

REPORT TO : **COUNCIL**
DATE : **22nd February 2018**
REPORT OF : **Councillor Gareth Molineux**
Portfolio Holder Resources
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Deputy Chief Executive

MEDIUM TERM FINANCIAL STRATEGY

2018/19 TO 2020/21

February 2018 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 2018/19 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 2018/19 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 this report will be presented to the Council's Overview & Scrutiny Panel during February 2018, 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 2017/18 to 2019/20 October 2017](#)

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

February 2018

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 October 2017.
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 2018/19 the Council's Total Income forecast will be down from £11,197,000 in 2017/18 to £11,174,000 a net decrease of £23,000, with the removal of £447,000 (18%) of Government Grant offset by increased business Rates of £136,000, additional Council Tax of £176,000, the use of Reserves for a one-year support contributing £100,000 and £13,000 of additional Collection Fund surplus, while Costs are expected to rise by £1.6m.
3. In the following year 2019/20, the Council faces a somewhat easier task of finding £560,000 of net savings which is 5% of its Budget. In

the third year of the Medium Term Financial Strategy (MTFS) 2020/21, however the Council will need to generate £1.4m of savings to balance its Budget, which is almost 13% of its net expenditure figure. As part of its overall financial strategy the Council should consider attempting to smooth the level of savings between the 2019/20 and 2020/21 financial years.

4. 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.
5. 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 £859,000 in the second year, rising to over £2.5m in 2020/21 and cumulatively the difference exceeds £3.4m over the three years.
6. The Pessimistic Scenario shows, in addition to a reduction of £100,000 in each year on the Collection Fund Surplus, growth in Business Rates only being limited to inflationary increases, Council Tax increases only limited to a £5 increase in 2018/19 and 2019/20 and the previous practice of freezing the increase returning in 2020/21, the need for an additional £80,000 in the two later years of the Strategy to finance the changes stemming from the Department from Work and Pensions on Housing Benefit, extra costs from higher

value wage settlements of £125,000 each year and a doubling of the cost of non-pay inflation from £130,000 per year to £260,000. The Strategy also recognises the potential of an extra £500,000 being added to the cost of revenue expenditure in 2020/21, if the Council is unable to contain its Capital expenditure over the next few years or is not able to achieve a sufficient level of capital receipts compared to forecast and is forced to finance part of its Capital Programme in 2020/21, directly from Revenue.

7. The Optimistic Scenario sees significantly increased revenues of nearly £1.1m compared to the Standard Model stemming from the anticipated removal of all Revenue Support Grant not materialising and from additional NNDR and Council Tax in 2020/21 adding £311,000. There is also some easing of cost pressures around the wage settlement and a decreased impact on income from the DWP in relation to Housing Benefit.
8. Both scenarios are meant to show the outer limits of what might occur and what the Council would face in these circumstances. 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.
9. The figures in Appendix 1 therefore remain our current best estimate of the likely financial position over the next 3 years.

OBJECTIVES

10. The objectives of the Medium Term Financial Strategy are:

- to be the financial expression of the Corporate Plan; it is a financial strategy's role to provide the resources to deliver this plan, and in turn, the Corporate 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 remains in a strong financial position as measured by the 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

11. 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

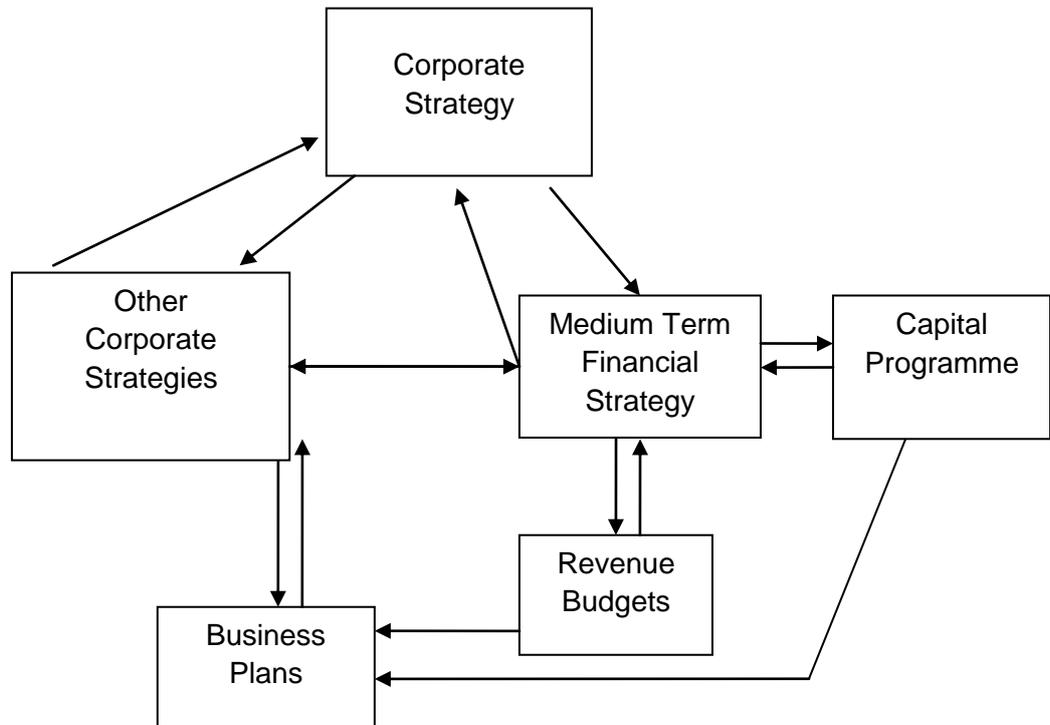
financial plan.

