	Council
	Monday 4th March 2019

Executive Business Plan,
Medium Term Financial Plan 2019/20 – 2023/24
(incl. Financial Strategy, Financial Analysis, Fees and Charges, Capital Programme, Treasury Management Strategy and Pay Policy Statement)

Report by:	Executive Director of Resources
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Purpose / Summary:	The purpose of the Executive Business Plan is to set out the actions to be taken by the Executive to deliver the Corporate Plan over the next three years. The purpose of the Medium Term Financial Plan (MTFP) is to set a robust overall framework for the Council's spending plans over the next five years in supporting the delivery of the Corporate Plan and underpinned by the delivery of the Financial Strategy. The report therefore outlines the Council's revised financial plans having taken into account in the Financial Analysis for changes in Government funding, the economic environment, local engagement and the priorities for the Council. The plan reflects the revisions to the previous estimates for the years 2018/19 to 2022/23.

It includes the proposed budget for 2019/20 and the inclusion of estimates for 2023/24.

RECOMMENDATION(S):

1) That Members recognise the external environment and the severity of the financial challenges being faced as detailed in the Financial Strategy.

2) That Members accept the Statement of the Chief Finance Officer on the Robustness of Estimates and Adequacy of Reserves.

3) That Members approve the Medium Term Financial Plan 2019/20 to 2023/24 (Appendix 2) and are aware of the associated Risks included at Appendix B

4) That Members receive a Mid-Year Review of the Medium Term Financial Plan during 2019/20.

5) That Members set the Revenue Budget 2019/20 (Appendix A)

6) That Members set the Fees and Charges 2019/20 (Appendix C)

7) That Members adopt the Capital Investment Strategy (Appendix D)

8) That Members approve the Capital Programme 2019/20 to 2023/24 and Financing (Appendix E).

9) That Members approve the Treasury Management Strategy 2019/20 and adopt the Treasury Investment Strategy, the detailed Counter Party criteria, the Treasury and Borrowing Prudential Indicators (Appendix F)

10) That Members approve the Minimum Revenue Provision (MRP) Policy as contained in the Treasury Management Strategy (Appendix F)

11) That Members approve a 2.99% increase in the Council Tax (Appendix G-K)

12) That Members approve the 2019/20 Pay Policy Statement (Appendix L) and Human Resources Statement 2019/20 (Appendix M)

Note: The Benchmarking Report is attached at Appendix N for information

IMPLICATIONS

Legal: The Council has a responsibility to determine a legitimate budget and Council Tax requirement in compliance with statutory deadlines.

Local Authorities (Standing Orders) (England) (Amendment) Regs 2014 (SI 165) requires that once the budget is approved the minutes of the proceedings must record the names of the persons who cast a vote for the decision, against the decision or abstained.

The Local Government Act 2003 introduced the requirement to comply with the Prudential Code and approve an Annual Treasury Management Strategy. Under the act Councils have the freedom to determine the level of borrowing they wish to undertake to deliver their capital programme, subject to it being affordable and sustainable.

Financial : FIN/199/19/TB

The report presents a balanced budget for 2019/20 without the requirement to support it with funds from the General Fund balance. It addresses the financial implications arising from the recommended revisions to the MTFP and the requirement to determine the Council Tax for 2019/20.

The Final Settlement was announced on 29 February 2019 and has been incorporated into this report, the grants are in line with 4 year settlement.

An additional amount of £0.046m has been awarded as our share of the distribution of the surplus on the NNDR Levy account held by Government, this is receivable in 2018/19.

The 2019/20 Net Budget Requirement totals £14,782,600

The report proposes the following contributions to Earmarked Reserves;

- £0.400m to the Investment for Transformation Reserve to support delivery of the ICT strategy

- £0.680m to the Business Rates volatility Reserve

- £0.148m be returned to the General Fund balance, and £0.030 use of General Fund balance, previously approved as year 3 contribution to the Mayflower project. This results in a forecast balance as at 1.4.2019 as £2.788m (includes Q3 forecast surplus of £0.380m)

Staffing : None arising from this report

Equality and Diversity including Human Rights :

The Equality Act 2010 places a responsibility on Councils to assess their budget options before taking decisions on areas that could result in discrimination. Where appropriate assessments have been undertaken by the relevant service area.

Risk Assessment :

The Local Government Act 2003 requires the Chief Finance Officer to report on the adequacy of reserves and provisions and the robustness of budget estimates as part of the annual budget setting process.

An analysis of possible budget risks and comment on the level of reserves are included at Appendix B of the Medium Term Financial Plan.

Climate Related Risks and Opportunities: The MTFP includes provision for investment in schemes designed to contribute to a reduction in our carbon emissions.

Title and Location of any Background Papers used in the preparation of this report:

The Corporate Plan

The Capital Investment Strategy

The Fees and Charges Policy

The Asset Management Plan

The Acquisitions and Disposal Policy

Investment Policy – Land and Buildings

All documents are held within Financial Services at the Guildhall, Marshalls Yard, Gainsborough and on the council's website www.west-lindsey.gov.uk

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**		**No**	**x**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	Yes		No	x

1. Introduction

1.1 Presented below is the Executive Business Plan and Medium Term Financial Plan 2019/20 – 2023/24 (which includes the Financial Strategy and Medium Term Financial Analysis). An Executive Summary is contained therein.

1.2 The documents are central to our financial planning and play a key role in the budget setting process to ensure that resources are aligned to the Corporate Plan priorities through the setting of the Revenue Budget and Capital Programme. Their impact and risks are considered in the Treasury Management Strategy (recommended to Council by the Governance and Audit Committee)

The Executive Business Plan - The purpose of the Executive Business Plan is to set out the actions to be taken by the Executive to deliver the Corporate Plan over the next three years.

The Medium Term Financial Plan (Appendix 1) – Aims to deliver an annual balanced and sustainable budget whilst considering the context of the National and Local funding settlement and its impact over the 5 year plan. It ensures that our resources are directed towards delivery of the Council's corporate priorities, and provides the;

Financial Strategy sets out through the establishment of objectives, the strategies to deliver the Corporate Priorities whilst ensuring future sustainability of the Council, and to establish the principles on which financial decisions will be made within available resources.

The Medium Term Financial Analysis details, in monetary term, the specific elements of the budget, our assumptions and estimates in developing a plan which covers a 5 year period. It is reviewed annually as part of the budget setting process, taking into consideration investment proposals, in year decisions impacting future years, forward planning, service and business planning and availability of resources, ensuring we can set a balanced budget for the current year and identifying any funding gaps for future years. A 10 year estimate has also been undertaken, which incorporates the impact of those projects with longer term financial benefits.

1.3 The General Fund Revenue Budget 2019/20

The General Fund Revenue budget 2019/20 reflects a net Budget Requirement of £14,782,600 as detailed in the table below.

Future estimates are included at Appendix A of the Medium Term Financial Analysis (which covers a period of five financial years).

Members should be aware;

- The budget is based on the financial settlement announced in February by the Minister for Local Government, Rishi Sunak, and is in line with the 4 year settlement (2016/17 – 2019/20) expectations.
- That the Council will benefit from being in the Lincolnshire Business Rates Pool. (It's bid for Pilot status for 75% Business Rates retention was unsuccessful.)

- The proposal to increase Council Tax by 2.99% in 2019/20 is within the Government's referendum limit of upto 3% or £5 (whichever is the greater). The Medium Term Financial Analysis assumes a 3% increase annually.

The Revenue Budget is detailed below and is analysed by our Service Clusters;

Our People – Front facing customer services - Benefits, Council Tax, Operational Services, Homelessness and Housing, Licensing, Customer Services, Food Safety

Our Place – Area based services, i.e. Development Management, Economic Development, Car Parking, Asset Management, Leisure

Our Council – Corporate services, i.e. Finance, Human Resources, Committee Administration, ICT, Business Improvement, Elections, Corporate Fraud

Other elements of operating expenditure are detailed within the table below along with the movement on reserves.

Service Clusters	**Proposed Budget 2019/20 £**
Our People	4,576,600
Our Place	(278,400)
Our Council	5,477,900
Grand Total	**9,776,100**
Drainage Board Levies	360,200
Parish Precepts	2,019,000
Interest and Investment Income	(242,100)
Interest Payable	773,900
Statutory repayment of borrowing (MRP)	10,000
Capital Expenditure funded from revenue resources	3,463,800
Net Operating Expenditure	**16,160,900**
Transfer to / (from) General Fund	118,900
Transfer to / (from) Earmarked Reserves	1,966,600
Use of Reserves for Capital Investment	(3,463,800)
Amount to be met from Government Grant or Council Tax	**14,782,600**
Funding	
Revenue Support Grant	0
Business Rate Retention Scheme	4,659,000
Collection Fund Surplus - Council Tax	220,000
Parish Councils Tax Requirement	2,019,000
New Homes Bonus	923,800
Other Government Grants	656,400
Council Tax Requirement	**6,304,400**
TOTAL FUNDING	**14,782,600**
Balanced Budget/Cumulative Savings Target	**0**

1.4 Contributions to Reserves 2019/20

It is proposed that the following amounts are transferred to reserves.

