NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 16 JULY 2019

Title of report	**REVIEW OF MEDIUM TERM FINANCIAL PLAN**
Key Decision	a) Financial Yes b) Community No
Contacts	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services Tel: 01530 454819 glyn.jones@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To present members with the impact of modified assumptions within the council's Medium Term Financial Strategy and provide an update in respect of the Journey to Self Sufficiency Programme
Reason for decision	To keep members up to date in respect of the council's financial projections.
Council priorities	Value for Money
Implications: Financial/Staff Link to relevant CAT	A review and revision of the assumptions used in the medium term financial plan and Housing Revenue Account business plan cash flow model has resulted in different projections in the forecast financial position between 2019/20 and 2023/24. These are detailed in the report. The deficit on the General Fund over this period has increased from £5.2m to £5.65m. The Housing Revenue Account surplus has reduced from £14.5m over five years to £14.3m. None.

Risk Management	There are a number of risks associated with the medium term financial plan as clearly future events cannot be accurately predicted and the economic outlook can change quickly. In addition, a great deal of uncertainty remains in the local government sector around core funding from April 2020 for the General Fund. A risk and scenario analysis is included within this report to provide readers with an understanding of the range of potential outcomes.
Equalities Impact Screening	None.
Human Rights	None.
Transformational Government	The report provides an update in respect of the Journey to Self-Sufficiency Programme.
Comments of Head of Paid Service	The report is satisfactory
Comments of Section 151 Officer	As report author, the report is satisfactory.
Comments of Monitoring Officer	The report is satisfactory
Consultees	Corporate Leadership Team
Background papers	MEDIUM TERM FINANCIAL STRATEGY CABINET 6 FEB 2018 MEDIUM TERM FINANCIAL COUNCIL 26 FEBRUARY 2019 PROVISIONAL FINANCIAL OUTTURN 2018/19 - CABINET 18 JUNE 2019
Recommendations	**THAT CABINET:** **1. NOTE THE IMPACT OF THE REVIEW OF THE MEDIUM TERM FINANCIAL PLANS ON THE COUNCIL'S PROJECTED FINANCIAL POSITION;** **2. NOTE THE FINANCE AND BUSINESS PLAN (APPENDIX A);** **3. NOTE THE PROGRESS OF THE JOURNEY TO SELF SUFFICIENCY PROGRAMME; AND** **4. APPROVE THE ALLOCATION OF £20K FROM THE SELF-SUFFICIENCY RESERVE TO FUND CONSULTANCY SUPPORT IN DEVELOPING COMMERCIAL BUSINESS CASES (AS DETAILED IN PARAGRAPH 5.11).**

1.0 BACKGROUND

1.1 The council's Medium Term Financial Strategy 2018 – 2023 was approved by Cabinet on 6 February 2018 and presents a high level, 5 year assessment of the financial resources required to deliver the Council's strategic priorities and essential services over this period in respect of both the revenue and capital plans of the General Fund and Housing Revenue Account (HRA).

1.2 The strategy promotes self-sufficiency to safeguard the Council's General Fund against future central government funding changes. A new Self-Sufficiency reserve was created as part of the setting of the 2018/19 budget.

1.3 This review forms part of the biannual monitoring cycle established as part of the new strategy and focuses on the appropriateness of the assumptions that drive the medium term financial plans and the resultant financial projections to 2024.

1.4 Assumptions on both the General Fund and HRA forecasts have been reviewed in light of the 2018/19 financial outturn, the Government's Spring Statement and other known information concerning the predictions around future funding, income and expenditure.

1.5 Funding of the General Fund from April 2020 has been reviewed in light of new information surrounding the ongoing Fair Funding Review, Business Rate Retention reform and the Local Government Spending review and as a consequence a key assumption around the resetting of the baseline funding level for business rates has been modified which has acted to increase the deficit.

1.6 Growth projections on the anticipated level of business rates have also been refreshed in light of ongoing work with the Business Focus and Revenues and Benefits teams and this has resulted in an increase in the estimated level of rates likely to be collected over the period that serves to counteract, in part, the increased deficit arising from a full baseline reset.

1.7 The overall position on the General Fund medium term financial plan is an increase of £457k in the projected deficit to 2024, taking it from £5.2m (as was the forecast in February 2019) to a revised position of £5.65m. It is to be noted that this position is much more favourable than we had anticipated a full (100%) reset would be, and this is because we have revised our growth assumptions, but still presented the likely worst-case position in respect of the changes to the business rates system. Further details can be found in section 3.

1.8 Given the level of uncertainty surrounding the outcome of the government's funding reviews, we have considered a number of scenarios alongside the base version of the medium term financial plan in order to present the range of outcomes and potential volatility in estimates surrounding future funding.

1.9 The HRA is more stable in comparison as there is not significant uncertainty over the medium term, with a surplus of £14.3m expected over five years. We continue to monitor and plan over a 30 year period and continue to forecast a deficit in the 2040s, when we need to repay the last of our self-financing loans back, or re-finance. However, we have reviewed our inflation assumptions and this has reduced the expected long-term deficit from £49.2m to £26.4m. Further detail can be found in section 4.

1.10 This report also provides an update on the progress of the Journey to Self-Sufficiency programme and how the organisation is currently responding to counteract the forecast deficit position. It is recommended that Cabinet agree to allocate a small budget provision to support the work in developing our commercial income streams and this report presents criteria for approval to allow the Strategic Director of Housing and Customer Services to approve use of the self-sufficiency reserve to fund revenue generating projects. Further detail can be found in Section 5.

1.11 Finally, Section 2 of this report details a new plan, the Finance and Business Plan, that sets out the council's vision and ambition for financial management. Section 6 details our plans to develop the 2020/21 budget and medium term financial plans.

2.0 CIPFA FINANCIAL MANAGEMENT CODE AND OUR FINANCE AND BUSINESS PLAN

2.1 In 2018 we launched our 'Finance Business Partnering' service delivery model in supporting effective financial management across the organisation. This new approach seeks to drive value for money, manage the volatility of funding streams, improve accuracy and transparency and specifically, reduce unexpected results across our revenue budgets. As a result we have seen financial performance improvements with variances between budget and outturn on expenditure and funding having reduced compared to previous years.

2.2 The Finance and Business Plan has been developed with the Finance Leadership Team based on Consultation feedback from the Finance team, the Corporate and Extended Leadership Teams and self-assessment against sector best practice guides including the consultation version of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code which is due to be published this autumn and must be adopted by all councils from April 2020.

2.3 In preparing to adopt the Code from 2020, we have developed a three year 'Finance and Business Plan' that sets out our ambitions for financial management at North West Leicestershire in driving improved financial performance and financial certainty. The Plan focuses on our intended financial management model illustrated below through four key themes:

- **Financially Skilled Leadership:** Ensuring our leaders and managers have the appropriate level of capabilities to understand and manage finance and procurement, understand the financial health of the wider organization and their role in this context.
- **A Culture of Collective Responsibility for Financial Health:** Placing responsibility for financial management and procurement at the appropriate levels across the organization and recognising the leadership role of the Finance Service in this.
- **Integrated business planning**: Further embedding and aligning financial and procurement analysis and processes into our business planning and decision making processes.
- **Streamlined Processes:** Updating our systems and processes to make them quicker and more user friendly.

2.4 The Corporate Leadership Team are responsible for the delivery of this Finance and Business Plan and will monitor its forthcoming delivery in support of the Journey to Self Sufficiency Programme. It is proposed that updates against progress of the plan is reported by the Head of Finance as part of the Finance workstream. The 'Finance and Business Plan' can be found in Appendix A.

3.0 REVIEW OF GENERAL FUND MEDIUM TERM FINANCIAL PLAN

2018/19

3.1 The final position on the General Fund for 2018/19 was a surplus of £1.525m, compared to a budgeted surplus of £299k. This is largely due to additional income in respect of Business Rates which reached £5.344m compared to a budget of £4.864m.

3.2 In line with the decisions made by council at its meeting on 27 February 2018, £1.425m of the £1.525m surplus has been transferred to the self-sufficiency reserve, taking the reserve from £2.76m to £4.19m. The remaining £100k surplus was transferred into earmarked reserves to fund a number of initiatives in support of the Council's priorities.

3.3 There has been no expenditure against the self-sufficiency reserve to date.

Medium Term Financial Plan - Original Projections

3.4 The projected financial position contained as at February 2019 shows projected deficit arising between 2019/20 and 2023/24 totalling £5.2m. A copy of the medium term financial plan can be found in Appendix B. To summarise this position, the following table details the projected financial position over the period:

	2018/19 £'000	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**TOTAL £'000**
Surplus/(Deficit)	161	370	-1,029	-2,088	-2,613	**-5,199***

** Subject to rounding*

Review of Assumptions

3.5 In March of this year, the Chancellor of the Exchequer delivered the Spring Statement which provides an update in respect of the health of the economy and the Office for Budget Responsibility (OBR) forecasts. There was no change in fiscal policy but an update to economic and fiscal forecasts. Whilst there was no announcement surrounding funding for Local Government (this is shared annually as part of the Autumn Budget), the government's forecasts in respect of CPI has relevance for the council's financial projections.

3.6 As detailed in 1.5, funding for Local Government is set to change from April 2020. Three government-led reviews are underway, each with a specific focus:

- The Local Government Spending Review – will determine the total level of funding for Local Government spending. It is not anticipated that total funding will increase for the sector.

