

# Agenda



**HYNDBURN**

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## Cabinet

**Wednesday, 12 October 2016 at 10.00 am,**  
Scaitcliffe House, Ormerod Street, Accrington

### Membership

Chair: Councillor Miles Parkinson (in the Chair)

Councillors Clare Cleary, Paul Cox, Munsif Dad, Gareth Molineux and Ken Moss

## S U P P L E M E N T A L   A G E N D A

*The following items are submitted as urgent business with the Chair's agreement in accordance with Section 100B(4) of the Local Government Act 1972, the reasons being to ensure the latest up to date information is included in the reports.*

### PART B: PORTFOLIO ITEMS

#### Portfolio Holder for Resources (Councillor Gareth Molineux)

**11. Financial Position 2016/17 - Report to End of August 2016 (Pages 3 - 8)**

Report attached.

**12. Capital Spend Report 2016/17 (Pages 9 - 12)**

Report attached.



**13. Prudential Indicators Monitoring and Treasury Management Strategy Update**  
*(Pages 13 - 18)*

Report attached.

**14. Medium Term Financial Strategy 2017/18 to 2019/20 - October 2016 Update**  
*(Pages 19 - 68)*

Report attached.

<b>REPORT TO:</b>		Cabinet	
<b>DATE:</b>		12 October 2016	
<b>PORTFOLIO</b>		Cllr Gareth Molineux	
<b>REPORT AUTHOR:</b>		Joe McIntyre, Deputy Chief Executive Resources	
<b>TITLE OF REPORT:</b>		Financial Position 2016/17 Report to end of August 2016	
<b>EXEMPT REPORT (Local Government Act 1972, Schedule 12A)</b>	<b>No</b>	Not applicable	
<b>KEY DECISION:</b>	<b>No</b>	If yes, date of publication:	

**1. Purpose of Report**

- 1.1 The Report informs Cabinet of the financial spending of the Council at the end of August 2016 and the prediction of the outturn position to the end of the financial year in March 2017.

**2. Recommendations**

- 2.1 Cabinet notes the report and asks the Corporate Management Team to continue to identify savings and generate a surplus on the 2016/17 Budget to assist with future potential financial pressures on the Council.

**3. Reasons for Recommendations and Background**

**3.1 Summary**

The financial detail of the report is shown as a table at the end of this document.

The spend against Budget in the first five months of the year is £4,261,355 against a Budget of £4,543,925 leaving a positive variance of just over £282,000.

The forecast spend for the year to 31<sup>st</sup> March 2017 is £10,829,000 against a budget of £11,283,000. This indicates a forecast surplus of just under £454,000 by the end of the financial year. This is a budget surplus of slightly more than 4.0% on the overall activities of the Council for the financial year 2016/17.

Surpluses on Policy & Corporate Governance, Waste Services, Parks & Cemeteries, Culture & Leisure, and Non Service Items, currently outweigh the predicted adverse variances on Environmental Health, Regeneration & Property Service and Planning & Transportation.

## **3.2 Detail**

### **Community Services**

Environmental Health is predicting an adverse variance of £21,000. This is due to £29,000 of extra staff costs incurred in the management and operation of the team during a period of prolonged sickness absence and the initial cost of a management restructure less £8,000 of additional pest control income.

Waste Services are predicting a positive variance of £31,000. This is due to salary savings of £9,000 predicted for the year, £14,000 of net additional income, vehicles and fuel savings of £17,000 less £9,000 of miscellaneous costs.

Parks & Cemeteries are predicting a positive variance for the year of £51,000. This is due to a Rates rebate on the Cemetery of £58,000 and additional cemetery income of £16,000 less £1,000 of additional costs, offset by income losses of £27,000 on the Parks Budget and £2,000 of additional costs less £7,000 saving on Salaries.

### **Culture & Leisure Services**

Culture & Leisure Services are predicting a positive variance of almost £4,000. This stems from savings on rates of £8,000 by transferring buildings to other organisations, less a reduction in income of £3,000 and £1,000 of extra building maintenance costs.

### **Planning & Transportation**

Planning & Transportation is predicting an adverse variance of £45,000 due to emergency costs incurred in connection with the demolition of the former Conservative Club in Accrington of approximately £40,000 and £32,000 less income during the year, along with £6,000 of other additional costs that will be incurred above budgeted amounts, less £33,000 of salary savings.

## **Regeneration & Property Services**

Regeneration & Property Services are predicting an adverse variance of £31,000 as a result of an expected net overall decrease in income for the year of £27,000, other operating costs increasing by £27,000, less savings on salaries of £23,000.

## **Policy and Corporate Governance**

Policy and Corporate Governance anticipate a positive variance of £142,000. This is due to £48,000 of net salary savings expected to be achieved during the year, expected additional income of £203,000, reduced by £109,000 of other miscellaneous expenses.

## **Non Service Items**

At this point in the year we are predicting a saving of £323,000 on the Budget.

## **Treasury Management**

A report on our Treasury Management position for the first part of the year is included elsewhere on the agenda.

### **4. Alternative Options considered and Reasons for Rejection**

4.1 Not applicable

### **5. Consultations**

5.1 Not applicable

### **6. Implications**

<b>Financial implications (including any future financial commitments for the Council)</b>	As outlined in this report
<b>Legal and human rights implications</b>	None
<b>Assessment of risk</b>	None
<b>Equality and diversity implications</b>	None

<p>A <u><a href="#">Customer First Analysis</a></u> should be completed in relation to policy decisions and should be attached as an appendix to the report.</p>	
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7. **Local Government (Access to Information) Act 1985:**  
**List of Background Papers**

*Copies of documents included in this list must be open to inspection and, in the case of reports to Cabinet, must be published on the website.*

Council Meeting 25<sup>th</sup> February 2016  
General Revenue Budget 2016/17

The report can be found by clicking on this link

[Council Budget 2016/17](#)

**And downloading the relevant PDF from that page.**

8. **Freedom of Information**

- 8.1 The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.

**Budget Monitoring 2016/17**

**Period 5 Summary - GF Revenue**

Description	Y-T-D Period 5			Month 5			Year		
	Budget £	Actual £	Variance £	Budget £	Actual £	Variance £	Budget £	Forecast £	Variance £
<b>Community Services</b>									
Environmental Health	185,832	187,597	-1,765	49,110	40,460	8,650	555,042	576,042	-21,000
Waste Services	1,137,525	1,099,195	38,330	311,295	312,160	-865	2,997,067	2,965,671	31,396
Parks & Cemeteries	466,842	409,826	57,016	88,655	31,773	56,882	1,087,426	1,036,075	51,351
Sub-Total Community Services	1,790,199	1,696,618	93,581	449,060	384,393	64,667	4,639,535	4,577,788	61,747
<b>Culture &amp; Leisure</b>	549,571	544,150	5,421	108,935	101,951	6,984	1,353,446	1,349,555	3,891
<b>Planning &amp; Transportation</b>	341,583	346,614	-5,031	68,316	67,006	1,310	819,800	865,291	-45,491
<b>Regeneration &amp; Property Services</b>	744,755	755,602	-10,847	150,169	151,812	-1,643	1,787,410	1,818,871	-31,461
<b>Policy &amp; Corporate Governance</b>	1,456,309	1,395,967	60,342	291,262	281,266	9,996	3,495,141	3,353,615	141,526
<b>TOTAL General Fund Services</b>	4,882,417	4,738,951	143,466	1,067,742	986,428	81,314	12,095,332	11,965,120	130,212
<b>Non Service Items</b>	-338,492	-477,616	139,124	-67,698	-96,361	28,663	-812,382	-1,135,531	323,149
<b>TOTAL Net Expenditure</b>	4,543,925	4,261,335	282,590	1,000,044	890,067	109,977	11,282,950	10,829,589	453,361
Contribution (from) / to GF Reserves							50	453,411	
<b>TOTAL Net Requirement</b>							11,283,000	11,283,000	0

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# Agenda Item 12.

<b>REPORT TO:</b>		Cabinet	
<b>DATE:</b>		12 October 2016	
<b>PORTFOLIO</b>		Cllr Gareth Molineux – Resources	
<b>REPORT AUTHOR:</b>		Joe McIntyre, Deputy Chief Executive Resources	
<b>TITLE OF REPORT:</b>		<b>Capital Spend Report 2016/17</b>	
<b>EXEMPT REPORT:</b>	<b>No</b>		
<b>KEY DECISION:</b>	<b>No</b>	If yes, date of publication:	

## 1. **Purpose of Report**

- 1.1 The Report informs Cabinet of the progress of the 2016/17 Capital Programme.

## 2. **Recommendations**

- 2.1 Cabinet notes the progress on capital expenditure to date.

## 3. **Reasons for Recommendations and Background**

### 3.1 **Summary**

The Council approved its Capital Programme for 2016/17 at its meeting on the 25<sup>th</sup> February 2016.

The total value of the spend authorised in the budget in February 2016 was £5.5m and this has been increased to £7.96m with carry forward projects from the previous year. The current predicted outturn is £7.96m. With a small underspend of £5,000 currently predicted.

## 3.2 Detail

The Council authorised a capital programme of £5.5m at its meeting on the 25<sup>th</sup> February 2016 and the programme was subsequently increased to £7.9m upon the authorisation of the carry forward of projects from the previous year. The programme was determined in line with previous decisions to fund capital expenditure from existing resources and to avoid borrowing to finance capital expenditure.

The significant elements of the programme are as follows,

<b>Programme Area</b>	<b>Committed Expenditure</b>
Transitional Housing Programme	£286,236
Housing Improvement Programme (including Disabled Facility Grants)	£2,327,063
Empty Homes Programme	£393,677
Other Projects	<u>£4,959,107</u>
Total	<u>£7,966,083</u>

Spend to date has been £618,175 which is equivalent to 7.8% of the overall programme budget. There are 37 individual projects within the category of “Other Projects” of which 18 have incurred expenditure to date. The Transitional Housing Programme, the Housing Improvement Programme and Empty Homes Programme have all commenced expenditure and incurred around 8.5% of their budget to date.

The predicted outturn to the end of the financial year is £7.96m. Only 7 projects are currently indicating a variance against their budget. All other projects at this time are indicating they are expecting to spend in line with their budgets.

Five of the projects have only minor variances of less than £1,000. There is a predicted saving of £25,000 on the Capitalised Salary Budget offset by a negative variance of £19,787 in connection with the sale of Lyndon Playing Fields. The original project envisaged the Council spending up to £75,000 to assist with the improvements to junior facilities on its land supplemented by external funding from other sources of up to £425,000. The Project has now changed into one in which the Council expects to achieve a major capital receipt for the disposal of the its land but is having to fund upfront the costs surrounding the marketing of the site and costs

associated with relocating the junior football team. The anticipated Capital Receipt will be significantly more than the current level of overspend.

