



## **SCRUTINY COMMISSION – 21 JANUARY 2016**

### **REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)**

#### **RE: MEDIUM TERM FINANCIAL STRATEGY (SUMMARY) 2016/17 - 2019/20**

#### **WARDS AFFECTED: ALL WARDS**

---

#### **1. PURPOSE OF REPORT**

- 1.1 To review the 2016/17 Medium Term Financial Strategy (MTFS) summary ahead of approval by Council.
- 1.2 The MTFS has been prepared taking into account the capital and HRA budgets. The capital and HRA budgets are presented separately but should be read in conjunction with this report.

#### **2. RECOMMENDATION**

- 2.1 That Scrutiny Commission review the summary MTFS.
- 2.2 That Scrutiny Commission note that this summary of the MTFS contains the all the financial information that will appear in the MTFS based on the Provisional local government finance settlement published in December 2015 and is based on the most likely position faced for the period 2016/17 -2019/20.
- 2.3 That Scrutiny Commission note that a complete revision of the MTFS, along with full narrative commentary will be produced for the 18 February Council meeting.
- 2.4 That Scrutiny Commission is asked to consider the MTFS and the shortfall in achieving a balanced position over the period of the MTFS. Options for addressing the shortfall are given in section 4 of this report, and the Scrutiny Commission is asked to consider these options and make a recommendation for future action to be taken.

#### **3. BACKGROUND TO THE REPORT**

##### **Introduction**

- 3.1 The MTFS sets out the council's financial position for the years 2016/17 to 2019/20. The MTFS underpins the council's Corporate Plan and ensures that resources are allocated and used effectively to achieve corporate targets. At the same time, the MTFS is an integral element of the financial planning procedures of the Council and forecasts how the Council will remain financially resilient and sustainable as an organisation, whilst at the same time not placing an unreasonable burden on local taxpayers.
- 3.2 The purpose of the MTFS is to:
  - Outline how the council wants to structure and manage its finances and to ensure it fits with and supports the direction of the council's objectives.
  - Engage officers and members in "owning" the process by which Council finances are managed.
- 3.3 The following ten strategic financial objectives, as agreed by Council in previous iterations of the MTFS serve to deliver the council's corporate strategic objectives of; "delivering the council's MTFS with a sustained focus on the council's priorities

whilst working to resolve the continuing pressure of service requirements in the context of available resources”:

- The Council should allocate resources to services in line with the Corporate Aims and Ambitions
- Ensure regular monitoring of actual spend against budget to assess outcomes and inform the Performance Management Framework
- The Council must search for new sources of funding to support its activities and maximise opportunities from emerging economic initiatives such as City Deals and Local Growth Funds
- To review the scale of fees and charges at least annually
- To optimise the financial return on assets and ensure capital receipts are obtained where appropriate opportunities arise
- Capital expenditure is properly appraised
- When funding the Capital Programme, all funding options are considered
- To review levels and purpose of Reserves and Balances
- To maintain sustainable Council Tax increases
- To increase efficiency savings and generate funding through shared services and collaborative working

3.4 The MTFS is one of a suite of documents which inform the financial strategy of the Council. These include the Capital Programme, HRA Investment Strategy and Treasury Management Policy, all of which should be read in conjunction with this document.

### **Review of the MTFS**

3.5 **Appendix 1** details the level of reserves and balances that the Council will hold at the end of each financial year of the MTFS for all scenarios. In addition this table shows any surplus/deficit on the General Fund balance after applying the Council’s policy of holding 10% of the net budget requirement in balances at the end of each financial year. A summary of this information is presented below and shows 10% level being breached in 2018/19 and the General Fund being “overdrawn” in 2019/20. A summary of this information is shown below:

	<b>2016/2017</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Closing General Fund Balance</b>	1,278,187	1,153,113	330,940	-898,660
<b>Percentage of net budget</b>	12.5%	11.3%	3.4%	-9.6%
<b>Closing Earmarked Reserves Balance</b>	3,106,086	3,492,456	3,878,276	4,265,196
<b>Total General Fund Reserves and Balances</b>	4,384,273	4,645,570	4,209,766	3,366,536
<b>General Fund Surplus/(Deficit)</b>	254,333	130,988	-631,718	-1,830,509

3.6 **Appendix 2** contains the model used for the financial forecast for the next four years to 2019/20. The assumptions used in the forecast are detailed this report.

What is clear from **Appendix 1 and 2** is that the council has to identify further savings or income opportunities as the current position is not viable in the medium

term and will effectively lead to the eradication of the General Fund and place the council in significant financial difficulties. It is suggested that Members may wish to consider taking early decisions, rather than await developments, in order to enable reserves to be built up for use later in the term of the Strategy, when service provision becomes more difficult to fund.

