revenue of the necessary capital spending:-

- Asset rationalisation
- Shared use of assets
- Reduction in specification and functionality
- Generate additional capital receipts
- Identify grants to support investment
- Generate additional revenue from asset holdings

4.2.8. Additionally, it also recommended the review of a number of areas as detailed below:

- Public conveniences and car parks provision, with a view to disposal of assets that are surplus to requirements.
- Leisure asset portfolio in the context of the expiry of the existing leisure management contract with a view to reducing the on-going assets and operating costs
- Operational depot asset portfolio in the context of a potential new operating model with a view to reducing overall costs
- Strategic land holdings with a view to developing options to either generate additional capital receipts or opportunities to generate ongoing financial returns

4.2.9. The table below illustrates the capital investment requirements on the Council's property portfolio and revenue consequences (cost of borrowing) over a 30 year period **as reported in September 2016**:

SMDC AMP Capital Investment & Revenue Consequence	**2016-17 – 2019-20 £**	**2020-21 – 2045-46 (26 years) £**	**TOTAL £**
Public Buildings	1,010,850	2,761,600	3,772,450
Car Parks	754,000	4,293,431	5,047,431
Public Conveniences	181,400	415,800	597,200
Waterways & Infrastructure Assets	479,361	448,761	928,122
Leisure Centres	310,000	10,005,995	10,315,995
Depots and Parks Buildings	97,070	2,355,714	2,452,784
Industrial Units	80,380	392,050	472,430
TOTAL	**2,913,061**	**20,673,351**	**23,586,412**
Revenue Consequences (cost of borrowing)	***115,959***	***943,653***	***1,059,612***

4.2.10. The AMP and consequent financial implications were then updated within the Budget & MTFP to take account of any more up-to-date asset data and the forecast outturn position in 2016/17.

4.2.11. The table below reflects the updated capital investment requirements which had increased by £192,000 over the 30 years which marginally increased the revenue consequences:-

SMDC AMP Capital Investment & Revenue Consequence	**2016-17 (current year forecast)**	**2017-18 – 2020-21 (MTFP) £**	**2021-22 – 2045-46 (25 years) £**	**TOTAL £**
Public Buildings	100,000	1,315,540	2,439,600	3,855,140
Car Parks	-	754,000	4293,431	5,047,431
Public Conveniences	-	181,400	415,800	597,200
Waterways & Infrastructure Assets	5,270	543,091	448,761	997,122
Leisure Centres	-	355,000	10,005,995	10,360,995
Depots and Parks Buildings	-	104,570	2,343,464	2,448,034
Industrial Units	-	80,380	392,050	472,430
TOTAL	**105,270**	**3,333,981**	**20,339,101**	**23,778,352**

4.2.12. This report provides an opportunity to update the capital investment requirements once again – taking into account the 2016/17 actual outturn position, further up-to-date asset data and any actions already taken as part of the asset review.

SMDC AMP Capital Investment & Revenue Consequence	2016-17 (actuals) £	2017/18 (forecast) £	MTFP* 2018/19–2020/21 £	MTFP* 2021/22 £	2022-23–2045-46 (24 years) £	TOTAL £
Public Buildings	70,020	416,710	1,011,940	0	2,376,200	3,874,870
Car Parks	0	0	686,000	0	4,293,431	4,979,431
Public Conveniences	0	85,000	96,400	0	415,800	597,200
Waterways & Infrastructure	5,270	262,650	328,711	105,000	343,761	1,045,392
Leisure Centres	1,700	153,300	200,000	1,822,780	8,183,215	10,360,995
Depots and Parks Buildings	0	0	104,570	713,190	1,630,274	2,448,034
Industrial Units	0	0	80,380	0	392,050	472,430
TOTAL	**76,990**	**917,660**	**2,508,001**	**2,640,970**	**17,634,731**	**23,778,352**
Revenue Consequences	**-**	**10,650**	**112,710**	**36,450**	**719,280**	**879,090**

**The current MTFP capital programme costs of the AMP include approved carry forwards from 2016/17, projected spend in 2017/18, revised estimates for 2018/19-2020/21 and the additional estimated costs of maintaining the asset portfolio in 2021/22.*

4.2.13 The overall 30 year programme remains consistent with the programme reported when setting the Budget and MTFP in February 2017. However, there has been some re-profiling of expenditure between financial years.

4.2.14 Although the 30 year programme has increased by £191,940 from the September 2016 report, the revenue consequences have now reduced by £180,520 over the 30 years in line with the latest interest rate forecasts provided by the Council's treasury management advisors – which are subject to change dependent on the economic climate. The consequential borrowing costs of capital investment up to 2020/21 have been incorporated into the MTFP.

4.2.15 However, the revenue consequences remain significant and are front loaded and therefore action is required in order to reduce the overall impact on the revenue budget.

4.2.16. Any positive revenue implications of the asset management plan, for example, reduced annual maintenance and utility costs due to fewer and/or more efficient buildings and income receipts from shared accommodation partners will be taken towards the efficiency programme.

Affordable Housing Project

4.2.17. The Council's affordable housing project is being delivered via Ascent Housing – the joint venture established by the Council in partnership with Your Housing. Phase one is now complete with the majority of the 276 units now occupied.

4.2.18. The £5 million debenture facility was fully drawn in 2014/15, and is generating annual income of £100,000 for the remainder of the 25 year period (subject to early repayments by Ascent).

4.2.19. £14 million of the £20 million loan facility has been drawn to date, it is assumed that the remaining £6million loan facility will not be drawn during the 4 year period of this plan. However, if further schemes are developed as part of the business plan, further drawdowns may be required.

4.2.20. The first tranche of the loan facility matured in October 2017, the £7m was refinanced by Ascent with the Council for a short-term period of 1 year until October 2018. This has had a slight negative impact on income levels as the 1 year interest rate applied was less than previously charged for 5 years.

4.2.21. The short-term refinancing has been completed pending a full review of the Ascent business plan and wider funding arrangements carried out by Your Housing and the Council to ensure the Ascent model remains financially sustainable.

4.2.22. It is assumed at this stage that Ascent will refinance with the Council on maturity the existing loans for a further period of 5 years. The Council will be meeting with Your Housing prior to the February MTFP to consider the result of the business plan review.

Growth Fund

4.2.23. Members approved the establishment of a growth capital fund. The growth fund was set up with the aim of supporting capital projects that have a positive impact upon the Council's strategic objectives and generate revenue income streams.