The detail of individual project budgets and spend to date is provided at Appendix 1.

**4. Alternative Options considered and Reasons for Rejection**

4.1 Not applicable

**5. Consultations**

5.1 Not applicable

**6. Implications**

<b>Financial implications (including mainstreaming)</b>	As outlined in this report
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<b>Legal and human rights implications</b>	None
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<b>Assessment of risk</b>	None
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<b>Equality and diversity implications</b>	None
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*A [Customer First Analysis](#) should be completed in relation to policy decisions and should be attached as an appendix to the report.*

**7. Local Government (Access to Information) Act 1985:  
List of Background Papers**

[Council Meeting 26th February 2015 Capital Programme](#)

**8. Freedom of Information**

8.1 The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.

# Capital Spend Report By Individual Project 2016/17

## Appendix 1

	Approved Expenditure 2016/17	Spend to Date Sept 2016	Predicted Outturn Spend	Forecast Variance
Transitional Housing Programme	286,236	2,065	286,236	£ -
Housing Improvement Programme	2,327,063	43,715	2,327,063	£ -
Empty Homes Programme	393,677	209,650	393,677	£ -
HAG Stables & Motor House	71,801	53,542	71,801	£ -
Milnshaw Park MUGA	22,651	20,160	22,651	£ -
Bullough Park Playground Upgrade	60,417	60,417	60,417	£ -
Mercer Park Outdoor Gym	15,500		15,500	£ -
Clayton Forest / Barn St Woods	11,550	4,500	11,550	£ -
Bullough Park Changing Pavilion	25,000		25,000	£ -
Woodland Improvements	1,003	1,949	1,949	-£ 946.00
Forest School Woodnook & Rothwell Woodland	1,084	92	1,084	£ -
Peel Park Drainage Imps	9,000		9,000	£ -
Hyndburn Leisure Centre Artificial Turf Pitch	0	(329)	(329)	£ 329.00
HLC Energy Efficiency Imps PH2 & Mechanical & Conversion of Squash Courts	182,227	(1,435)	182,227	£ -
MHLC Health & Toning Facility	0	(262)	(262)	£ 262.00
HLC - Fire Systems Renewal	30,000		30,000	£ -
5 Aside Football Cages - 2016/17	225,000	34,901	225,000	£ -
Technology Refresh	25,000	2,563	25,000	£ -
Northgate Software Improvement (PDG)	7,000	2,500	7,000	£ -
Acc Town Hall Improvements	152,501	22,835	152,501	£ -
Planning Development Documents	4,195		4,195	£ -
Accrington Townscape Heritage Initiative	643,000	18,820	643,000	£ -
Aspen Colliery Coke Ovens	75,000	2,363	75,000	£ -
Acc Town Centre Infrastructure Imps	350,000	9,062	350,000	£ -
Acc Market Hall Fire System Renewal	30,000		30,000	£ -
Cemetery Road Extension	0	(928)	(928)	£ 928.00
Cemtery Lee Lane Gt Harwood	200,000	74	200,000	£ -
Planned Asset Improvement Programme	115,000	(2,980)	115,000	£ -
Vehicle Replacement	19,000	19,033	19,033	-£ 33.00
Christmas Decorations Replacement	15,000	3,145	15,000	£ -
Allotments Regeneration	461		461	£ -
Local Area Management Capital Improvement Schemes	242,759	19,103	242,759	£ -
Cremators Acc Crematorium	450,000		450,000	£ -
Sports Facility Improvement at Lyndon Playing Fields	75,000	94,787	94,787	-£ 19,787.00
Future Vehicle Replacement Set Aside	50,000		50,000	£ -
Rhyddings Park Project (£50k 2015/16 allocn)	50,000		50,000	£ -
Rhyddings Park Project	1,461,000		1,461,000	£ -
Development of Norden Playing Fields	280,000		280,000	£ -
Capitalised Salaries	57,945		32,945	£ 25,000.00
				£ -
<b>TOTAL</b>	<b>7,966,083</b>	<b>618,175</b>	<b>7,960,330</b>	<b>£ 5,753.00</b>

# Agenda Item 13.

<b>REPORT TO:</b>		CABINET : COUNCIL	
<b>DATE:</b>		12 <sup>th</sup> October 2016 : 17 <sup>th</sup> November 2016	
<b>PORTFOLIO:</b>		Cllr Gareth Molineux - Resources	
<b>REPORT AUTHOR:</b>		A Martin – Principal Accountant S Brindle – Head of Accountancy Services	
<b>TITLE OF REPORT:</b>		Prudential Indicators Monitoring and Treasury Management Strategy Update	
<b>EXEMPT REPORT:</b>	<b>No</b>		
<b>KEY DECISION:</b>	<b>No</b>	If yes, date of publication:	

## 1. PURPOSE OF REPORT

This report updates Cabinet on activities in this area since the start of this financial year.

## 2. RECOMMENDATION(S)

2.1 To note the report.

## 3. REASONS FOR RECOMMENDATION(S)

As given in the Background paragraph 4.

## 4. BACKGROUND

4.1 The *Prudential Code for Capital Finance in Local Authorities* requires the Council to set Prudential Indicators annually for the forthcoming three years to demonstrate that the Council's capital investment plans are affordable, prudent and sustainable. The Council adopted its current prudential indicators at its meeting in February 2016.

4.2 The Prudential Code requires the Council, having agreed at least a minimum number of mandatory prudential indicators (including limits and statements), to monitor them - in a locally determined format and frequency. This half-year report to Cabinet complements a more regular review by the Deputy Chief Executive.

4.3 The indicators are purely for internal use and not designed to be used as comparators between authorities. If it should be necessary to revise any of the indicators during the year, the Deputy Chief Executive will report and advise the Council further.

4.4 '*Treasury Management*' relates to the borrowing and cash activities of the authority, and the effective management of any associated risks. On 25<sup>th</sup> February 2016 in the same report

referred to at 4.1 above the Council also set out and then approved its current Treasury Management Strategy. This was in accordance with the CIPFA (Chartered Institute of Public Finance & Accountancy) code of practice on treasury management in public services, the Council having previously adopted, via Cabinet, the then revised code of practice. Associated treasury management Prudential Indicators were included in the February 2016 report.

## 5. PRUDENTIAL INDICATORS MONITORING

5.1 Table 1 and Table 2 (**Appendix 1**) show the monitoring information for each of the prudential indicators, limits and statements. They relate to:

- External debt overall limits – Table 1
- Affordability (eg implications for Council Tax) – Table 2
- Prudence and sustainability (eg implications for external borrowing)
- Capital expenditure
- Other particular indicators for Treasury Management.

## 6. TREASURY MANAGEMENT UPDATE

6.1 Current Treasury Position

Portfolio Position 2016/17	Original Estimate 2016/17 £000	Projected Outturn 2016/17 £000
<b>External Debt</b>		
Debt at 1 <sup>st</sup> April	9,595	9,595
Expected Change in Debt	-	-
Other Long Term Liabilities	271	150
Gross Debt at 31 <sup>st</sup> March	9,866	9,745
Capital Financing Requirement (CFR)	10,303	10,259
Under / (over) borrowing	437	514
TOTAL INVESTMENTS (other than short-term)	-	-

6.2 Within the prudential indicators there are a number of key indicators to ensure that the Council operates within its activities within well-defined limits. In general the requirement is that CFR exceeds gross debt and this is currently the situation in 2016/17 and it is expected to continue throughout 2017/18. However in 2018/19 it is possible that gross debt will exceed CFR. This will be due to the annual payment of Minimum Revenue Provision (MRP).

6.3 The requirement to have CFR exceed Gross Debt centres around providing an assurance that borrowing is not taking place for Revenue purposes. However, as the Council is not borrowing additional funds at this time, this is not an issue.

6.4 The current position of the treasury function, and its expected change in the future, introduces risk to the Council from an adverse movement in interest rates. The Prudential Code is constructed on the basis of affordability, part of which is related to borrowing costs and investment returns.

6.5 The Capital Programme 2016/17 will be funded by the use of New Homes Bonus Grant and other external financing. It will also be supported during the year by greater use of internal

sources of capital finance (including capital receipts reserve) because of the reduced level of external grant allocation. It is not anticipated currently that any capital borrowing will be required.

## 7 Expected movement in interest rates

7.1 The Council appointed Capita Asset Services as treasury adviser to the Council and part of their service is to assist the Council in formulating a view on interest rates. The following table gives Capita's latest available view of the expected future movement in interest rates, from quarter ending 30<sup>th</sup> September 2016 (their Qtr3 2016) onwards.

	Qtr 3 2016	Qtr 4 2016	Qtr 1 2017	Qtr 2 2017	Qtr 3 2017	Qtr 4 2017	Qtr 1 2018	Qtr 2 2018	Qtr 3 2018	Qtr 4 2018
Base Rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%
5 yr PWLB	1.00%	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%
10 yr PWLB	1.50%	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%
25 yr PWLB	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%
50 yr PWLB	2.10%	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%

7.2 In all the above forecasts there is a high level of uncertainty – due to the difficulties of forecasting the timing and amounts of 'quantitative easing' injected into the economy.

7.3 The Council's exposure to interest rate movements is largely neutralised currently as our borrowings are effectively at a fixed rate until a trigger point is reached, where the lender believes a better rate can be achieved elsewhere. Interest rates would have to exceed 4% and possibly 5% before this is likely to happen. The above table indicates that this is unlikely to happen until beyond 2018 at the earliest.

7.4 The Council has invested relatively small amounts of surplus cash on a short-term, temporary basis. The interest received from these investments was in line with the budgeted expectations for the six months to 30 September. Our strategy continues to focus on the security of deposits and the liquidity of funds.

7.5 The Council continues to invest surplus cash in the top rated financial institutions. We continue to spread our money around a number of institutions to ensure that we are not potentially damaged by the unforeseen collapse of any one bank. Deposits are also held with banks where we believe that the respective governments are likely to be able to guarantee deposits in the event of bank failure. This strategy is continuing to yield an appropriate rate of return, though at a lower rate, as there is less risk attached to these deposits. We also operate a policy of holding no more than £2m in any one bank (with the exception of liquidity account held with Nat West Bank where the limit is £3m) to ensure that the risk is spread.

## 8. ALTERNATIVE OPTIONS CONSIDERED AND REASONS FOR REJECTION

None applicable.

## 9. CONSULTATIONS

None applicable in this instance.