Corporate strategic
direction & priorities
of the Council

In the context of the Medium Term Financial Strategy (MTFS) the Council has a clear hierarchy of strategy documents (see chart below) headed by the Corporate Strategy 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.

12. Strategy Hierarchy:-



Service planning to support overall strategy

13. 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.
14. 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.

15. The Government's agenda since 2010 of substantially reducing public expenditure has added further pressures on Hyndburn to reduce its 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

16. 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.

Background Information

17. The MTFS covers the period from 2018/19 to 2020/21. 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 sustainable positive economic growth.

18. 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 heightened by the Referendum vote to leave the EU.
19. There is also 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. The move by Catalonia to achieve independence from Spain has the potential to not only undermine the stability of Spain but to have implications for the political and financial strength of the European Union.
20. 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 election last year of Donald Trump in the USA with a commitment to bringing jobs

back into the USA from offshore and ending major free trade talks and agreements may add further to the volatility of the world economy.

21. The continuation of conflicts in Ukraine, Iraq and Syria, the mass migration into Europe, democracy protests in Iran, the Volkswagen emission scandal, heightened tensions in the Pacific between China and some of its neighbours over territorial claims, North Korea's regular missile launches over the Pacific Ocean and claims around its nuclear capabilities 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 and while the latest attempt by OPEC to cut output and force prices up appears to be enjoying some success, the sustainability of limiting output is questioned by many commentators.

22. Against this backdrop Britain has emerged from Recession and currently has good levels of growth compared with other major Western economies. Employment continues to fall, the pound has recovered against major world currencies, wage demands remain reasonable and inflationary pressure appears to continue to be weak by historical standards. 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

and this has been accentuated by the General Election Result in 2017, which left the Country with a minority Government.

23. Local Government and particularly District Councils have faced significant reduction in Government funding as a consequence of the global financial pressures and the Local Government Settlement announced in late December 2017 confirms the on-going reduction in funding from Central Government to Local Government is continuing, with District Councils again suffering the most from these reductions.

24. The snap General Election in June 2017 effectively removed the previous guarantee of funding agreed by the Government up to 2020/21 and therefore there is increased uncertainty over the level of Revenue Support Grant and other sources of Government funding over the next 3 years. The 2018/19 Settlement figures do match those previously indicated by the previous Government and while there have been some general statements around sticking to the previous notified figures until 2020/21, the new Government has not formally committed to the figures announced prior to the General Election. Certainly there has been no retraction of the indications previously given that Revenue Support Grant will end in 2020/21 and for Hyndburn this will mean that we will have lost £7.1m in Government support since 2010/11, with 65% already disappearing by 2017/18, a further 6.4% disappearing in 2018/19 and the remaining 18% going in 2019/20 and 2020/21.

25. For 2020/21 and beyond the Government has indicated its preference to embark on a major review of local government finance. Previously our MTFS had imagined the final loss of Revenue Support Grant would be the end of the major upheavals in our finances stemming from the World Wide Recession and we would at least enter into a period of stability once we reached the point in which the Government could no longer reduce our funding, as we had none left to remove. However a major review of local government finance could lead to a new redistribution model which might transfer away more of our resources via the Tariff methodology or some new mechanism the Government introduces.

26. The Medium Term Financial Strategy assumes that the Council is able to deliver its 2017/18 Budget as planned. The Cabinet has requested that the Corporate Management Team continue to look to improve the position during 2017/18 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 2017/18. The General Fund Balance stands at £2.8m at the end of March 2017. This level of Reserve would normally be viewed as providing strong cover against the potential liabilities the Council faces. However with:-

- large reductions in Central Government support for the next few years continuing and the prospect of a major review of local government finances,
- Cost inflation continuing while overall revenues decline,

- and the need to incur upfront costs to secure long term savings,

the level of Reserves at £2.8m can be viewed as just above the minimum level of provision in the much more volatile financial climate which we now face.