- **£0.400m** Contribution to the Project Investment Reserve, to support investment in Technology
- **£0.680m** Contribution to Business Rates Volatility Reserve, to mitigate any negative impact of the new Business Rates Retention scheme from 2020/21 onwards. These funds have been generated from business rates growth and the impact on the movement on provision for appeals.
- **£0.148m** to be returned to the General Fund Balance in setting a £0 budget.

1.5 The Capital Investment Strategy

The Capital Investment Strategy forms a key part of the Council's overall corporate planning framework. It provides a mechanism by which the Council's capital investment and financing decisions can be aligned with the Council's over-arching corporate priorities and objectives over a medium term (five year) planning horizon. Providing a framework to enable both revenue and capital investment decisions which contribute to the achievement of the Council's priorities and objectives as set out in the Corporate Plan.

1.6 The Capital Investment Programme

The Capital Programme 2019/20 to 2023/24 provides a plan of future capital investments, this is reviewed annually and may result in significant changes as business cases for schemes are developed or schemes re-profiled over financial years due to external factors.

Service Cluster	Estimate 2019/2020	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Total Capital Programme
Our People	1,884,600	890,300	1,722,400	1,634,500	825,500	6,957,300
Our Place	19,532,518	5,830,835	3,640,029	406,245	100,000	29,509,627
Our Council	280,000	97,000	0	275,000	229,000	881,000
Grand Total	**21,697,118**	**6,818,135**	**5,362,429**	**2,315,745**	**1,154,500**	**37,347,927**

The overall Capital Investment Programme totals £37.348m however, £20.187m relates to the approved Capital Budgets (Stage 3 and Business as usual) with the remainder of £17.161m being pipeline projects. The 4 levels of the Programme are detailed below;

- Pre-Stage 1 – Business Case in preparation
- Stage 1 – Budget approved – requires full business case
- Stage 2 – Business case approved in principal or awaiting funding
- Stage 3 and Business as Usual (BAU) – Approved to spend and funding secured

Stage	2019/20	2020/21	2021/22	2022/23	2023/24	Total
BAU	1,126,600	780,300	1,207,500	1,544,500	954,500	**5,613,400**
Pre-Stage 1	4,947,560	1,391,590	0	225,000		**6,564,150**
Total in Delivery	**6,074,160**	**2,171,890**	**1,207,500**	**1,769,500**	**954,500**	**12,177,550**
Stage 1	493,700	0	0	0		**493,700**
Stage 2	2,508,600	4,000,000	3,193,784	200,000	200,000	**10,102,384**
Stage 3	12,620,658	646,245	961,145	346,245	0	**14,574,293**
Grand Total	**21,697,118**	**6,818,135**	**5,362,429**	**2,315,745**	**1,154,500**	**37,347,927**

There are a number of significant programmes of work, which at this time have not been the subject of a full financial appraisal, and to that end Members should be aware that the estimates within this programme could go up and/or down by 50%.

The detailed Capital Investment Programme is attached at Appendix D for consideration and recommendation to Council.

1.8 Robustness of Estimates and Adequacy of Reserves

In accordance with Section 25 of the Local Government Act 2003, the Council's Chief Finance Officer (Executive Director of Resources) is required to report on the robustness of estimates, the adequacy of reserves and the prudence of capital investment decisions. This information enables a longer-term view of the overall position to be taken.

It is the professional opinion of the Chief Finance Officer that the overall adequacy of the total level of reserves and the robustness of estimates is integral to the sign off of the overall agreed budget. The Chief Finance Officer having taken into consideration risks, sensitivity analysis, benchmarking and resilience information, can confirm that the budget estimates are robust, the adequacy of reserves is satisfactory and the capital programme is affordable; further detail is included within the Medium Term Financial Analysis (paragraph 4)

The Executive Business Plan and Medium Term Financial Plan are provided below.

EXECUTIVE BUSINESS PLAN

1. Introduction

This is WLDC's second Executive Business Plan, the purpose of which is to outline the national, regional and local operating environment and to set out the response and proposed activity for the next three years. The supporting financial strategy will be set out in Appendix 2 - the Medium Term Financial Plan (MTFP) - and this will look at the medium term and also attempt to consider those actions that will have an impact beyond that time horizon.

The Corporate Plan is WLDC's primary strategic document and sets out the Council's strategic objectives and desired outcomes for the next four years. The Executive Business Plan complements the Corporate Plan and sets out, annually, WLDC's three year plan and deliverables to achieve those strategic outcomes.

This document will therefore reflect short, medium and long term goals with diminishing accuracy but will act as a guide for the executive team, managers and employees of current and future decisions and behaviour.

2. National Context

The current government is developing its approach to a UK that is no longer in the European Union. At this time there is significant uncertainty over what this will mean both economically and politically. There has been much speculation over the potential for a no deal outcome however we await developments and will reflect the implications when known.

A series of briefings have been published by Central Government which are intended to provide some insight into the position should no deal be achieved.

Local Government is being consulted through its range of networks; Local Government Association (LGA), Rural Services Network (RSN), District Council Network (DCN) and County Council Network (CCN) in addition to work being undertaken at a regional level in creating the 'Midlands Engine'(a coalition of Councils, combined authorities, Local Enterprise Partnerships, Universities and businesses).

<u>Industrial Strategy</u>

The national Industrial Strategy is being rolled out at a regional level and the Midlands Engine is developing the approach for East and West Midlands.

The Industrial Strategy – Building a Britain Fit for the Future – was published on the 27th November 2017. It sets out a vision for the future of creating

a - The world's most innovative economy

b - Good jobs and greater earning power for all

c - A major upgrade to the UK's infrastructure

d - The best place to start and grow a business

e - Prosperous communities across the UK

In addition, the white paper identified four grand challenges that would 'put the United Kingdom at the forefront of the industries of the future';

1 - Put the UK at the forefront of the artificial intelligence and data revolution;

2 - Maximise the advantages for UK industry from the global shift to clean growth;

3 - Become a world leader in shaping the future of mobility; and

4 - Harness the power of innovation to help meet the needs of an ageing society.

<u>Civil Society</u>

In August 2018 the Government published the Civil Society Strategy – Building a Future that Works for Everyone. This Strategy sets out how government will work with and for civil society in the long-term to create a country that works for everyone.

It identifies five areas in which the strategy will be applied:

People – Enabling a lifetime contribution

Places – Empowerment and investment for local communities

The Social Sector – Supporting charities and social enterprises

The Private Sector – Promoting business, finance and technology for good

The Public Sector – Ensuring collaborative commissioning

Under these five headings the strategy sets out 15 mission statements which the government is committed to working across all sectors in a collaborative approach to deliver on this strategy.

The Ministers' forward states that "The Civil Society Strategy is intended to set a direction for government policy" and "This Strategy is designed to complement the work of the Inquiry into the Future of Civil Society led by Dame Julia Unwin".

The 'Civil Society Futures' is an independent enquiry led by Dame Julia Unwin established in early 2017, the report was published In November 2018.

In addition the Civil Society Strategy will be complemented by the Government's strategy for tackling loneliness 'which will set out how we will support strong connections between people'. The call for evidence to support this strategy closed on 20th July 2018 and the outcome is still awaited.

Within the Civil Society Strategy ministers set out the financial commitments:

- £135m towards Big Society Capital to invest in providing homes for vulnerable people and to support local charities and social enterprises, and
- £145m to tackle some of the most serious social injustices: youth unemployment and financial exclusion.

Both schemes are to be funded from the resources created from Dormant Accounts which exceeds £1.1bn and the latter will be delivered through two new organisations to be established in collaboration with the Big Lottery Fund and will be independent of government.

Homes England Strategic Plan – 2018/19 to 2022/23

The Homes England Strategy has a five year horizon and will help more people in England to access better homes in the right places by:

Supporting the affordable housing market;

Providing investment products, including for major infrastructure;

Unlocking and enabling land;

Delivering home ownership products, such as Help to Buy;

Supporting Modern Methods of Construction (MMC);

Addressing the barriers facing smaller builders and

Providing expert support to priority locations.

Business Rates Retention

During 2018/19 the Ministry of Housing, Communities and Local Government (MHCLG) approved 10 joint business rate pools, made up of a number of local authorities, to expand the pilot scheme for 100% Business Rates Retention, these were predominantly in rural areas and included Greater Lincolnshire. In 2019-20 they proposed a further ten schemes to pilot 75% retention. (Greater Lincolnshire's bid was unsuccessful). In February 2019 it was announced that 16 pilot pools had been successful, 3 of which had received pilot status for 2018/19.

Government's plans for 100% retention of Business Rates by the Local Government Sector have now been amended to 75% retention as this will not require primary legislation.

It is still expected that Local Government as a sector will become predominantly self-financing through Council Tax and Business Rates. However Treasury will continue to have overall control of spending levels through the determination of a local authority's settlement funding assessment and the top up and tariff system.

The Settlement Funding Assessment (SFA) determines the amount of funding a local authority should receive and how much of locally generated tax should be redistributed.