## 10. IMPLICATIONS

Financial (Including any future financial commitments for the Council)	There are none arising directly from this report.
Legal and human rights implications	The Local Government Act 2003 (part 1) and associated regulations gave statutory recognition to the Prudential Code - therefore there is a statutory backing to the background and local purpose of the report. Treasury Management activities of local authorities are prescribed by statute – the source of powers is, in England & Wales, the 2003 Act. ‘Statutory Guidance’ on investment is given by the DCLG to local authorities.
Assessment of risk	There are inherent risks in capital finance and treasury management. When appropriate the risks are identified and assessed as part of the various recommendations made on Prudential Capital Finance and in the Council’s Treasury Management Strategy.
Equality and diversity implications	There are no specific implications for customers’ equality and diversity arising directly from the recommendations in this report

## 12. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

- Background papers are the legislation referred to in section 10 above, and the report approved by Council on [25<sup>th</sup> February 2016](#).
- [Part 1](#) of the Local Government Act 2003 and related regulations
- [The Prudential Code for Capital Finance in Local Authorities \(CIPFA 2011\)](#)
- The Council’s [Policy Statement on Treasury Management](#) (Full Council February 2016)
- The Councils [Policy on Treasury Management Practices](#) ( Full Council February 2016)

## 13. FREEDOM OF INFORMATION

The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.

Contact Officer(s):

Stephen Brindle, Head of Accountancy Services, tel 380973 (internal 2973)  
Amanda Martin, Principal Accountant (Capital), tel 380668 (internal 2668)

TABLE 1

## TREASURY MANAGEMENT INDICATORS

	Original Indicator Estimate 2016/17 £'000	Actual 6 months £'000	Projected Outturn 2016/17 £'000	Note
<b>Prudential Indicators – actual and projected</b>				
External Debt - Gross Borrowing	9,866	9,821	9,821	1
Authorised limit for external debt	35,000	35,000	35,000	
Operational boundary for external debt	20,000	20,000	20,000	
Maximum principal sum invested >364 days	3,000	0	0	
Limit on fixed interest rate for net borrowing	100%	0%	100%	2
Limit on variable interest rate for net borrowing	100%	100%	100%	2
Maturity structure of borrowing limits (Upper Limit)				3
Under 12 months	100%	100%	100%	4
12 months - 24 months	15%	0%	0%	
24 months - 5 years	15%	0%	0%	
5 years - 10 years	15%	0%	0%	
10 years and above	15%	0%	0%	

1. Includes the minor portion of borrowing from Charities (Internal Borrowing) - approx £70k. The debt is based on the capital value of mainly loans outstanding and does not include accrued interest or effective rate of interest adjustment (accounting adjustments to be made).  
No temporary borrowing is expected.  
The figure also reflects the liability for finance leases.
2. Debt outstanding are LOBO's which are variable. It is not expected that these loans will be "called" and repaid during 2016/17. However the projection reflects that this may be a possibility (depending on movements within the market) and replaced with fixed rate debt.
3. Lower limits set for maturity structure are all 0%.
4. All remaining borrowings are via LOBO agreements. As they have a call period of 6 month intervals they are classed as borrowing under 12 months.

TABLE 2

**CAPITAL FINANCE PRUDENTIAL INDICATORS**

	Original Indicator Estimate 2016/17 £'000	Latest Estimate 2016/17 £'000	Note
<b>Prudential Indicators - Latest Estimate</b>			
Capital Financing Requirement (CFR)	10,303	10,259	1
Estimated Capital Expenditure	4,893	7,488	2
Ratio of Financing Costs to Net Revenue Stream	4%	4%	
Incremental Impact on Capital Investment Decisions on the Council Tax	£0.10	£0.12	3

1. The capital financing requirement (CFR) includes the finance lease position for the Council. CFR is a prescribed measure of the capital expenditure incurred historically by an authority which has to be financed.
2. Additional fully funded capital schemes have been added to the programme during the year.
3. No borrowing will be taken in 2016/17 for capital purposes.

**REPORT TO :** CABINET  
**DATE :** 12<sup>th</sup> October 2016  
**REPORT OF :** Councillor Gareth Molineux  
Portfolio Holder Resources  
**PREPARED BY :** Joe McIntyre  
Deputy Chief Executive

## **MEDIUM TERM FINANCIAL STRATEGY**

**2017/18 TO 2019/20**

### **October 2016 Update**

#### **1. Purpose of Report**

The report informs the Cabinet of the 3 year projections of income and spending for the Council ahead of formulating its 2017/18 Revenue and Capital Budget.

#### **2. Recommendations**

The Cabinet approves the report and the accompanying Medium Term Financial Strategy (MTFS).

#### **3. Summary**

The Medium Term Financial Strategy is attached to this report.

#### 4. Detail

See the attached report on the Medium Term Financial Strategy.

#### 5. Reasons for Recommendations

The Cabinet requires an update on its medium term financial outlook ahead of setting the Budget for 2017/18 and determining the level of Council Tax. This report also ensures those decisions are taken with a view to the overall position of the Council going forward and are not limited to a narrow one year perspective.

#### 6. Alternative Options considered & Reasons for Rejection

Not applicable

#### 7. Implications

Issue	Comments
Financial (inc mainstreaming)	As outlined in the report
Legal (including Human Rights Act requirements)	Not applicable
Assessment of Risk	<p>The Report contributes to the effective risk management of the Council by contributing to the overall financial context in which the Council takes budgetary and other operational decisions.</p> <p>The MTFS is revised on a regular basis to ensure it remains current and that changes in the financial outlook of the Council over the Medium Term are communicated to Members and appropriate action taken.</p>
Equality : Customer First Analysis	Not applicable as this report is for information only.
Key Decision	No

## 8. Consultations

Service Managers and their key staff are consulted during the early work on the compilation of the MTFS. CMT and Senior Councillors are regularly engaged in formulating forward views and policy objectives and these are taken into consideration when formulating the MTFS. Also an updated version of this report will be presented to the Council's Overview & Scrutiny Panel during February 2017, where both Councillors and Members of the Public are invited to attend and make comment on the report. All input is considered.

## 9. Links to Corporate Priorities

Priority	Comments
Corp Governance and Community Leadership	The Medium Term Financial Strategy covers all aspects of these objectives.
Community Safety	
Housing and the Environment	
Economy and Employment	
Culture and Leisure	
Other priorities with partners: Health and Social Care Education and Lifelong Learning	

## 10. Local Government (Access to Information) Act 1985: List of Background Papers

[Medium Term Financial Strategy October 2016](#)

## 11. Freedom of Information

The report does not contain any exempt information under the Local Government Act 1972, Schedule 12a and all information can be disclosed under the Freedom of Information Act 2000.

## 12. Equality Impact Assessment

There are no specific measures within the report that require an Equality Impact Assessment. Individual proposals stemming from the budgetary process will be Equality Impact Assessed as required over the coming months.

# **HYNDBURN BOROUGH COUNCIL**

## **MEDIUM TERM**

### **FINANCIAL STRATEGY**

**October 2016**

# INTRODUCTION

1. This document sets out, for the next three years,
  - the way in which the Council goes about its financial planning processes, especially in relation to the corporate budget planning cycle, which is subject to the Budget and Policy Framework Procedure Rules,
  - an updated action plan for the process and arrangements for reporting on progress to date in formulating and updating future years' budgets. Specifically this report updates the Medium Term Financial Strategy presented to Cabinet in February 2016.
  
2. Appendix 1 sets out the background to the current budget predictions in figures to give an idea of commitments, funding and potential Council Tax levels. It indicates that for 2017/18 the Council will see a reduction in its Government Grant by £713,000 (23%) and it faces other Budgetary pressures around its delivery of services of over £1m. These pressures will be offset by an extra £550,000 of additional income generated from increased business rate and council tax revenues and leave the Council needing to find £1.2m (10%) of savings on its operating costs. In the following year, the Council faces an even tougher challenge with over £1.2m of budgetary pressures to meet and a further reduction in Government Grant of £447,000. This leaves it with needing to save 15% of its

overall budget in 2018/19 and generate £1.6m in savings. The challenge eases in 2019/20, with the need to generate £890,000 worth of savings, which is just over 8% of the budget at that time.

3. Two further scenarios are provided in the following appendices to outline the potential range of values over the coming period, the first at Appendix 2 indicating the outer level of what the Council could face in a pessimistic future, while Appendix 3 shows an optimistic forecast based on many things going in the Council's favour over the next 3 years.
4. There is significant divergence in the financial predictions for the 3 years between the Pessimistic and Optimistic Models. The divergence between the Pessimistic and Optimistic Models in terms of annual savings that need to be identified is over £1.0m in each of the three years and cumulatively the difference exceeds £3.25m over the three years.
5. The Pessimistic Scenario shows, in addition to the losses caused by the reduction in Revenue Support Grant (RSG) and includes business rates only growing in 2017/18 by £250,000 and after that flat lining over the next two years. Cost pressures over the three years are £290,000 more than in the Standard Scenario. The largest items of cost increases are the ending of the Cost Share Agreement with Lancashire County Council and the potential need to fund Capital expenditure from the Revenue Account.
6. The Optimistic Scenario sees increased revenues from NNDR and Council Tax adding £300,000 of Revenue thereby reducing the impact

of the £713,000 loss of Revenue Support Grant in 2017/18 and a further £692,000 in 2018/19 to offset the RSG £447,000 loss and £840,000 in 2019/20. While costs only increase by £783,000 in 2017/18, £801,000 in 2018/19, and £290,000 in 2019/20.

7. Both scenarios are meant to show the outer limits of what might occur and what the Council would face in these circumstances and the reality is that the Council is very unlikely to suffer from all bad news or all good news over the next 3 years and its fortunes will therefore lie somewhere between the two scenarios.
8. The figures in Appendix 1 therefore remain our current best estimate of the likely financial position over the next 3 years.

## OBJECTIVES

9. The objectives of the Medium Term Financial Strategy are:
  - to be the financial expression of the Corporate & Performance Plan; it is a financial strategy's role to provide the resources to deliver this plan, and in turn, the Corporate & Performance Plan and service plans need to be consistent with the Financial Plan,
  - to ensure that commitments do not exceed forecasted anticipated resources over the period and for each year,
  - that expenditure is increasingly focused on those areas which the Council has determined are its priority areas,

- that the level of Council Tax is planned in line with what the Council and the community as a whole regard as being acceptable, albeit within the context of guidelines from Central Government,
- to review the effectiveness of delivery of additional resources into priority areas, to ensure that the objectives set for these target areas are actually being achieved,
- to ensure that the Council is in a strong financial position as measured by size of balances and reserves (consistent with the Chief Financial Officer's recommendations),
- to improve value for money assessments in all services by delivering increased efficiency savings,

All of which must ensure compliance with the Council's Budget and Policy Framework Procedure Rules.

## ELEMENTS OF THE MEDIUM TERM FINANCIAL STRATEGY

10. The key elements of the Medium Term Financial Strategy (MTFS) are:-

Forecasting

Resources

The Medium Term Financial Strategy needs to be underpinned by sound forecasting mechanisms for the likely resources available to the Authority over a three year period. The Cabinet receives reports on the achievement of the financial plan with future projections for the following three years at regular intervals.