4.2.24. Formal applications to the fund were invited, but after an appraisal of the business cases, no external applications have progressed to the next stage of assessment. Therefore, the current £1.5million provision included within the capital programme has been removed at this stage.

4.2.25. There are a number of internal schemes currently in development, which aim to accelerate business growth and employment - the business case for moving forward with these projects will be assessed by the Transformation Board.

4.2.26. Any capital provision required for these projects will be reported and approval requested on an individual basis.

4.2.27. Any growth related projects should aim to generate income receipts for the Council, for example via increased business rates, rental income or interest receipts in order to contribute to the efficiency and rationalisation programme (as detailed in section 4.3)

Housing Grants

4.2.28. The District Council is the duty holder under the Housing Grants, Construction and Regeneration Act 1996 for the mandatory Disabled Facilities Grant (DFGs) and this status remains despite changes to funding arrangements. All eligible applicants are entitled to receive mandatory funding for certain major adaptations to their properties. The funding for these adaptations has previously been given directly to the council but from 2015/16, the funding has been incorporated into the Better Care Fund and paid to the County Council. In 2017-18 the County Council has paid over DFG funding of £1,211,533 which represents an increase of £557,000 from the previous funding mechanism.

4.2.29. The Better Care Fund is a single pooled fund for all health and social care provision and covers the whole range of services including public health, social care services and clinical commissioning groups

4.2.30. It is uncertain if the increased level of funding will be maintained for future years. The Staffordshire District Councils are in discussions with the County Council about funding options, criteria and performance measures from 2018/19 onwards, in the form of the joint procurement of a new service delivery model aimed at building some consistency and resilience into the DFG scheme.

4.2.31. In the meantime because of current demand and changes to the delivery of DFGs it is unlikely that the existing funds will be required to deliver the mandatory grants programme. If there is to be any significant spend against the new increased budget, there is a need to find new areas to invest. There is scope to do this as part of the funding agreement as long as any proactive scheme outside the mandatory DFG programme is agreed with the County Council and is restricted to capital expenditure. There are several possible options which for example include; investment in local schools catering for persons with disability needs; work with local social housing providers to look at dementia friendly adaptations or improvements to existing housing schemes with a significant number of elderly residents.

4.2.32. All proposals will require some significant set-up time and some changes to the Council's current Private Sector Housing Policy in order to facilitate the change.

ICT Strategy

4.2.33. The framework for the existing 3 year ICT Strategy was established in 2014/15. The key drivers of which are to support delivery of the Efficiency and Rationalisation Plan, provide the infrastructure to support joint working, support new ways of working and improve access to services for our customers. The Strategy is currently being reviewed and refreshed to take account of work undertaken to date and priorities going forward.

4.2.34. The aim of the current Strategy is to reduce the number of applications and software and consequently pressure on server space. The capital provision for this project was been reprofiled to account for the acceleration of the infrastratucture and Microsoft compliancy phase of the project resulting in; higher than originally anticipated expenditure in 2016/17 and forecast spend in 2017/18

4.2.35. Capital investment is required to establish the infrastructure required to meet the key drivers. This in turn will identify the revenue consequences of capital purchases – increased costs including maintenance, updates and annual licence purchases, offset by savings resulting from better usage and consolidation of the Council's suite of systems.

New Capital Schemes

4.2.36. There are a number of new schemes which the Council is currently assessing the business case for to determine the cost of progressing each scheme. For this MTFP update, an additional provision of £700,000 has been included to account for the following schemes:-

- *Brough Park Improvements*

A report was presented to Cabinet in July 2016 seeking approval for up to £600,000 in capital funding to support enhancements to Brough Park in Leek. This represented the Council's 20% (maximum) contribution to the overall project, with the remaining 80% funding to be applied for from the Heritage Lottery Fund (HLF)

The funding bid was rejected by the HLF, therefore, the Council is in the process of submitting a second funding bid for a reduced scheme which would require £200,000 of matched funding from the Council. In addition, other improvements have been identified in respect of the skate park/pond area which are to be costed..

- *Cheadle Recreational Ground improvements*

Provision has been included for improvements to Cheadle recreational facilities – again these works are to be fully costed.

- *Moorlands House asset management works and refurbishment*

Capital provision has been included within the 30 year asset management plan (see 4.2.12) for capital works required at Moorlands House which include boiler and air conditioning unit replacement. There is also provision to carry out a partial refurbishment to further roll out open plan office accommodation, with a view to creating capacity for additional office space as part of the Council's accommodation strategy, which aims to reduce overall costs of office accommodation. A further allocation of capital may be required to complete this project.

- *Leek Buttermarket/Trestle Market enhancements*

Capital provision has also been included within the 30-year asset management plan for essential works to the Leek Buttermarket and Trestle market to ensure the buildings are wind and water tight, focusing on replacing broken window panes. A further capital allocation is required to make enhancements to the buildings as part of the markets review, focusing on developing the markets and subsequently aiming to increase income from this facility.

Financing the Capital Programme

4.2.37. The capital programme can be funded from a number of options which include external grants and contributions from third parties comprising of Government and lottery funding; capital receipts from asset sales as part of the asset management plan; earmarked revenue reserves and borrowing.

4.2.38. The main element of spending within the current programme which is expected to be funded from external resources is support towards Disabled Facilities Grants. Estimated capital receipts of £0.3m will be available over the next four years subject to a review of surplus assets. Revenue reserves of £0.4m are forecast to be applied 2017/18.

4.2.39. Borrowing is therefore the main funding option for the programme. The Treasury Management Strategy then considers whether this is funded externally or internally - both options have a consequence on revenue either through reduced investment income or increased external interest liability as highlighted in the table below.

4.2.40. There remains a balance of £100,000 within the earmarked reserve established specifically to fund capital projects. It is proposed to use this fund where an options appraisal on the acquisition of vehicles, plant and equipment has been carried out and suggests that the most financially viable option is to outright purchase.

Revenue Consequences of the Capital Programme

4.2.41. The capital investment proposals above will result in estimated revenue consequences as follows:

Revenue Consequence* (changes year-on-year)	**2017/18 (baseline)**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£	£	£	£	£
Ascent Loan Income	(474,270)	27,580	(23,270)	960	-
Debenture Income	(100,000)	-	-	-	-
Growth Fund (recovery of Borrowing)	(5,690)	5,690	-	-	-
Borrowing Costs	255,400	28,330	56,950	15,860	36,970
Total	**(324,560)**	**61,600**	**33,680**	**16,820**	**36,970**

** Income generation from the growth projects, savings from asset rationalisation and implementation of the ICT Strategy are already assumed within the Efficiency & Rationalisation Plan (see 4.3)*

4.3. Efficiency & Rationalisation Strategy

4.3.1 The current Efficiency and Rationalisation Strategy was approved by Members in February 2017, which identified a programme of £3.1 million (including £443,600 in unachieved efficiencies from the previous efficiency programme) in savings to be made over the period 2017/18 – 2020/21.