3.7 The previous version of the MTFs abbreviated (approved by Council in March 2015) showed that this council needed to achieve challenging targets on income levels for New Homes Bonus (NHB) and planning fees, both of which have been realised in 2015/2016. The council has forecast a scenario for 2016/17, which will retain sufficient balances and reserves for that year. The MTFs however, shows increasing pressures from 2017/18 which now requires action to address.

3.8 That said, the forecast scenario included significant pressures and is only achievable in 2016/17 through commitment to a number of targets and decisions. The table below gives the overall savings and pressures included in the 2016/17 budget, which were covered in the 2016/17 General Fund Budget report.

	£
Service Pressures	2,599,014
Savings	-2,287,418
Net pressures	311,596

3.9 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) has stood between 2-3% in year, the application of 0% represents an effective saving on running costs. For contracts, an inflation rate of 1.1% has been used, unless otherwise specified within the terms of the specific contract.

3.10 The salaries and wages budget is the most significant element of the revenue budget. For pay costs, the 2016/17 estimates includes the agreed 1% pay award, agreed nationally. The council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate is unchanged from that used in 2015/16.

3.11 Service pressures totaling £2,599,014, endorsed by the Strategic Leadership Board, have been included in the budget. Of this amount:

- £459,000 relates to staff cost resulting from pay inflation, pay increments, pension and NI costs. Pension and NI changes account for £246,000 of this increase and are outside of the council's control.
- £298,100 relates to additional costs incurred under the recycling contract.
- £108,970 relates to asset management costs for Block C, but is completely off set by associated income.
- £157,000 relates to additional interest in relation to funding the capital programme.
- £174,041 impact from the Tin Hat Partnership loan which ended in 2015/16.
- £30,200 relates to a net increase in the budget for restructuring costs that may arise in year.

3.12 In comparison, service managers and the Corporate Operations Board (COB) have identified £2,287,418 savings through review of income streams and expenditure levels. The most significant of these savings are:

- £336,421 (net) from Leisure Centre rentals to be received in 2016/17.

- £351,779 rental income due to the Council in 2016/17 from the units owned on the Crescent development (Block C).
- £154,000 increase in trade waste and recycling income.
- £143,000 savings from the planned removal of Local Council Tax Support Funding to parishes.
- £15,000 additional growth in the income budget for planning fees. This reflects the ongoing increase in applications made to this service.
- £129,000 of Planning Site allocation savings from previous year to be realised in 2016/17.
- £119,000 related to a potential VAT liability that was set aside in relation to the Greenfield site, as note in the 2015/16 general fund budget report, but has not been required.

3.13 The table below cover the savings and pressures that have been included in future years based on our current forecast. Each year the council completes an exercise to identify potential savings and pressures. Therefore there is the potential that in future year further savings and pressures will be identified, and forecasting to 2019/20 increases the level of uncertainty in the achievement of the figures given due to unforeseen circumstances. The forecast is considered the most likely based on our current knowledge and assumptions. In the table below, negative (-) amounts relate to savings/additional income; positive amounts refer to additional pressures.

Description	2017/2018	2018/2019	2019/20	Assumptions
	Forecast	Forecast	Forecast	
	£	£	£	
Block C Rentals	-119,833	-26,201	0	Assumed 90% then 95% occupancy
Leisure Centre income	-71,946	-499,180	-108,200	Mgt fee doubles in 2018/19
Inflationary increases Fees and Charges	-67,856	-68,534	-69,220	1% on Fees and charges
Defending planning appeals	-50000	0	0	Assumed savings targets
Hub savings (VCS) income	-35000			Assumed savings targets
Channel Shift savings	-31902	-18714	-19202	Channel shift savings 10% but staggered between years 2-5 on various elements
Support service savings	-25000	-25000	-25000	Assumed savings targets
Development control income	-16,387	-16,714	0	Assumed 2% growth for 17/18 onward, 16/17 includes known growths
Car parks	-7,980	-8,139	-9,102	10% reduction from impact of Sainsbury's, 2% increase after 16/17
Building Control	-3,989	-4,069	0	Assumed 2% growth for 17/18 onward, 16/17 includes known growths
Dry Recycling contract	0	470,000	0	Dry recycling tonnages reducing. Assumed reduction will be offset by inflationary increases in credit rate paid by LCC

Admin support grant changes	10000	10000	10000	Expecting reductions assumed £10k in future years based on historical movements.
Additional interest payable/(receivable)	18,300	-10,200	-10,200	0.75% base rate for 2016/17 and 1% for 2017/18 and 2018/19
Discretionary Housing Payments	25000	0	0	Assumed increases based on historical trend
Restructure costs	40,000	0	0	To cover potential restructure costs
Inflationary increases	111,744	112,861	113,990	1% on contracts, 0% on supplies & services
Capital Financing	172,000	-8,000	20,000	MRP implications of Capital Expenditure
Pay cost increases (all elements, NI, Pensions and increments)	192,400	194,324	196,267	This is to cover the costs of pay pressures based on 1% pay inflation

### **Local Governing Funding**

3.14 Each year the council receives a significant amount of financial support from central government in the form of grants. The allocations to the council are determined by Government carrying out Comprehensive Spending Reviews (CSR) which enables it to decide how much it can afford to spend, what its priorities are and targets for improvements to be funded by additional resources.