Budget Monitoring &

Forecasting

Commitments

Budget monitoring reports and forecast commitments are reported to Cabinet, and are developed as the year progresses, as indeed are ways of balancing resources with any new commitment if potentially outside the financial plan.

Corporate strategic

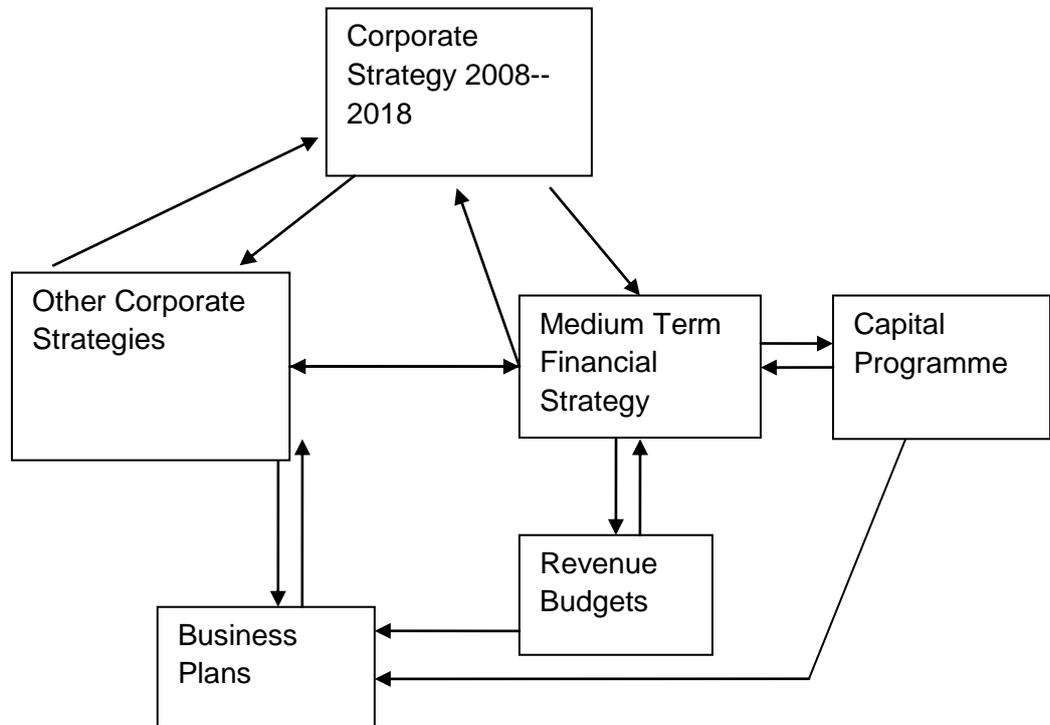
In the context of the Medium Term

direction & priorities  
of the Council

Financial Strategy (MTFS) the Council has a clear hierarchy of strategy documents (see chart below) headed by the Corporate Strategy 2008 to 2018 which sets out the vision and high level priorities for the Council. The Corporate Strategy drives the MTFS with details of committed events and their budget implications. These commitments are reflected in accordance with the Budget and Policy Framework Rules and consequently in Services' Business Plans. This hierarchy of plans gives clear direction on the Council's priorities and actions.

It is for the Cabinet, subject to overall decision by the Council, to recommend precisely which areas are their priorities to receive additional investment and which will receive less in the light of such priorities. This process reaches its natural conclusion in the Annual Budget Report.

## 11. Strategy Hierarchy:-



## Service planning to support overall strategy

12. The Corporate Strategy, together with Service Business Plans, provides a service planning structure that translates the priorities and aims of the overall strategy into measurable actions at the point of service delivery.
13. The Medium Term Financial Strategy, as it impacts on individual services' budgets, is reflected in service plans so that proper planning can take place in line with available resources. The preparation of service plans is also required in parallel with future years' budget plans since realistic levels of savings have to be determined for services in line with any overall shortfall in corporate funding. The

Coalition Government's steps to balance the overall financial pressure stemming from the Economic Recession have led to significant reductions of funds available from Government to support Hyndburn's activity up to the General Election in May 2015 and the new Conservative Government has announced plans to further reduce the public sector funding over the course of the new Parliament. This has further increased the pressures on Hyndburn to reduce costs. The impact of these changes can be seen at Appendix 1 and requires the Council to continue to make savings over the lifetime of the MTFS.

## **Integrated Resource Planning with Service Plans**

14. Growth items in future years (both revenue and capital schemes as applicable) and areas for savings, need to be identified in the Service Plans and Financial Plans should be developed consistently so that the impact of one on the other is fully appreciated, subject of course to Service Plans remaining within the limits allowed in the agreed Medium Term Financial Strategy. This precludes bids for extra resources arising during the course of the year for implementation in that year unless other funding can be identified. Developments are planned in accordance with a timetable well ahead of the year of implementation. They form part of an agreed strategy and need to be consistent with the priorities identified within the plan. Individual bids for resources, taken in isolation from the overall planning process, should therefore not occur.

## Capital Strategy and Asset Management Plan

15. The Capital Strategy and the Asset Management Plan have been approved by Cabinet. Having determined the Capital Strategy it will be vital for the Council to comply with it in determining schemes within the Capital Programme. Not doing so will have a detrimental effect on the achievement of the Medium Term Financial Strategy.

## Background Information

16. The MTFS covers the period from 2017/18 to 2019/20. It is set against a background of continuing global financial volatility stemming from the worldwide Recession that began as a result of the banking crisis in 2007/8. There are some indications that parts of the globe have recovered and are achieving positive economic growth.
17. However the picture remains fragile in both the US and the UK and there remains a concern of a long period of stagnation before any meaningful economic recovery is achieved. The uncertainty surrounding the UK economy has been further heighten by the Referendum vote to leave the EU.
18. There is continuing concern that Greece may not be able to meet its financial commitments and may not be able to continue with the Euro as its currency. If Greece defaults on its debts or exits the Euro there is concern this may lead to other Governments defaulting on their debts or leaving the Euro, all of which could create a long period of sustained economic uncertainty and a potential sharp downturn in the global economy.

19. Elsewhere, China and other nations are continuing to show strong relative growth compared to the West but with some indications the level of growth is slowing compared to recent years. There is also a continuing backdrop of increasing concern over currency rates and the potential escalation of these tensions into increased protectionism of national economies and the danger of trade wars emerging which will further inhibit global recovery. The continuation of conflicts in Ukraine, Iraq and Syria, the mass migration into Europe, the recent Volkswagen emission scandal, heighten tensions in the Pacific between China and its neighbours over territorial claims, North Korea's claim to have successfully tested the detonation of a nuclear bomb and recent volatility in the Chinese Stock Market are all contributing to nervousness over the potential extent of any sustained world-wide economic recovery. The large drop in oil prices over the last 5 years is also causing some economists to express concerns over the future of worldwide economic growth.

20. Against this backdrop Britain has emerged from Recession and currently has the strongest level of growth among the major Western economies. The recovery has however been achieved on the back of major reductions in public spending and a commitment that this will need to continue for the next 3 to 5 years. The Brexit vote has also created a further degree of uncertainty going forward.

21. Local Government and particularly District Councils have faced significant reduction in Government funding as a consequence and the Local Government Settlement announced in late December 2015 maps out a continuing reduction in funding from Central Government to Local Government over the next 4 years, with District Councils again suffering the most from these reductions.
22. The estimated figures for the next 3 years, 2017/18 to 2019/20 are shown at the end of this document in Appendix 1. They show that by 2019/20, Hyndburn will be receiving £1.5m from Government compared to the £7.1m, it was receiving in 2010/11.<sup>1</sup> This is a reduction of 78%.
23. The Medium Term Financial Strategy assumes that the Council is able to deliver its 2016/17 Budget as planned. The Cabinet has requested that the Corporate Management Team continue to look to improve the position during 2016/17 to ensure value for money is being delivered across all services and further savings are made. The Council currently predicts that it will achieve a surplus on its Budget for 2016/17. The General Fund Balance stands at £3.0m at the end of March 2016. This level of Reserve would normally be viewed as providing strong cover against the potential liabilities the Council faces. However with:-

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<sup>1</sup> The figure is adjusted for a like for like basis and now excludes Business Rate funding which was part of government funding in 2010/11 but no longer forms part of Government funding in 2017/18. An adjustment of £3.1m has been applied to earlier figures to allow for like for like comparisons over the period. This is based on the Government's figure that £3.1m is the correct business rate figure currently for Hyndburn Council. No adjustment for inflation has been made as it is viewed this would be relatively small compared to the overall figure.

- large reductions in Central Government support for the next 3 to 5 years,
  - Cost inflation continuing while overall revenues decline,
  - and the need to incur upfront costs to secure long term savings,
- the level of Reserves at £3.0m can be viewed as just above the minimum level of provision in the much more volatile financial climate which we now face.

24. The format of the Medium Term Financial Strategy considers the current estimated resources available for 2017/18 and builds upon anticipated changes to income and costs over the 3 year period beyond. At this stage, the Medium Term Financial Strategy considers the broad strategic impact of known changes. As always, it is possible for new events to affect the budget position and these will be considered in future revisions to the Medium Term Financial Strategy. It is anticipated that the next update to the Medium Term Financial Strategy will occur in February 2017, immediately ahead of the Council setting its Budget process for 2017/18.

25. Despite the difficulties over the last 3 financial years the Council has continued to maintain its finances and provide value for money services. Balances stand in excess of £3.0 and we have generated significant savings in each of the last 10 financial years and expect to manage our finances during 2016/17 to once more achieve an underspend. It is likely that any savings this year will be used to fund the achievement of future savings, capital spend and investment.

## Financial Analysis 2017/18 to 2019/20

26. This report at Appendices 1, 2 and 3 sets out the numerical values of the combined impact of the different financial assumptions for the next 3 years. Detailed commentary on the assumptions and their financial value is provided below. The report looks at the strategic shift in a number of the largest areas of the Council's Budget, before examining those changes which are a more persistent element within our financial forecasts.

### Resources

27. From April 2011 the Council faced major changes in how it is funded as a result of Central Government decisions taken to reduce overall public sector spending in light of the worldwide recession and pressure to reduce the national deficit. These changes include:-

- The ending of the system of direct government funding to local government based on need;
- The introduction of a new system centred around how much revenue is collected locally as business rates, adjusted via a series of tariffs and top-ups;
- The transfer of the risk of non-collection of business rates and the cash flow impact to Councils away from HM Treasury;
- The ending of the national universal system for Council Tax benefit and its replacement by locally determined schemes with an accompanying 10% reduction in funding at a

national level in the first year and subject to further grant reductions in subsequent years.