Fair Funding review

The Fair Funding review has been running for over a year and the technical consultation for the 2018-19 settlement included questions around the nature of the needs elements of the formula and the major elements that may or may not be included.

In addition the resourcing assessment is currently being reviewed by a series of working groups and is likely to report in spring of 2019. A consultation document on this element was released with the 2019/20 provisional settlement.

This fundamental review could have a significant impact on the resources available to individual local authorities.

Financial Settlement 2019/20

In the Financial Settlement published on 29th January 2019, the MHCLG, in making its announcement, have maintained the four year agreement, previously agreed by 97% of Local Authorities (there has been no obvious detriment to those who did not agree) and in fact has improved the position for some Authorities through increasing the referendum threshold to 3% (or £5 for Shire Districts – whichever is the greater) (as per 2018/19), increasing the level of Rural Services Delivery Grant and leaving the New Homes Bonus arrangements unaltered. The position for West Lindsey reflects a 3.2% reduction in Core Spending Power, however this excludes an additional distribution of Business Rates Levy. As expected MHCLG have removed the issue of negative Revenue Support Grant (RSG), by providing additional funding to those authorities affected and have maintained the New Home Bonus deadweight threshold at .04%.

As discussed in previous years the four year settlement embedded an inequality between predominantly urban and predominantly rural areas placing the rural areas with a greater reliance on Council Tax.

3. Regional and Local Context

<u>LEP Review</u>

Central Government has announced a review of the geographic areas of the Local Enterprise Partnerships. Whilst the review has not completed, the Greater Lincolnshire LEP (GLEPP) has proposed to retain North and North East Lincolnshire within its geography, however there is also a proposal for North and North East Lincolnshire to be wholly within the Humber LEP. The GLLEP have made submissions proposing the geographic area remains the same and the final outcome is expected in the New Year. It is expected that whatever the outcome with the two unitaries to the north, the Rutland LEP will merge with Greater Lincolnshire.

<u>The Midlands Engine</u>

The Midlands Engine is the primary driver for regional policy and development and it will focus on five key objectives (Midlands Engine Strategy – March 2017):

i. **Improving connectivity** in order to raise productivity.
ii. **Strengthening skills** in order to make the Midlands a more attractive location for businesses.
iii. **Supporting enterprise and innovation** in order to foster a more dynamic regional economy.
iv. **Promoting the Midlands** nationally and internationally in order to maximise trade and investment in the region.
v. **Enhancing quality of life** in order to attract and retain skilled workers, as well as to foster the local tourist economy.

The strategy is designed to tackle three identified weaknesses within the region:

I – A shortage of skilled workers

Ii – a regional economy that is fragmented in to small poorly connected areas

Iii – a lack of entrepreneurship and economic dynamism.

The GLLEP has produced its own sub regional view of the Industrial Strategy and highlighted the following themes:

- Future proofing the agri-food industry
- Becoming a rural test-bed for energy and water
- Developing new solutions supporting people to live well for longer in rural areas

- A high-quality, inclusive visitor economy
- An efficient and highly skilled ports and logistics industry

Lincolnshire Waste Partnership Strategy

In 2018, the seven districts and the County Council agreed a Partnership Waste Strategy that set a range of objectives for the future of waste collections and disposal across Lincolnshire. These objectives include: Increasing the quality and value of recycled waste, the potential introduction of separate food waste collections and increasing the proportion of waste recycled. The implications of the strategy will evolve over the next four years and will be built into future business plans.

BREXIT

WLDC does not have significant numbers of European employees which means we do not anticipate issues in this respect arising from exiting the European Union (EU). However, we recognise that there will be a significant shift in the general recruitment pool which is likely to create difficulties as vacancies become available.

The GLLEP are offering support to local business to ensure they are able to prepare for no longer being part of the EU.

We are working with the Lincolnshire Resilience Forum to ensure that preparations are in place for a range of emergency scenarios that may arise following the 29th March 2019.

4. WLDC Corporate Plan

A new Corporate Plan has been agreed which will cover the period 2019 – 2023 to coincide with the new administration from May 2019.

The Vision and Values for the new Corporate plan have been established as:

> *"West Lindsey is a great place to live, where people, businesses and communities can thrive and realise their potential"*

The vision is complemented by a set of values that cut across the whole organisation.

WLDC makes its values real by demonstrating them in how they behave every day.

The values are:

- Customers First
- One Council
- Business Smart
- Communicating Effectively
- Integrity in Everything

Customers First – to put the customer at the centre of everything we do

What this means:
We believe that putting our customer first should be at the centre of everything we do. By doing so, we can ensure that we provide excellent levels of service, are seen as an employer of choice and a place people want to work. We want to be recognised and valued for excellent services and to be confident that our services are good value for money.

One Council – to act as one council

What this means:
Working together is crucial to being able to achieve the aims of the council and deliver excellent council services. We recognise we are one council and one team and we treat each other with respect. We will work flexibly and cooperatively with each other and our partners, to get the best possible results.

Business Smart – to be business smart, to act on evidence and take advantage of opportunities, thinking creatively and getting things done

What this means:
To be business smart and get things done a WLDC employee is constantly looking to deliver to the highest standards. When dealing with any situation they focus their energy and attention on the solution, leaving people positive and satisfied; getting things right first time, on time. Working collectively to achieve the best results, they are respected by others for their attitude and their ability to get things done.

Communicating Effectively – Communicate effectively with all stakeholders

What this means:
We communicate simply, clearly and concisely ensuring that the message is understood by all. We listen carefully and actively.

Integrity in Everything – to have integrity in everything we do

What this means:
We are accountable for all our decisions and actions. We are honest, open, fair, and trustworthy, and we strive to do the right thing in every instance.

The key priorities are:

- Ensuring that economic regeneration in West Lindsey is sustainable and benefits all of our communities.
- Facilitating quality, choice and diversity in the housing market, assist in meeting housing need and demand and deliver high quality housing related services to support growth.
- Creating a safer, cleaner District in which to live, work and socialise.
- Reducing health inequalities and promote wellbeing across the District through the promotion of healthy lifestyles.
- Creating strong and self-reliant communities and promote positive life choices for disadvantaged residents.

- Facilitating the creation of a highly educated and skilled workforce that meets the present and future needs of the local and wider economy both now and in the future.
- Ensuring the Council is well-managed and governed and delivers high quality services that demonstrate value for money, improvement and meet public aspirations.

4.1 Development of the Corporate Plan

The priorities for the Corporate Plan have been developed through reference to the annual State of the District report which gives a statistical view of the District. These details have been considered by members and officers of the Council at a series of workshops which commenced in August of 2018 and culminated in a draft Corporate plan to be considered and approved by members.

5. Business Deliverables 2019-2020

Over the next 3 years the Executive will focus on delivering the following:

Our People

Customer First Programme (affects all teams)

- Access to services through different modes as required by the customer
- Access to services at times convenient to the customer
- Timely and accurate responses that meet the customer’s needs
- Increased productivity
- Reduced cost/cost base maintained
- Improved customer experience at the Guildhall

Waste Services – New Depot (by December 2020)

- Main standard of service to the customer across the District
- Costs of delivering an excellent waste collection service controlled
- Health and safety risks to staff mitigated

Food waste and fibre collections

- Increased recycling rates

Charging for food safety re-inspections

- Safer food premises for the customer

Introduction of new technology to ASB/Enforcement and CCTV

- Safer communities
- Higher detection rates
- Bigger deterrent

Our Place

Housing and Social Regeneration

- Enabling supported housing solutions to meet needs of diverse and vulnerable communities (emphasis on rural affordability and over 55's)
- Housing regeneration – delivery of the SUE's, Japan Road, Housing zone – Place Based conversation with Homes England
- Address private sector property standards – improve energy efficiency and reduce fuel poverty
- Housing company and/or Social Lettings agency
- Gainsborough Gateway Programme (emphasis on addressing deprivation issues)

Growth Agenda

- Local Plan review – housing land supply and focus on Lincoln fringe
- Support for Scampton
- Strategic employment sites – NNDR policy and FEZ delivery
- Develop a strategic visitor economy programme
- Complete action plans for Market Rasen and Caistor
- Employment and Skills – Made in Gainsborough
- Gainsborough town centre regeneration – former Guildhall/ viable commercial leisure delivery plan and secure full Townscape Heritage Initiative award
- Housing delivery – Phase 2 development agreement with Muse
- Delivery plan for implementation of Gainsborough Transport model

Commercial Projects

- Complete build of Crematorium and bring service on stream spring 2020
- Deliver Market Rasen Leisure facility June 2020
- Additional sales income TAC
- Scope at least 1 other – i.e. Riseholme, Phase 2 with Muse

<u>Our Council</u>

- **Finance**

- Improved, modernised and customer focused finance team, delivering better value adding services to managers and continued excellence in financial and management accounting and reporting.
- Improved support and robust project and commercial accounting,
- Improved efficiency

Performance and Programme Management

- Performance Management is embedded within the organisation across all service teams
- Programme Management is part of the culture across the organisation
- The wider delivery of performance and programme management drives efficiencies.