3.15 The last full review was undertaken in 2015 (CSR15) following the General Election in May 2015 and covered the four years following. The spending targets set in this review were significantly influenced by the Government's desire to remove the deficit and move into surplus by 2019/20.

3.16 The spending review and Autumn Statement had some key points that impact on the Council and included:

- There will be an overall reduction of 24% in central government funding for local government in the period up to and including 2019/20.
- Councils will be able to use capital receipts for revenue purposes, subject to specific conditions not yet published. This council's ability to realise significant capital receipts is, however, very low.
- The proposal to allow local authorities to retain 100% of business rates income is positive, but details on the allocation (between District and Counties in the two-tier area) and redistribution (to enable low-growth areas to have a degree of protection - called 'damping') have yet to be announced.
- Balanced against the Business Rates proposal will be the withdrawal (over the same period - to 2019/20) of Revenue Sport Grant.
- A continuation of average public sector pay awards of 1% for four years from 2016/17 and a 'reining in' of excessive senior salaries and there will be a consultation on appropriate action to limit public sector exit payments.
- NHB - Current commitments will be honored for their six-year terms. However, the government will consult on responses for the future, including a reduction in the term of the payments - to four years from six years, which is their preferred option.

3.17 The specific allocations of funding for all local councils is announced in the annual "Autumn Statement" and published in Local Government Finance Settlement. The provisional Finance Settlement published December 2015 outlines the funding that

has been provided to this Council. As outlined below, total core funding for this Council since 2011/12 has decreased by £2,441,952 (40%) to 2016/17. Our forecast indicates this will continue to fall, particularly as Revenue Support Grant is being phased out. The expected reduction in Core funding to 2019/20 is £3,271,732 (54%).

	Actual	Actual	Actual	Actual	Actual	Provisional	Forecast	Forecast	Forecast
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue Support Grant*	1,410,200	102,163	2,992,354	1,949,297	1,120,574	1,257,386	753,927	437,461	83,975
Local Council Tax Support Grant	0	0	0	544,764	544,764	0	0	0	0
National Non Domestic Rates	4,562,237	5,270,283	1,990,732	2,251,383	2,294,404	2,378,358	2,478,817	2,602,758	2,797,965
Rates Cap	0	0	0	24,570	0	0	0	0	0
Council Tax Freeze Grant	105,260	105,810	147,511	189,239	230,686	0	0	0	0
<b>Total Core Funding</b>	<b>6,077,697</b>	<b>5,478,256</b>	<b>5,130,597</b>	<b>4,959,253</b>	<b>4,190,428</b>	<b>3,635,744</b>	<b>3,232,744</b>	<b>3,040,219</b>	<b>2,881,940</b>

*\*All actuals as funding is being removed and the provisional settlement gave full details up to 2018/19.*

- 3.18 In addition to this core funding, the council's financing is supported by the receipt of NHB. NHB was introduced in February 2011 and is designed to encourage housing growth by providing a financial incentive for councils and local people to accept new housing. For each additional new home built local authorities receive six years of grant based on the council tax. This will increase in amount each year as more new housing comes on stream. The scheme applies to new housing and empty properties brought back into use. In addition a £350 payment is granted per year for each affordable home, as well as traveler sites in public ownership.
- 3.19 The Government is commencing consultation on the future NHB funding, and has set out proposals for reductions in the number of years for which the bonus is paid from the current 6 years to 4 years. The consultation considers mechanisms by which the changes could be calculated and provides exemplifications to show how the changes would work in practice alongside indications of the total cost. The changes are only proposed to take effect from 2017-18 onwards.
- 3.20 The award of NHB is driven by the housing market and is therefore difficult to predict with any significant degree of accuracy. We have assumed the consultation option will be implemented and included a 6 year basis for 216/17 and 2017/18, with a 4 year basis in the following two years. This is the Government's preferred option, but it is considering whether to move further and reduce payments to 3 or 2 years. We have also used the proposed build trajectory provided from planning, which is based on build information provided by house builders in the area to planning. However, as this is not always fully delivered, or varies in accuracy, we have used a 70% realisation rate to that information. The table below gives forecast NHB over the MTFS period.