28. These changes have a high potential to significantly reduce the core funding of the Council in future years. The changes also create a much greater risk of volatility between years as business rate collection is much more prone to fluctuate than the previous system of government grants and Council Tax Support levels may vary significantly depending on the state of the economy and the number of claimants.
29. These changes effectively signal a period of decline in the overall resources available to the Council over the period of the Medium Term Financial Strategy. More detail on the nature of the changes and their impact is provided below.

## **Government Grant**

30. The Local Government Settlement for 2016/17 furthered altered the funding allocations for the Council compared to previous years. In 2015/16 Hyndburn Council was receiving Revenue Support Grant, Efficiency Support Grant and Council Tax Freeze Grant, as well as Homelessness Prevention Grant, Housing Benefit Administration Grant and New Homes Bonus. From 2016/17, the Government has merged Efficiency Support Grant and Council Tax Freeze Grant into Revenue Support Grant so that the individual amounts can no longer be identified and reduced the overall funding by £806,000 or 16%% in 2016/17 and this level of reduction has been rolled into the 2017/18 settlement as a baseline, ahead of further reductions being made.

The fall in RSG for 2017/18 compared to 2016/17 is a further £713,000 along with an anticipated £200,000 reduction in Housing Benefit Administration Grant.

31. This gives an expected reduction in Government Funding to support the Revenue Costs of the Council of over £1.5m since 2015/16 as our previous practice has been not to use all Government funding for Revenue purposes with some elements of Efficiency Support Grant, Council Tax Freeze Grant and all of New Homes Bonus being used to support the Capital Programme<sup>2</sup>. Funding of the money we used to finance Capital Spend is down £206,000 or 24%. The impact of Capital Funding within the MTFS is dealt with later in the report.

<b>Estimated Change In Government Support 2017/18 compared to 2015/16</b>					
	2015/16	2016/17	2017/18	Variance	Percentage Change
<b>Overall Change</b>					
<b>HBC REVENUE</b>					
Revenue Support Grant	£ 2,312,430	£ 3,159,264	£ 2,446,543	£ 134,113	
Efficiency Support Grant	£ 1,272,186			-£ 1,272,186	
Council Tax Freeze Grant Part 1	£ 78,146			-£ 78,146	
Housing Benefit Admin Grant	£ 605,143	£ 508,403	£ 308,403	-£ 296,740	
Homelessness Prevention	£ 35,339	£ 35,423	£ 35,513	£ 174	
<b>HBC Revenue Change</b>	£ 4,303,244	£ 3,703,090	£ 2,790,459	-£ 1,512,785	-35.2%
<b>HBC CAPITAL</b>					
Efficiency Support Grant Part 2	£ 223,435			£ 223,435	
Council Tax Freeze Grant Part 2	£ 106,814			£ 106,814	
Council Tax Freeze Grant 2015/16	£ 53,171			£ 53,171	
New Homes Bonus Main	£ 451,787	£ 639,204	£ 639,204	-£ 187,417	
New Homes Bonus Additional	£ 10,564			£ 10,564	
<b>HBC Capital Change</b>	£ 845,771	£ 639,204	£ 639,204	£ 206,567	-24.4%
<b>HBC Total Change</b>	£ 5,149,015	£ 4,342,294	£ 3,429,663	-£ 1,306,218	-25.37%

32. The Government has provided grant settlement figures up to 2019/20 as part of an offer to local government of notified funding

<sup>2</sup> This was done to remove the dependency on Government Funds that were considered to be time limited and avoid building into the Revenue Budget additional spending which would subsequently be removed and thereby create further funding pressures once withdrawn by the Government. Using these “extra” funds from the Government for Capital purposes allowed us to finance key capital projects.

for the next 3 years in return for a commitment to produce an efficiency statement. This will give hopefully a high degree of certainty over the Council's funding for the next few years. However some caution is also required over the published figures for the next 3 years as the Government will no doubt reserve the right to alter them in the future if they need to and may alter them for all sorts of other reasons that they consider necessary. The published figures from DCLG however are the best guide to the likely settlement we will receive over the next 3 years and they are presented below and used as the new basis for forecasting the most likely financial position of Government funding for the Council in its Medium Term Financial Strategy.

### Change in Government Funding 2017/18 to 2019/20

Year	RSG	Change	Cumulative Change	Percentage Change
2016/17	£ 3,159,264			
2017/18	£ 2,449,264	£ 710,000		22.5%
2018/19	£ 1,999,264	£ 450,000	£ 1,160,000	18.4%
2019/20	£ 1,499,264	£ 500,000	£ 1,660,000	25.0%

33. This shows a total reduction of £1.6m over the period 2016/17 to 2019/20, with a 22.5% reduction of £710,000 in 2017/18, a 18.4% further reduction in 2018/19 with a further loss of £450,000 of government funding, followed by another £500,000 removed from Revenue Support Grant in 2019/20, which will be a 25% reduction. Given we received £3.66m in RSG or the equivalent Government funding in 2015/16 this is a total loss of £5.54m of resources over the period 2016/17 to 2019/20 compared to having been funded at the same level as 2015/16 and represents a loss of 38% of potential revenue for that period.<sup>3</sup>

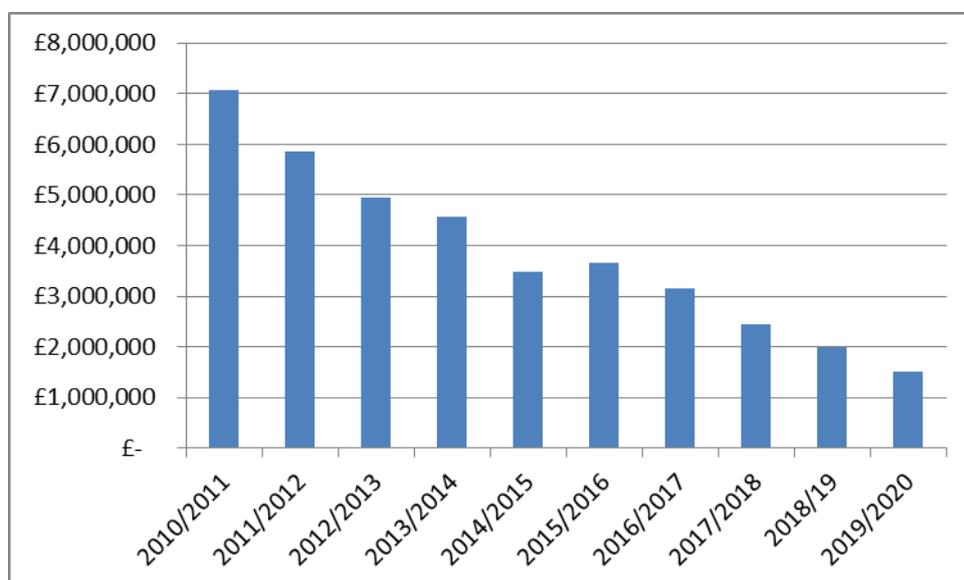
34. The total reduction in core Government funding for our Revenue Budget since 2010/11 is shown in the diagram below. This shows a drop from just over £7m in 2010/11 to £1.5m by 2019/20. A fall of £5.5m or 78%.

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<sup>3</sup> The total reduction in funding is likely to be higher than this in reality as we expect New Homes Bonus (which is not included in the figures above ) to decline over this period as the Government has announced that it intends to cut funding for New Homes Bonus by around a third in additions to the reductions in RSG.

35.

Reduction In Government Funding to Hyndburn Council 2010/11 to 2019/20



36. For the purposes of the MTFs the reduction in Government Funding remains significant over the next 3 years and is the largest variable factor in the Council’s finance over this period.

37. The Government introduced changes to Council funding from April 2013, which ended the previous system of business rates collected locally but pooled nationally and redistributed by the Government via an assessment of “need”.

38. The new system from April 2013 attempts to allow Councils to retain the business rates raised locally. However the implementation of the new system significantly altered the original aspiration of local business rates retained locally and the current system sees the vast majority of business rates transferred away from Hyndburn. This is due to Government rules which firstly top-sliced 50% of locally

collected business rates into a Central Government pot to support a variety of Government policies across Local Government. A further 10% of the monies collected is transferred to Lancashire County Council and the Fire and Rescue Authority, leaving Hyndburn with only 40% of the locally raised business rates. The 40% remaining is then further reduced under the rules introduced by the Government to further redistribute funds between local Councils. In a system called “Top-Ups and Tariffs” the Government determined amounts to be deducted from “Tariff” Councils to help fund Councils which did not have sufficient funding in their view to meet their expenditure needs.

39. As a consequence Hyndburn which raises around £20m in Business Rates each year is only allowed to retain about £3.1m from this source of funding.

40. From the next Parliament it is intended that this system is further revised with 100% of Business Rates going to Local Government. However the detail of how this will be distributed is unclear and there are no indications as yet as to whether this will actually produce any additional income for the Council and the potential exists for Hyndburn to be worse off under a new model than the existing system as the Government may impose new burdens on local government which outstrip any additional funding under the new arrangements. The new funding will not commence to 2020/21 and so is outside the scope of this MTFS, but future MTFS will provide updates on details emerging on the future impact from these reforms.

41. The current system is designed to encourage local Councils to benefit from economic growth in its local area and therefore currently Hyndburn can benefit from local economic growth that increases business rates within its borders. The growth is split 50:50 with the Government, unless the Council enters into a Pooling arrangement for business rates with other Councils in which case it can retain 100% of the growth locally.<sup>4</sup>
42. The new system while providing a vehicle for local Councils to potentially benefit from growth in the local economy also has transferred the financial risk of declining business rates to local Councils and a local Council that was seeing local business premises close or move away from their local area would suffer declines in revenues. As well as closures, local councils are also facing the financial consequences of large scale business rating appeals, where businesses claim their properties have been valued too highly for business rating purposes and they require lowering. Successful appeals lead to both a lowering of the amount of business rates we can collect locally going forward and therefore to a lower amount of resources for the Council to spend and for the need to recompense for previous “over charged” years reducing further the sums that can be deployed to finance local public services.
43. The current estimate for 2017/18 of Business Rates income for the Council is £3,995,000. This is up from £3,494,000 in 2016/17 to reflect local growth outstripping local closures and appeals, the

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<sup>4</sup> The downside to Pooling arrangements are that outside of a Pool, the Government guarantees every local council a minimum of 92.5% of their baseline funding, once a Pool is formed this guarantee is ended and Councils run the risk of being financially worse off if their business rates income plunges.

benefit of a proposed pooling agreement across the 10 Lancashire Councils and a small surplus from previous years. The assumption over the following two years within the MTFS is that this figure remains constant.