4.3.2. The new Efficiency and Rationalisation Strategy has the effect of both reducing expenditure and increasing income. The need to grow income is now more of a priority as the Council moves more towards being self-financing i.e. not reliant on direct government funding such as revenue support grant.

4.3.3. The strategy has been developed with the underlying principles of protecting frontline service delivery. It is also intended that the strategy is a tool to enable the Council to ensure that its service spending is determined by the established priorities set out in the Corporate Plan.

4.3.4. It is intended that there will be five areas of focus:-

- **Major Procurements** - There is the opportunity to focus attention on a number of large service functions which are currently provided by an external contractor / supplier. A number of significant contracts are coming to an end. This will also allow a fundamental review of these services with proper consideration of the current financial constraints. The contract commitments have sometimes restricted the opportunity to align services across the alliance with High Peak. The individual projects will focus on Waste Collection & Environment Services, Leisure Management and Facilities Management
- **Asset Management Plan** – continuation of the existing priority of rationalising the Council's asset base with a focus around priorities in order to allow for the necessary capital investment
- **Growth** – development of a clear focus upon housing and economic growth based upon the established Local Plan.
- **Income Generation** – focus on increasing the yield from existing sources on income and a drive towards identifying new sources of income
- **Rationalisation** – a commitment to reducing expenditure on non-priority areas of spend e.g. management arrangements, channel shift, non-statutory services

4.3.5. The below table summarises the finanical savings requirements and profile for achievement (**ANNEX B** provides more detail of the savings plan):

General Fund Efficiency Strategy	2017/18	2018/19	2019/20	2020/21	TOTAL
	£	£	£	£	£
Major Procurements	100,000	275,000	100,000	600,000	**1,075,000**
Asset Management	50,000	50,000	25,000	25,000	**150,000**
Growth	65,000	150,000	250,000	300,000	**765,000**
Income Generation	305,000	355,000	100,000	250,000	**1,010,000**
Rationalisation	141,000	-	-	-	**141,000**
TOTAL	**661,000**	**830,000**	**475,000**	**1,175,000**	**3,141,000**

4.3.6. To date, £335,490 in savings have been realised against the 2017/18 efficiency target. A review will be undertaken in preparation for the February 2018 update to assess if any reprofiling needs to be undertaken, but at this stage, progress is good and it is anticipated that the 2017/18 efficiency target will be achieved.

4.3.7. However, continued progression against the efficiency programme is dependent on achieving significant savings as a result of the alternative delivery model for Waste, Streets and Parks via the transfer of services to trading company Alliance Environment Services, as well as a review of leisure provision. There are also significant income generation targets focusing on housing and economic growth, linked to the approval of the Local Plan.

4.3.8. There is a forecast deficit of £99,210 in 2021/22 (year 4 of this plan). At this stage, there is no additional efficiency requirement built in, this will be dependent on the progression of the current efficiency programme and updates to current financial assumptions going forward.

4.3.9. A further exercise reviewing the revenue underspends of recent years will also take place during the 2018/19 budget setting process. The review will identify areas, which have consistently underspent against the base budget, with a view to removing the excess provision. Any budget adjustments will be used to support the Efficiency & Rationalisation Strategy.

4.4. Member Priority Actions / Projects

4.4.1. During the development of the Corporate Plan a number of priority actions have been identified and prioritised by members. These are as follows:

Member Priority Actions / Projects	Financial Implications			
	(y/n)	Firm - in plans	Costs understood - not in plans	Costs not yet known
Environment				
Refresh the processes for dealing with enforcement action against environmental crime (fly tipping and littering) in order to ensure that there is zero tolerance	Y	✓		
Agree and implement actions that will ensure that the waste collection service can deal with the reducing levels of recycling income and recycling credits	Y	✓		
Agree an approach that results in joint operating arrangements with High Peak for waste collection and street cleansing	Y	✓		
Reduce the Council's energy consumption and associated costs	Y			✓
Customer Services				
Implement the agreed Customer Services Strategy	Y	✓		
Agree and implement an approach to bring about effective channel shift	Y	✓		
Agree and implement a plan for further improvement of the Council's website	Y	✓		
Review and revise processes to ensure that they are focused upon the customer and are effectively aligned across services	Y		✓	
Develop a plan to ensure better sharing of information between services and with partners	N			
Planning & Property				
Develop and implement a new approach that ensures that the planning applications process is quicker, linked to growth and focussed upon increasing income	Y		✓	
Develop and implement plans to extend the public market operation in Leek	Y	✓		
Develop and implement a plan which will address the planning enforcement backlog	Y		✓	
Ensure that delegations in respect of planning applications are appropriately applied and that Parish Council views' are taken into account	N			
Implement a system to ensure that planning conditions implementation is tracked effectively	N			

Member Priority Actions / Projects	Financial Implications			
	(y/n)	Firm - in plans	Costs understood - not in plans	Costs not yet known
Leisure, Sports, Parks, Countryside and Communities				
Agree an approach that results in joint leisure centre contract renewals across the Alliance	Y		✓	
Develop and implement a plan that is focussed on increasing footfall in Leisure Centres by the effective use of off-peak capacity	Y			✓
Work with health services to develop a plan to enhance leisure provision with a focus on health improvement	Y			✓
Identify and implement an approach to reduce the cost of country parks	Y		✓	
Develop a plan to improve Brough Park with HLF support	Y	✓		
Develop a strategy for further development of affordable and specialist housing	Y			✓
Develop and agree a new empty properties strategy	Y	✓		
Develop and implement a plan to reduce anti-social behaviour	N			
Develop a scheme that supports the upgrading of security in vulnerable people's homes	N			
Support the Community Safety Partnership with improved provision of outreach workers for dealing with domestic violence	N			
Leader				
Develop and implement a plan to identify new and innovative ways of generating income	Y			✓
Implement the Growth Fund initiative to support small businesses	Y			✓
Support the development of London Mill	Y			✓
Support the development of Cornhill	Y			✓
Support the development of improved rail links in partnership with Stoke-on-Trent City Council	N			
Support the development of a Cinebowl / Fast Food Outlet	N			
Implement the town deal in Biddulph in partnership with Biddulph Town Council	N			

4.4.2. Any costs or revenue associated with these actions will need to be included in the MTFP. The impact of a number of them is already included in this iteration of the plan but additional work will need to be undertaken to develop a number of the actions further and at the same time identify any financial implications.