	2016/2017	2017/2018	2018/2019	2019/20
	Forecast	Forecast	Forecast	Forecast
	£	£	£	£
New Homes Bonus	2,910,378	3,063,833	2,421,610	2,023,661

- 3.21 The future of NHB following this Government term is currently unknown. However what is clear is the reliance on district councils on this stream of income in sustaining General Fund balances and delivering discretionary services. The forthcoming complete MTFS will reflect any future scheme that is introduced.

### **Council Tax**

- 3.22 The amount of council tax an authority needs to raise is the difference between its budget requirement (the Council's planned spending less any funding from reserves and income, excluding income from the Government and council tax) and the funding it will receive from the Government. The level of council tax and any increase is approved by Council annually.
- 3.23 The proposed financial settlement, published 17 December 2015, had a clear break with the prior position of requiring council's to seek to set a zero increase in council tax where possible for the years of the Spending Review of 2010. On this basis Freeze Grants are no longer offered to incentivise councils to not increase their tax levels. For 2016/17 the financial settlement offers the ability to councils that have been prudent in council tax increments and find themselves in the bottom quartile for the level of council tax charged, to level a £5 increase for a four year period. This equates to an increase of £100,395 for this Council above the 2% increase planned (including Special Expenses), and will be confirmed following approval of Council Tax levels at this meeting.

### **Other Factors**

- 3.24 In addition to those risks relating to financing detailed above, this MTFS highlights a number of other key factors that will impact on the financial position of this Council over the next three financial years. These include, but are not limited to:
- **Business Rates** - The Business Rates Retention Scheme (BRR) commenced on 1st April 2013. Under the scheme, the council can retain a proportion of locally generated business rates over a set baseline where growth occurs. Whilst this financing regime provides the opportunity to financially reward the council, the volatility of the market makes it difficult to budget for. In addition to "standard" business rates collected, the creation of the Enterprise Zone at MIRA Technology Park will also generate business rates uplifts estimated at over £14million for the first ten years of operation. In order to stimulate such growth, these uplifts are not subject to business rate retention rules. The council is currently in negotiation with the Leicester and Leicester Local Enterprise Partnership (LLEP) to identify what element of this uplift will be retained by the Council directly. In order to be prudent, this income has not been included in this version of the MTFS.
  - **Capital Programme** - The council's capital investment plans are outlined annually in the Capital Programme (the "Programme") which is approved at the same time as the revenue budget. The Capital Programme for 2015/16 – 2018/9 forecasts spend of over £21.7million, and is concentrated around the achievement of three capital projects: build of the new leisure centre, the Crescent development and redevelopment of the current leisure centre site. Although capital expenditure is clearly separated from revenue spend within the council's budget, the use of capital resources has an impact on revenue in the following ways:-

- The use of capital resources will result in a corresponding reduction in investment income.
  - Any borrowing will incur interest payments and minimum revenue provision which is charged as a “cost” to the Council’s revenue budget
  - The creation of new assets will require running costs that will have to be funded from revenue sources.
- **Income Levels** - A significant proportion of council expenditure is financed from income from fees and charges. A number of these income streams are extremely volatile and depend on external factors such as take up, demand and local economic conditions. On this basis, it is important that this MTF5 forecasts varying levels income to consider the financial impact of fluctuations that may occur. The most significant and sensitive changes in income levels include:
    - Planning fees - Whilst the council has seen a large increase in planning fees in the last two to three financial years, this income stream is highly dependent on both the housing and commercial market and therefore large “windfalls” often occur in times of prosperity. In addition to income received for planning fees, the council has seen significant costs for appeals against decisions taken by Planning Committee. In order to prudently budget for future costs, scenarios for appeal costs have also been considered in this Strategy.
    - Car Parking - Going forwards, the level of income received from parking will be affected by the development in the town centre.
    - Refuse and Recycling Income - The council continues to charge for a number of refuse and recycling services such as trade waste and bulky waste.
    - The Council is considering charges for green waste in 2016/17, but to date this has not been agreed
    - Rental Income - In addition to the council’s current portfolio of industrial units, the MTF5 considers the most likely income due from Block C within the new town centre development.
- **Efficiencies** - In order to manage the council’s financial position and to ensure ongoing resilience and value for money, the MTF5 includes a number of initiatives such as centralisation of budgets, review of support services, and implementation of Channel Shift and utilisation of offices buildings which may aid this position. That said, staff costs continue to be the largest single expenditure type for this Council and therefore the possibility of future restructuring cannot be ruled out. The MTF5 assumes that a net cost in 2016/17 of £30,200 and £40,000 of redundancy costs will be incurred.
- **Local Housing Company** – The council is currently considering setting up a wholly owned company for delivery of new housing schemes. With the exception of a budget for £100,000 (funded from reserves) to fund the costs associated with set up of this arrangement, this MTF5 version does not present any further financial implications of the company structure. It is expected that the business case for the company will be completed in 2016/17, however there is currently insufficient financial detail to determine potential returns to the council and the timing of such returns. It is therefore prudent to not include any income or additional costs in this MTF5.