- The Business Rates Reform – is redesigning the system to move from a 50% to a 75% system. This means that the 50% of business rates currently retained by Local Government will become 75% in exchange for the management of grants currently administered by central government.

  The revised system will also implement the reset of the business rates baseline, which represents the anticipated level of business rates within a locality. This baseline is used within the existing 50% retention system to share business rates between local preceptors and the government. Income collected that is above this baseline tends to be as a result of growth in the local area and under the retention system, is shared on a basis that is more favourable to the council.

  This council benefits from business rate income well in excess of the baseline and as a result, the resetting of the baseline continues to pose a threat to our ongoing funding position.

- Fair Funding Review – will set new baseline funding allocation for all local authorities by delivering an up-to-date assessment of their relative needs and resources, and remains underway. These funding allocations were last reviewed in 2013/14.

  Papers from the 'Needs and Resources' working group, a technical group set up to develop the new funding system have indicated some exemplifications of the effect of the revised proposals which appear to be marginally favourable to the Council.

3.7 Consultation was undertaken between December 2018 and February 2019 on both the Business Rate Reform and Fair Funding reviews. The council responded with the Corporate Portfolio Holder particularly stressing the adverse impact of a full baseline reset. The government are yet to publish their response to consultation feedback.

3.8 Appendix C includes a list of the original assumptions included in the MTFS and details of assumptions that have been revised. Sections 3.9 – 3.24 below provide explanation for assumptions that have been modified.

Business Rates Pilot, Growth and Baseline Reset

3.9 Forecasting the council's share of business rates is a vastly complex area. Forecasts must take into account not only the number of assessments included in annual billing going forward (incorporating planned and likely local business growth), but also revaluations arising on the 2017 rating list, a wide range of reliefs, occupancy levels, the movement on appeals provisions, inflation, plans around the introduction of the 75% retention system and assumptions on the methodology for the resetting of the business rate baseline from 2020/21.

3.10 The district has a number of key sectors that may be impacted by EU Exit through the movement of goods or people: Logistics, Aviation, Hospitality, Manufacturing and Aggregates. Equally the District is also home to a number of foreign owned businesses and European Headquarters for global firms whose future is less certain in light of the EU exit. Through ongoing engagement with businesses via the Council's Economic Development team, there has not been any defined thought or movement from businesses. Whilst the looming EU Exit may pose a risk to the Council's Business Rate income, officers remain unable to quantify this risk.

3.11 Growth forecasts included in the 2019/20 budget and medium term financial plan were based on known business rates assessments that would be occupied within the 2019/20 year. Forecasts for business rates forecasts from 2020 onwards were based on inflationary increases and some anticipated growth. This assumption has been reviewed against information from the Business Focus and Revenues and Benefits teams surrounding current local economic climate, business development and the likely level of resultant business rates. As a result, growth forecasts have been amended and now reflects 80% of the average growth that occurred between 2017/18 and the budgeted 2019/20 position per year. The impact of this assumption change is that an additional £6.2m of business rates are retained by the council over the period.

3.12 The resetting of the baseline funding level was previously assumed at the 2018/19 level of rates, reset on a partial (50%) basis. However, information contained within the December 2018 – February 2019 consultation on Business Rates Reform confirmed the government's intention to implement a full (100%) reset in 2020. The government did not state the level at which rates would be reset (for example, at the 2018/19 level or any other given year) which remains a risk since the later the year, the higher the business rates that are subsumed into the reset and the higher the loss of rates due to be received by the council. The council is worse off if the baseline is raised in full and our opposition to this was communicated in the council's response to the consultation in February. Given the risk associated with a full reset, the partial reset assumption has been updated to assume a full reset in order for the council to be able to consider its worst-case position. The impact of this assumption change is a reduction in business rates over the period of £10.6m.

3.13 **Council Tax**

3.14 Council tax is forecast based on any increases in precept and anticipated growth in the council tax base as a result of housing growth. The latest version of the medium term financial plan assumed growth in the council tax base of 600 per year and that the council's precept was frozen in line with the administration's council tax freeze policy.

3.15 Based on the Planning Policy team's draft trajectory for housing growth in the district, this assumption has been revised to 562 per year to reflect the downward movement in planning forecasts between 2020 and 2023 due to brought forward delivery in 2018/19 that is not expected to continue. The impact of this amended assumption is a reduction in council tax income over the period of £184k.

3.16 **Transition funding**

3.17 The Fair Funding review is considering the approach to transition from the current funding regime to the new system from 2020, including the minimising of losses that will occur in year one.

3.18 It is unlikely that the council will be compensated for any loss below the -5% that occurs as a result of its policy to freeze council tax. Therefore transition funding has been separately calculated on the basis of what the council would receive had it increased council tax.

3.19 In the February 2019 version of the plan, transitionary funding was assumed on the basis that additional funding would be granted when the council's total level of funding reduced by more than 5%, based on advice received from the council's funding advisors Pixel. Because the business rates baseline reset was only assumed as a partial (50%) reset, the level of transition funding in the base plan was £0.469m over the period. As a consequence of the revised assumption regarding the full (100%) reset of the business rates baseline, this source of funding has increased to £4.6m over the period to smooth the effects of the full reset in 2020/21.

3.20 **New Homes Bonus**

3.21 In the Government's September 2018 consultation on the Draft Local Government Finance Settlement, it was stated that 2019/20 represented the final year of New Homes Bonus funding agreed through the 2015 Spending Review. The Government stated that they would explore how to incentivise housing growth most effectively going forward and would consult on any proposed changes.

3.22 The Government had previously announced that it may increase the national baseline for housing growth of 0.4% of council tax base (weighted by band), below which the Bonus will not be paid. The provisional settlement confirmed that the baseline would be maintained at 0.4%.

3.23 Given the above and the threat that the loss of New Homes Bonus presents to the Council, the Medium Term Financial Plan previously assumed that the scheme would cease but that payments would continue to be received for legacy growth until 2022/23. This assumption has not changed.

3.24 Other scenarios for New Homes Bonus include the scheme being abolished entirely or the scheme remaining as is, please see section 3.27 below and Appendix H.

<u>Medium Term Financial Plan – Revised Projections</u>

3.25 In comparing the original and revised projections there is an adverse movement in the projected deficit over the five year period of £457k.

3.26 The revised medium term financial plan can be found in Appendix D, with the table below summarising the position to 2024.

	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Surplus/(Deficit)	325	365	-1,258	-2,103	-2,985	**-5,656**

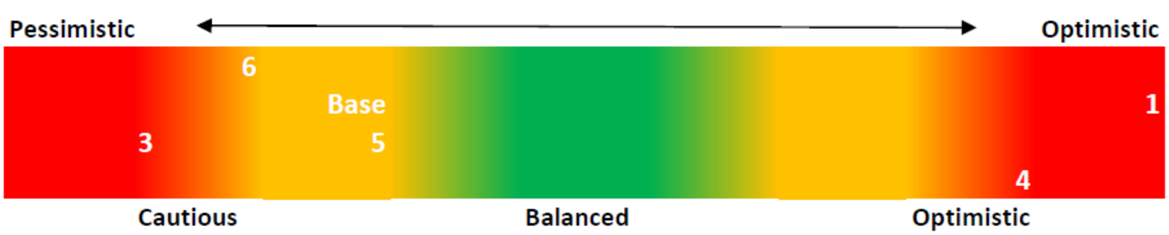
3.27 **Assessment of Assumptions and Scenario Analysis**

3.28 The below diagram and table illustrate the assessed reasonableness of assumptions used within the revised Medium Term Financial Plan alongside 6 other potential scenarios to demonstrate the range of outcomes and volatility associated with different assumptions surrounding funding.

3.29 Contained within Appendix H are some further illustrative charts to show the impact of each of the scenarios listed in the table above and their impact on the specific funding stream.

3.30 As illustrated, the base version of the medium term financial plan is cautious, but reflects the worst case position in respect of business rates.

Ref	**NHB**	**Business Rates**	**Council Tax**	**Transition**	**Expenditure**
Base	0.4% Baseline; Legacy payments from 2020	Full reset in 2020 based on 18/19 rates level	0% precept to 2024, growth 562 homes p.a	Transitionary funding in place when total resources falls below -5%.	As per budgetary forecasts
1	0.4% Baseline; Scheme continues as is	as per Base	as per Base		as per Base
2	0.4% Baseline; Scheme abolished from 2020	as per Base	as per Base		as per Base
3	as per Base	Full reset in 2020 based on 19/20 rates level	as per Base		as per Base
4	as per Base	Partial reset in 2020 based on 18/19 rates level	as per Base		as per Base
5	as per Base	Full reset in 2020 based on 17/18 rates level	as per Base		as per Base
6	as per Base	as per Base	0% precept increase to 2024, growth deflated at 400 homes p.a.		as per Base



4.0 **REVIEW OF HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL PLAN**

<u>Update following 2018/19 Outturn</u>

4.1 The 2018/19 outturn for the Housing Revenue Account was more favourable than we were expecting. The final surplus was £4.9m against a budgeted surplus for the year of £2.9m. The cause of these movements were detailed in the Provisional Financial Outturn 2018/19 report, presented to Cabinet last month.

4.2 Of this surplus, £4.6m has been transferred to the loan redemption reserve, as per Council's 2018 decision to automatically save surpluses to repay the two loans that become redeemable in March 2022. The loan redemption reserve now has the full £13m required to repay these loans; three years before the loans must be paid.