Governance and Policy

- Improved facilities in the Council Chamber and provided to Elected Members
- Increased efficiency across the service
- Improved support to services to deliver procurement savings.

People and Organisational Development

- Improved Customer focus culture aligned with the vision and values
- Communication strategy
- Deliver a 'fit for purpose' workforce for the 21st Century

Information and communication Technology

- Deliver an ICT infrastructure and estate to support a customer centric service driven workforce
- Implement and support an Enterprise Wide system platform to support customer focused services

6. Summary Financial and Commercial Strategy

The overall financial and commercial strategy for the Council has the following objectives:

1 – Maximise the income from all services and be opportunistic (but not at the cost to our own service delivery).

2 – Minimise the cost of services where ever possible, whilst maintaining the quality of services and improving performance levels.

3 – Secure value for money through a range of applied techniques as set out in the table contained at 2.6 of the Medium Term Financial Plan.

Commercial Integration

There will not be a separate commercial strategy and commercial activity will be delivered and managed within the primary business plan. Commercial activity will be integrated in the following ways:

1 – Traded Services will run alongside statutory services taking opportunities as they arise. Income will be monitored as part of the contribution made by those services. Specific services include Trade Waste, Building Control and CCTV.

2 – WLDC will continue to develop its commercial property portfolio and take into account the changes to the CIPFA Prudential Code, recently announced, and the MHCLG capital financing and investment guidance.

3 – Capital Projects will be designed to deliver commercial returns where possible and that will include economic impact assessment and increases in tax receipts.

4 – Delivery of the Commercial returns will be monitored through the performance, finance and project management routines.

7. Medium Term Financial Plan (Appendix 2) – Executive Summary

The Medium Term Financial Plan (MTFP) is the primary strategic financial document for this Authority. This document will support the national and local context as set out in the Executive Business Plan, the commitments of the Council to future service and capital development and establish the principles on which financial decisions will be made within available resources.

This document will also meet a number of regulatory requirements:

A - The requirement for the local Authority to agree a balanced budget for each financial year prior to the start of that year.

B – The requirement for the local Authority to establish the level of Council Tax for the coming year on the basis of that budget.

C - Meet best practice (supported by CIPFA) by setting out the coming year's budget within a Medium Term Financial Plan (MTFP).

Over the last four years West Lindsey has achieved reductions in excess of £4m through the Financial Strategy and initiatives to meet the impact of a reduction in RSG funding. This has been achieved by increasing income, generating new income streams and making efficiencies. Pressures over the same period have totalled circa £1m. The Council has still provided award winning services to our residents during this period.

The MTFP provides a five year time horizon for West Lindsey District Council and sets out a high level financial strategy and where possible proposals being considered to deliver a sustainable budget position. In addition, the MTFP attempts to reflect the longer term impact of the decisions of the Council and shows how some major projects will contribute in the years beyond the five year time horizon.

8. Financial Strategy

The Financial Strategy is designed to complement the values set out in the Corporate Plan and deliver the key priorities by supporting the following values and approach

The Corporate Plan details the priorities which guide WLDC's working:

- Ensuring that economic regeneration in West Lindsey is sustainable and benefits all of its communities.
- Facilitating quality, choice and diversity in the housing market, assist in meeting housing need and demand and deliver high quality housing related services to support growth.
- Creating a safer, cleaner District in which to live, work and socialise.
- Reducing health inequalities and promote wellbeing across the District through the promotion of healthy lifestyles.
- Creating strong and self-reliant communities and promote positive life choices for disadvantaged residents.
- Facilitating the creation of a highly educated and skilled workforce that meets the present and future needs of the local and wider economy both now and in the future.
- Ensuring the Council is well-managed and governed and delivers high quality services that demonstrate value for money, improvement and meet public aspirations.

The financial strategy supports these values and the Business Plan objectives with the following principles:

- to drive a robust and sustainable financial position
- to support growth and service delivery, utilising the Council's resources

- to ensure financial decision making is based on robust business cases that clearly match our ambitions

The MTFP will deliver against these objectives and principles by:

- Explaining the financial context, over the medium term, and within an uncertain economic and funding environment in which the Council is set to operate.
- Helping to ensure that the Council's financial resources are directed to support delivery of the Corporate Plan priorities and value for money.
- Providing a medium term forecast of resources and expenditure and to illustrate the financial effects of existing financial commitments, both revenue and capital, over the medium term, and to inform transformational and commercial strategies necessary to achieve a balanced budget.
- Maximising the Council's financial resilience and management of risk and volatility, including maintaining adequate risk reserves.
- Managing effectively the Council's land and property assets by undertaking a prudent level of capital investment in addition to maximising returns on new investments
- Establishing a robust, stable and sustainable budget capable of withstanding future financial pressures.

9. Financial Analysis

9.1 Financial Settlement 2019/20

In 2016/17 the Government agreed a 4 year financial settlement to 2019/20, providing authorities with some certainty of funding levels over the medium term. West Lindsey District Council saw a reduction of Revenue Support Grant funding during this period from £1.287m to -£0.065m (being a negative RSG position, in effect a payment to government).

The Government committed to consult on how negative RSG will be dealt with in 2018 and has as part of the final settlement provided additional resources of £151m (£65k for WLDC) to remove negative RSG from the settlement. Despite lobbying from Local Authorities the MHCLG have maintained their position with regards to New Homes Bonus Grant (NHB), although the threatened increase to the expected growth level, before payment is made, has not occurred and remains at 0.4%

The expected level of Rural Services Delivery Grant (RSDG) for 2019/20 was £0.381m. However, the Government have confirmed that it will provide an additional funding of £20m, as it did in 2018/19, for rural authorities, the WLDC share resulting in an additional £0.093k, This provides an overall RSDG allocation of £0.474m.

The final settlement confirmed the Council Tax increase that would trigger a referendum. This continues to be upto 3% or £5 whichever is the higher for Shire Districts.

In 2018/19 WLDC was a partner in the successful Business Rates Retention Pilot bid for 100% retention, along with the Greater Lincolnshire (excluding NE Lincolnshire). This approval was for one year only. A similar bidding exercise has been undertaken for 2019/20 Pilot status for 75% retention, however the bid was unsuccessful, with the Government preferring to support bids from authorities who had not previously benefited from the Pilot process (excluding London Authorities). WLDC will therefore remain part of the Lincolnshire Business Rates Pool, which will provide a benefit £0.442m, being 60% of the levy rate payable.

The Government will share £180m balance on their Business Rates Levy Account distributed on a needs basis. WLDC share is £0.046m and will be received in 2018/19. This was an unexpected distribution.

The profile of actual grant reductions to 2019/20 and those forecast based on current assumptions for the impact of the Fairer Funding and Business Rates Retention Reviews from 2020/21 onwards, are shown in the table below.

SETTLEMENT FUNDING	**4 Year settlement period**				**Fairer Funding Review and Business Rates Retention Scheme Review**			
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2022/24**
RSG	1.387	0.761	0.371	-0.065	0.000	0.000	0.000	0.000
NNDR - Baseline funding	2.766	2.823	3.407	2.974	3.047	3.126	3.204	3.283
RSDG	0.471	0.381	0.475	0.474	0.474	0.474	0.474	0.474
TOTAL SFA	**4.624**	**3.965**	**4.253**	**3.383**	**3.521**	**3.600**	**3.678**	**3.757**
% Annual Change	**-14.74**	**-14.26**	**7.26**	**-20.45**	**4.07**	**2.24**	**2.19**	**2.14**
NHB	2.487	1.896	1.278	0.924	0.450	0.234	0.083	0.000
TOTAL SFA incl NHB	**7.111**	**5.861**	**5.531**	**4.307**	**3.971**	**3.834**	**3.761**	**3.757**
% Annual Change	**-4.03%**	**-17.58%**	**-5.63%**	**-22.12%**	**-7.81%**	**-3.46%**	**-1.88%**	**-0.11%**

KEY: RSG – Revenue Support Grant, NNDR – National Non Domestic Rates (Business Rates), RSDG – Rural Services Delivery Grant, NHB – New Homes Bonus

9.2 Budget Assumptions

The budget presented in this paper assumes the following income assumptions:

- Employee Pay Award 2% per annum
- Council Tax increase of 2.99% (Band D = £213.47 [2018-19 £207.27])
- Commercial Property Investment of £22m to generate £0.728m net contribution (an increase from original target of £0.6m for £20m investment)
- NNDR 2019/20 is based on actual data as at 30.12.2018, future years assumes a baseline reset to 2013/14 levels.
- Contractual inflation only applied to service expenditure budgets
- Funding settlement in line with figures issued by Government
- Electricity 7%, Gas 6%

Based on the above assumptions the 2019/20 budget requirement is £14,782,600.

Estimates for future years are detailed within the Medium Term Financial Analysis and is attached at Appendix A below.

APPENDIX 1

THE MEDIUM TERM FINANCIAL PLAN 2019/20 TO 2023/24

1 INTRODUCTION

The Medium Term Financial Plan (MTFP) is the primary strategic financial document for this Authority. This document will support the national and local context as set out in the Executive Business Plan, the commitments of the Council to future service and capital development and establish the principles on which financial decisions will be made within available resources.