27. The format of the Medium Term Financial Strategy considers the current estimated resources available for 2018/19 and builds upon anticipated changes to income and costs over the following 2 years. 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 October 2018, immediately ahead of the Council commencing the process of setting its Budget for 2019/20.
28. Despite the difficulties over the last 3 financial years caused by further reductions in our funding from Government, the Council has continued to maintain its finances and provide value for money services. Balances stand in excess of £2.8m and we have generated significant savings in each of the last 11 financial years and expect to manage our finances during 2017/18 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 further investment.

Financial Analysis 2018/19 to 2020/21

29. 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

30. 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 away from HM Treasury to local government;
- 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.

31. 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.
32. 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

33. 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 £722,000 or 16%% in 2016/17 and this level of reduction has been rolled into the 2017/18 and 2018/19 settlement as a baseline, ahead of further reductions being made. The total reduction in funding between 2015/16 and

2018/19 is a further £1.2m and the combined impact over the three years is almost £2m on the Revenue side of our Budget alone. This is shown in Table 1 below.

34. The overall loss in Government funding over the period is however greater 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 Programme¹. Funding of the money we used to finance Capital Spend is down £524,000 or 62%. The impact of Capital Funding within the MTFS is dealt with later in the report. When the impact of the funding on Revenue and Capital are combined the analysis shows the Council has lost almost £2.5m of resources from the Government since 2015/16, which is almost half of the funds the Government had previously made available.

Overall Change	2015/16	2016/17	2017/18	2018/19	Variance	Percentage Change
HBC Revenue						
Revenue Support Grant	£ 2,312,430	£ 3,159,264	£ 2,446,543	£ 1,998,484	-£ 313,946	
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	£ 386,958	£ 351,860	£ 312,201	-£ 292,942	
Homelessness Prevention	£ 35,339	£ 35,423	£ 35,483	£ 35,540	£ 201	
HBC Government Support Revenue Total	£ 4,303,244	£ 3,581,645	£ 2,833,886	£ 2,346,225	-£ 1,957,019	45.48%
HBC Capital						
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 Grant	£ 451,787	£ 639,204	£ 546,634	£ 321,587	-£ 130,200	
New Homes Bonus Additional Grant	£ 10,564				-£ 10,564	
HBC Government Support Capital Total	£ 845,771	£ 639,204	£ 546,634	£ 321,587	-£ 524,184	61.98%
HBC Total Government Support Change	£ 5,149,015	£ 4,220,849	£ 3,380,520	£ 2,667,812	-£ 2,481,203	48.19%

¹ 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.

35. The best current estimate we have of Government Funding over the next two years is based on the figures provided previously before the General Election of 2017, which showed our Grant falling from £2.0m in 2018/19 to £1.5m in 2019/20, coupled with the statements that Revenue Support Grant would end in 2020/21. The Table below shows the impact of the latest round of reduction in our funding since 2016/17 projected forward, based on our current knowledge to 2020/21.

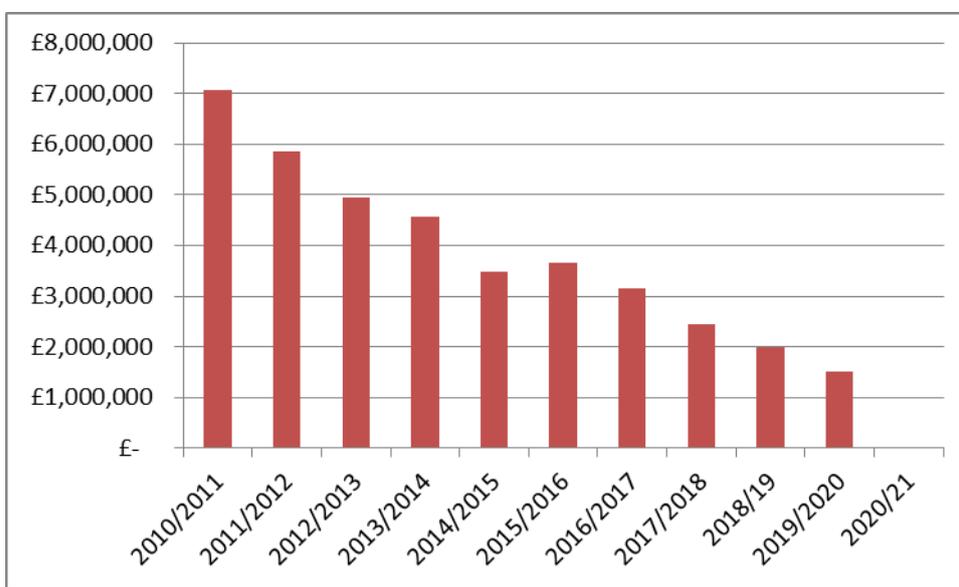
Table 2 Change in Revenue Support Grant 2016/17 to 2019/20