4.3 The remaining £271k has been transferred to the HRA general working balance following Council's decision in February 2019 to use our surpluses more flexibly once the loan redemption reserve reached £13m.

Updating the 30 year HRA Business Plan

4.4 In our February 2019 MTFS report we reported that we expected a shortfall to arise in 2041/42 of £8.4m, with a further £40.8m shortfall in following years up to 2048/49. The additional unbudgeted surplus from 2018/19 of nearly £2m and the £4.2m underspend on the capital programme reduces this shortfall.

4.5 We have also taken the opportunity to review and update some of the key assumptions within the HRA business plan. Full detailed are included in Appendix F, but some of the key changes are:

- **Adjusting our cost inflation assumption.** We had previously assumed that inflation would be 3.5% per year. We have revised that down to 2.5%, which is closer to the Bank of England's target rate of 2%, although we expect housing management costs to increase slightly more than general inflation. This reduces our expected costs over the 30 years by £43.5m.

- **Increasing Right to Buy Sales.** Tenants are continuing to enjoy the option of buying their home and actuals sales have outstripped our past estimates. As a result we have increased our estimate of the number of properties we sell through the right to buy scheme from 36 to 40 in 2019/20, which is in line with our budget, and 42 per year for the four years after that, after which the numbers taper down to 0 by the end of the 30 year period. This reduces our net income by £8.1m over 30 years.

4.6 As a result of these changes the shortfall we are expecting has reduced to £26.4m over the 30 year period. This shortfall arises as the Capital Programme needs funding from 2041/42.

4.7 This means we have a favourable change of £22.8m since the last Medium Term Financial Plan reported in February 2019. This illustrates the high degree of uncertainty in forecasting a 30 year period as our model is highly sensitive to small changes in assumptions, such as changes in our expected capital expenditure and measures of inflation. We will continue to monitor the 30 year financials but most of our focus will remain on the medium term period of the next five years.

The five year snapshot

4.8 The table below provides a summary of the next five years of cash flows for the HRA. The February 2019 figures can be found in Appendix E and a more detailed breakdown of the table below in Appendix G.

HRA	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	TOTAL £'000
Total Income	17,649	18,026	18,414	18,775	19,194	92,058
Total Expenditure	-11,308	-11,547	-11,761	-11,982	-12,212	-58,810
Contribution to the Capital Programme (RCCO)	-1,700	-1,069	-104	-413	0	-3,286
Financing Expenditure	-3,223	-3,264	-3,246	-2,987	-2,953	-15,672
Surplus	**1,418**	**2,146**	**3,302**	**3,393**	**4,030**	**14,289**

4.9 It shows that the HRA continues to generate healthy surpluses over the five year period totalling £14.3m. This is a result of additional income from rent increasing by CPI plus one percent from next year, as well as income from our new affordable properties.

4.10 The five year programme shows that we anticipate making further contributions to the capital programme in the three years from 2020/21 to 2022/23 in order to fund the non-new build elements, such as the Home Improvement Programme and Estate Improvements Works. This is because our current planned works exceed the level which can be funded through the Major Repairs Reserve and other capital funding sources.

4.11 The new build programme remains fully funded as a result of the continuing receipts from our right to buy sales, which can only be used to buy or build new properties to be let at affordable rent levels. This programme currently has healthy balances, but Central Government expects us to return these balances to HM Treasury if they are not spent within three years. There is currently a small risk, which officers are managing, that we may return some of the funding in 2020/21 if planned projects do not come to fruition. Government has also recently consulted on increasing the period of time to spend right to buy receipts from three years to five and we are awaiting their response.

5.0 JOURNEY TO SELF-SUFFICIENCY RESERVE AND PROGRAMME

5.1 As detailed in paragraph 3.2 above, the self-sufficiency reserve now stands at £4.19m, well ahead of the original projections contained within the Medium Term Financial Plan. There has been no expenditure to date against the reserve.

5.2 The reserve is intended to balance future projected deficit General Fund budgets and/or to fund initiatives that reduce ongoing expenditure or generate additional income and it is planned for the budgeted surpluses forecast to arise in 2019/20 and 2020/21 to contributed to this reserve taking it to £4.7m by March 2021. This means that if we were to use this reserve to balance deficit years only, we would be able to meet the majority of the projected deficits that arise between 2022 and 2024. Furthermore, using the reserve only to balance a deficit year means that the reserve is utilised and cannot be utilised to invest in revenue generating activities or assets.

5.3 The council launched the Journey to Self-Sufficiency Programme in 2018 to promote self-sufficiency and the safeguarding of the council's financial position against anticipated future central government funding changes whilst also maximising the use of government grant and local income.

5.4 The programme is defined by four key workstreams, each of which are summarised below with a summary of progress since the last report to members in February 2019:

5.5 **Our Commercial Approach – Being More Business Like**

5.6 A Commercial Strategy for the council was approved by Cabinet on 9 October 2018. The strategy lays out how the council will focus on income generation and developing the culture of the organisation to become more commercial in all areas. The Head of Legal and Commercial Services is now leading the implementation of the strategy. During the first 9 months of the project the building blocks have been put in place to ensure that the council is in the best place to take advantage of commercial opportunities and take a more business-like approach to the way that we run our services.

5.7 Key tasks have included:

- A staff survey to benchmark the organisational awareness of the commercial agenda
- Project governance and "Think Tank" project team established. The Think Tank is a cross organisational group representing different levels and services in the organisation. It delivers key pieces of work, provides a sounding board and resources to managers exploring new ideas and collates success stories.
- Data capture exercise completed with team managers on current fees and charges, new income generation ideas and potential future customers/markets. This work has informed the development of the new fees and charges policy, provided projects for 19/20 and will inform decisions about future trading models and corporate structures.
- A commercial skills programme was delivered between April and July 2019. 240 places were provided on 8 courses which were open to all staff which included the following themes:
    - Powers to trade on a commercial basis
    - Procurement
    - Local authority decision making
    - Developing a commercial business case with practical project management
    - Knowing our markets and selling to them
    - Change management
    - Investment appraisals
    - Business improvement techniques

- Six out of the eight sessions were delivered by our in house teams, making the most of the talent, knowledge and resources and keeping the costs of the programme to a minimum. The programme was delivered for £1500 which equates to £6.25 per place.
- Snap shot trading accounts to be created to facilitate more business-like budget management and equip managers to innovate and take advantage of commercial opportunities.
- Corporate "umbrella" branding developed and rolled out to services.

5.8 Work has commenced on:

- Reviewing the 23 new income generation ideas which have been put forward by managers for exploration in 19/20

- Rolling out the creation of snap shot trading accounts – to be completed by September 2019.
- Linking the commercial work to the People Plan – this includes embedding commercial skills and acumen into our recruitment processes and developing an e-learning module for staff to complete during the probationary period.
- Developing a commercial guide for managers to access on line. This will include training materials, advice, guidance and templates for managers to use to develop a new business idea or review current systems and processes to be more efficient.
- Early thinking on the creation of a new corporate trading vehicle – considering the financial viability.
- Working with Finance to support the creation of a new financial monitoring system that will better enable the monitoring of income and the net financial position of service areas.
- Considering what resources we need to deliver on the 19/20 projects.

5.9 The early stages of the commercial strategy have been about putting key building blocks in place, particularly in relation to staff skills and confidence, about enhancing corporate knowledge of our current fees and charges and beginning to develop a business like culture which fosters innovation, accountability and empowerment. Whilst the focus of the early work has not been about income generation, this approach has begun to pay dividends with the new income being generated, opportunities being explored or efficiencies made in the following areas:

- £40K saving from consolidating the procurement of advertisements and public notices
- £1,750 (18/19) and (£150) from the provision of communications and design services to another Local authority
- £2,500 (estimate as work is ongoing) from the provision of democratic services and elections support to 2 local authorities.
- Negotiations are in progress to extend the provision of Internal Audit services by NWL from 1 to 2 local councils.
- Discussions are taking place about the provision of payroll services by NWL to 2 local authorities.

5.10 Some of these figures may seem small in the context of the overall budget. However, they are significant in terms of culture, confidence and reputation of our services, some of whom have never been asked to operate in a commercial context before.

5.11 As part of the Commercial workstream of the Journey to Self-Sufficiency Programme it is proposed that £20k is allocated to the Commercial workstream of the Journey to Self Sufficiency Programme for the purposes of providing professional consultancy support to assist in the development of commercial business cases.

5.12 **Asset Management**

5.13 External advisors were commissioned to carry out a market appraisal of our corporate buildings and (non-housing) land, and this work was completed in February 2019. As part of this review, valuations and net yields were produced for the 12 core properties in the Council’s commercial portfolio, and a number of recommendations were made regarding the future use of these assets.

5.14 Determining our future approach for each asset will form a key part of our strategic approach to property management. This will be outlined in our new five year Asset Management Strategy which has been produced in draft format, and is planned to be considered by the Corporate Scrutiny Committee on 4 September 2019. The strategy will enable us to enshrine financial sustainability when making more effective decisions about council property and land assets in future.

5.15 Reducing Corporate Costs

5.16 The phase 2 restructures followed on from the senior management restructure which was implemented in February 2018 and are led by The Chief Executive Head of HR and Organisational Development. Annual revenue savings across the organisation of £68k have been achieved, of which £36k related to General Fund and £32k the Housing Revenue Account (excluding the anticipated one off redundancy costs charged to the General Fund of £25k).