44. While for financial forecasting purposes it is assumed that Business Rate income to the Council will remain constant over the period between 2017/18 and 2019/20, it is possible that it could move in either direction, positively for the Council if local businesses continue to grow and appeals on business rates are largely unsuccessful. Or negatively, if the local or national economy weakens or appeals on business rate values are largely successful. This is covered in detail later in the report on the section on the various financial scenarios the Council faces.
45. The negative impact from a declining economy is currently viewed as less likely to occur given the signs of local business expansion and investment, as well as the United Kingdom's recovery from the Recession. However world markets remain volatile and there are a small but significant number of warnings in the financial press of the dangers of another major contraction in the global economy.
46. Business Rates growth does provide one of the few areas in which the Council could substantially increase its income and in the Optimistic Scenario up to £250,000 of extra revenue in each year after 2017/18 is viewed as potentially possible in the right economic circumstances.

## Council Tax

47. The Council expects to raise £4.6m in Council Tax in 2017/18. This is up £50,000 on the previous year. The increased revenue comes from growth in the council tax base via a small increase in the number of houses eligible to pay Council Tax from a combination of new builds and declining numbers of empty properties as well any surplus on the Collection Fund.
48. The assumption in the MTFs is that the charge to individual households for Council Tax by Hyndburn Council does not increase in any of the three years covered by the financial forecasts. The Government has however signalled a change in the position it held throughout the last Parliament. Previously it strongly promoted that Council Tax should not be increased. Now the Government is indicating that a small amount of increase is to be expected. It has done this by building into its own forecasts for each local council an amount of revenue growth stemming directly from Council Tax increases, increasing the cap from 2% to 4% for adult social care councils, allowing small councils to increase their council tax by £5 or 2% whichever is the greater and not providing a council tax freeze grant.
49. In these circumstances and given the further reductions the Council faces in core Government Grant the Council may need to consider raising Council Tax from 2017/18 and this is considered in the Optimistic Scenario, where it is assumed a £5 increase would add approximately £100,000 to the Council's revenue in 2017/18 and a similar amount in 2018/19 and 2019/20. The cumulative impact of

increasing council tax is important as raising Council Tax in this fashion in each of the next 3 years leads to the Council having £300,000 more revenue in 2019/20 than it had in 2016/17. It is not expected that Council Tax income will decline over the coming period and therefore the Pessimistic Scenario mirrors the Standard prediction.

### Expected Loss of Income

50. As part of its proposed reforms to the national Benefits System the previous Coalition Government announced plans to consolidate most benefit payments into a single system called Universal Credit. As part of this process Housing Benefit which is administered by local authorities will end, at least for those of working age and as such the Government is substantially reducing the amount it pays local councils to undertake this work. The Government announced an original timetable in which it envisages that all working age Housing Benefit Claims will cease by the start of the financial year 2018/19. This deadline has now been moved back to 2020/21 and therefore the MFTS adjusts the loss of this income over the next three years rather than showing it as lost earlier, as in previous MTFS. The Optimistic Scenario shows a slightly lower reduction in the grant, assuming that the Government is unable to keep to its current timetable and has to delay the transfer of work away from the Council and continues to fund the work at a higher level.
51. The Government cancelled its direct funding for the Housing Market Renewal from the end of 2010/11. Our remaining activity in this area

is limited to the residual funds we hold and as this funding is deployed our ability to fund capitalised costs disappears.

52. The remaining funds are expected to allow between one and two more years of funding in this area based on the money available to be carried forward. This reduction in Housing Market Renewal activity will bring with it a reduction in the amount of fees and capitalised time the Council can charge against this project. It is estimated that we will see a £100,000 reduction in income in 2017/18, with the remainder of the funding largely disappearing over the following year. Again, for financial forecasting purposes we have shown this change as leading to an increase in the net spending of the Council, though clearly as this work comes to an end, we would expect to reduce the resources committed to this area or to switch the resource and funding to other programmes such as Empty Homes Cluster and Town Centre Regeneration.
53. Similar to the decline in the Housing Market Renewal Programme, our declining Capital Programme will also have a knock-on impact on our Revenue position. (See the section below for the impact on Capital Expenditure within the MTFs.) Over the last decade the Council has operated a significant Capital Programme in excess of £15m. The ending of HMR and the substantial decline in external funding and the Council's other sources of finance for capital projects, has led to a large decline in Capital spend and the subsequent impact on fees and capitalisation of staff time to these types of projects. For 2017/18 we have reduced this income source from capital projects to revenue budgets by £58,000 in 2017/18 and

we expect this source of funding will disappear at this point from our Budget.

54. Currently the Council's Waste Service activity receives around £800,000 from recycling activities. This money comes from a combination of payments from Lancashire County Council for helping to avoid waste going to landfill and the sale of material which can be re-used. The County Council has announced that it will stop the payments to District Councils under this scheme known as "Cost Sharing" from 2018/19 and therefore the MTFS recognises the loss of this income and the potential knock-on loss of income from the money earned from recycling other materials. The combined loss of income of £800,000 is reduced by estimated savings of £150,000 that would have to be made as a minimum should this activity cease. More detailed figures will be produced when the final details are known nearer the time. The potential redundancy costs from these changes are also shown in the MTFS in 2017/18 and are covered below.

55. It is also necessary for the Council to adjust its Budget for next year by the amount of one-off savings it targeted to achieve in 2016/17. The figure saved in this manner for 2016/17 was £50,000.

## Changes in Costs

### Salaries Costs

56. As an individual line across all budget areas the cost of employing staff at over £10m is the largest expense faced by the Council.

Upward pressures on this budget stemming from pay awards should be very low over the period of the MTFS.

57. The Government has signalled that it intends to limit pay increases in the public sector to 1% in each of the next few years. A formal agreement has been reached between the local government employers side and the Trade Unions for a 1% pay deal for 2016/17 and 2017/18 and this figure has been used for the 3 years of the Medium Term Forecast.
58. It is possible that wage settlements will be higher if the economy shows stronger signs of recovery and this scenario is covered in the Pessimistic model. Given that resource levels are likely to shrink over the period, wage increases add to the overall pressures to make savings and may lead to redundancies.
59. There is no uplift in payroll costs expected to occur due to the introduction of the Living Wage. Currently the Council is paying above the levels proposed and estimates indicate that it will only have a small impact on our overall wage bill in 2018/19 and it is assumed the small impact can be accommodated within existing budget projections at this time.
60. The Government has also announced an Apprentice Levy on all employers of 0.5% of the payroll bill from April 2017. It is estimated that this could cost the Council an additional £50,000 per year depending on how it is to be calculated.

## Pension Costs

61. Pension costs are not expected to increase over the period except in line with the small increase in the overall wages bill and therefore are considered negligible. A new Triennial Review of the Pension Funds is underway in 2016/17 and will be implemented at the start of 2017/18 financial year.
62. Historically the Council has faced increased employer's contributions when the new rates are announced by the Actuary. However the Council has taken a number of steps to stem the tide of increased costs over recent years including paying contributions at a higher level than required by the Actuary and making one-off additional contributions into the Pension Fund whenever it could do so. This ensured at the last Triennial Valuation the Council's employer's contribution level was reduced for the first time and we would expect there to be no increase at the next revaluation.

## Pension Auto-Enrolment

63. The auto-enrolment of staff into pensions will enter its final phase in October 2017 with full years costs of £166,000 expected to be created. The MTFS therefore carries an additional £83,000 of costs for 2017/18 with a further £83,000 to be included the following year.

## Potential Redundancy Costs

64. The MTFS recognises the potential for the Council to face significant redundancy costs in 2017/18 as it prepares to deal with a major shift in the funding of Waste Services in 2018/19. (Previous potential redundancy costs in relation to Housing Benefit have been removed

from the forecast as the Government has indicated that it will reimburse any such costs to local government and the full implementation of the new benefit will not now occur until a period outside this MTF.<sup>5</sup>)

65. The proposed changes that lead to the redundancy costs stem from proposals from Lancashire County Council to end a Cost Share Agreement for the separate collection of different types of waste material that can be recycled. These changes are explained in detail above in the section on loss of income.

### Supplies and Service Costs

66. General inflation continues across the economy and has been close to 5% in the recent past but has been declining over the last few years. It has fallen below the Bank of England target of 2% over the last year and dipped into deflation in the last 12 months. There is some belief that it will remain below 2% over the next few years as well as some concern that it might be too low and that the Bank of England should take steps to push it upward.

67. Predicting the level of general inflation in the economy remains therefore a major challenge and one fraught with uncertainty. The MTF therefore assumes inflationary pressures of around £200,000 per year over the next 3 years.

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<sup>5</sup> The offer on redundancy costs will be closely monitored over the coming years, as the Government's offer on this point was not unconditional and there is potential scope for disagreement over the actual costs to be reimbursed.

## Capital Costs

68. The Council has over the last 11 years maintained a strong commitment not to borrow to finance Capital Expenditure. In doing so, it has ensured that it has not added to the burden of its revenue budget by having to pay increased loan costs. The intention within the MTFs is to maintain that commitment. The Capital Programme will be funded from a mixture of carry forward receipts from the Housing Market Renewal Programme, the use of one-off grants from the Government, external funding and existing Capital resources.
69. The ending of direct Housing Market Renewal Programme (HMR) has led to a substantial reduction in the overall size of the Capital Programme. Residual HMR funds will be used over the next 36 months to complete work in this area.
70. External Funds continue to be less in abundance and this will further restrict the amount of capital works we will be able to undertake. It should however remain possible to secure some external funds to deliver specific projects.
71. The MTFs in February 2012 showed a need for the Council to begin to set aside a substantial amount (£750,000) from within its Revenue Budget in both 2013/14 and 2014/15 to fund a modest Capital Programme in these years. However due to careful financial management of the Capital Programme and effective husbandry of other resources, it should be possible in this MTFs to delay the need to fund future Capital Programmes from revenue spend until after 2019/20 if expected capital receipts arrive over this period. The Pessimistic Scenario deals with the impact of having to fund Capital

Expenditure from Revenue in 2019/20 by £500,000. This increases the saving pressures that year within the Pessimistic Scenario substantially.

72. The Strategy assumes a continuing commitment to limiting financial spend to a modest programme with only the highest priority capital projects receiving approval to proceed. It also assumes we will continue to earmark one-off grants such as New Homes Bonus for Capital and we will also support the Capital Programme from any additional revenue from surpluses on the Collection Fund or the Pooling of Business Rates etc. as well as any in-year savings that are generated and capital receipts.
73. This will enable us to escape the need to borrow over the period of the MTFS and we will therefore not increase our debt burden over the next 3 years.
74. The Capital Programme is always oversubscribed and the Council will continue to have to make tough choices over which projects to support in line with its key objectives. It should however be able to fund its highest priority projects over the coming 3 years, without burdening future tax payers with an increased legacy of debt and interest payments.
75. If this strategy of restricting capital expenditure to what is affordable is not maintained or anticipated capital receipts do not arrive, the Council will face significant additional budgetary pressure over the coming years as illustrated in the Pessimistic Scenario.