Year	Revenue Support Grant	Change	Percentage Change	Cumulative Change	Culumatic Percentage Change
2016/17	£ 3,159,264.00				
2017/18	£ 2,445,625.00	£ 713,639.00	23%	£ 713,639.00	22.59%
2018/19	£ 1,998,484.00	£ 447,141.00	18%	£ 1,160,780.00	36.74%
2019/20	£ 1,499,264.00	£ 499,220.00	25%	£ 1,660,000.00	52.54%
2020/21	£ -	£ 1,499,264.00	100%	£ 3,159,264.00	100.00%

36. This shows a total expected reduction of £3.1m over the period 2016/17 to 2020/21, with a 22.5% reduction of £713,000 in 2017/18, a 18.4% further reduction in 2018/19 with a further loss of £447,000 of government funding, followed by another £500,000 removed from Revenue Support Grant in 2019/20, which will be a 25% reduction and all the remaining funding disappearing by 2020/21.

37. 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 zero by 2020/21.

Table 3 Reduction In Government Funding to Hyndburn Council 2010/11 to 2020/21



38. 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.

39. 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”.

40. 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 are 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.

41. As a consequence Hyndburn which raises around £21m in Business Rates each year is only allowed to retain about £3.7m (18%) from this source of funding.

42. The previous Government indicated that it wished to move to a system of 100% of Business Rates going directly to Local Government, expanding upon an earlier decision to earmark 50% of Business Rate income to be retained by local government. However after that

announcement, the Government made almost no progress towards its implementation as various difficulties in devising and introducing such a scheme emerged.

43. Since the June 2017 General Election, the Government has concentrated more of its announcement around a Fair Funding Review of Local Government Finance that it intends to commence soon with the intention of having this active for the 2020/21 financial year.
44. Any such review is likely to be fraught with difficulties and there have been many unsuccessful attempts over the last few decades to reform local government finance all of which have failed and this latest attempt must be considered as likely to be delayed or abandoned as it is to be implemented by 2020/21.
45. This therefore creates significant uncertainty for the Council around its Medium Term Financial Strategy in its third year of 2020/21. The Council already faced the strong prospect that it would lose all of its remaining Revenue Support Grant in 2020/21 from the statements previously made by Government and it now faces the additional risk that its other sources of income could be threatened if the Fair Funding Review redistributes existing resources in a different manner to that done currently.
46. It is, of course possible, that the Fair Funding Review, if introduced could provide Hyndburn with additional funding which would ease the significant financial pressures we face in 2020/21 and this is modelled in the Optimistic Scenario below. However the general

thrust of funding reform since 2010 has tended to penalise the North compared to the South and penalised District Councils compared to Unitary and County Councils. The Government has also made it clear in the past that if Local Government appeared to be benefitting generally from additional resources flowing to it, the Government would look to pass new responsibilities and requirements on it to soak up this extra money. In some circumstances depending on the requirements, this could leave Hyndburn in a worse financial position, if delivering the new requirements actually cost more than any extra funding we received or were generating.

47. 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.²

48. The current 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

² 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.

businesses claim their properties have been valued too highly for business rating taxation purposes and they require a re-assessment leading to a lowering of the amount of tax they have to pay. 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 businesses for previous “over charged” years reducing further the sums that can be deployed to finance local public services.

49. The current estimate for 2018/19 of Business Rates income for the Council is £3,744,000. This is up from £3,607,000 in 2017/18 but largely reflects the increase in the chargeable amount to be paid due to inflation rather than any substantial growth in the local economy. This would seem to indicate that despite a number of companies expanding in the local area the value of successful appeals and business closures is offsetting this growth, leaving the Council with no practical benefit from the additional investment that is currently taking place.

50. The assumption over the following two years within the MTFS is that Hyndburn does start to benefit from economic growth and there is an assumption that the local economy will expand and this will produce a 5% growth in Business Rates income to the Council along with a general inflation increase of 3% in 2019/20 and 2020/21.³ The speed

³ A 5% Business Rate increase for the Council does not require a 5% increase in the local economy. All councils benefit from the current distributive method for Business Rates in which they effectively retain at least 50% of any new income and 100% when they are part of a Business Rates Pool. So there is a significant gearing ratio to the Council's finances from the expansion of the overall business rates paid.

of developments will be crucial in achieving this level of increase and this will need to be carefully monitored over the next 3 years to ensure the income is arriving as forecast.