5.17 A Phase 2 restructure has been reviewed by CLT and is currently out for consultation with employees and trade unions. If the proposals are not changed significantly following the consultation there will be an additional cost of £4k to the establishment. The review anticipates that further savings will be achieved after a two year period when the planned measures to improve the Customer First programme and the increasing digitalisation of services have made more progress. The Cultural Services review is due to be completed in late summer 2019.

5.18 All Team Managers of the council's corporate support services formed a group led by the Head of Finance to review how each service area can flex to deliver savings against the target of £200k reduction in corporate costs that was committed as part of the decision to outsource the councils leisure centres. Savings of £134 have been identified and included in the 2019/20 budget. It is anticipated that annual savings of £200k will be achieved from 2020. A vacancy review process has been implemented for all corporate support services to allow for thorough review of vacancies arising with a view to minimise central support costs where possible, and the savings achieved through this process coupled with savings in relation to supplies and services amount to £74k. A report will be considered at CLT in July 2019 to identify the approach to seek to achieve the necessary level of savings – in the first instance to try to achieve the savings through voluntary reductions, flexible retirements etc. that minimise the likelihood of redundancies as required by our Employment stability policy and legal obligations.

5.19 **Finance**

5.20 The Finance workstream has started to review areas where the council could procure and budget collectively.

5.21 In June, the Finance team launched a Financial Sense Check Tool and Investment Appraisal Tool. Both tools are designed to help officers think through the financial implications of a project and determine whether it should proceed.

5.22 Following completion of annual accounts, work commenced on the Snapshot trading accounts being fed into the Commercial Think-Tank. This exercise will enable service areas to understand the net financial position of their business activities and determine the level of appropriate fees and charges going forward.

5.23 Going forward, the Finance workstream will be consulting officers on a revised Corporate Fees and Charges Policy and this will be presented to Cabinet in September 2019 for approval. The new policy will focus on the use of accurate financial data to determine the charging strategy of income generating areas and future fees and charges levels.

5.24 Finally, the workstream will be redesigning the financial monitoring system to better enable the monitoring of income and the net financial position of service areas.

6.0 DEVELOPING THE 2020/21 BUDGET AND MEDIUM TERM FINANCIAL PLAN

6.1 The Medium Term Financial Plans will be updated and presented alongside the draft and final 2020/21 revenue budgets and 2020/21 – 2024/25 capital programmes presented to members in December 2019 and February 2020 as part of the budget setting process.

6.2 The government's Autumn Budget announcement and local government provisional and final settlements will be used as the main basis for assessing and, where necessary, revising assumptions.

6.3 The MTFS will be developed further to include greater emphasis on assessment of financial risk and the sensitivity of financial plans to results that differ from the core assumptions.

Appendix A

Finance and Business Plan

2019 – 2022

Preface

North West Leicestershire District Council is changing the way it manages its finances. This plan sets out the vision for finance and business across the organisation and the principles for the transformation that is needed to ensure the council builds upon its stable financial position and deliver more for its 100,000 residents and over 4,000 businesses.

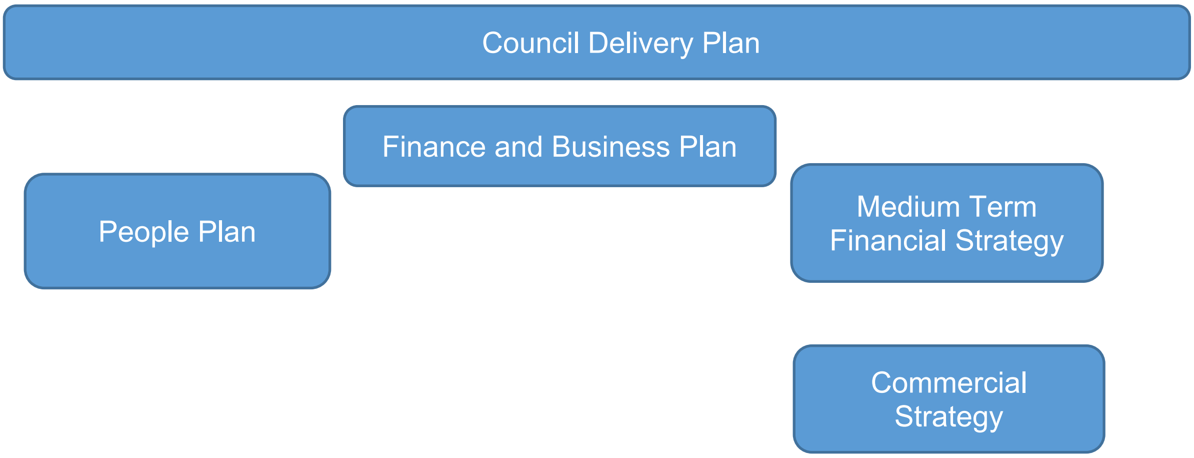
The Council is financially strong. We are part of the Leicestershire Business Rate Pool, have strong housing growth, and have been successful in delivering an ongoing balanced budget. We currently hold generous reserves, in a position where redeeming debt can be repaid and have a clear financial plan.

But the local government finance landscape is changing. There are three central government reviews underway and over 60% of our current funding could be affected. We need to act now to ensure we can sustain our financial health both now and in the future and continue to develop our organisational wide financial management approach to ensure it meets the needs of our organisation now and in the future.

The purpose of this plan is to drive forward financial management culture change, including the organisations approach to procurement and contract management. This plan will enable the Council to move away from a view that financial management and procurement is the responsibility of the Finance Team, but instead recognise that it is a cross cutting theme that spans the full organisation and underpins the very core of all plans.
This plan outlines how we will deliver this change and reinforces our commitment to sustaining our strong financial position both for the medium and long-term and provides the mandate to mobilise an ambitious change programme that will transform the authority's approach to financial management and procurement and the constructive challenge of this at all levels.

Linked Strategies

This plan underpins the deliverability of a number of core strategies and will support the delivery of the Council's Council Delivery Plan as outlined in the illustration below:



Strategic Context: The Challenges Ahead

Local government funding is changing. Currently there are three local government finance reviews underway which will be implemented from April 2020: the Fair Funding review; Business Rates Reform; and Local Government Spending Review.

These reviews will change the landscape in which we operate. Specifically, through Business Rates Reform, the Government intend on resetting the business rates baseline in full at 2018/19 business rates levels. This means that the Council will be significantly worse off as it will lose its ability to benefit from recent business growth in the area. The government have also indicated that the New Homes Bonus scheme will be reviewed and we are currently awaiting further detail on plans.

Over 60% of General Fund activities are funded by Business Rates and New Homes Bonus funding. This means that these Local Government funding reviews present a very real threat to the council's ongoing financial sustainability. This is why our Medium Term Financial Strategy (which was developed in 2018) created the Journey to Self-Sufficiency Programme, introduced a new self-sufficiency reserve and implemented a new approach in refreshing the medium term financial plans twice a year.

To sustain our strong financial position across the organisation, the Finance Service and the organisation as a whole need to make better use of technology and finance skills to better focus on supporting decision-making by driving and enabling the creation and addition of value. Our job is to help decision-makers decide where to allocate public money, how to control it and how to invest it in a way that gets the best value for taxpayers and tenants.

Delivery of this plan will broaden organisational understanding of financial and business concepts.

Current Position

The Council's General Fund has historically achieved additional and unplanned surpluses at year end and as a result, reserves have risen. The Council's healthy reserves level means that it is able to invest heavily in assets. Between 2019 and 2022 we are developing a £23m brand new leisure facility in Coalville, predominantly funded through internal reserves. This investment, along with expenditure against other existing plans that utilise reserves will see the Council need to borrow to fund its ongoing General Fund Capital Programme from 2022.

Better planning and financial forecasting now means that the Council is less likely to achieve unplanned results and whilst this is a positive in that we can more reliably determine our financial position (and avoid the missed opportunities that positive but unplanned outcomes present), we must ensure value for money now more than ever to ensure resources are utilised in the right way.

Our latest General Fund medium term financial plan presents a range of outcomes associated with the ongoing local government funding reviews, and projects a deficit of £5.2m between 2019 and 2024. Our Self-sufficiency reserve is set to stand at £4m by March 2020.

The Housing Revenue Account continues to maintain a very strong financial position. Medium term financial projections show that this position will continue until the redemption dates of self-financing loans in 2037. The Council have agreed to not continue to automatically set aside its budgeted HRA surpluses for the repayment of maturity loans that fall due from 2037, allowing for a more flexible approach to refinancing and reinvesting surpluses back in to the Housing service.