## Growth

76. With the current intense pressure around generating savings, no allowance has been made for additional finance within the MTFs for growth. Any such bids for new items of expenditure would need to be considered very carefully as they would add pressure to the savings target in any year that they are proposed and would lead to further reductions in expenditure in other areas of Council funding as this would be the only means to fund them.

## Reserves

77. Over the last 12 years, the Council has been able to rebuild its Revenue Reserves. This has seen the negative position of 2003/04 replaced by Balances at the 31st March 2016 of just over £3.0m. This level of Reserve would normally be viewed as healthy given an overall spend of around £11.3m in 2016/17, with a prediction this level of spend will decrease over the next few years. However the level of challenges faced by the Council would indicate that this level of Reserve may only be a minimum level of what is needed given the significant increase in costs and the reduction to its revenue funding that it faces. It is therefore recommended that Reserves are maintained at a minimum of £2.0m or strengthened at this time to meet any major challenges which might occur over the next 3 years, which could not be dealt with via the normal budgetary process.

78. The threats to the Council outside its normal budgetary pressures include,

- ❖ the continuing economic uncertainty which may lead to the Government having to reduce public sector expenditure further or requiring Local Government sector to shoulder more of the burden
- ❖ the Government's transfer of responsibility to local Councils for determining Council Tax Benefit and capping the amount it will reimburse in the future regardless of whether there is a surge in the numbers claiming
- ❖ the continuing risk of challenges to planning decisions and the costs of defending these through the legal process
- ❖ the threat of substantial claims under employment law
- ❖ the increased threat of industrial action during a period of public sector pay restraint and job losses
- ❖ emergency spend pressures in-year, due to one-off items of capital or revenue spend
- ❖ risks around the conclusion of the Housing Market Renewal Programme
- ❖ the continuing trading difficulties experienced by Hyndburn Leisure and the financial pressures on partner organisations and the third sector in general
- ❖ insurance claims for which cover is not in place, in particular claims relating to items formerly covered by Municipal Mutual Insurance which has gone into liquidation and

historic employee health claims dating back to the 1960s, 1970s and 1980s.

- ❖ supplier failure during an elongated recession
- ❖ environmental warranties on our land and guarantees provided to Hyndburn Homes over land transferred to them
- ❖ the threat that Central Government will pass fines from Europe directly to Councils if the UK fails to meet its targets on climate change and environmental improvements.
- ❖ continuing reductions in our fees and charges income as the Recession continues
- ❖ the need to meet the cost of land acquisitions under the Community Right to Purchase legislation.

## Other Assumptions

79. The MTFS assumes that the Council is able to present a balanced budget each year and operate within that budget and that it does not need to draw upon reserves or overspend within any financial year.

80. It assumes that any draw down of reserves is either immediately replenished within the financial year or a top slice of funding from the next year's budget is made to ensure they remain at the stated level.

81. It assumes that service provision remains largely within the current confines and that no major initiatives are imposed upon the Council

without suitable funding provision. For instance, the MTFS does not allow for the return to weekly refuse collection without the Government providing the necessary funds not only to manage the change process, but also to meet the additional on-going revenue costs.

## Equality Impact Assessment

82. There are no specific proposals within the MTFS that would require the completion of an Equality Impact Assessment (EIA). This document remains a high level strategic overview. Individual EIAs will be completed for relevant policy developments, service alterations and savings plans as they occur, as a response to the overall financial plans of the Council.

## Scenarios

83. As with the previous MTFS we have attempted to outline the potential range of scenarios around the Council's Finances over the next few years, by varying some of the key assumptions. In order to avoid a myriad of possible scenarios, we have presented in Appendix 2 and Appendix 3, two scenarios towards either extreme side of the MTFS forecast. This allows the potential maximum and minimum range of savings over the next 3 years to be broadly established.

84. The Pessimistic Scenario presented at Appendix 2 looks at the baseline assumptions for the MTFS and adjusts them for the following reasons. Business Rates income is not expected to be as buoyant over the period with revenues only up £250,000 and

remaining stable thereafter. Government Grants and Council Tax remain as outlined in the Standard Model.

85. Housing Benefit Administration Grant is also shown as reducing by an extra £25,000 after 2017/18 compared to the Standard Model on the basis that the conversion to Universal Credit is more aggressively pursued and reduction in local government support reduced as a consequence.
86. The Pessimistic Scenario also assumes that the Housing Market Renewal work moves at a faster pace and as such there is less monies remaining in 2017/18 to finance revenue fees by £50,000. (This however does reduce the decrease the following year by £50,000, as there is only a finite amount of money remaining in the programme.)
87. Finally in the “Reductions to Income Section” of the calculation we have assumed that the Council is unable to extract £150,000 worth of savings from its Waste Services operations under the new arrangement that replaces the Cost Share Agreement and it is therefore left with the full impact of the £800,000 loss in income.
88. In our standard MTFS we have assumed a 1% pay award over each year of three years of the forecast. The Pessimistic Scenario allows for a 2% wage settlement in the three years within the forecast, recognising that upward pressure may build for an enhanced settlement after a large number of years of enforced pay restraint. This potentially adds £140,000 per year to our costs over these years. This is not seen as a likely occurrence as the economy is unlikely to have sufficiently recovered to finance such rises and with little

prospects of additional funding to finance such wage increases this level of wage settlement would simply lead to a reduction in the workforce.

89. General inflation continues to be difficult to predict. For the Pessimistic Scenario an assumption has been made that the costs of supplies and services rise by £300,000 in each of the next 3 years beyond 2016/17. This level of inflation to some extent would indicate an economy on the mend with suppliers confident of passing price increases on to customers and excess supply disappearing from the economy.
90. The combined impact of all these potential changes are illustrated at Appendix 2 and show that the savings target for 2017/18 would rise to £1.7m from £1.2m and increase the savings target to 16% from 10%. The savings target for 2018/19 of the MTFS increases from £1.6m to £2.0m and from £0.8m to £1.4m for 2019/20.
91. While it is viewed as unlikely, though possible, that all these factors would combine against the Council, the Pessimistic Scenario at Appendix 2 indicates the Council does face a number of potential challenges, which would require the Council to take a number of much tougher decisions around its spending plans and priorities.
92. The level of savings required under the Pessimistic Scenario would put the Council's finances under severe strain and it is likely it would need to use a considerable amount of its reserves while it attempted to reconfigure its operations so that it could achieve the cost reductions necessary to continue to set a long term balanced budget.

93. The Optimistic Scenario is presented at Appendix 3. It assumes that an expanding local economy contributes to a growth in Business Rate Funding available to the Council of £250,000 each year from 2018/19 and that Pooling operates in all 3 years. There is some indication that local manufacturing businesses are looking to increase their output and invest to expand which will lead to higher business rates being paid. This has however to be tempered by a potential downturn in the retail sector which could potentially limit any real gains achieved from the manufacturing side. In these circumstances a £250,000 annual growth figure would be viewed as towards the top end of what could be achieved.

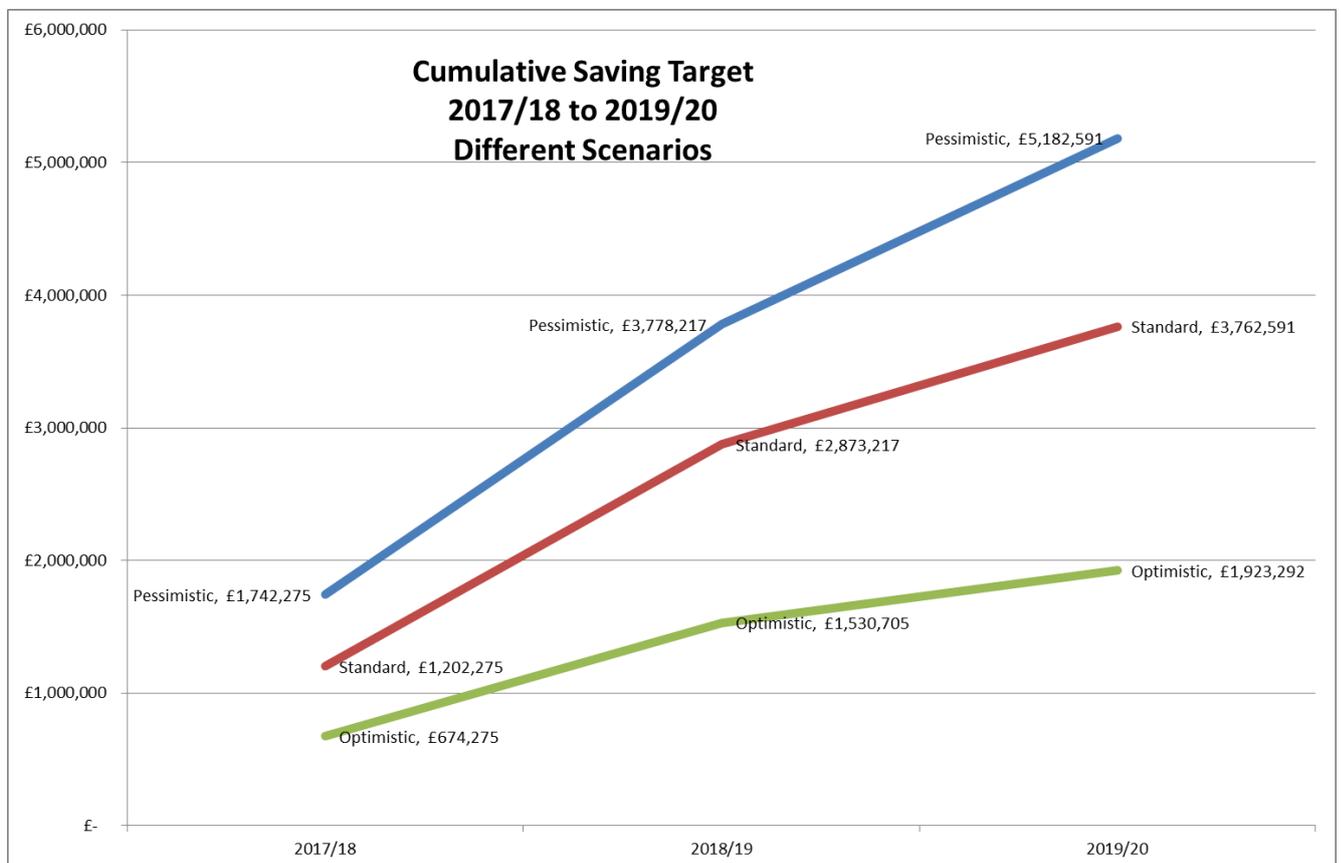
94. The Optimistic Model also assumes the Council will be able to boost its Council Tax income from growth in the number of houses, reducing the number of people claiming Council Tax Support, increasing the yield from reducing empty properties, improving collection rates and raising council tax levels. There is some indication that Developers are now returning to Hyndburn and planning applications are being discussed for new housing in a variety of locations. Again assuming a high level of performance in all these areas it would be possible to boost council tax income by around £140,000 per year. The model also assumes that the Collection Fund can generate a surplus of £200,000 in each of the three financial years.