5. Financial Forecasts

5.1 Interest Rates

5.1.1. The Bank of England Base Rate was increased from 0.25% to 0.50% at the Monetary Policy Committee (MPC) meeting on 2nd November 2017. This was a reversal of the post-EU Referendum emergency monetary stimulus implemented in August 2016 when the Base Rate was cut from 0.50% to 0.25%.

5.1.2. The MPC also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. Commentary continues that economic forecasting remains difficult with so many external influences weighing on the UK, therefore forecasts are likely to be subject to change.

5.1.3. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. Borrowing should be considered where appropriate to the strategy with a view to locking in lower rates and the cost of carry as trends begin to rise.

5.1.4. Based on the current forecasts, changes in investment income and borrowing costs are highlighted below:-

Investment Income	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
Changes in Investment Income	(32,760)	(33,510)	(46,390)	(25,930)
Changes in Borrowing costs	(3,780)	9,750	(11,750)	(1,800)
	(36,540)	**(23,760)**	**(58,140)**	**(27,730)**

5.2. Inflationary Projections

5.2.1. The Retail Price Index (RPI) and Consumer Price Index (CPI) 12 month rate, as at September 2017, stood at 3.85% and 2.94% respectively. Inflation forecasts are made reflecting the composition of the Council's expenditure, resulting in an inflation rate specific to the Council.

5.2.2. The MTFP presented to members in February 2017 was premised on inflation assumptions at that time. Those inflationary assumptions have now been rolled forward a further 12 months to incorporate the 2021/22 financial year and have been updated to reflect the latest information on trends in Council expenditure. The additional costs to the Council arising from inflation are forecast in the table below.

Expenditure/Income	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
Employee Costs	287,140	265,210	255,020	247,200
Premises Costs	45,440	33,690	30,810	27,130
Transport	14,270	12,320	11,940	10,770
Supplies and Services	78,200	67,240	65,310	58,800
In-Year Inflation Pressure	**425,050**	**378,460**	**363,080**	**343,900**

5.3. **Budgetary Demand**

5.3.1. The Medium Term Financial Plan presented to Council in February 2017 analysed and projected forward both income and expenditure. This has been revised to reflect known changes in budgetary demand.

5.3.2. The current known changes in budgetary demand are highlighted below:-

Increased / (Reduced) Budget Demand	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
Reduction in level of Parish Council Local Council Tax Support	(13,780)	(13,830)	-	-
Uniforms – Customer Services	2,500	(2,500)	2,500	(2,500)
DWP – Benefits Admin Grant reduction	13,500	-	-	-
Insurance – Increased Limits of Indemnity	6,000	-	-	-
Insurance - Cut in Discount Rate	9,000	-	-	-
End of WWI Centenary	10,000	(10,000)	-	-
Customer Services redeployment	(13,720)	-	-	-
Markets Promotion – Temp post	26,150	-	(26,150)	-
Markets Promotion – Income generation	(3,700)	(3,300)	-	-
Tourism Marketing – External contribution	(13,800)			
Abolition of Credit Card charges	3,200			
Total	**25,350**	**(29,630)**	**(23,650)**	**(2,500)**

5.4. Budget Growth

5.4.1. In previous years, very few additions in respect of budget growth have been included in the MTFP. It is assumed in light of the financial pressures faced by the Council, that any local issues that necessitate budget growth will be financed by internal spending reductions elsewhere. Occasionally, however, it is necessary to include budget growth to meet spending commitments.

5.4.2. The following items of budget growth have been included in this version of the Medium Term Financial Plan.

Budget Growth	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
Cheadle Market - Running Costs	6,500	-	-	-
Service strengthening - Tourism	15,200	-	-	-
Total	**21,700**	**-**	**-**	**-**

5.5. Pensions

5.5.1. The last triennial actuarial valuation of the Staffordshire Pension Fund took place in 2016. At this valuation, the Staffordshire Moorlands portion of the Fund was in deficit by £24.8 million and was 61% funded.

5.5.2. The 2016 valuation determined the level of contributions necessary for the following 3 year period (2017 – 2020). The Council was required to contribute 16.6% of pensionable pay plus the equivalent of £633,000 per annum in secondary payments with effect from 2017/18.

5.5.3. In year 3 of the MTFP (2020/21) the contributions necessary will be revised by a further revaluation scheduled to take place in 2019. Provision for an increase in contributions of £125,000 in both 2020/21 and 2021/2022 has been included in this iteration.

5.5.4. These additional pension costs are shown in the employee inflation element of the MTFP.

6. Funding & Income Generation

6.1. Council Tax

6.1.1. The 2010 settlement heralded the introduction of 0% Council Tax increases, restricting the capacity of Local Authorities to raise council tax to meet budget pressures and cuts in Central Government funding. Government initially provided funding to mitigate the shortfall in local authority income between 2011/12 and 2015/16.

6.1.2. The Council has the capacity to vary Council Tax levels, following the abolition of capping. However the Council's ability to increase Council Tax by more than 1.99% is subject to referendum. In 2017/18, the Council increased Council Tax applying a 1.9% increase.

6.1.3. It is assumed at this stage that a 1.9% Council Tax increase will be implemented in 2018/19, 2019/20, 2020/21 and 2021/22.

6.1.4. Provision for tax base growth remains unchanged from the levels assumed in February. A provisional figure has been included for Year 4. Further work will be carried out in the course of the next few months to recalculate likely changes in the tax base. Updated figures will be included in the February iteration of the MTFP.

6.1.5. The table below sets out the additional yield from Council Tax currently assumed in the Medium Term Financial Plan:

Increased Council Tax Income	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
Council Tax increase	(95,530)	(98,230)	(101,070)	(104,020)
Revenue from tax base growth	(46,360)	(51,670)	(54,160)	(54,000)
TOTAL	**(141,890)**	**(149,900)**	**(155,230)**	**(158,020)**

6.2. Business Rates Retention

6.2.1. The 2013/14 Local Government Finance Settlement saw the introduction of the new business rates retention system, replacing the previous system of financing with a system based on the retention of business rates.