51. While for financial forecasting purposes it is assumed that Business Rate income to the Council will increase over the period between 2018/19 and 2020/21, 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.
52. 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.
53. 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 £208,000 of extra revenue in 2020/21 is viewed as potentially possible in the right economic circumstances.

Council Tax

54. The Council expects to raise £4.9m in Council Tax in 2018/19. This is up £176,000 on the previous year. The increased revenue comes

from growth in the council tax base via a combination of new builds, declining numbers of empty properties and an expected rise of £5.00 per Band D property from 1st April 2018. The increase in Council Tax follows Lancashire County Council's decision to stop supporting Hyndburn Borough Council's waste recycling programme and withdrawing over £821,000 of annual finance to meet the cost of the operation. Council Tax rises of £5.00 per Band D property in each of the financial years, 2017/18, 2018/19 and 2019/20 will raise an extra £305,000 to help offset the withdrawal of funding from Lancashire County Council and Hyndburn Council will find the remaining £516,000 from restructuring the service and making savings elsewhere across its operations.

55. The Collection Fund Surplus is anticipated to be slightly higher this year compared to 2017/18 at £400,000, up from £387,000 the previous year and to remain at these levels over the period of the MTFS.
56. The assumption in the MTFS is that the charge to individual households for Council Tax by Hyndburn Council increases by the £5.00 per Band D property previously announced in both 2018/19 and 2019/20 and that a further £5.00 charge will be levied in 2020/21 to meet the effects of inflation and other financial pressures.
57. The local increases in Council Tax reflect the change in the Government's position on local financing of local services. The Government have now signalled that they expect local people to foot the bill for services through the rise of local taxes and the Government builds into their own financial modelling of local

government resourcing a standard amount for such increases and they have withdrawn the previous funding provided as Council Tax Freeze Grant to help Council avoid raising council tax to local residents and are withdrawing funding from Government to Local Councils on the basis that they have already raised additional amounts from increased taxation.

58. It is not expected that Council Tax income will decline over the coming period, but the Pessimistic Scenario reflects no expansion in the overall numbers of households having to pay the tax and therefore there is £150,000 less income in 2019/20 and £416,000 less income in 2020/21 as a result of the stagnation in the number of household and due to no further increase in the amount of the annual charge. The Optimistic Scenario shows a more buoyant third year in terms of Council Tax income with a £105,000 of extra income stemming from developments etc. and a further increase in Council Tax.

Expected Loss of Income

59. 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, as least for those of working age and as such the Government is substantially reducing the amount it pays local councils to undertake this work and the subsidy paid to reimburse council's for benefit paid out is also declining . The Government announced an original timetable in which it envisaged 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 already disappearing, 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. The Pessimistic Scenario recognised the potential for both the administration and benefit elements to increase by £80,000 per year.

60. Currently the Council's Waste Service activity receives around £821,000 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 knock-on loss of income from the money earned from recycling other materials. Previous MTFs's had shown the potential for recycling income to continue. However after further discussions with Lancashire County Council over their intentions in this area this income line has also now been removed from our Budget assumption and this increases the loss of income shown here from £650,000 to £821,000 compared to earlier MTFs.

61. 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 2017/18. The figure saved in this manner for 2017/18 was £165,000.

Changes in Costs

Salaries Costs

62. 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 remain low compared to historic norms, however since 2010 wage increases have been limited to 1% or below, but it is now expected that wage settlements going forward will be at least 2% and could be higher.
63. No formal agreement has been reached by the Trade Unions and Employers' side at the time of writing but the Employers side have offered 2% and it is likely that this will be the best estimate for 2018/19 and beyond, simply due to the financial pressures on local government that make higher pay awards unaffordable.
64. 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.

65. 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.

Pension Costs

66. 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 was completed in 2016/17 and implemented at the start of 2017/18.

67. 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 has ensured the Council has not incurred additional costs from the most recent Triennial Revaluations. This is particularly welcome as other Councils are facing increases and the additional burden of these extra costs would have added to our already high savings target for the years ahead if we had faced such an increase.

Pension Auto-Enrolment

68. The auto-enrolment of staff into a pensions scheme entered 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 2018/19 to meet the expense of new Pension Contributions from those auto-enrolled during the 2018/19 financial year.

Supplies and Service Costs

69. General inflation over the past 12 months has continued to fluctuate peaking most recently above 3%, before declining once more. In the recent past it has been almost at zero, but there has been a push upwards as the economies across the world continue their fragile recovery and in the aftermath of the Brexit Vote and a sharp drop in the value of sterling on world markets.
70. While inflation appears to be up slightly compared to the period before the Referendum, there still appears to be significant capacity in the market place to resist price increases and therefore the probability of large rises in inflation remains weak.
71. Predicting the level of general inflation in the economy remains therefore a major challenge and one fraught with uncertainty. The MTFS therefore assumes inflationary pressures of around £130,000 per year in 2019/20 and 2020/21, while recognising the potential for this figure to double in the Pessimistic Scenario.