3.25 In addition to this, the following general assumptions will be used for all forecasts:

- RSG levels as outlined in the Spending Review, but expected to continue to reduce with zero allocation by 2020/21.
- Increased levels of surplus on Collection Fund based on Local Council Tax Scheme.
- Pay increase 1% for 2016/17 and 1% thereafter.
- 5% vacancy factor each year.
- 0.75% base rate for 2016/17 and 1% for 2017/18 and 2018/19.
- Retail Price Index of 1.1% for 2016/17 and 2% for 2017/18 and 2018/19.

#### 4. Options for consideration to address the shortfall

4.1 The council has significant pressures in 2017/18 and action must be taken to address the shortfall, so that the Council acts, and is seen to act, in accordance with sound financial planning principles and in a prudent public service manner.

	<b>2016/2017</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
<b>Closing General Fund Balance</b>	1,278,187	1,153,113	330,940	-898,660
<b>Percentage of net budget</b>	12.48%	11.28%	3.44%	-9.60%
<b>General Fund Surplus/(Deficit)</b>	254,333	130,988	-631,718	-1,830,509

This table clearly shows that the General Fund Balances will be below minimum levels by 2017/18.

#### **Option 1 - Introduction of a Green Waste Charge**

Prior to the Government's proposal to allow low Council Tax councils to increase the Council Tax charge by £5, the Council considered the introduction of a £35 Green waste charge. At £35 this would generate net additional income of £475,620 in year one and additional savings of £133,048 from year two. The General Fund Surplus/ (Deficit) is the difference between the general fund balance and the minimum balance requirement.

If this charge was introduced in 2016/17 the position would be:

	<b>2016/2017</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
<b>Closing General Fund Balance</b>	1,753,828	2,237,443	2,023,959	1,403,048
<b>Percentage of net budget</b>	17.13%	21.89%	21.02%	15.06%
<b>General Fund Surplus/(Deficit)</b>	729,974	1,215,318	1,061,301	471,199

If this charge was introduced in 2017/18 the position would be:

	<b>2016/2017 Forecast</b>	<b>2017/18 Forecast</b>	<b>2018/19 Forecast</b>	<b>2019/20 Forecast</b>
<b>Closing General Fund Balance</b>	1,278,187	1,628,754	1,415,270	794,359
<b>Percentage of net budget</b>	12.48%	15.93%	14.70%	8.52%
<b>General Fund Surplus/(Deficit)</b>	254,333	606,629	452,612	-137,490

If this charge was introduced in 2018/19 the position would be:

	<b>2016/2017 Forecast</b>	<b>2017/18 Forecast</b>	<b>2018/19 Forecast</b>	<b>2019/20 Forecast</b>
<b>Closing General Fund Balance</b>	1,278,187	1,153,113	806,581	185,670
<b>Percentage of net budget</b>	12.48%	11.28%	8.38%	1.99%
<b>General Fund Surplus/(Deficit)</b>	254,333	130,988	-156,077	-746,179

The charge could be introduced at a lower rate, but take up is expected to increase the lower the rate of charge.

### **Option 2 - Speed up the analysis and review of the wholly owned development company**

The analysis of business plans for the company and the requirements of the council still have to be analysed for reasonableness and realistic timings of cash flows. From the time of agreement to houses being built would take time. For the purpose of comparison, an assumption has been made that a net £250,000 may be possible in 2018/19 and a further £250,000 in 2019/20. If that were possible then the position would be as given below. Any higher projection at this point would be purely speculative and has not been included here.

	<b>2016/2017 Forecast</b>	<b>2017/18 Forecast</b>	<b>2018/19 Forecast</b>	<b>2019/20 Forecast</b>
<b>Closing General Fund Balance</b>	1,278,187	1,153,113	580,940	-148,660
<b>Percentage of net budget</b>	12.48%	11.28%	6.03%	-1.60%
<b>General Fund Surplus/(Deficit)</b>	254,333	130,988	-381,718	-1,080,509

The table above still demonstrates a level of balances below minimum levels.

### **Option 3 - Review the assumptions included in the forecast of the NHB.**

As noted in this report we have assumed the consultation option will be implemented and have included a six year basis for 2016/17 and 2017/18, with a four year basis in the following two years. This is the Government's preferred option, which we have combined with our 70% realisation rate on completion forecasts. This gives the forecast as noted below.