6.2.2. Under the current system, the Authority retains 40% of Business Rates less a tariff that is payable into a pool maintained by a number of Staffordshire Authorities. This amount is then compared to a Funding Baseline (estimated at £2,519,400 for 2018/19): any amount in excess of this Baseline is subject to levy, or conversely if the amount of retained Business Rates is below this Baseline, the loss is capped by a safety net payment. The MTFP does not anticipate the Council falling below the Baseline.

6.2.3. As part of the Staffordshire Pool, the levy or the safety net payment is made to or from the Pool instead of Central Government. If the Council was not in the Staffordshire Pool it would have to pay 50p in the £1 to the Government as a levy, effectively limiting the income the Council can gain from business rates growth. However, as part of the Pool, the Council is able to retain 40% of this levy; meaning that each £1 achieved above the baseline, is distributed as follows:

- 70p is retained by the Council;
- 20p is paid to a Central Incentive Fund which is managed by the Pool Board;
- 10p is paid to a Contingency Fund maintained by the Pool Board to assist should a safety net payment be triggered.

The benefit to the Council of being part of the Pool arrangement is estimated to be approximately £180,000 in 2018/19.

6.2.4. In October 2015, the Government announced a forthcoming package of reforms to the Business Rates Retention System including a move to local government retaining 100% of the rates that they received with an end to Revenue Support Grant.

6.2.5. In outline the proposals for reform are as follows:

- Local authorities will retain 100% of BR to fund local spending on services;
- The new system will be in place by the end of the current Parliament
- Local authorities with be able to retain income from growth – i.e. there will be no levy;
- The reform will be fiscally neutral and local authorities will have new responsibilities and / or central government grants will be phased out;
- Local authorities will have the ability to reduce rates – there will be the ability to increase for combined authority mayors; and
- The new system will retain a system of tariffs and top ups subject to a fundamental review of needs.

6.2.6. In July 2016 the Department for Communities and Local Government (DCLG) published two consultation papers:

- Self-sufficient local government: 100% BR Retention; and
- BR Reform - Fair Funding Review: Call for evidence on Needs and Redistribution.

6.2.7. The Council responded to the consultation documents, detail of which was reported to Cabinet on 20th September 2016.

6.2.8. There remains uncertainly surrounding how the new system will be phased in and in what form. Following invitation from DCLG, Staffordshire Authorities have made an application to become a pilot area for 100% Business Rates Retention. Further updates on this and the progress of 100% retention schemes generally will be presented as more information is released. For the purpose of the MTFP, no financial assumptions have been included based on the proposed new system or potential pilots, these will be fed into the plans once we have more certainty around how the new system will operate.

6.2.9. The MTFP anticipates that Business Rates retention will be above the baseline. Net income is somewhat suppressed due to the award of reliefs including increased small business rate relief, multiplier cap, supporting small businesses and local discretionary relief. To compensate for the loss of business rates income resulting from the reliefs, funding has to date been made available to Councils under Section 31 of the Local Government Act 2003. The MTFP assumes both the extension of reliefs and Section 31 grants will continue.

6.2.10. The forecast level of Business Rates retention has reduced since the previous iteration of the MTFP in February 2017 following a review of the appeals provision methodology on the 2017 rateable value list. The impact of the reduction on the life of the plan is partially offset from the resulting decrease in levies payable and the prudent assumption that funding would not increase as a result of the 2017 revaluation.

6.2.11. Reduced levels of retention are most significant in year 1 of the plan. This is a result of reductions in net income from successful appeals and new reliefs awarded as a result of the Chancellor's budget which were not known at the time of budget setting. The reliefs are funded by S31 grants as described above – this creates a surplus on business rates retention in the current year on the general fund, but a collection fund deficit in year 1 of this plan. Therefore it is appropriate to ring fence the surpluses being forecast in 2017/18 to fund the distribution of the deficit being created in year 1.

6.2.12. Further changes in the level of the Council's business rates will be impacted by a range of factors, including the Staffordshire Pool's success in generating new and retaining existing business within its area. At this stage, predicted levels of business rates income are based on known and expected changes to the business rates listing.

Business Rates Retention	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£	£	£	£
In year:				
Baseline Funding	(2,519,400)	(2,599,920)	(2,683,020)	(2,768,780)
Achievement against Baseline	103,380	41,600	13,970	11,140
Section 31 Grant	(786,010)	(761,230)	(753,650)	(772,450)
Total	**(3,202,030)**	**(3,319,550)**	**(3,422,700)**	**(3,530,090)**
Change between years:				
Business Rates retained	(188,400)	(142,300)	(110,730)	(88,590)
Section 31 Grant	81,560	24,780	7,580	(18,800)
Total	**(106,840)**	**(117,520)**	**(103,150)**	**(107,390)**

6.3. Collection Fund

6.3.1. The Council maintains a Collection Fund to record the receipt of Council Tax and Business Rates and their distribution to precepting authorities. Any surplus or deficit generated is distributed or recovered from the preceptors in subsequent years.

6.3.2. The collection fund assumptions regarding Council Tax remain unaltered from the previous version of the MTFP presented in February 2017. Further work will be carried out over the next few months to update these assumptions and revised figures will be included in the February 2018 MTFP. At this stage, it is expected that the Staffordshire Moorlands share of a surplus, in respect of Council Tax, will be £57,710 in 2018/19.

6.3.3. It is assumed that a deficit, after providing for appeals, of £1,148,730 will be distributed in 2018/19 in respect of retained Business Rates generated in the current and previous years. Staffordshire Moorlands' share of this deficit will be £459,490. It is assumed the Business Rates element of the collection fund will break even in future years, leaving no surplus or deficit for distribution.

6.3.4. These and future year movements are set out in the table below:

Changes in Collection Fund Income	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£	£	£	£
Council Tax	7,580	(1,390)	(1,440)	-
Business Rates	331,810	(459,490)	-	-
Total	**339,390**	**(460,880)**	**(1,440)**	**-**

6.4. Income from Government Grants

Revenue Support Grant

6.4.1. The current MTFP, reported to Council in February 2017, includes the phased elimination of Revenue Support Grant (RSG) announced by the Government in October 2015.

6.4.2. This revision of the MTFP maintains the profile of RSG reduction proposed by the Government as part of the 4 year settlement in February 2016. Reductions of £554,840 (31%), £344,450 (19%) and £347,000 (20%) in 2017/18, 2018/19 and 2019/20 respectively are included. This results in no RSG being included in the Authority's funding by 2019/20.