This document will also meet a number of regulatory requirements:

A - The requirement for the local Authority to agree a balanced budget for each financial year prior to the start of that year.

B – The requirement for the local Authority to establish the level of Council Tax for the coming year on the basis of that budget.

C - Meet best practice (supported by CIPFA) by setting out the coming year's budget within a Medium Term Financial Plan (MTFP).

Over the 4 year funding settlement period West Lindsey District Council, have managed funding reductions of £1.655m, through its Financial Strategy and initiatives to reduce expenditure, increase income and generating new income streams. The Council has exceeded its Commercial Plan 2015-2020 target of £1m and has actually achieved an ongoing contribution of £1.356m. The Council has effectively managed these financial challenges and continues to provide award winning services to our residents.

Our MTFP provides a five year time horizon for West Lindsey District Council and sets out a high level financial strategy and where possible proposals being considered to deliver a sustainable budget position. In addition the MTFP attempts to reflect the longer term impact of the decisions of the Council and shows how some of our major projects will contribute in the years beyond the five year time horizon.

The MTFP is designed to complement the values set out in the Corporate Plan and deliver the key priorities of the Council by supporting its values and approach.

Our MTFP supports these values and the Executive Business Plan objectives with the following principles:

- to drive a robust and sustainable financial position
- to support growth and service delivery, utilising the Council's resources
- to ensure financial decision making is based on robust business cases that clearly match our ambitions

The MTFP will deliver against these objectives and principles by:

- Explaining the financial context, over the medium term, and within an uncertain economic and funding environment in which the Council is set to operate.

- Helping to ensure that the Council's financial resources are directed to support delivery of the Corporate Plan priorities and value for money.
- Providing a medium term forecast of resources and expenditure and to illustrate the financial effects of existing financial commitments, both revenue and capital, over the medium term, and to inform transformational and commercial strategies necessary to achieve a balanced budget.
- Maximising the Council's financial resilience and management of risk and volatility, including maintaining adequate risk reserves.
- Managing effectively the Council's land and property assets by undertaking a prudent level of capital investment in addition to maximising returns on new investments
- Establishing a robust, stable and sustainable budget capable of withstanding future financial pressures.

This MTFP provides a five year time horizon for West Lindsey District Council and sets out a high level financial strategy and where possible proposals being considered to deliver a sustainable budget position.

2. THE FINANCIAL STRATEGY

The Financial Strategy is designed to complement the values set out in the Corporate Plan and deliver financial sustainability through being self-sufficient (non-reliant on revenue support grant), whilst ensuring resources are directed to support delivery of the Corporate Priorities.

The Corporate Plan details the values which guide our working:

- To put the customer at the centre of everything we do
- To act as One Council
- To be business smart, to act on evidence and take advantage of opportunities, thinking creatively and getting things done
- To communicate effectively with all stakeholders

The Corporate Plan priorities

2.1 Financial Strategy approach

Our financial strategy supports these values and the Business Plan objectives with the following principles:

- to provide a strategic framework for decision making
- to drive a robust annual balanced budget and sustainable financial position, whilst understanding risks.
- to ensure financial decision making is based on robust business cases that clearly match our ambitions
- to maximise the Council's resources to achieve the best outcomes

- to support investment in regeneration and growth activity through innovative approaches to funding and which benefits the local economy and its residents

  The Strategy needs to achieve these objectives by continuing to support growth and service delivery, whilst understanding our funding position, this will be achieved by;

- Maximising the income from all services and be opportunistic but not at the cost to our own service delivery.
- Minimise the cost of services where ever possible whilst maintaining the quality of services and improving performance levels
- Securing value for money
- Ensuring sound and appropriate mechanism to support robust decision making
- Ensuring the cost of borrowing can be met from either commercial returns and/or cost savings
- Being proactive in bidding for external funding and partnership working
- transforming customer service delivery through investment in digital technologies to achieve efficiencies

The Financial Strategy needs to consider the National Context and future Government Policy which may affect the Councils financial position in the medium term.

2.2 National Context

On 29th February 2019 the Secretary of State for the Department of Communities and Local Government, The Rt Hon James Brokenshire MP, made a statement to Parliament on the Local Government Finance Settlement 2019/20. The impact of which is detailed below.

The main points were;

- No change to Council Tax referendum limit – up to 3% or £5 whichever highest
- There are no changes to New Homes Bonus. New Homes Bonus grant in 2019/20 will be paid on the basis of 4 years award with growth above 0.4% rewarded;
- Rural Service Delivery Grant in 2019/20 will remain at a national level of £81m
- Negative RSG will be directly eliminated from foregone business rates.
- The Lincolnshire bid for 75% Business Rates Pilot in 2019/20 was unsuccessful, with the government supporting 15 bids from new areas, in addition to London;
- £180m of Business Rates Levy surplus will be distributed on a needs basis
- Continued support for the high street through Business Rates reliefs £1.5bn, and a £675m High Street Fund, as well as £420m to improve roads.

2.3 Core Spending Power within Local Government

Based on the Government's announcement the Core Spending Power will see a small impact of 3.8% nationally, however in allocating Core Spending Power to individual authorities which is based on the services they provide, WLDC has had a comparative 13.2% reduction over the 4 year period. The tables below detail the impact of individual national Government funding streams.

CORE SPENDING POWER					
Please select authority					
England					
Illustrative Core Spending Power of Local Government;					
	2015-16	2016-17	2017-18	2018-19	2019-20
	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment	21,250	18,602	16,633	15,574	14,560
Compensation for under-indexing the business rates multiplier	165	165	175	275	400
Council Tax of which;	22,036	23,247	24,666	26,332	27,933
Council Tax Requirement excluding parish precepts (including base and levels growth)	22,036	22,858	23,702	24,767	26,031
additional revenue from referendum principle for social care	0	382	948	1,529	1,810
Potential additional Council Tax from £5 referendum principle for all Districts	0	7	16	36	92
Improved Better Care Fund	0	0	1,115	1,499	1,837
New Homes Bonus	1,168	1,462	1,227	947	918
New Homes Bonus returned funding	32	23	25	0	0
Rural Services Delivery Grant	16	81	65	81	81
Transition Grant	0	150	150	0	0
The Adult Social Care Support Grant	0	0	241	150	0
Winter pressures Grant	0	0	0	240	240
Social Care Support Grant	0	0	0	0	410
Core Spending Power	**44,666**	**43,730**	**44,296**	**45,098**	**46,378**
Change over the Spending Review period (£ millions)					1,712
Change over the Spending Review period (% change)					3.8

2.4 Local Settlement Funding and Core Spending Power

The Financial Settlement was issued by Government in February 2019. In relation to West Lindsey we will see further reductions in government grant funding as RSG diminishes to £0. Our Core Spending Power includes not only government grant funding but also their assessment of our Council Tax levels for 2019/20, as illustrated in the table below our overall core spending power has reduced by 13.2%

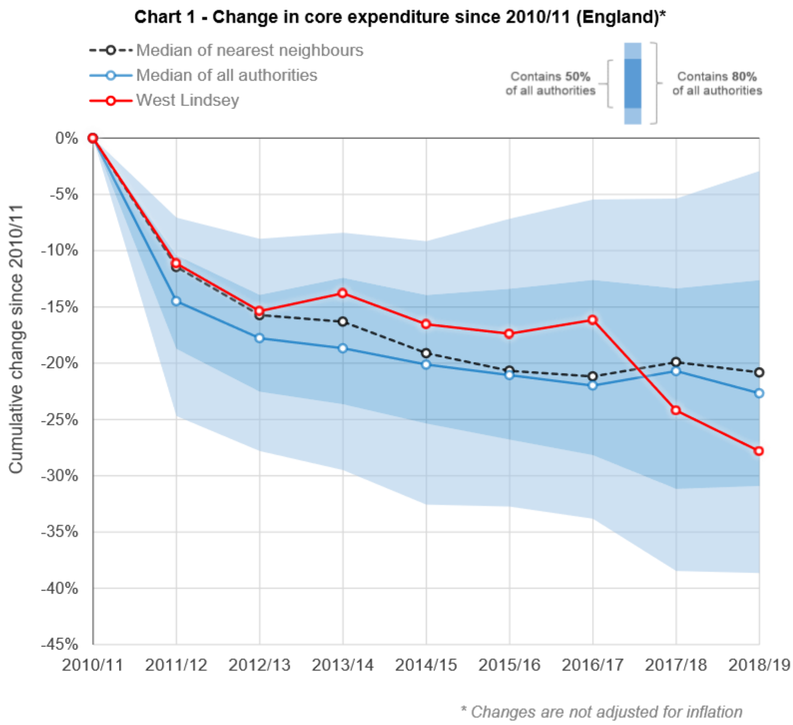
CORE SPENDING POWER					
Please select authority					
West Lindsey					
Illustrative Core Spending Power of Local Government;					
	2015-16	2016-17	2017-18	2018-19	2019-20
	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment	4.912	4.154	3.584	3.278	2.974
Compensation for under-indexing the business rates multiplier	0.040	0.040	0.042	0.067	0.097
Council Tax of which;	5.400	5.669	5.828	6.057	6.328
Council Tax Requirement excluding parish precepts (including base and levels growth)	5.400	5.636	5.765	5.992	6.260
additional revenue from referendum principle for social care	0.000	0.000	0.000	0.000	0.000
Potential additional Council Tax from £5 referendum principle for all Districts	0.000	0.032	0.063	0.065	0.068
Improved Better Care Fund	0.000	0.000	0.000	0.000	0.000
New Homes Bonus	1.986	2.481	1.889	1.278	0.924
New Homes Bonus returned funding	0.009	0.006	0.007	0.000	0.000
Rural Services Delivery Grant	0.091	0.471	0.381	0.474	0.474
Transition Grant	0.000	0.000	0.000	0.000	0.000
The Adult Social Care Support Grant	0.000	0.000	0.000	0.000	0.000
Winter pressures Grant	0.000	0.000	0.000	0.000	0.000
Social Care Support Grant	0.000	0.000	0.000	0.000	0.000
Core Spending Power	**12.439**	**12.821**	**11.730**	**11.155**	**10.798**
Change over the Spending Review period (£ millions)					-2
Change over the Spending Review period (% change)					-13.2