	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/20</b>
	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
New Homes Bonus	2,910,378	3,063,833	2,421,610	2,023,661

If we change the assumption of a move to a four year agreement on settlement before 2019/20, with six year settlements in each year, this would improve the finances of the councils as noted below, but not remove the need for further savings or income to be identified

	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/20</b>
	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
New Homes Bonus	2,910,378	3,063,833	3,104,425	2,975,144

	<b>2016/2017</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
<b>Closing General Fund Balance</b>	1,278,187	1,153,113	1,013,755	735,637
<b>Percentage of net budget</b>	12.48%	11.28%	9.83%	7.16%
<b>General Fund Surplus/(Deficit)</b>	254,333	130,988	-17,185	-291,360

## 5. FINANCIAL IMPLICATIONS [AW]

5.1 Contained in the body of the report.

## 6. LEGAL IMPLICATIONS [MR]

6.1 The MTFS provides the foundations to allow the Council to meet its statutory obligations in accordance with Section 32 of the Local Government Finance Act 1992 and section 25 of the Local Government Act 2003. Council has a statutory requirement to set a budget for each financial year and approve the MTFS, including a three year capital programme.

## 7. CORPORATE PLAN IMPLICATIONS

7.1 A robust MTFS is required to ensure that resources are effectively allocated in order to ensure delivery of all of the aims, outcomes and targets included in the Council's Corporate Plan.

## 8. CONSULTATION

8.1 All members of the Strategic Leadership Board, Corporate Operations Board and the Executive have been consulted in preparing this Strategy.

9. RISK IMPLICATIONS

- 9.1 It is the Council’s policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer’s opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
- 9.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	<p>A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.</p> <p>The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.</p> <p>Sufficient levels of reserves and balances have been maintained for 2016/17, and 2017/18, further action is needed for 2018/19 and 2019/20 to ensure financial resilience</p>	Deputy Chief Executive (Corporate Direction)

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

The budget process will impact on all areas of the Borough and all groups within the population.

11. CORPORATE IMPLICATIONS

- 11.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector
- Data Protection Implications
- Procurement Implications

---

Contact Officer : Ashley Wilson, Interim Head of Finance, ext. 5609  
Executive Member : Cllr M Surtees

## Appendix 1 Reserves and balances

	<b>2016/2017</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2018/19</b>
	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Working Balances Position (Excluding Special Expenses)				
Opening General Fund Balance 1st April	1,078,000	1,278,187	1,153,113	330,940
Transfer to /from Balances	200,187	-125,074	-822,173	-1,229,600
<b>Closing General Fund Balance 31st March</b>	<b>1,278,187</b>	<b>1,153,113</b>	<b>330,940</b>	<b>-898,660</b>
Earmarked Reserves Position (Excluding Special Expenses)				
Opening Earmarked Reserve Balances 1st April	3,469,396	3,106,086	3,492,456	3,878,826
Transfer to Reserves	667,000	809,000	809,000	809,000
Use of Reserves	-1,030,310	-422,630	-422,630	-422,630
<b>Closing Earmarked Reserves Balance 31st March</b>	<b>3,106,086</b>	<b>3,492,456</b>	<b>3,878,826</b>	<b>4,265,196</b>
Total General Fund Reserves and Balances	4,384,273	4,645,569	4,209,766	3,366,536
Net Budget Requirement	10,238,542	10,221,249	9,626,584	9,318,490
Minimum Balance Requirement	1,023,854	1,022,125	962,658	931,849
<b>General Fund Surplus/Deficit*</b>	<b>254,333</b>	<b>130,988</b>	<b>-631,718</b>	<b>-1,830,509</b>

\*this is the difference between the general fund balance and the minimum balance requirement.

The transfers and use of earmarked reserves is to be confirmed, the table contains an estimate of use and assumes 2018/19 movements are repeated in 2018/19.

**Appendix 2 Reserves and balances**

**MEDIUM TERM FINANCIAL STRATEGY**

**2015/16 - 2019/20**

**FINANCIAL FORECAST**

	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/20</b>
	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Net Service Expenditure	9,741,435	9,775,473	10,160,450	10,300,003	10,402,437
<b><i>Budget movements</i></b>					
Additional legal costs and overpayments recovered	-23,000				
Fuel Savings	15,000	-36,000			
Channel Shift savings			-31901.5	-18713.5	-19202
Pressure on Homelessness Bonds	-15,000				
Fluctuations in subsidy income	-43,000	69,650			
Discretionary Housing Payments			25000		
Telephone rebate	-7,000				
Increase in legal fees	-38,000				
Spend to save reviews - R&B	-48,000				
Legal locum support	-20,000				
Middlefield Lane Parking Right	-10,000				
Building Control		-7,000	-3,989	-4,069	0
Development control income	-18,870	-150,000	-16,387	-16,714	0
Asset Management	-10,000	108,970			