Capital Costs

72. 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, surpluses, external funding and existing Capital resources.
73. 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 and help finance other capital investment projects.
74. 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.
75. 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 2020/21 if expected capital receipts arrive over this period. The Pessimistic Scenario deals with the impact of having to fund Capital Expenditure

from Revenue in 2020/21 by £500,000. This increases the saving pressures that year within the Pessimistic Scenario substantially.

76. 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. when these are available and don't need to be used to underpin the Revenue Budget as well as any in-year savings that are generated and capital receipts.
77. 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.
78. 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.
79. 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

80. 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

81. Over the last 13 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 2017 of just over £2.8m. This level of Reserve would normally be viewed as healthy given an overall spend of around £11.2m in 2017/18, 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.

82. 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 proposal by the Government to conduct a Fair Funding Review and implement its findings in 2020/21, which might further substantially reduce the monies the Council currently expects to have at its disposal
- ❖ 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 income from fees and charges as the Recession continues

- ❖ the need to meet the cost of land acquisitions under the Community Right to Purchase legislation.
- ❖ Fines stemming from breaches around data protection under the new General Data Protection Regulations.

Other Assumptions

83. 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.

84. 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.

85. 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

86. 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

87. 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 required over the next 3 years to be broadly established.

88. The Pessimistic Scenario presented at Appendix 2 looks at the baseline assumptions for the MTFS and adjusts them for the following reasons. In terms of income the Pessimistic Scenario indicates that revenue could be down on Council Tax, Business Rates and the Collection Fund surplus in 2019/20 and 2020/21. The overall impact is a drop from £11,133,000 to £10,689,000 between the two scenarios in 2019/20 and a drop from £10,229,000 to £9,206,000 in 2020/21. There is almost 4% less revenue in the second year and 10% in the third year under this scenario.

89. The impact of funding from the Department of Work and Pensions in relation to Housing Benefit Grant is shown to be £80,000 more expensive in years 2 and 3 as the programme to implement Universal

Credit accelerates and the Council loses higher amounts of both administration grant and repayment of benefits.

90. In our standard MTFS we have assumed a 2% pay award over each year of three years of the forecast. The Pessimistic Scenario allows for a 3% wage settlement in the second and third 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 £125,000 per year to our costs over these years. The potential for these types of pay awards has increased with the Government announcing larger pay rises for key public sector workers over the last 6 to 9 months and this now being used by both trade unions and employees as a new yardstick for all public sector pay.

91. The threat however still remains that in an area which is seeing its income substantially decline and with no indications from the Government that it is willing to fund local government for public sector pay rises, wage settlements close to or exceeding the rate of inflation are likely to lead to redundancies.

92. 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 £260,000 in each of the next 2 years beyond 2018/19. 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.

93. The final factor considered in the Pessimistic Scenario is the need to finance part of the Capital Programme in 2020/21 from Revenue. This

assumes that the Council is unable to generate sufficient sales of its land and property over the next 3 years or that it spends significantly above the current forecast.