6.4.3. Local Authorities were required to submit an efficiency plan to Government by 14th October 2016 if they wanted to accept the 4 year settlement. The plan should set out what the Council intends to do in order to address the challenge of financial sustainability. If the four year offer is not accepted the Council would be subject to the existing annual process for determining the local government finance settlement. Allocations could be subject to additional reductions dependent on the fiscal climate and the need to make further savings to reduce the deficit.

6.4.4. The Council accepted the 4 year settlement and submitted an efficiency plan in November 2016 (this was attached to the November 2016 MTFP update)

New Homes Bonus

6.4.5. New Homes Bonus (NHB) is aimed at encouraging local authorities to grant planning permission for the building of new houses, in return for additional revenue.

6.4.6. Consultation on the future format of New Homes Bonus was carried out in 2016 with the outcome being included in the settlement details released in December 2016. The main changes to the scheme, which came into effect on 1st April 2017, were incorporated into the February 2017 MTFP. These were:-

- The reduction in the number of years for which the Bonus is paid from the current 6 years to 5 years in 2017/18; to be followed by a further reduction to 4 years in 2018/19;
- The removal of New Homes Bonus paid on development below a 0.4% baseline; representing the percentage of housing that would have been built anyway.

6.4.7. Further changes, proposed in the consultation, have been put on hold to be considered for implementation in 2018/19 (no further update on this has been received as yet). These include:

- Withholding the Bonus from areas where an authority does not have a Local Plan in place; and
- Abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal.

6.4.8. Under the new rules the Council expects to receive New Homes Bonus of £123,620 in respect of 2018/19. This has been incorporated into the MTFP together with anticipated receipts of £19,120 in respect of 2019/20; 2020/21 and 2021/22. These amounts assume no detrimental increase in the Government's (0.4%) deadweight baseline.

6.4.9. The total New Homes Bonus included in the MTFP over the 4 year period is £1.53 million. This is on a diminishing trend as the more generous early years awards drop off over the medium term. The MTFP anticipates £698,390 in 2018/19; £469,090 in 2019/20; £204,950 in 2020/21; and £180,970 in 2021/22.

6.4.10. The Efficiency and Rationalisation Programme includes £400,000 in additional New Homes Bonus over the next 4 years, arising out of stimulated housing growth. Any growth in New Homes Bonus during the course of this plan will be applied against this target.

6.4.11. The Council's commitment to encouraging the building of new homes also has the effect of generating additional revenue from an increase in the council tax base. However, increased costs are potentially incurred in servicing the needs of the additional properties.

Local Council Tax Support Grant

6.4.12. The Council operates a scheme whereby funding received from Central Government in respect of Local Council Tax Support is passed on to the Parishes by means of an annual grant. The allocation of this grant is based on the eligibility of parish residents for Council Tax discounts.

6.4.13. The level of resources made available for this grant has been reduced each year in line with the reduction in overall Government funding suffered by the Authority. The Medium Term Financial Plan assumes that this approach will continue (see changed budget demand as set out in table 5.3.2 above).

Summary of Income from Government Grants

6.4.14. The table below summarises the movement in Government funding from the 2016/17 baseline:-

Government Grant (gain) / loss of funding	2016/17 (baseline)	2017/18 (actual)	2018/19 (forecast)	2019/20 (forecast)	2020/21 (forecast)	2021/22 (forecast)
	£	£	£	£	£	£
Revenue Support Grant	(1,246,290)	554,840	344,450	347,000	-	-
Rural Services Delivery Grant	(14,930)	(33,580)	11,190	(11,190)	15,000	15,000
Transition Grant	-	(4,800)	20	4,780		
New Homes Bonus	(1,264,390)	318,820	247,180	229,300	264,150	23,980
Change in Govt Funding	**(2,525,610)**	**835,280**	**602,840**	**569,890**	**279,150**	**38,980**

6.4.15. The changes shown in the table above mean that the Government grant funding received by the Council will have reduced to £199,470 by 2021/22, compared to the £2,525,610 received in 2016/17.

6.5. Fees and Charges

6.5.1. Charging for local services makes a significant contribution to the Council's finances. The Council also uses charging to influence individual choices and behaviour, and to bring other benefits to local communities. The Council's Charging Policy sets out the following principles for establishing the level of fees and charges:

- The cost of providing services should be fully met by income
- There is a standard approach to concessions for those on low incomes
- Where a subsidy is agreed, this should be used to support the development of Council services in accordance with priorities
- Subsidies should be reconfirmed annually

6.5.2. The annual revision of the Council's fees and charges will take place over the next few months, which will also incorporate some of the work undertaken as part of the Income Generation project. The outcome of which will be reported in February.

6.5.3. The Medium Term Financial Plan assumes that the Council will increase fees and charges (and other income) broadly in line with inflation. However, it is also recognised that certain income streams (such as car parking, planning receipts) may not increase each year and that other income streams (such as grants and rental income) are fixed or subject to periodic review. The annual total expected from this source has been reduced from £55,000 recognising the significant overlap in income generation included in the Efficiency and Rationalisation Programme (see 4.3 above).

6.5.4. The projected revenue from increased fees and charges (and other income) is summarised in the table below:

Increased Fees and Changes	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£	**£**	**£**	**£**
Revenue from increased Fees and Charges	(25,000)	(25,000)	(25,000)	(25,000)
Total	**(25,000)**	**(25,000)**	**(25,000)**	**(25,000)**

7. Risks, Contingencies & Use of Reserves

7.1. Risk Identification and Management

7.1.1. The early identification and management of risks is critical to the Budget and Medium Term Financial Planning process. Risks are assessed, mitigated and actively managed to ensure that the Council delivers its services effectively within the funding at its disposal. The principal risks to the Medium Term Financial Plan are summarised in ANNEX C.

7.1.2. Risk areas will be closely monitored and reviewed on an on-going basis and remedial action taken as appropriate.

7.1.3. The table below highlights specific financial risks that are embedded within this Medium Term Financial Plan:

Revenue Risks	Capital Risks
• Inflationary assumptions • Interest rates • Revenue consequences of capital • Housing benefits • Fees and charges • Universal Credit • Business Rates • Council Tax collection • Government grants • Financial benefits from partnerships / shared services • Pension costs • Insurance costs • Waste management costs	• Interest rates • External funding • Capital receipts • Capacity to deliver capital programme • Project overspend • Project overrun • External factors (e.g. planning objections, judicial reviews etc. leading to project delay) • Housing Joint Venture • Suppliers / Contractors • Weather

7.2. Contingencies

7.2.1. The Medium Term Financial Plan is underpinned by a number of assumptions. These assumptions have been made in the light of currently available information. New information, when it emerges, may require the Council to alter its assumptions with a consequential effect on the Council's financial position.