	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/20</b>
	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Service charges HUB		23,350			
Hub savings (VCS) income		-12,330	-35000		
Additional salary savings					
Neighbourhood action underspend as the setup costs		25,000			
Neighbourhood planning - no expenses expected		-25,000			
Severn Trent - extra charges					
Corporate Project support		24,000			
S106 Maintenance		16,110			
Economic Development - consultancy fees		-48,000			
Support service savings			-25000	-25000	-25000
Computer support		-50,000			
Corp Mgt - VAT on Greenfields		-119,000			
Additional income -Council and Private Tenants		-30,000			
Development Control income	260,000				
Recycling savings and additional income	87,000				
Efficiency savings from refuse collection and street cleansing	57,500	-49,000			
Printing and postage savings	16,080	15,101			
Revenue Contribution to Capital	-24,500				
Car parks		66,412	-7,980	-8,139	-9,102
Rental income fluctuations	-10,000				



	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/20</b>
	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Small Business Rates Relief	-104,117				
Local Plan		10,000			
Local Development Framework expenditure	-112,000				
Additional Recycling Contract costs	100,000	298,890			
Finance restructure and agency wages					
Private Sector leasing		-35,040			
Private Sector housing					
overtime and agency wages - savings		-18,000			
Rev and Bens - Restructure		-40,621			
Approved Supplementary Budgets					
Admin support grant changes		14,000	10000	10000	10000
Unapplied grants and contributions C/F					
Dry Recycling contract council				470,000	
Wholly owed Company					
Defending planning appeals	-76,780	30,000	-50000		
use of reserves Carry forwards					
Elections and related costs		-86,910			
Increase in salary budget -increase in chief officer salary					
Audit Fees	-57,090				

	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/20</b>
	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Planning staffing pressures					
Car parks					
Agency and contractor costs					
Empty Homes Review					
Additional Internet Bank Charges		12,000			
Increased cost of land charges and EIR services Blaby District Council		27,500			
Savings in respect of shared arrangement with District Council Network for Chief Executive		-11,250			
approved finance restructure					
Reduction in grant income		121,910			
HB determination grant changes		61,190			
Movement in Special Expenses budget					
Contributions to Revenues and Benefits Partnership	-53,700	-23,310			
Revenues and Benefits Partnership Redundancy Costs	82,719				
Reduction in Market Income	15,000	22,010			
Shared Archeology and Geology Service	12,000				
Members allowances	34,120	-20,120			
New Homes Bonus to Parishes	-343,711				
LCTS support paid to parishes		-143,000			
Green and Dry Waste Cuts	345,792				
Trade waste and recycling		-154,000			

	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/20</b>
	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Introduction of charges for new/replacement bins	-53,000	35,000			
Introduction of charging for green waste					
Pre Application Advice Domestic	-16,500				
NNDR Reductions for car parks	-12,000				
Utility savings		-19,332			
Children and Young People grant funding reduction	15,000				
County Council Cuts	100,000				
Enforcement costs for Mallory Park	-60,000				
Contribution to Cov and Warks City Deals	-16,290				
Restructure costs	125,600	30,200	40,000		
Rentals on industrial units		-45,000			
Block C Rentals	-92,000	-351,779	-119,833	-26,201	0
Leisure Centre income	-40,323	-336,421	-71,946	-499,180	-108,200
Cost of election	58,150				
loss of income insurance element		20,000			
Cost of Combined Authority		20,000			
Planning Site allocation savings from previous year		-129,000			
Expected additional contribution to reserves	104,117				
Other small movements (less than £10k)	33,268	-12,795			
Pay cost increases (all elements, NI, Pensions and increments)	154800	459,000	192,400	194,324	196,267
Inflationary increases	159,527	-104,208	111,744	112,861	113,990