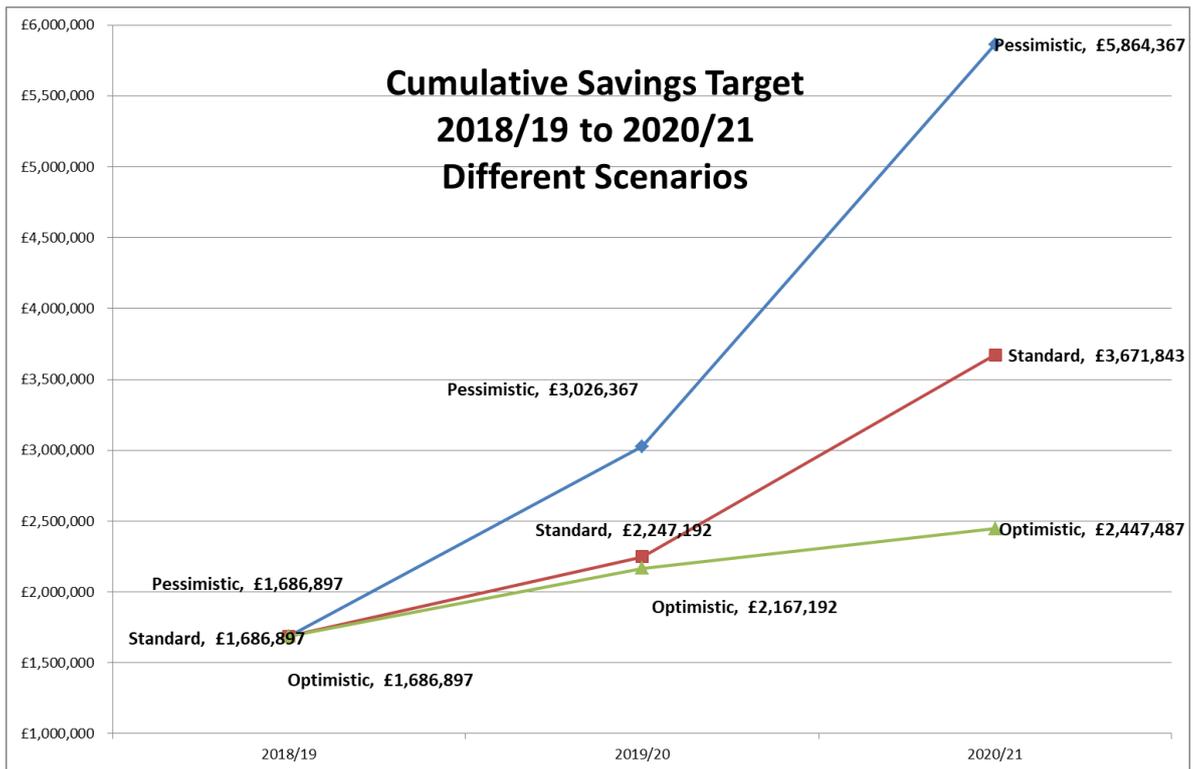
94. The combined impact of all these potential changes are illustrated at Appendix 2 and show that the savings target for 2019/20 would rise to £1.3m from £560,000 and increase the savings target to 11.9% from 5.0%. The savings target for 2020/21 of the MTFS increases from £1.4m to £2.8m, jumping from 12.8% to 26.5%.
95. 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.
96. 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.
97. The Optimistic Scenario is presented at Appendix 3. The major assumption here is that the Government does not fully withdraw its financial support to the Council in its entirety as has been previously indicated but continues to provide Hyndburn Council with some form of funding of around 50% of the level in 2019/20 which would be £750,000. This could either be in the form of continuing Revenue Support Grant or

some other new money to replace it, either through a recalculation of the Tariff amount on Business Rates or some new mechanism.

98. The Optimistic Scenario also assumes that an expanding local economy contributes to a growth in Council Tax and Business Rate Funding available to the Council in 2020/21 with £208,000 of extra Business Rates and £105,000 of additional Council Tax receipts.
99. There are some indications 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 £208,000 annual growth figure in 2020/21 could be viewed as towards the top end of what could be achieved.
100. 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 £105,000 by 2020/21 compared to the Standard Model.
101. These changes see the Council's able to replenish the loss of £750,000 in Government Grant by additional Council Tax and Business

Rates levy so that actual overall revenue would be £160,000 higher in the Optimistic Model between 2019/20 and 2020/21 and over a £1m higher in 2020/21 compared to the Standard Model.

102. The Optimistic Scenario also assumes that the Department of Work & Pensions will not reduce the Grant for the administration of Housing Benefit and the subsidy level on benefit payments at the level predicted in the Standard Model, but that it will slow down the reductions by £80,000 in 2019/20 and 2020/21.
103. Wage Inflation is also assumed to be slightly lower compared to the Standard Model by £20,000 based on the assumption that future pay deals will not favour lowly graded staff with inflation busting wage settlements, but that all staff will receive an equal pay rise. This reduces the predicted wage bill by £20,000 in 2019/20 and 2020/21 compared to the Standard Model. General non-pay inflation is not altered between the two scenarios.
104. The Optimistic Scenario considerably eases the overall savings required in each of the last 2 years with the level of savings required below 5% in 2019/20 and as low as 2.5% in the following year. 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.



105. The Overall best prediction of the savings required for the next three years are those presented at Appendix 1 of the report. This requires £1.6m of savings to be generated in 2018/19 to balance the Council’s budget with further savings of £560,000 in 2019/20 and £1.4m in 2020/21. 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.

106. 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

107. The robustness of the forecasts within the MTF5 has again weakened due to the ending of the Government's commitment around future funding up to 2019/20 and their proposal to undertake a fundamental review of local government finance, ahead of setting out the financial position for 2020/21. The uncertainty stemming from these decisions will necessitate the Council taking a defensive position in managing its finances and having to lock more funds up to cope with any negative dramatic swings from the Government's financial review.

Overall Net Position

108. The Council faces continuing pressure on its finances over the next 3 years. The reductions in the level of government grant for 2018/19 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 the Council faces two other major challenges, the ending of the Cost Share Agreement in 2018/19 and the potential need to fund Capital Expenditure from Revenue resources in 2020/21. These two items add over a £1.3m 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.

109. 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.

110. 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.