7.2.2. Key risk areas will be closely monitored and reviewed on an ongoing basis and remedial action taken. Members will receive quarterly updates on performance against the budget.

7.2.3. The Council carries reserves as a contingency for situations where risks cannot be fully mitigated. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (CFO) to report on the robustness of the estimates included in the budget and the adequacy of the reserves that the budget provides. The Council is currently required to hold a general (contingency) reserve of £1,000,000 to meet unforeseen expenditure.

7.3. Use of Reserves and Balances

7.3.1. The February 2017 Medium Term Financial Plan included a £12,180 contribution from General Fund Reserves in 2017/18 in respect of Section 106 (Commuted Sum). The level of Section 106 reserve usage has been revised to £8,180 in 2018/19 and £7,700 pa thereafter.

7.3.2. The February 2017 MTFP also included the use of General Fund contingency reserves in 2017/18, 2018/19 and 2019/20 necessary to smooth timing differences in the delivery of the Efficiency Programme.

7.3.3. The Quarter Two report forecasts that there will be a surplus against budget of approximately £309,420, in which case, there will be a net use of reserves of £206,790 in 2017/18. The improved reserve position at the end of 2017/18 will need to be ring-fenced to account for the increased use of reserve required in 2018/19 as a result of business rate accounting (for appeals and reliefs as discussed in section 6.2)

7.3.4. Financial assumptions have been updated as part of this plan, but at this stage, no movement to or from reserves have been included (apart from the planned £31,280 draw from the S106 reserve over the 4 years), so the plan remains unbalanced – this will be updated as part of the February 2018 MTFP update. However, based on the deficit/surplus position (as per ANNEX D) the required use of reserves would be slightly less than reported in February 2017:-

Reserve / Balance	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£	£	£	£	£	£
General Fund (use)/contribtuion to reserves – February 2017	(516,210)	(489,780)	(764,720)	-	-	(1,770,710)
General Fund (use)/contribution to reserves – November 2017	(206,790)	(947,870)	(648,690)	234,160	134,950	(1,434,240)
Change in use of reserves	**309,420**	**(458,090)**	**116,030**	**234,160**	**134,950**	**336,470**

7.3.5 The above position is subject to the progression of the efficiency and rationalisation programme and any updates to financial assumptions.

8. MTFP General Fund Revenue Position

8.1. The medium term general fund revenue position is as set out in the table below, which summaries the impact of the discussions in the previous sections of the report:

Summary Revenue Position	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£	£	£	£
Revenue Consequences of Capital Spend (section 4.2)	61,600	33,680	16,820	36,970
Interest Rate Changes (section 5.1)	(36,540)	(23,760)	(58,140)	(27,730)
Inflation Pressures (section 5.2)	425,050	378,460	363,080	343,900
Increased / (Reduced) Budget Demand (section 5.3)	25,350	(29,630)	(23,650)	(2,500)
Budget Growth (section 5.4)	21,700	-	-	-
Increased Council Tax Income (section 6.1)	(141,890)	(149,900)	(155,230)	(158,020)
Business Rates Retention (section 6.2)	(106,840)	(117,520)	(103,150)	(107,390)
Changes in Collection Fund Surplus (section 6.3)	339,390	(460,880)	(1,440)	-
Reduction in Government Grant (section 6.4)	602,840	569,890	279,150	38,980
Additional Fees and Charges (section 6.5)	(25,000)	(25,000)	(25,000)	(25,000)
Contribution to / (Use of) Reserves & Balances (section 7)	520,210	480	-	-
In Year Change in Position	**1,685,870**	**175,820**	**292,440**	**99,210**
Existing Efficiency & Rationalisation Plan (section 4.3)	(830,000)	(475,000)	(1,175,290)	-
Growth Efficiencies Realised	92,000	-	-	-
Budget (Surplus) / Deficit	**947,870**	**(299,180)**	**(882,850)**	**99,210**
Cumulative (Surplus) / Deficit	**947,870**	**648,690**	**(234,160)**	**(134,950)**

8.2. The table above predicts a cumulative surplus position of £134,950 over the life of the Medium Term Financial Plan assuming the remaining Efficiency Programme savings of £2,480,290 is achieved.

8.3. The above position requires the use of £1,227,450 of contingency reserves.

8.4. ANNEX D shows the indicative detailed revenue budget for the period 2018/19 – 2021/22.

9. Consultation

9.1. The Council is committed to consulting with residents and other stakeholders to help inform the budget setting process and spending priorities/non-priorities. A variety of techniques have been used and the approaches have been iterative, building year on year on what has gone before. The Council already holds comprehensive information gathered about residents' spending priorities. Much of this information was gathered in times of rising expenditure. The financial challenges for the Council are now very different.

9.2. The consultation process for 2018/19 will be undertaken via an online communication available on the Council's website, which summarises the finanicial challenges and invites comment on the plan. There will also be reference included within the December e-newsletter issued by Regeneration to local businesses which will include a brief narrative with links to on-line information.

9.3. It will be particularly important that the Council, as it makes difficult budgetary decisions, is able to evidence that it has considered the impact of its decisions on groups with 'protected characteristics'.

9.4. Going forward, the Council will be developing a timetable of consultation, which will focus on specific emerging issues that will potentially have a significant impact on the Council's finances over the medium term.

ANNEX A

Proposed Capital Projections (2017/18 to 2021/22)

Capital Schemes	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£	£	£	£	£	£
Asset Management Plan						
Council Offices/ Public Buildings	501,710	780,430	399,400	113,470	713,190	2,508,200
Leisure Centres	153,300	200,000	-	-	1,822,780	2,176,080
Car Parks	-	250,000	218,000	218,000	-	686,000
Infrastructure	262,650	210,710	56,000	62,000	105,000	696,360
	917,660	**1,441,140**	**673,400**	**393,470**	**2,640,970**	**6,066,640**
Affordable Housing Project	-	-	-	-	-	-
Growth Fund	-	-	-	-	-	-
Private Housing Grants	**531,630**	**1,211,000**	**1,211,000**	**1,211,000**	**1,211,000**	**5,375,630**
ICT Projects	**104,310**	**19,390**	**19,390**	**19,390**	**19,390**	**181,870**
Other Schemes						
Conservation	51,760	50,000	50,000	50,000	50,000	201,760
Other Housing Projects	-	-	-	-	-	-
Street Scene & Depots	-	-	-	-	-	-
Outdoor Sports Facilities	14,000	-	-	-	-	14,000
Play Facilities	76,000	114,000	-	-	-	190,000
Other Projects Provision	-	500,000	200,000	-	-	700,000
	141,760	**664,000**	**250,000**	**50,000**	**50,000**	**1,155,760**
TOTAL PROGRAMME	**1,695,360**	**3,335,530**	**2,153,790**	**1,673,860**	**3,921,360**	**12,779,900**
CONTRIBUTIONS	758,060	1,211,000	1,211,000	1,211,000	1,211,000	5,602,060
NET PROGRAMME	**937,300**	**2,124,530**	**942,790**	**462,860**	**2,710,360**	**7,177,840**