Our Plan:

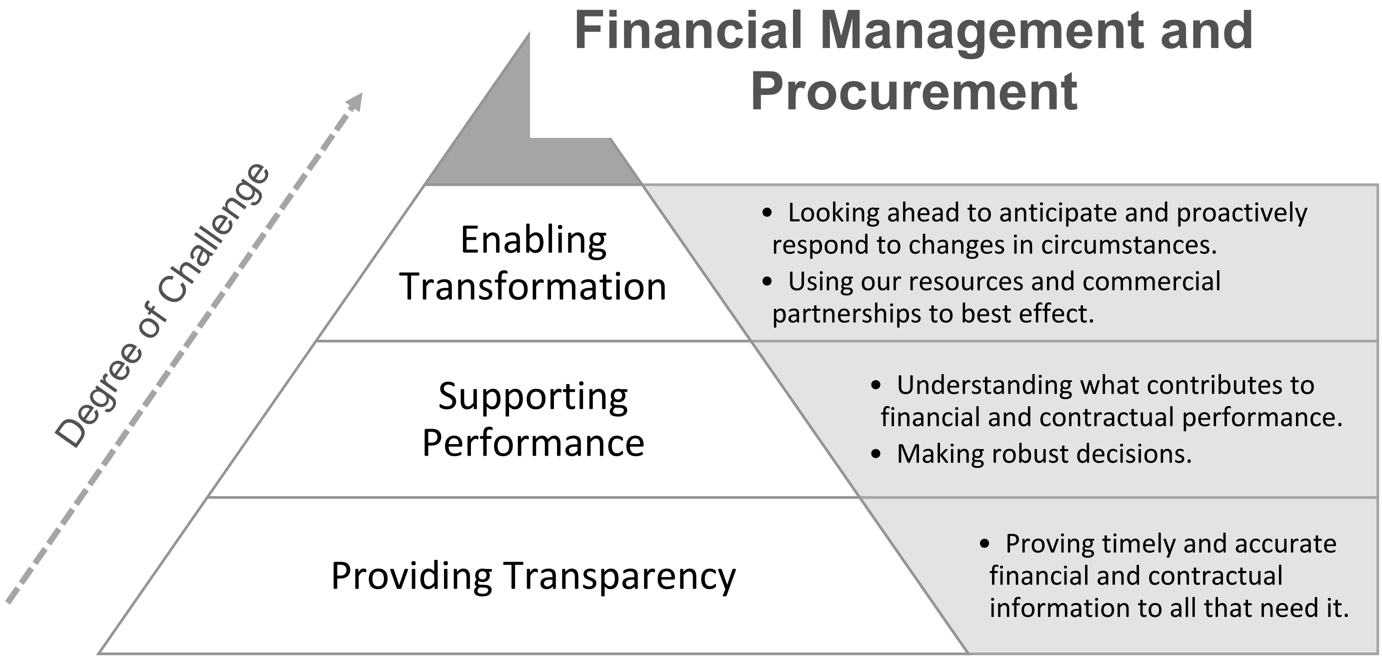
We need to have the skills, knowledge and processes to ensure the Council can adapt to the challenges of the future. This means strengthening our financial management and procurement across the Council so that Members, our corporate and extended management teams and other budget holders, and Finance staff are all equipped with the information and skills needed to manage the Council's finances and procurement activities.

Figure 1 below outlines what world class financial management [1] looks like. This hierarchy of financial management styles loosely maps onto the components of value for money: economy, efficiency and effectiveness. This model is underpinned by a variety of more detailed good practice guides.

For the purposes of this Finance and Business Plan, we have removed the reference to 'world class' on the basis that whilst we do not need to be first class, we do need to be sufficiently abled enough in all areas of financial management in order to remain financially resilient. For completeness we have also included 'procurement'.

[1] Financial Management hierarchy by CPA Australia as referenced in the CIPFA Financial Management Code (consultation version)

Figure 1



In late 2018 we consulted the Finance Team and our Corporate and Extended Leadership Teams. We received a great deal of feedback around the vision for finance and areas to focus on.

We have also assessed ourselves against a variety of detailed good practice guides, including the consultation version of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code (which is due to be adopted by all local authorities from April 2020) and also the National Audit Office (NAO) Financial Management Model.

This assessment and the consultation exercise shows that we need to focus on the following areas to see the biggest changes in our financial management:

- **Financially Skilled Leadership:** Ensuring our leaders and managers have the appropriate level capabilities to understand and manage finance and procurement, understand the financial health of the wider organization and their role in this context.

- **A Culture of Collective Responsibility for Financial Health:** Placing responsibility for financial management and procurement at the appropriate levels across the organization and recognising the leadership role of the Finance Service in this.

- **Integrated business planning**: Further embedding and aligning financial and procurement analysis and processes into our business planning and decision making processes.

- **Streamlined Processes:** Updating our systems and processes to make them quicker and more user friendly.

The delivery of this plan will be managed through a number of work streams:

- Workforce Development and Financial Management Culture
- Process Improvements

- Decision Making
- Monitoring and Forecasting; and
- Financial Reporting

The table below details the specific work and outputs against these workstreams. In order to deliver this plan work is required to ensure a fit for purpose finance team, including, but not limited to a review of the current position against requirements. This work will be led and delivered by the Head of Finance through a series of separate workstreams including the output of the final assessment against the published CIPFA Financial Management Code (anticipated publication date - June 2019).

Workstreams 2019 - 2024

Work Stream	Work Required	Outputs	Benefit	Corporate Lead(s)
Process Improvements	• Procurement and implementation of new finance system • Integration of finance monitoring to In-Phase performance management system	• New finance system • Integrated performance and finance monitoring	• Reduction in human time spent developing monitoring information and other manual processes and therefore release of Finance and key management staff time to focus on value-adding activities and to translate financial data and trends	Head of Finance Head of Customer Services Head of HR and Organisational Development
Workforce Development & Financial Management Culture	• Update of Financial Procedure Rules • Develop staff Guide on financial management • Gap analysis between current position and requirement of Budget Holders' Financial Management capabilities • Align required position to corporate HR frameworks. • Wider organisational engagement / promotion and buy in	• Clear and concise Finance Procedure Rules • Plain English staff Guide that compliments the FPR's and specifically explains Budget Holder responsibilities • Establishment of corporate Financial Management Standards and capabilities. • Adoption and adaption of corporate standards into	• Reduced reliance on senior Finance staff to interpret FPR's • Organisational cultural change • Every officer understands the Council's commitments to financial management and their contribution to it. • Improved understanding across the organization in respect of Procurement	Head of Finance Head of HR and Organisational Development

Work Stream	Work Required	Outputs	Benefit	Corporate Lead(s)
	• Establishment of Finance leads such as champions in each service area. • Development of Procurement Strategy • Development of Contract Management Guide	capability / competency frameworks. • Our Procurement approach is widely understood • Our contracts are managed effectively across the organisation	approach and processes • Contracts are managed effectively reducing risk of financial loss	
Decision Making	• Establish standardised investment appraisal approach • Identify key budget lines for each service area • Establishment of key cost and income drivers for key budget lines • Establishment of unit costs for key services • Establishment of key organisational income streams • Establishment of pricing strategies	• Investment appraisal tool • Agreed number of key budget lines for each service area based on value and risk • Key cost drivers understood • Unit cost per key service • Top income streams known and reported on • Fees and charges policy • Pricing strategies of current and new opportunities clearly mapped out ensuring best value	• All investment decisions are made on the same basis • Budgetary areas of each service area understood and are of a focus for monitoring and control purposes • Ability to model the impact of potential changes in the external environment that affect cost/income drivers and resultant expenditure/income, increasing the ability to mitigate risk and maximise opportunities	Head of Finance Head of Legal and Commercial Services Corporate Leadership Team

Work Stream	**Work Required**	**Outputs**	**Benefit**	**Corporate Lead(s)**
	• Support refinement of project management approach in respect of financial monitoring • Support the review of corporate assets	• Refreshed approach to monitoring of finance for projects • Revised Corporate Asset Management Strategy	• Ability to understand the associated • Best value obtained for services provided • Ability for the organization to act commercially • Improved monitoring of project benefits • Financially sustainable asset portfolio that contributes positively to the financial position of the council	
Monitoring and Forecasting	• Profiling of budgets • Establishment of meeting management protocol for Finance Clinics • Developing the organisations approach to scenario modelling in the medium term financial plan • Develop new approach to balance sheet monitoring	• Budgets aligned with anticipated level of spend/income • Finance Clinic forward plans and agendas • Scenario analysis on service demand and costs • New approach to monitoring commercial investments	• Current financial position better understood - Over/Under spends are not reported in error • Expectations of budget holders and Finance clearly understood • Effective use of time of budget holders and Finance • Opportunity for robust challenge • Ability to model financial impact of different demand	Head of Finance Corporate Leadership Team

Work Stream	Work Required	Outputs	Benefit	Corporate Lead(s)
			levels and service delivery models • Ability to monitor the contribution of commercial investments to the organisations financial position	
Financial reporting	• Work with the Stakeholders to identify their information requirements including; content, timing, frequency and level of detail. • Assess the Chart of Accounts and current reporting systems for the ability to deliver reporting requirements. • Design a reporting suite that meets the needs of the Stakeholders. • Allocate resources and responsibility for report delivery. • Business analysis to identify scope of opportunity and progress against it. •	• Real-time integrated management information reporting that is scheduled and sent directly to budget holders • Ability to build additional/tailored data reports • Volume of accounts reduced • Increase Self-Serve as a means of obtaining information and initiating finance processes/approvals • New process map of all finance processes	• Fewer number of budgets will focus staff time in monitoring and managing • Reduction in paper and staff-time spent on double-keying data • Customers empowered with meaningful information	Head of Finance Corporate Leadership Team