2.4.1 Change in Core Expenditure

Benchmarking of the change in core budgeted expenditure since 2010/11 (the point at which the government's austerity measures were introduced) against our nearest neighbours and all District Council's is illustrated in the graph below.

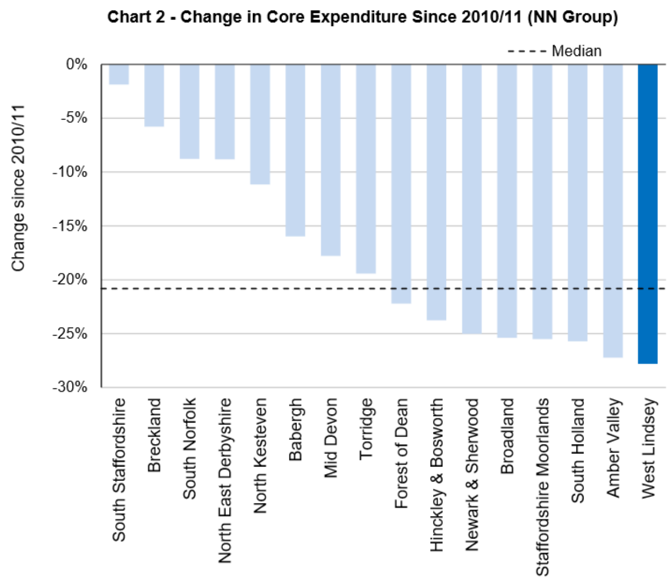
The analysis focuses on 'core expenditure', which excludes schools, emergency services and public health spending. Other than excluding public health - a responsibility that was partially assumed by local councils in 2013/14 - the analysis does not attempt to adjust for other changes in functions and responsibilities

Between 2010/11 and 2018/19, West Lindsey's budgeted expenditure decreased by 27.8% (24.2% 2017/18). This was below the median for all comparable authorities in England, with a change of -22.7% (-20.7% 2017/18) The graph below illustrates our comparative position.



The Council continues to respond to Government consultations and lobbies for fairer funding for rural District Councils through the Rural Services Network, the Society of District Treasurers and the Local Government Association.

The graph below compares WLDC to our nearest neighbours;



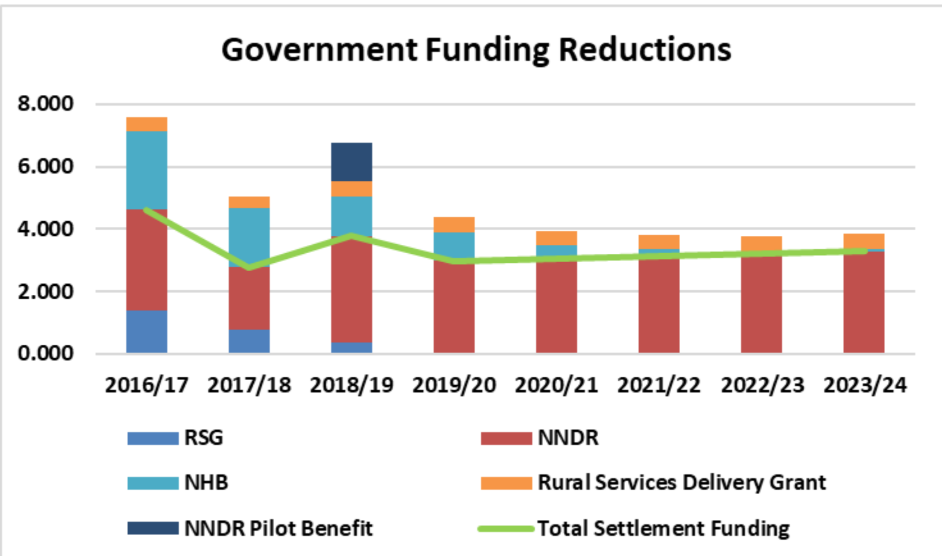
This Council had prudently prepared for funding reductions having signed up for the 4 year settlement offer in 2016/17 which saw a reduction in RSG from £1.387m to £0 (actually -£0.065m (negative RSG)) in 2019/20.

The graph below illustrates the change in the main sources of Government Funding for West Lindsey District Council since 2016/17 including Revenue Support Grant (RSG) and Business Rates (NNDR) baseline (elements of the Settlement Funding), New Homes Bonus (NHB) and the Rural Services Delivery Grant.

The graph highlights the additional funding received in 2018/19 in relation to the benefit of being part of the Greater Lincolnshire 100% business rate retention Pilot.

The Fairer Funding Review of settlement funding for Local Authorities is currently being undertaken and therefore estimates from 2020/21 have been projected on the following assumptions;

- that there will be no RSG,
- Business Rates will revert to the 2013/14 baseline
- NHB will be phased out from 2019/20
- RSDG will continue in some element of any new funding streams



2.5 Financial Performance Benchmarking – How we compare (Appendix N)

The Council participates in a strategic financial benchmarking exercise developed by the Local Government Association (LGA). This looks at our current and future funding outlook compared to other District Councils (and all Local Authorities) providing an analysis of each authority's position. This provides a relative financial position of each Local Authority based on present information and also our relative future position based on past trends and future expectations. This is useful in terms of being able to benchmark our strategic financial health with other Local Authorities. The analysis does not provide an exact position but it is arguably the most extensive analysis undertaken of the sector as a whole and does provide useful comparative data.

The Spider graphs below illustrate the Councils ranking (represents WLDC position) and the nearer the outer edge a low ranking compared to others. This enables us to gain a more informed view of our benchmarked position. It also identifies relative strengths and weaknesses, risks and opportunities which can be taken into account when we consider our financial strategy.

To understand the spider diagram, if we were ranked best performing (1) in all indicators this would be a small area close to the centre, if we were ranked worst performing in all areas this would be a large area closer to the edge of the diagram representing a weaker relative position.

The full report and diagrams are attached at Appendix N of the Medium Term Financial Plan, with our Strategic (Present and Future) and Risk chart illustrated below;

Indicators of note are:

Strategic Indicators

- Unringfenced Reserves as a proportion of net revenue expenditure. As an authority we compare favourably with regards to most financial measures due to our high level of reserves, however with a significant Capital Programme, these are forecast to reduce over the life of the MTFP.

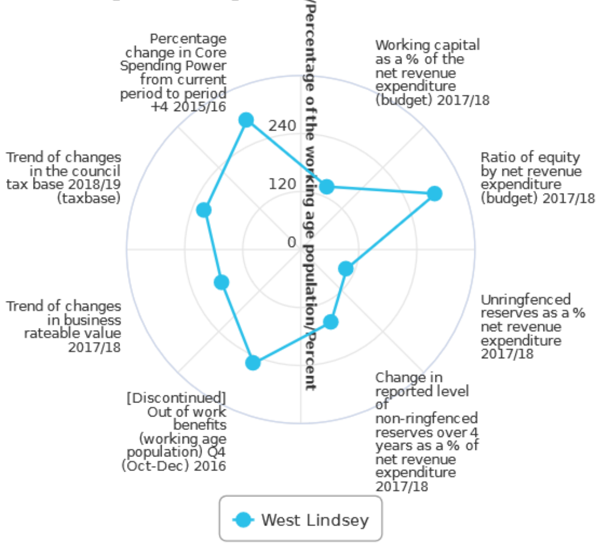
Risk Indicators

- Pension Fund Liability as a % of net revenue expenditure With a ranking of 60 out of 353 we again rank highly compared with other Districts, this, in part, is as a consequence of making additional payments to reduce this liability.