95. These changes see the Council's increased resources from business rates and council tax offset a large chunk of the loss of income from the Government and the Council has almost £300,000 more to spend

in 2017/18 compared to the Standard Model and almost £0.7m more in 2018/19, rising to over £1m by 2019/20.

96. The model also assumes that the Department of Work & Pensions will not reduce the Grant for the administration of Housing Benefit at the level predicted in the Standard Model, but that it will slow down the reductions by £100,000 in 2017/18.
97. Capitalisation costs are also reworked over a slightly longer period of 2 years, reducing the impact by £28,000 in 2017/18 but adding to the burden by the same amount the following year.
98. The speed at which the Housing Market Renewal programme uses its available fees budget is also assumed to be slower and therefore the reduction in 2017/18 is not as great as in the Standard Model and the residual amount is removed in 2018/19.
99. There is also an assumption that the cost impact of the ending of the Cost Share Agreement with Lancashire County Council over the collection of waste will not impact at the level of £650,000 as originally predicted but can be reduced downwards to around £300,000, by either agreeing a further funding stream from the County Council or finding further savings within the operational budgets from not doing this work.
100. Inflation is also assumed to be lower with the reductions we have seen over the last few months feeding into much lower prices for the period 2017/18 to 2019/20 leading to a reduced forecast by £100,000 in each of these years for the general impact of inflation.

101. The Optimistic Scenario considerably eases the overall savings required in each of the three years with the level of savings required below 6% in 2017/18 and around 8% the following years, falling to 3.5% in 2019/20. However this is a very optimistic view of what might occur and the most likely outcome remains those predicted in Appendix 1. The diagram below shows the potential range from the most optimistic to the most pessimistic put forward in this document.



102. The Overall best prediction of the savings required for the next three years are those presented at Appendix 1 of the report. This requires £1.2m of savings to be generated in 2017/18 to balance the Council's budget with further savings of £1.6m in 2018/19 and £0.89m in 2019/20. The Pessimistic and Optimistic Scenarios at

Appendix 2 and Appendix 3 provide the most likely boundaries within which the savings target will fluctuate over the coming three years. There remains a potential for the savings target to fall outside these boundaries, though this is viewed as remote.

103. It is likely that the Council will encounter a mix of fortunes over the coming three years with some income and expenditure moving in a positive manner while others move negatively.

## Robustness of Forecast

104. The robustness of the forecasts within the MTF5 has improved with the announcement of a potential 4 year funding deal from the Government. This has removed a significant amount of the uncertainty around a major element of revenue forecasting. However there remains a number of large scale potential variables that will need to be closely monitored over the coming years to ensure the Council is able to effectively manage its Budget.

## Overall Net Position

105. The Council faces continuing pressure on its finances over the next 3 years. The reductions in the level of government grant for 2017/18 and beyond are significant and the Council will need to take tough decisions over service provision to maintain a balanced budget in these circumstances. In addition it faces two major challenges. the ending of the Cost Share Agreement and the potential need to fund Capital Expenditure from Revenue resources in 2019/20. These two items add over a £1.15m to its budget problems. This is in addition to

the usual pressures around wage settlements, goods and service inflation and changes to tax and pension rules which add costs to its operation.

106. The key to the future financial wealth of the Council remains tied to the performance of the national economy and Central Government finances but a significant additional risk has been transferred to local government around the performance of business rates.

107. The Council therefore needs to continue to manage its revenue costs aggressively over the next 3 years. It needs to address the loss of funding from Lancashire County Council in 2018/19 for recycling by reducing its expenditure in this area considerably and if possible by boosting its income from other activities and it needs to maintain its Capital Programme within tight limits to ensure it avoids having to fund this expenditure from Revenue in the future.

108. The single largest area of influence it can exert on its future financial position is around its Capital Programme. If the Capital Programme can continue to be self-financing beyond 2017/18 this will substantially ease the cumulative financial pressures on the Council over the 3 years of the MTF5.

## Appendix 1

### Three Year Standard Model Medium Term Financial Strategy 2017/18 to 2019/20

Available Resources	2017/18	2018/19	2019/20
Revenue Support Grant	£ 2,446,543	£ 1,998,601	£ 1,499,227
Efficiency Support Grant	£ -	£ -	
Business Rates Funding	£ 3,994,786	£ 3,994,786	£ 3,994,786
Council Tax Freeze Grant	£ -	£ -	
	£ 6,441,329	£ 5,993,387	£ 5,494,013
Council Tax	£ 4,650,396	£ 4,650,396	£ 4,650,396
Collection Fund Surplus Council Tax	£ -	£ -	
<b>Total Available Resources</b>	£ 11,091,725	£ 10,643,783	£ 10,144,409
<b>Prior Year Spend</b>	£ 11,283,000	£ 11,091,725	£ 10,643,783
<b>Reductions in Income</b>			
HB Admin Grant	£ 200,000	£ 50,000	£ 50,000
Operational Budget Adjustments			
Ending of ABG Support	£ -		
Reduction in Capitalisation	£ 58,000		
Decreased HMR Fees	£ 100,000	£ 100,000	
Corporate Savings Target Adjustment	£ 50,000		
Waste Service Ending of LCC Recycling Payments		£ 650,000	
<b>Expected Cost Increases</b>			
Salaries & Pension Costs	£ 140,000	£ 140,000	£ 140,000
Additional National Insurance Costs			
Apprenticeship Levy	£ 50,000		
Pension Auto Enrolment	£ 83,000	£ 83,000	
Redundancy Costs	£ 130,000		
General Supplies & Services	£ 200,000	£ 200,000	£ 200,000
Capital Funding Direct From Revenue			£ -
<b>Growth Items</b>	£ -	£ -	
<b>Predicted New Operating Cost</b>	£ 12,294,000	£ 12,314,725	£ 11,033,783
<b>Costs Exceed Resources by</b>	£ 1,202,275	£ 1,670,942	£ 889,374
<b>Percentage Savings Required to Balance Budget</b>	10.66%	15.06%	8.36%

**Three Year Pessimistic Model  
Medium Term Financial Strategy  
2017/18 to 2019/20**

<b>Available Resources</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Revenue Support Grant	£ 2,446,543	£ 1,998,601	£ 1,499,227
Efficiency Support Grant	£ -	£ -	£ -
Business Rates Funding	£ 3,744,786	£ 3,744,786	£ 3,744,786
Council Tax Freeze Grant			£ -
	£ 6,191,329	£ 5,743,387	£ 5,494,013
Council Tax	£ 4,650,396	£ 4,650,396	£ 4,650,396
Collection Fund Surplus Council Tax	£ -	£ -	£ -
<b>Total Available Resources</b>	£ 10,841,725	£ 10,393,783	£ 10,144,409
			£ -
<b>Prior Year Spend</b>	£ 11,283,000	£ 10,841,725	£ 10,393,783
<b>Reductions in Income</b>			
HB Admin Grant	£ 200,000	£ 75,000	£ 75,000
Operational Budget Adjustments	£ -		
Ending of ABG Support	£ -		
Reduction in Capitalisation	£ 58,000		
Decreased HMR Fees	£ 150,000	£ 50,000	
Corporate Savings Target Adjustment	£ 50,000		
Waste Service Ending of LCC Recycling Payments		£ 800,000	
<b>Expected Cost Increases</b>			
Salaries & Pension Costs	£ 280,000	£ 280,000	£ 280,000
Additional National Insurance Costs			
Apprenticeship Levy	£ 50,000		
Pension Auto Enrolment	£ 83,000	£ 83,000	
Redundancy Costs	£ 130,000		
General Supplies & Services	£ 300,000	£ 300,000	£ 300,000
Capital Funding Direct From Revenue			£ 500,000
<b>Growth Items</b>	£ -	£ -	
<b>Predicted New Operating Cost</b>	£ 12,584,000	£ 12,429,725	£ 11,548,783
<b>Costs Exceed Resources by</b>	£ 1,742,275	£ 2,035,942	£ 1,404,374
<b>Percentage Savings Required to Balance Budget</b>	15.44%	18.78%	13.51%

## Appendix 3

### Three Year Optimistic Model Medium Term Financial Strategy 2017/18 to 2019/20

Available Resources	2017/18	2018/19	2019/20
Revenue Support Grant	£ 2,446,543	£ 1,998,601	£ 1,499,227
Efficiency Support Grant	£ -	£ -	£ -
Business Rates Funding	£ 3,994,786	£ 4,244,786	£ 4,494,786
Council Tax Freeze Grant	£ -	£ -	£ -
	£ 6,441,329	£ 6,243,387	£ 5,994,013
Council Tax	£ 4,750,396	£ 4,892,908	£ 5,039,695
Collection Fund Surplus Council Tax	£ 200,000	£ 200,000	£ 200,000
<b>Total Available Resources</b>	£ 11,391,725	£ 11,336,295	£ 11,233,708
<b>Prior Year Spend</b>	£ 11,283,000	£ 11,391,725	£ 11,336,295
			£ -
<b>Reductions in Income</b>			£ -
HB Admin Grant	£ 100,000	£ 50,000	£ 50,000
Operational Budget Adjustments	£ -		£ -
Ending of ABG Support	£ -		£ -
Reduction in Capitalisation	£ 30,000	£ 28,000	£ -
Decreased HMR Fees	£ 100,000	£ 100,000	£ -
Corporate Savings Target Adjustment	£ 50,000		£ -
Waste Service Ending of LCC Recycling Payments		£ 300,000	£ -
			£ -
<b>Expected Cost Increases</b>			£ -
Salaries & Pension Costs	£ 140,000	£ 140,000	£ 140,000
Additional National Insurance Costs			£ -
Apprenticeship Levy	£ 50,000		£ -
Pension Auto Enrolment	£ 83,000	£ 83,000	£ -
Redundancy Costs	£ 130,000		£ -
General Supplies & Services	£ 100,000	£ 100,000	£ 100,000
Capital Funding Direct From Revenue		£ -	£ -
			£ -
Growth Items	£ -	£ -	£ -
			£ -
<b>Predicted New Operating Cost</b>	£ 12,066,000	£ 12,192,725	£ 11,626,295
			£ -
<b>Costs Exceed Resources by</b>	£ 674,275	£ 856,430	£ 392,587
<b>Percentage Savings Required to Balance Budget</b>	5.98%	7.52%	3.46%

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