Appendix B

GENERAL FUND MEDIUM TERM FINANCIAL PLAN – ORIGINAL

	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
	£000	£000	£000	£000	£000
Base Budget					
Indicative Base Budget (based on services assessment)	14,725	13,683	14,757	15,045	15,358
Total Budget before Savings/Surplus	**14,725**	**13,683**	**14,757**	**15,045**	**15,358**
Transfer to reserves					
(Savings Required)/Surplus to Self-Sufficiency Reserve	161	370	(1,029)	(2,088)	(2,613)
Total Final Expenditure Budget	**14,886**	**14,053**	**13,727**	**12,957**	**12,746**
Funding					
Revenue Support Grant	0	0	0	0	0
Business Rates	6,387	6,167	6,286	6,396	6,498
New Homes Bonus	3,068	2,418	1,887	891	0
Council Tax	5,341	5,436	5,554	5,665	5,784
Council Tax Surplus	90	32	0	0	0
Other grants					
Damping		0	0	5	464
Total Funding	**14,886**	**14,053**	**13,727**	**12,957**	**12,746**

Appendix C

GENERAL FUND REVENUE PROECTIONS 2019 – 2024
KEY ASSUMPTIONS

	Assumptions of Medium Term Financial Plan – January 2019	**Revised Assumptions and additional information of the Medium Term Financial Plan – June 2019**
Base Budget 2019/20	1. As per 2019/20 draft budget.	1. As per 2019/20 final budget.
Indicative Base Budget 2020/21 – 2023/24	2. Stabilisation of planning fees from 2018/19 at £1.2 million per annum	2. No change
	3. Stable car parking charges and income	3. No change
	4. Local Council Tax Reduction / Support Scheme grant to town and parish councils reducing by £25,000 (approximately 25%) each year over four years, and maintain Special Expenses at their current levels	4. No change
	5. Pay award in line with Local Government Pay Offer, with 3% built in for 2019/20 and 2% each year thereafter, pending a detailed redesign of the council's existing pay structure	5. No change, redesign of the council's pay structure has been implemented.
	6. Pensions and national insurance costs inflated at anticipated levels to 2024.	6. No change. Additional pension contributions due to be confirmed later in the year. The 1% annual increase included in the base budget have been tested and has been confirmed as reasonable.
	7. Adjustment to align with the governments forecasts for CPI as announced as part of the Spring Statement: 2019/20 – 1.8% 2020/21 – 2022/23 – 2%	7. No change, as confirmed via the Spring Statement
	8. Return on investments at previously achieved performance level of 0.7%, with no additional targets included for commercial activity such as a Local Housing Company or investment into property funds	8. No change. Anticipate change in line with 2020/21 budget and resultant investment income.
	9. Apprenticeship levy of 0.5%	9. No change
	10. That the council saves £100k in corporate overheads in 2019/20 and	10. No change. The 2019/20 base budget has been aligned with the

	£200k from 2020/21 and saves £25k in year 1 based on the net position of the new leisure outsourcing arrangement. Additional interest and minimum revenue provision (repayment of internal debt) is also factored in from 2020/21.	management fees payable to and from the contractor. Management fee payable: 2019/20: £529,000 2020/21: £280,000 2021/22: £208,000 Management fee receivable: 2022/23: -£59,000 2023/34: -£321,000
Revenue Support Grant	11. RSG is phased out in 2018/19. Although it should be noted that until the outcome of the Fair Funding review is known, negative RSG is absorbed into the council's business rate baseline funding level, reducing the council's funding position by: • 2019/20: nil • 2020/21: -£210k • 2021/22: -£270k • 2022/23: -£320k	11. No change, subject to the outcome of the Fair Funding review.
Business Rates	12. Partial Business Rates Baseline reset in 2020/21 at the 2018/19 level of business rates collected with transition payments assumed so that the council's net funding doesn't reduce below 5%. 13. 75% Business Rate Retention system implemented in 2020/21 14. Tariff on business rates income in line with Government announcement in respect of 2018/19. 2019/20 and beyond assumed at anticipated level before the announcement in respect of 2018/19. These projections will be updated once firmer detail is understood.	12. Full Business Rates Baseline reset in 2020/21 at the 2018/19 level of business rates collected with transition payments assumed so that the council's net funding doesn't reduce below 5%. Subject to the outcome of the 75% Business Rates Retention system reform and the Fair Funding review. 13. No change. Business Rates are aligned with the 75% retention business rates pilot. 14. No change
New Homes Bonus	15. That New Homes Bonus funding is removed from 2020/21 but that legacy payments continue and reduce to NIL by 2023/24.	15. No change, pending outcome of Fair Funding Review.
Council Tax	16. Council tax assumed at 0% increase to the council tax base per annum.	16. No change, on the basis of the Conservative Party Manifesto commitment.

	17. Estimates of council tax base increase of 1.8% every year (broadly 600 homes each year) which impacts on council tax base and NHB. Note that the average increase since 2014 has been in the region of 700 new homes per year. NB – A report was presented to Cabinet in December which amended the current discounts offered on second homes and empty homes. This will marginally increase the council tax base and therefore the income collected. These assumptions have now been built into the calculations.	17. Council tax base increases are 562 properties per year.
Council Tax Surplus	18. £90k surplus for 2019/20, assumed at £32k 2020/21 and to NIL from 2021/22.	18. No change.
Other	19. Self Sufficiency Reserve of £2.76 million. 20. That we will maintain a minimum General Fund working balance will be maintained at the higher of £1.5 million or 10% of net expenditure to 2023 21. The General Fund Capital Programme is fully funded. 22. Transitionary measures based on assumption that the council will not suffer a loss of total resources of more than 5% in any one year. 23. Minimum Revenue Provision policy revised in line with Statutory Guidance – impact to 2019/20 negligible, but increase in MRP for future years.	19. Self Sufficiency now stands at £4.2 million. 20. No change. 21. No change. Resultant increases in finance costs reflected in base budget. 22. No change. 23. No change. Anticipated increase in financing costs in future years, not only reflects the MRP policy change but also costs related to the council's need to borrow in 2022 as identified in the Treasury Management Strategy presented to Cabinet in February 19
Transition Funding	24. Assumed to be received when core funding reduces by more than 5% of total funding. Calculated on basis that council tax precept has been increased.	24. No change, however amount assumed has increased due to change in assumption on resetting of the business rates baseline.

Appendix D

GENERAL FUND MEDIUM TERM FINANCIAL PLAN – REVISED

	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
	£000	£000	£000	£000	£000
Base Budget	14,772				
Indicative Base Budget (based on services assessment)		13,683	14,757	15,045	15,358
Assumed Base Budget (5% increase year on year)					
Total Budget before Savings/Surplus	**14,772**	**13,683**	**14,757**	**15,045**	**15,358**
Transfer to reserves					
(Savings Required)/Surplus to Self-Sufficiency Reserve	325	365	(1,258)	(2,103)	(2,985)
Total Final Expenditure Budget	**15,096**	**14,048**	**13,499**	**12,942**	**12,374**
Funding					
Revenue Support Grant	0	0	0	0	0
Business Rates	6,598	4,056	4,811	5,569	6,332
New Homes Bonus	3,068	2,418	1,887	891	0
Council Tax	5,341	5,430	5,519	5,608	5,697
Council Tax Surplus	90	32	0	0	0
Levy Account Surplus					
Other grants					
Damping		2,112	1,281	873	345
Total Funding	**15,096**	**14,048**	**13,499**	**12,942**	**12,374**

Appendix E

HRA BUSINESS PLAN MODEL PROJECTIONS – February 2019

Year £'000	2019.20 1	2020.21 2	2021.22 3	2022.23 4	2023.24 5
INCOME:					
Rental Income	17,008	17,607	18,058	18,463	18,881
Void Losses	1	-144	-147	-151	-154
Service Charges	553	567	587	607	629
Non-Dwelling Income	86	82	79	75	73
Grants & Other Income	276	274	272	271	269
Total Income	**17,925**	**18,386**	**18,848**	**19,266**	**19,697**
EXPENDITURE:					
General Management	-2,261	-2,325	-2,407	-2,491	-2,578
Special Management	-710	-727	-753	-779	-806
Other Management	0	0	0	0	0
Rent Rebates	0	0	0	0	0
Bad Debt Provision	-100	-107	-110	-113	-115
Responsive & Cyclical Repairs	-5,315	-5,446	-5,627	-5,814	-6,030
Total Revenue Expenditure	**-8,386**	**-8,604**	**-8,896**	**-9,197**	**-9,529**
Interest Paid	-2,252	-2,227	-2,198	-1,862	-1,835
Finance Administration	-10	-8	-9	-9	-9
Interest Received	109	186	228	193	253
Depreciation	-3,139	-3,173	-3,179	-3,185	-3,195
Net Operating Income	**4,247**	**4,559**	**4,795**	**5,207**	**5,383**
APPROPRIATIONS:					
FRS 17 /Other HRA Reserve Adj	-1,389	0	12,990	0	0
Revenue Provision (HRACFR)	-1,128	-1,154	-14,180	-1,206	-1,234
Revenue Contribution to Capital	-1,700	0	-100	-616	0
Total Appropriations	**-4,136**	**-1,154**	**-1,290**	**-1,823**	**-1,234**
ANNUAL CASHFLOW	**111**	**3,406**	**3,505**	**3,384**	**4,149**
Opening Balance	1,000	1,111	4,517	8,022	11,406
Closing Balance	**1,111**	**4,517**	**8,022**	**11,406**	**15,555**
Other HRA Reserve Balance	0	0	0	0	0
HRA Debt Repayment Reserve	13,000	13,000	0	0	0
HRA New Build Reserve	0	0	0	0	0