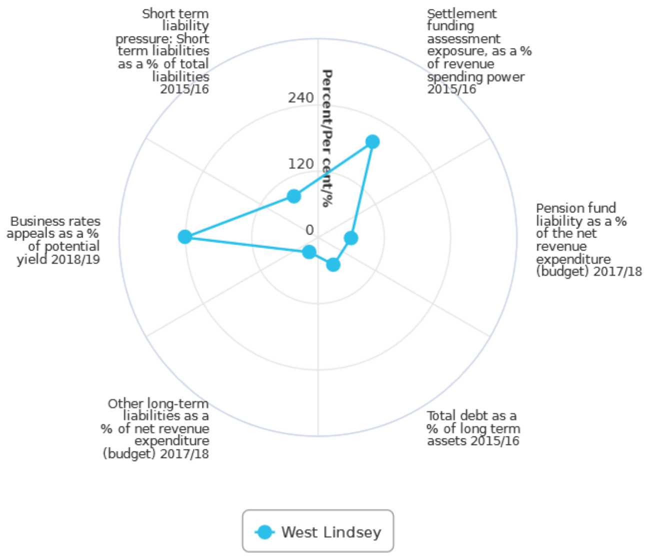
Opportunity Indicators

- Council Tax Collection rates remain some of the highest in the country.
- The opportunity to generate revenue income from Capital Investments is part of our commercial aspirations and will improve for 2018/19 due to the investments made in investment properties.

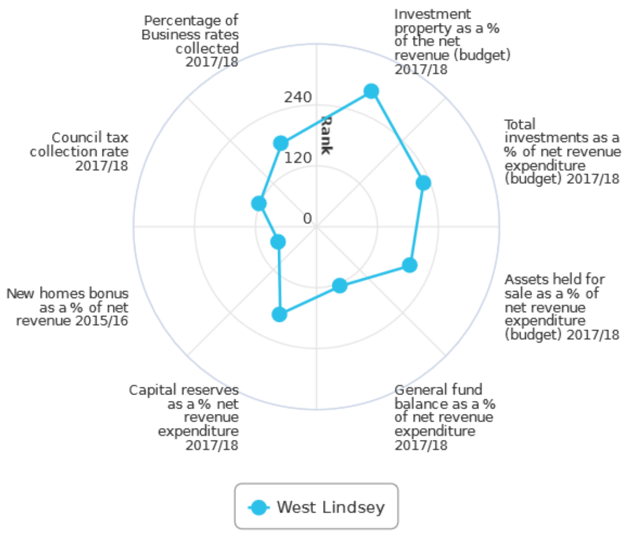
Strategic: All English authorities Rank (353)



Risk: All English authorities Rank (353)



Opportunity: All English authorities Rank (353)



2.6 Value for Money

The Council has limited resources. It is therefore vital these resources are deployed in the most efficient and effective way to secure excellent services for the residents of West Lindsey. This is ever more important as WLDC has had to deal with austerity and contribute towards the Public Sector spending reductions. Now more than ever it is vital that the Council seeks to achieve most possible benefit in terms of Value for Money from the ongoing process of optimising the relationship between resources and outcomes. This is achieved through a focus on;

- **Economy**: minimising the cost of resources used or required: reducing inputs for the same outputs
- **Efficiency**: producing the same or better outputs by doing things differently and reducing the inputs required
- **Effectiveness**: deploying resources to meet objectives

Our strategy is to embed Value for Money throughout the organisation for all activities, business processes and business planning.

The Council has responded to the financial challenges in a systematic approach to achieving value for money throughout the organisation by;

- Investing in communities (to help themselves and others)
- Being a commercial council – to generate additional income and identifying opportunities that contribute and align with meeting resident's needs.
- Modern, innovative and collaborative – utilising the best technology and commissioning delivery to achieve outcomes.

This has resulted in WLDC maintaining a strong track record of identifying and delivering savings and efficiencies whilst protecting priority services.

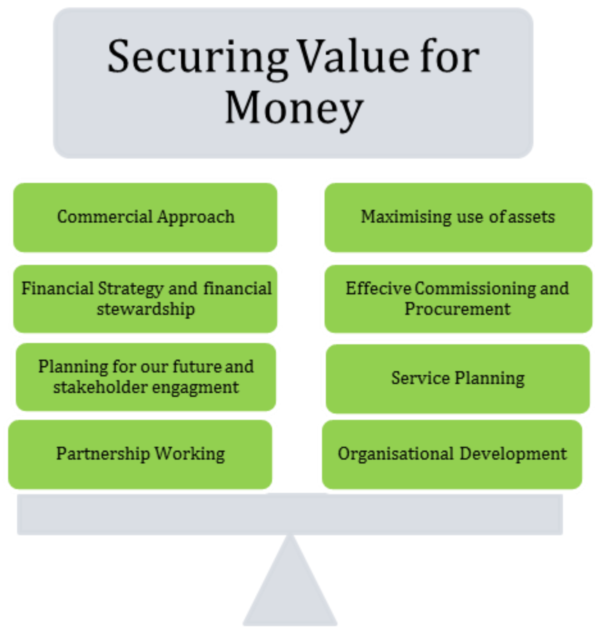
In addition the Council procured CFO Infosights for assistance in benchmarking. It is a tool developed by Grant Thornton in conjunction with CIPFA which uses national data sets such as Budget and Actual Expenditure of all authorities across a standardised service classifications (Revenue Estimates and Revenue Actual Government returns) which are submitted to the MHCLG. West Lindsey have been developing the use of the tool as a means of delivering VFM through a selection of services in the following ways:

- Helping performance improvement and transformation planning
- Locating potential income generating opportunities
- Supporting budgeting and spending decision making
- Provide transparency in relation to scrutiny questions

The diagram below illustrates the framework West Lindsey has in place to ensure the delivery of Value for Money, which is underpinned by a robust approach to decision making;

- To understand the financial returns on investments

- To understand the absolute and relative cost of providing services through benchmarking our costs and performance
- To assess business case proposals for VFM
- To monitor and scrutinise on-going performance measured against business plans
- Managing our customer needs and demands and understanding how that impacts on services
- Appropriate procurement procedures
- Reviewing and measuring outcomes



2.7 Commercial Approach

West Lindsey takes a commercial approach to the delivery of all services.

In addition we will consider capital investment as a means in which to generate revenue returns.

Decisions are made in line with existing policies and as a result of a compelling business cases, which are fully supported by cost benefit analysis to inform financial viability, in addition we undertake extensive due diligence. West Lindsey uses a 5 case Business Model ensuring Financial, Legal, Operational, Strategic and Commercial implications are considered and all risks assessed to enable informed choices.

2.8 Partnership Working

West Lindsey District Council aspires to be a good partner for service delivery and has a successful enabling role in encouraging collective responsibility in our Communities. By working in partnership with other agencies, Councils, Parish Councils, other public sector organisation, voluntary groups and community groups in addition to the private sector has secured better outcomes in the form of inward investment, pooled resources, cohesion and engagement with residents and built effective relationships.

An example of this is the Public Sector Customer Hub which is located at the Council's Guildhall offices. This facility provides face to face contact for customers with West Lindsey DC, Lincolnshire County Council, Job Centre Plus, Lincolnshire Credit Union, The Volunteer Service and the Citizens Advice Bureaux.

2.9 Capital and Asset Review

West Lindsey's Asset Management Strategy will demonstrate that we have in place an effective management framework, which actively maximises the value for money achieved from existing assets and provides a strategic context for future investments and to achieve the best possible outcomes.

2.10 Organisational Development

In order to deliver an ambitious Corporate Plan against a reduction in funding resources, the Council needs people who have the skills, knowledge, attitude and flexibility which support this. We will look to embed a Value for Money culture where staff are empowered to deliver against Council values and to encourage them to challenge inefficiencies and waste. Team leaders and managers are responsible for delivering services 'right first time' and ensure VFM exists in the day to day management of their services.

We are committed to investing in our greatest asset 'our staff' to ensure continued professional development, opportunities for development and growth and robust succession planning to ensure we remain fit for the future.

The Council as a learning organisation approves the Workforce Development Plan in addition to a Member Development plan is in place to support elected members.

2.11 Planning for our Future and Business Planning

The business planning process focuses services in identifying opportunities for cost reduction, income generation and alternative methods of service delivery such as partnership working. Where appropriate these opportunities will be pursued over the medium term with further opportunities being identified and undertaken over the life of the MTFP. These plans are then translated into business cases, projects and ultimately individual work plans.

Annuals service plans are used to monitor service and individual performance and are part of the 'Golden Thread' to how services will contribute to achieving our corporate objectives.

2.12 Commissioning & Procurement

We will seek to deliver value for money to the local taxpayer by maximising best value on every pound spent on commissioning and procurement. We will be commercially aware, provide clarity on our expectations to our supply chain, continuously review and ensure our procedures are efficient and seek to achieve maximum benefits from our systems.

The Council manages its contracts carefully and reviews them regularly, which not only delivers significant savings in year, but also identifies further opportunities to reduce operating costs and better achieve the Council's outcome.

2.13 Financial Sustainability

The sustainability of these plans is underpinned by ensuring a good working relationship with the private and community sectors which develops trust and encourages collaboration where possible. The use of grants and enabling funds to support both sectors will create a future infrastructure that will continue to support the district communities beyond the initial investment/contribution.