ANNEX B

Summary of Approved Efficiency and Rationalisation Strategy (February 2017)

Efficiency	2017/18	2018/19	2019/20	2020/21	TOTAL
	£'000	£'000	£'000	£'000	£'000
Major Procurements					
Ansa Joint Venture	100	200	100	100	500
Leisure Centres	-	-	-	500	500
Facilities	-	75	-	-	75
	100	**275**	**100**	**600**	**1,075**
Asset Management					
Asset Rationalisation	50	50	25	25	150
	50	**50**	**25**	**25**	**150**
Growth					
Housing Growth	50	50	150	150	400
Business Growth	15	50	50	150	265
Industrial Units	-	50	50	-	100
	65	**150**	**250**	**300**	**765**
Income Generation					
Fees & Charges	125	175	100	250	650
Affordable Housing	100	100	-	-	200
Advertising / Sponsorship	30	30	-	-	60
Commercial Property	-	50	-	-	50
Enhanced Trading	50	-	-	-	50
	305	**355**	**100**	**250**	**1,010**
Rationalisation					
Management Staffing	100	-	-	-	100
Channel Shift	-	-	-	-	-
Service Rationalisation	41	-	-	-	41
	141	**-**	**-**	**-**	**141**
TOTAL	**661**	**830**	**475**	**1,175**	**3,141**

ANNEX C

Medium Term Financial Plan – Principal Risks

Risk Category	Risk	Mitigation and Controls
Financial Implications	Robustness of financial assumptions within Efficiency and Rationalisation Strategy	Structured project management arrangements have been put in place with detailed business cases for each initiative – these will be strengthened in the service review process
Financial Implications	Additional financial pressures emerge – cost & income	The strategy is kept under constant review and adjustments will be made where necessary
Service Continuity	Interruptions to key services or performance standards	Resource implications and impact are identified as part of the business case process. Service continuity and maintenance of standards of service are key requirements of any new proposals
Corporate Governance	Maintaining stakeholder confidence; lack of clarity on accountability	Ongoing review of standards of internal control (e.g. Financial Procedure Rules reviewed and updated). Internal Audit Plan will be reviewed to account for the new approach proposed in the Efficiency & Rationalisation Strategy
Management of Change	Management of corporate and local, cultural change; behavioural risks; residual effects of aggregation; proposed changes to organisational structure, roles & responsibilities	Progress with achievement of aims will be monitored through an effective performance management structure. Investment has been made in a new approach to Organisational Development.
People Risks	Impact of cultural changes; assessment of skills; recruitment & retention; capacity issues	Continuing communications process for the delivery of transformation programme
Key Projects & Partnerships	Managing changes to shared service delivery arrangements	The project management methodology provides for an adequate transition where there are changes in service delivery
Performance Management	Adequacy of framework to monitor transition	Risk management processes are embedded

Risk Category	Risk	Mitigation and Controls
Reputation and Relationship Risks	Maintaining existing partner confidence	Continuing communications process for the delivery of transformation programme
Programme Delivery	Delays in implementation of efficiency savings	Effective governance arrangements in place to monitor plans. Executive Directors and Senior Managers own delivery of efficiencies. Executive Director (Transformation) appointed as programme director.
Programme Delivery	A number of the efficiency / rationalisation initiatives are not achieved	Structured project management approach is in place for delivery including effective exception reporting The strategy is kept under constant review Identification of further efficiency / rationalisation opportunities through benchmarking / effective member working groups
Political Support	Lack of Members support for Plan.	Regular reporting and member briefings including effective scrutiny arrangements

ANNEX D

Proposed Revenue Projections (2018/19 to 2021/22)

Budget Heading	2018/19 Projection	2019/20 Projection	2020/21 Projection	2021/22 Projection
	£	£	£	£
Employees	8,560,990	8,826,200	9,055,070	9,302,270
Premises	1,938,950	1,972,640	2,003,450	2,030,580
Transport	1,203,260	1,215,580	1,227,520	1,238,290
Supplies & Services	4,553,350	4,608,090	4,675,900	4,732,200
Benefits	5,010	5,010	5,010	5,010
Borrowing	279,950	346,650	350,760	385,930
Parish Grant re Council Tax Support	13,830	0	0	0
Financing Costs	555,000	555,000	555,000	555,000
Total Expenditure	**17,110,340**	**17,529,170**	**17,872,710**	**18,249,280**
Fees and Charges / Other Income	(5,740,300)	(5,768,600)	(5,793,600)	(5,818,600)
Interest Receipts	(71,760)	(105,270)	(151,660)	(177,590)
Ascent LLP Income	(546,690)	(569,960)	(569,000)	(569,000)
Recharges	0	0	0	0
Net Expenditure	**10,751,590**	**11,085,340**	**11,358,450**	**11,684,090**
Council Tax	(5,169,800)	(5,319,700)	(5,474,930)	(5,632,950)
Revenue Support Grant	(351,780)	-	-	-
Business Rates Retention	(3,202,030)	(3,319,550)	(3,422,700)	(3,530,090)
Rural Service Delivery Grant	(37,320)	(48,510)	(33,510)	(18,510)
New Homes Bonus	(698,390)	(469,090)	(204,940)	(180,960)
Earmarked Reserves	(8,180)	(7,700)	(7,700)	(7,700)
Collection Fund	401,780	(59,100)	(60,540)	(60,540)
Total Financing	**(9,065,720)**	**(9,223,650)**	**(9,204,320)**	**(9,430,750)**
Cumulative Deficit / (Surplus)	**1,685,870**	**1,861,690**	**2,154,130**	**2,253,340**
Efficiency Requirement (cumulative)	(830,000)	(1,305,000)	(2,480,290)	(2,480,290)
Growth Efficiency realised (cumulative)	92,000	92,000	92,000	92,000
In Year Deficit / (Surplus)	**947,870**	**648,690**	**(234,160)**	**(134,950)**