Appendix F

HOUSING REVENUE ACCOUNT PROECTIONS 2019 – 2024
KEY ASSUMPTIONS

	Assumptions of Medium Term Financial Plan – February 2019	Revised Assumptions of the Medium Term Financial Plan – June 2019
Income (Rents)	1. As per Government rent policy of CPI + 1% for five years and then CPI + 0.5% for the remaining 25 years. CPI assumed at 2%. 2. Rent loss performance on empty homes sustained at 0.8% for the life of the plan 3. Right to Buy sales projected to be 36 in 2019/20, 34 in 2020/21 and falling to 30 per annum thereafter. 4. 37 new homes added to the housing stock during 2019/20 at affordable rent levels and 20 in 20/21	1. No change 2. No change 3. Right to Buy sales increased to 40 in 2019/20, 42 in 2020/21 to 2023/24, 41 for the 4 years to 2027/28 in which is move to 40 in 2028/29 and decreases by two per year until it reaches 0. 4. 26 new affordable properties added to stock levels in 2019/20 with 20 properties added in 2021/22.
Base budget	5. Inflationary increase of 3.5% per annum.	5. Inflation increased revised down to 2.5% to bring to closer to Bank of England target rates.
Other	6. Surplus balances on the HRA to be transferred to the loan redemption reserve to repay the first £13 million of maturity loans. 7. HRA Capital Programme is full funded 8. The 30 year capital programme cost projects for the HRA was £186 million.	6. We now have £13 million so surpluses will be retained in working balances unless needed for other reasons. 7. No change as the Capital Programme remains fully funded. There is a £1.7 million revenue to capital contribution budgeted in 2019/20 and our model predicts that further contributions may be needed to fund non-new build works in the future. 8. This figure has increased to £188.0 million in today's prices. It rises to £287.1 million when inflation is added.

Appendix G

HRA BUSINESS PLAN MODEL PROJECTIONS – JUNE 2019

	1	2	3	4	5
	2019.20	**2020.21**	**2021.22**	**2022.23**	**2023.24**
Dwelling rents	17,009,750	17,384,057	17,759,063	18,107,675	18,513,203
Non-dwelling rents	65,920	67,238	68,583	69,955	71,354
Service charge income	553,070	553,931	565,010	576,310	587,836
Other income and contributions	20,120	20,522	20,933	21,352	21,779
Total income	**17,648,860**	**18,025,749**	**18,413,589**	**18,775,292**	**19,194,172**
Repairs & maintenance	5,372,410	5,506,720	5,644,388	5,785,498	5,930,135
Management	2,693,780	2,761,125	2,830,153	2,900,906	2,973,429
Bad debts	100,000	103,287	105,602	107,688	110,109
Depreciation	3,139,190	3,172,954	3,178,525	3,185,399	3,195,080
Debt management	2,750	2,750	2,750	2,750	2,750
Total costs	**11,308,130**	**11,546,836**	**11,761,418**	**11,982,241**	**12,211,503**
Net income from services	**6,340,730**	**6,511,027**	**6,709,256**	**6,875,960**	**7,092,094**
Interest payable	-2,253,980	-2,226,562	-2,197,892	-1,861,824	-1,834,544
Interest income	108,550	116,171	133,019	84,440	120,313
Net income/expenditure before appropriations	**4,195,300**	**4,400,636**	**4,644,383**	**5,098,575**	**5,377,863**
Set aside for debt repayment	-1,128,190	-1,153,676	-14,179,746	-1,206,414	-1,233,694
Revenue contributions to capital	-1,700,000	-961,341	0	-301,017	0
Allocation to/from other reserves	0	0	13,000,000	0	0
Other appropriations	50,730	0	0	0	0
Net HRA Surplus/Deficit	**1,417,840**	**2,285,618**	**3,464,637**	**3,591,144**	**4,144,169**
HRA Balance brought forward	**1,272,099**	**2,689,938**	**4,975,557**	**8,440,193**	**12,031,337**
HRA surplus/deficit	1,417,840	2,285,618	3,464,637	3,591,144	4,144,169
HRA Balance carried forward	**2,689,938**	**4,975,557**	**8,440,193**	**12,031,337**	**16,175,506**

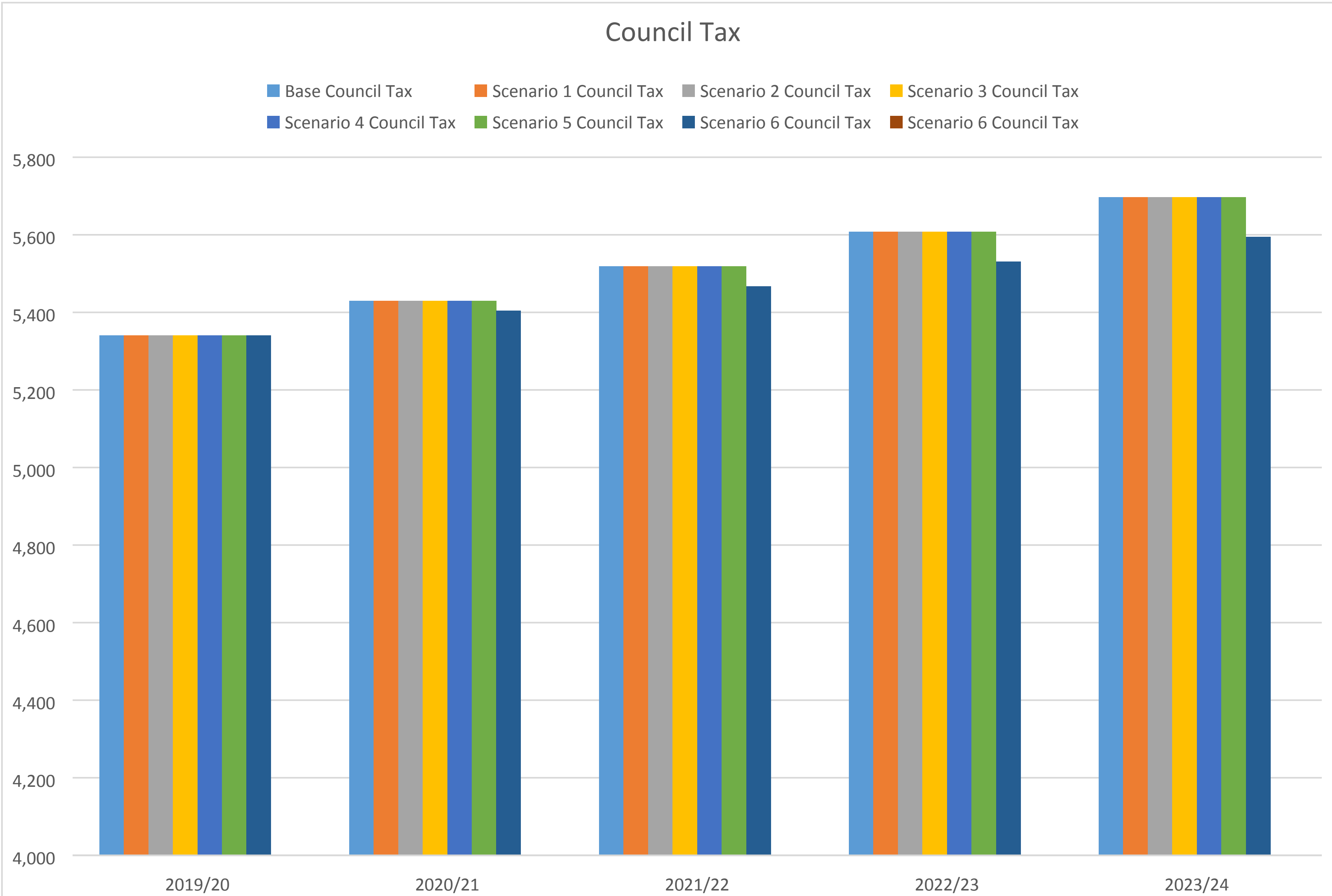
Appendix H

GENERAL FUND MEDIUM TERM FINANCIAL PLAN 2019 – 2024 FUNDING SCENARIO ANALYSIS

The charts below are intended to illustrate the isolated change in an assumption. The table below explains each scenario and the change in funding.