	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
	Budget	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£
Inflationary increases Fees and Charges	-166,372	132,780	-67,856	-68,534	-69,220
LCC Pension Lump Sum		79,156			
Ill health Insurance		-23,620			
Car allowances		11,034			
C/F					
Capital Financing	-112,982	424,101	172,000	-8,000	20,000
Additional interest payable/(receivable)	-53,940	157,239	18,300	-10,200	-10,200
Tin Hat investment ended 2015/16		174,041			
ICT contract additional (£20k) savings		-22,930			
<b>NET Borough Budget Requirement</b>	<b>9,878,933</b>	<b>10,160,450</b>	<b>10,300,003</b>	<b>10,402,437</b>	<b>10,501,770</b>
Pension adjustments	-126,100	-392,740	-392,740	-392,740	-392,740
Contribution to Reserves	667,000	667,000	768,000	768,000	768,000
Contribution from Reserves	-890,951	-393,440	-328,940	-328,940	-328,940
Transfer from unapplied grants		-2915			
Additional contributions to/from reserves		0			
Contribution to/( from) Balances	139,456	200,187	-125,074	-822,173	-1,229,600
<b>NET BUDGET/FORECAST EXPENDITURE</b>	<b>9,668,339</b>	<b>10,238,542</b>	<b>10,221,249</b>	<b>9,626,584</b>	<b>9,318,490</b>
<b>% Increase in Net Budget Forecast/Expenditure</b>	-0.65%	12.48%	11.28%	3.44%	-9.64%
<b>GF balance</b>	1,078,000	1,278,187	1,153,113	330,940	-898,660

	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
	Budget	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£
	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
	Budget	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£
	<b>9,668,339</b>	<b>10,238,542</b>	<b>10,221,249</b>	<b>9,626,584</b>	<b>9,318,490</b>
Revenue Support Grant	1,120,574	1,257,386	753,927	437,461	83,975
Council Tax Support Grant	544,764				
National Non Domestic Rates	2,294,404	2,378,358	2,478,817	2,602,758	2,797,965
Freeze Grant	230,746				
New Homes Bonus	1,974,742	2,910,378	3,063,833	2,421,610	2,023,661
Collection Fund Surplus	86,971	43,460	43,460	43,460	43,460
<b>Council Tax Income</b>	<b>3,416,138</b>	<b>3,648,960</b>	<b>3,881,212</b>	<b>4,121,295</b>	<b>4,369,428</b>
Estimated Tax base	35,599.6	36,398.6	37,126.6	37,869.1	38,626.5
<b>Estimated Band D Council Tax</b>	<b>£95.96</b>	<b>£100.25</b>	<b>£104.54</b>	<b>£108.83</b>	<b>£113.12</b>
<b>Year on Year Increase in Council Tax</b>					
<b>(i) Amount</b>	<b>£0.00</b>	<b>£4.29</b>	<b>£4.29</b>	<b>£4.29</b>	<b>£4.29</b>
<b>(ii) Percentage</b>	<b>0.00%</b>	<b>4.47%</b>	<b>4.28%</b>	<b>4.10%</b>	<b>3.94%</b>

	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
	Budget	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£
<b>SPECIAL EXPENSES</b>					
<b>Net Budget Requirement B/Fwd</b>	560,064	574,221	612,952	651,571	691,489
New Homes Bonus	127,343				
Contribution to car parking income					
Inflationary increase	17,878	25,843	26,360	26,887	27,425
Revenue impact of salaries previously capitalised					
Wykin Community Centre					
Voluntary grants contribution					
Minor variances	-30,881	16478	15849	16621	17420
<b>Contribution to/(from) Reserves</b>	-100,183	-3,590	-3,590	-3,590	-3,590
<b>Contribution to/(from) Balances</b>	0	0			
<b>Net Budget Requirement</b>	<b>574,221</b>	<b>612,952</b>	<b>651,571</b>	<b>691,489</b>	<b>732,744</b>
	0	0	0	0	0
<b>NET BUDGET/FORECAST EXPENDITURE-Special Expenses</b>	<b>574,221</b>	<b>612,952</b>	<b>651,571</b>	<b>691,489</b>	<b>732,744</b>
Estimated Taxbase	35,599.6	36,398.6	37,126.6	37,869.1	37,869.1
<b>Special Expenses Council Tax</b>	<b>16.13</b>	<b>16.84</b>	<b>17.55</b>	<b>18.26</b>	<b>18.97</b>
<b>Year on year increase in Special Expenses Council Tax</b>					
<b>(i) Amount</b>	<b>0.00</b>	<b>0.71</b>	<b>0.71</b>	<b>0.71</b>	<b>0.71</b>
<b>(ii) Percentage</b>	<b>0.00%</b>	<b>4.40%</b>	<b>4.22%</b>	<b>8.43%</b>	<b>8.09%</b>

	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/20</b>
	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Total Net Budget Requirement</b>	10,242,560	10,851,494	10,872,820	10,318,073	10,051,234
<b>% increase in Total Net Budget Requirement</b>	-0.48%	5.95%	0.20%	-4.92%	-7.56%
Taxbase	35,599.6	36,398.6	37,126.6	37,869.1	38,626.5
<b>Council Wide Council Tax</b>	£112.09	£117.09	£122.09	£127.09	£132.09
<b>Percentage Increase</b>	0.00%	4.46%	4.27%	8.54%	8.19%