111. The single largest area of influence the Council can directly exert action over to improve its future financial position is around its Capital Programme. If the Capital Programme can continue to be self-financing beyond 2020/21 this will substantially ease the cumulative financial pressures on the Council over the 3 years of the MTFS.

Appendix 1

Three Year Standard Model Medium Term Financial Strategy 2018/19 to 2020/21

	2018/19	2019/20	2020/21
Revenue Support Grant	£ 1,998,000	£ 1,499,000	£ -
Business Rates Funding	£ 3,744,000	£ 4,049,136	£ 4,379,141
Council Tax Collection	£ 4,932,103	£ 5,185,672	£ 5,450,016
Collection Fund Surplus	£ 400,000	£ 400,000	£ 400,000
Use of Reserves	£ 100,000	£ -	£ -
Total Resources	£ 11,174,103	£ 11,133,808	£ 10,229,157
Prior Year Spend	£ 11,197,000	£ 11,174,103	£ 11,133,808
Adjustments to Prior Year			
Corporate Savings Target Adjustment	£ 165,000		
HB Admin & Subsidy	£ 120,000	£ 120,000	£ 120,000
Waste Services Lost of Cost Share	£ 821,000		
Salaries & Pension Costs	£ 255,000	£ 270,000	£ 270,000
Pension Auto Enrollment	£ 83,000		
General Supplies & Services	£ 220,000	£ 130,000	£ 130,000
Revenue Contributions to Capital Spend	£ -	£ -	£ -
Growth Items			
Estimated New Operating Costs	£ 12,861,000	£ 11,694,103	£ 11,653,808
Costs ExceeddResources by	£ 1,686,897	£ 560,295	£ 1,424,651
Percentage Savings to Balance Budget	15.07%	5.01%	12.80%

**Three Year Pessimistic Model
Medium Term Financial Strategy
2018/19 to 2020/21**

	2018/19	2019/20	2020/21
Revenue Support Grant	£ 1,998,000	£ 1,499,000	£ -
Business Rates Funding	£ 3,744,000	£ 3,856,000	£ 3,972,000
Council Tax Collection	£ 4,932,103	£ 5,034,633	£ 5,034,633
Collection Fund Surplus	£ 400,000	£ 300,000	£ 200,000
Use of Reserves	£ 100,000	£ -	£ -
Total Resources	£ 11,174,103	£ 10,689,633	£ 9,206,633
Prior Year Spend	£ 11,197,000	£ 11,174,103	£ 10,689,633
Adjustments to Prior Year			
Corporate Savings Target Adjustment	£ 165,000		
HB Admin & Subsidy	£ 120,000	£ 200,000	£ 200,000
Waste Services Lost of Cost Share	£ 821,000		
Salaries & Pension Costs	£ 255,000	£ 395,000	£ 395,000
Pension Auto Enrollment	£ 83,000		
General Supplies & Services	£ 220,000	£ 260,000	£ 260,000
Revenue Contributions to Capital Spend	£ -	£ -	£ 500,000
Growth Items			
Estimated New Operating Costs	£ 12,861,000	£ 12,029,103	£ 12,044,633
Costs Exceed Resources by	£ 1,686,897	£ 1,339,470	£ 2,838,000
Percentage Savings to Balance Budget	15.07%	11.99%	26.55%

Appendix 3

Three Year Optimistic Model Medium Term Financial Strategy 2018/19 to 2020/21

	2018/19	2019/20	2020/21
Revenue Support Grant	£ 1,998,000	£ 1,499,000	£ 750,000
Business Rates Funding	£ 3,744,000	£ 4,049,136	£ 4,587,671
Council Tax Collection	£ 4,932,103	£ 5,185,672	£ 5,555,842
Collection Fund Surplus	£ 400,000	£ 400,000	£ 400,000
Use of Reserves	£ 100,000	£ -	£ -
Total Resources	£ 11,174,103	£ 11,133,808	£ 11,293,513
Prior Year Spend	£ 11,197,000	£ 11,174,103	£ 11,133,808
Adjustments to Prior Year			
Corporate Savings Target Adjustment	£ 165,000		
HB Admin & Subsidy	£ 120,000	£ 60,000	£ 60,000
Waste Services Lost of Cost Share	£ 821,000		
Salaries & Pension Costs	£ 255,000	£ 250,000	£ 250,000
Pension Auto Enrollment	£ 83,000		
General Supplies & Services	£ 220,000	£ 130,000	£ 130,000
Revenue Contributions to Capital Spend	£ -	£ -	£ -
Growth Items			
Estimated New Operating Costs	£ 12,861,000	£ 11,614,103	£ 11,573,808
Costs Exceed Resources by	£ 1,686,897	£ 480,295	£ 280,295
Percentage Savings to Balance Budget	15.07%	4.30%	2.52%