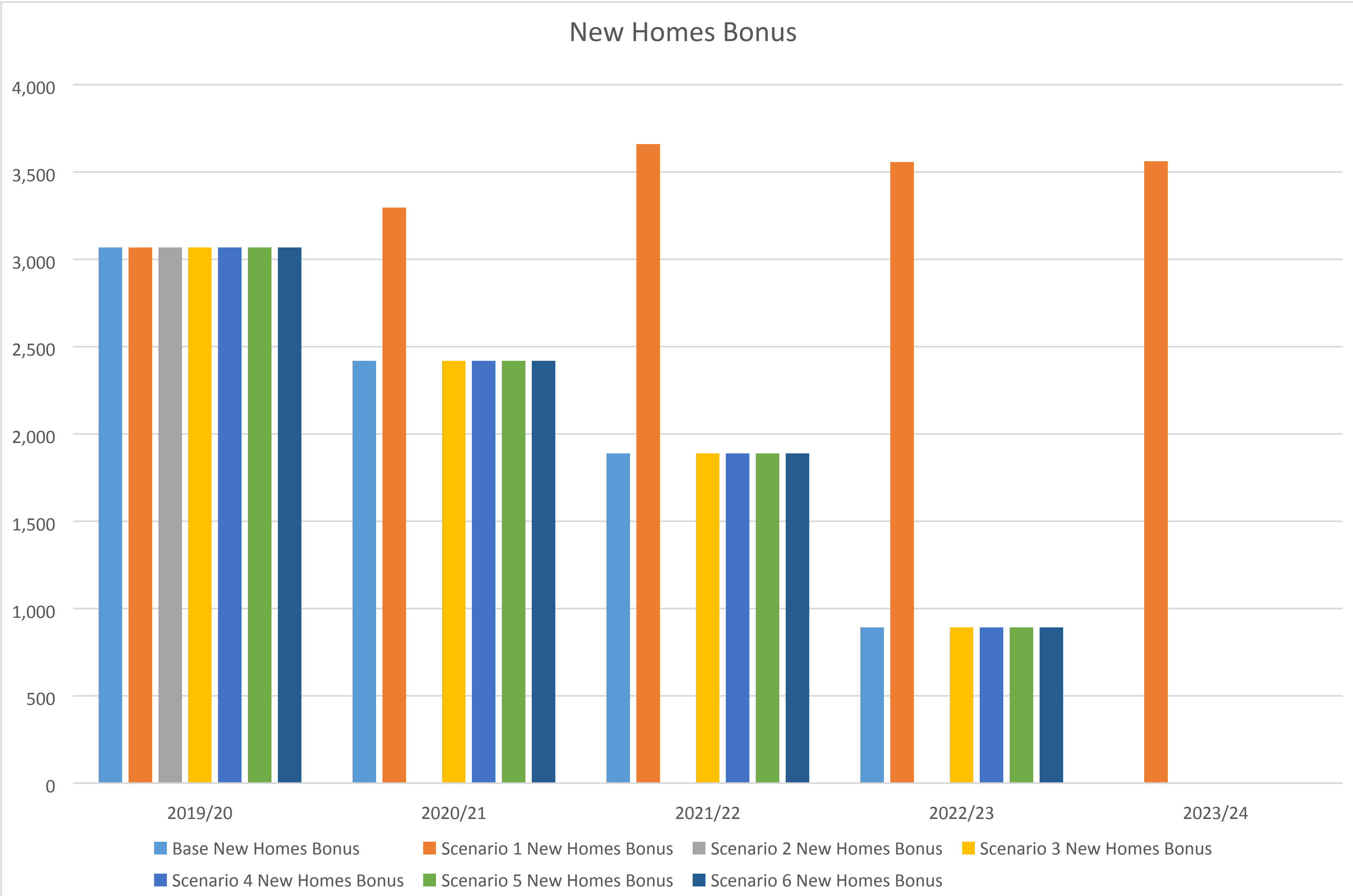
Table 1 – Scenarios

Ref	NHB	Business Rates	Council Tax	Transition	Expenditure
Base	0.4% Baseline; Legacy payments from 2020	Full reset in 2020 based on 18/19 rates level	0% precept to 2024, growth 562 homes p.a	Transitionary funding in place when total resources falls below -5%.	As per budgetary forecasts
1	0.4% Baseline; Scheme continues as is	as per Base	as per Base		as per Base
2	0.4% Baseline; Scheme abolished from 2020	as per Base	as per Base		as per Base
3	as per Base	Full reset in 2020 based on 19/20 rates level	as per Base		as per Base
4	as per Base	Partial reset in 2020 based on 18/19 rates level	as per Base		as per Base
5	as per Base	Full reset in 2020 based on 17/18 rates level	as per Base		as per Base
6	as per Base	as per Base	0% precept increase to 2024, growth deflated at 400 homes p.a.		as per Base



Council Tax
Base Council Tax
Scenario 1 Council Tax
Scenario 2 Council Tax
Scenario 3 Council Tax
Scenario 4 Council Tax
Scenario 5 Council Tax
Scenario 6 Council Tax
Scenario 6 Council Tax
5,800
5,600
5,400
5,200
5,000
4,800
4,600
4,400
4,200
4,000
2019/20
2020/21
2021/22
2022/23
2023/24


Business Rates
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2019/20
2020/21
2021/22
2022/23
2023/24
Base Business Rates
Scenario 1 Business Rates
Scenario 2 Business Rates
Scenario 3 Business Rates
Scenario 4 Business Rates
Scenario 5 Business Rates
Scenario 6 Business Rates



New Homes Bonus
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2019/20
2020/21
2021/22
2022/23
2023/24
Base New Homes Bonus
Scenario 1 New Homes Bonus
Scenario 2 New Homes Bonus
Scenario 3 New Homes Bonus
Scenario 4 New Homes Bonus
Scenario 5 New Homes Bonus
Scenario 6 New Homes Bonus

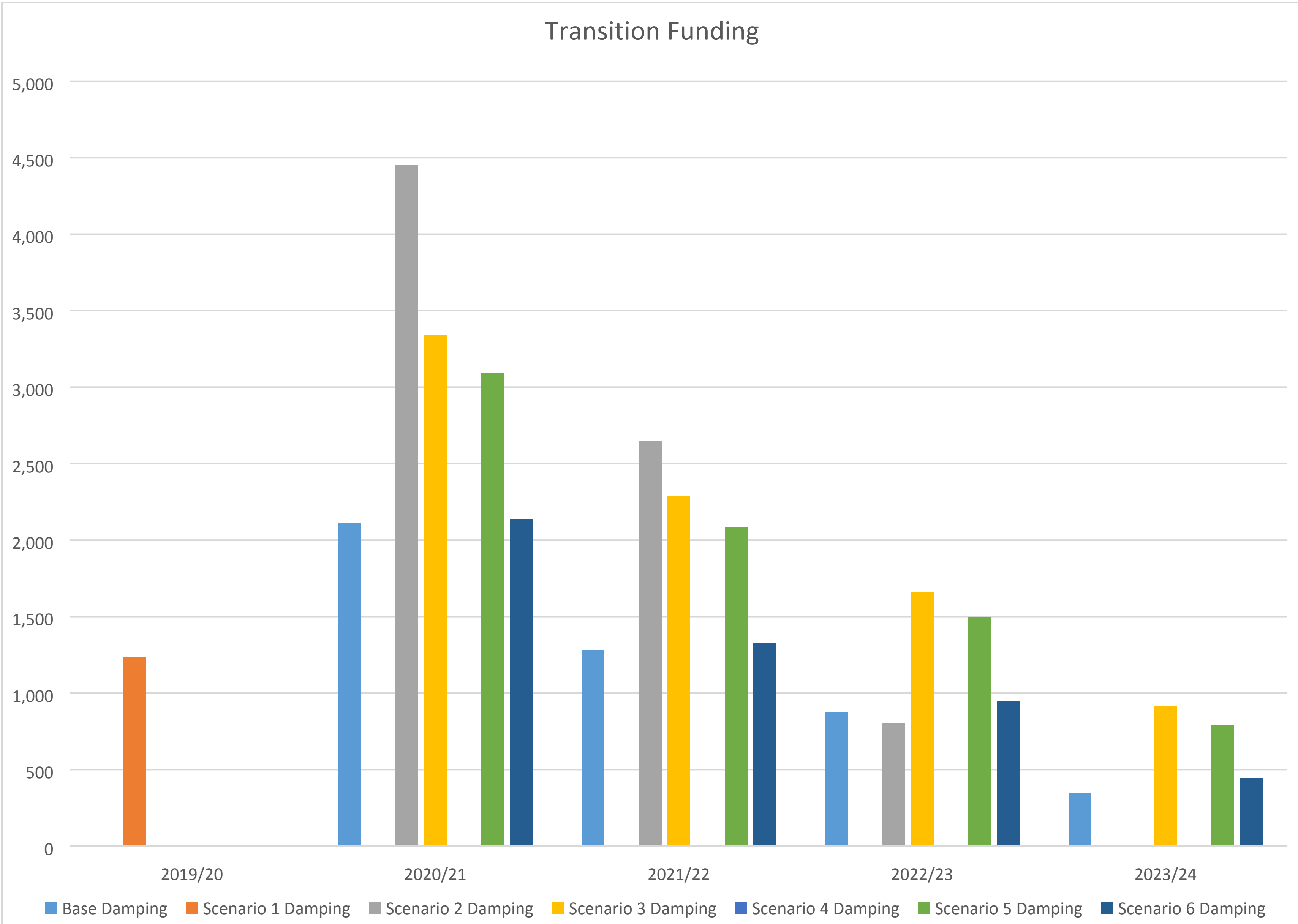

Transition Funding
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2019/20
2020/21
2021/22
2022/23
2023/24
Base Damping
Scenario 1 Damping
Scenario 2 Damping
Scenario 3 Damping
Scenario 4 Damping
Scenario 5 Damping
Scenario 6 Damping

Table 2 - In Year Surplus/(Deficit)

	2019/20	2020/21	2021/22	2022/23	2023/24	Total*
Surplus/(Deficit)	325	365	- 1,258	- 2,103	- 2,985	**- 5,656**
Scenario 1	1,561	- 870	- 767	- 310	232	**- 154**
7Scenario 2	325	287	- 1,779	- 3,067	- 3,329	**- 7,564**
Scenario 3	325	361	- 1,505	- 2,596	- 3,722	**- 7,137**
Scenario 4	325	821	83	- 299	- 596	**333**
Scenario 5	325	372	- 1,448	- 2,491	- 3,570	**- 6,813**
Scenario 6	325	366	- 1,260	- 2,107	- 2,988	**- 5,663**

* Subject to Rounding