These opportunities will not come without risk, however the approach will always be to mitigate risk where possible and ensure that decisions are evidence based and transparent on inherent risks.

In providing a forecast for the five years on a sustainable basis there are a number of assumptions that have been made.

The key assumptions are:

- that we will be able to borrow for self-funding capital investments and generate financial benefits at least equal to the cost of borrowing including the minimum revenue provision (MRP), a regulatory requirement on Local Authorities.
- We assume that we will generate significant revenue from new income streams from investment in assets ie Crematorium, property etc
- We will generate efficiencies through the implementation of digital strategies to Customer Services.

2.14 Resilience

There has been much publicity around the resilience of Local Government after the S114 noticed issued by Northamptonshire County Council, which highlighted that they were likely to exceed resources available to meet its funding need.

The Chartered Institute of Public Finance and Accountants (CIPFA) has undertaken to prepare a national resilience index. This tool is currently subject to further development, and will be issued later in the year, however early indications from this model suggest that we have an average risk profile in comparative terms.

Our own resilience indicators are provided below;

RESILIENCE INDICATORS	2019/20	2023/24
Useable Reserves as % of Net Revenue Expenditure	119.50%	82.69%
Council Tax as a % of Net Revenue Expenditure	42.86%	52.66%
Business Rates as a % of Net Revenue Expenditure	31.67%	24.81%
Borrowing as a % of Fixed Assets	56.37%	55.16%
Investments as a % of Useable Reserves	54.02%	49.10%

The indicators suggest that we are in a strong position in relation to the ability to manage financial risk and future sustainability.

Our useable reserves exceeds our net revenue expenditure and therefore adequate to fund over a years worth of net expenditure should the need arise.

In addition Risk/Insurance reserves total some £1.69m and our General fund working balance of £2.7m supports our view that we are well placed to deal with any in year financial risks and the balancing of the budget in future years if necessary.

Taxation is likely to be our main funding stream of the future and whilst Council Tax is expected to increase, the impact of the new Business Rates Retention scheme is currently assumed to result in less income from 2020/21. As detailed within the Executive Business Plan there are a number of activities being undertaken which will drive growth in these income streams.

Our projected borrowing level is around half of our asset values, should we consider selling at some point in the future, the costs of borrowing could be met.

Whilst cash investments are likely to diminish as earmarked reserves are utilised for capital investment projects, this will be managed through the Treasury Management function along with the levels of internal borrowing. This will be informed by cashflow need and prevailing/forecast market rates.

The metrics within the indicators above are as reported within the Medium Term Financial Analysis.

METRIC	2019/20	2023/24	% CHANGE
FUNDING TARGET	£0	£439,000	
NET REVENUE EXPENDITURE	£14,782,600	£13,746,100	-7%
COUNCIL TAX REQUIREMENT	£6,304,400	£7,238,100	15%
BUSINESS RATES RETENTION	£4,659,000	£3,410,000	-27%
USEABLE RESERVES	£17,577,617	£11,367,234	-35%
CAPITAL EXPENDITURE	£21,697,118	£1,154,400	-95%
FIXED ASSETS	£60,248,702	£61,391,152	2%
BORROWING - EXTERNAL	£25,376,562	£25,042,122	-1%
BORROWING - INTERNAL	£8,585,983	£8,820,423	3%
INVESTMENTS	£9,495,984	£5,581,292	-41%

2.15 Borrowing for capital investment

For the Council to achieve its corporate priorities, reduce cost and increase revenue income streams, it is expected that a significant amount of capital investment will be required, funded from Prudential Borrowing.

Borrowing from external sources will only be undertaken from external after consideration of our cash flow requirements. In addition any external borrowing will be prudent, affordable and sustainable and as such will be informed by robust business cases and in the main have no impact on the council tax payer.

Where borrowing is to fund a commercial project the return on investment will also be taken into account when drawing down funds.

Any external borrowing will be undertaken to maturity.

2.16 Reserves

The level of the General Fund Working Balance will be set, as a minimum at 10% of Net Operating Expenditure, in addition for the 2019/20 financial year a monetary minimum balance will be applied of £2m (circa 13.6%). This minimum balance will represent funds available to mitigate risks the Council is facing in any one year and which will depend upon the robustness of the estimates within the budgets, the adequacy of budgetary control and external factors such as inflation and interest rates. In addition such risks may also include changes in Government policy, further funding reductions post 2019/20 and market factors.

The level of general reserves will continue to be closely monitored during the period of this MTFP in the context of protecting the Council from existing and future liabilities. This is extremely important given the announcements by the Government regarding expected further funding reductions. However, reserves will continue to be maintained at a prudent level.

Earmarked reserves will be reviewed annually to ensure their investment in both revenue and capital initiatives align to Corporate Plan priorities.

Reserves held are invested in accordance with the Treasury Management Strategy and the interest received from their investment supports the Councils revenue budget.

2.17 Capital Investment Strategy (Appendix C)

The Capital Investment Strategy sets out the strategic direction for WLDC's capital management and investment plans, and is an integral part of our medium to long term financial and service planning and budget setting process. It sets the principals of our capital investment under the prudential system.

The Capital Investment Strategy will enable the Council to meet its corporate priorities, as it can be targeted in creative and innovative ways, by aligning resources to specific investment projects which will deliver corporate outcomes. We recognise the importance of investing in commercial opportunities to deliver our key priorities and aspirations and to generate sustainable ongoing income streams, in addition to investing in schemes that will deliver economic regeneration and support housing growth which will provide new housing, independent living, job opportunities, an improved skills base and a revitalised town centre.

The level of borrowing to fund capital investment is only agreed if the borrowing is affordable and sustainable as our capital decisions can have significant revenue implications. For every £10m of prudential borrowing there are revenue costs approximately £0.25m per annum (over 40 yrs) to effectively repay the debt, in addition to either the cost of interest if actual borrowing is undertaken or loss of investment interest if internal funds are utilised for any period. This is in addition to the ongoing maintenance and running costs associated with the investment.

The Executive and Service Business Plans inform the budget setting process to ensure continued attainment of the objectives of the Corporate Plan and align staffing resources at an adequate level to achieve this, supported by appropriate technological systems to ensure efficiency in processes.

2.18 Working Capital

Based on the Council's current cash flow estimates, the programming of capital investments and borrowings, a working capital balance of circa £8m is required for funding business as usual.

2.19 Community Engagement

The Council hold annual Budget engagement events to get the views of residents, businesses and Parish Councils.

With the challenges the Council faces the Council has a variety of options on how to meet our funding gap, these can include changes to; Fees and Charges, Council Tax charge, commercial initiatives and the way services are delivered i.e. through technology or partnerships. It is therefore essential that our citizens are able to have a voice in the budget process. The full Consultation Report 2018 is available on our website: https://www.west-lindsey.gov.uk/my-council/have-your-say/consultations/previous-consultation-results/

2.20 Treasury Management Strategy (Appendix F)

The Strategy has been scrutinised and recommended to full Council by the Governance and Audit Committee.

The Treasury Management Strategy will ensure that the primary principles governing the Council's investment criteria are the security of its investments and the availability of cash when required (liquidity). The yield or return on the investment is the final principle for consideration. The Council will ensure it has sufficient liquidity in its investments and that it maintains a policy covering categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring of their security.

The Council invests money in a wide range of financial institutions and the investment interest earned is used to support the budget. The major issue for treasury management over the MTFP will be the significant difference between investment rates and borrowing rates, where the cost of carry of borrowing will exceed investment interest. Therefore cash flow management and monitoring of interest rate forecasts will be a key focus.

Emphasis continues to be placed, in line with the Treasury Management Strategy, on mitigating counterparty risk by giving preference to security and liquidity. This has resulted in greater use of investments with higher security and increased liquidity. The Strategy supports a policy of limiting the need for external borrowing by the utilisation of internal funds.

The Minimum Revenue Provision (MRP) Policy now provides options on what is considered prudent provision for the repayment of debt.

2.21 Risk Considerations (Appendix B)

The full Budget risk assessment is included at Appendix B. The key risk attached to this strategy include:

Successful delivery of our commercial and growth commitments – This strategy has plans to use a significant amount of our reserves in addition to borrowing both to develop the District and to invest in a range of commercial opportunities to increase our self-generated income substantially over the next four years. It is unlikely that all initiatives will be successful however we are confident that sufficient success will be achieved to deliver an appropriate level of return on our investment. You will see within our commitments we continue to focus on customer service improvement, governance and performance which is designed to manage our risk exposure and provide opportunities for assessing the likelihood for success.

2.22 Risk Management

The Council maintains a Risk Aware strategy to decision making and maintains Strategic and Service Risk Registers as well as considering risk in all Business Cases and Committee reports.

We will continually assess financial risks associated with activities and mitigate these risks by the creation and utilisation of provisions, earmarked reserves and general reserves.

We will review and report on internal controls and governance arrangements and will address any significant issues.

We will report to the Governance and Audit Committee who will monitor the effectiveness of risk management and governance arrangements.

In terms of Budget risks these include;

- Inflation is underestimated in the original estimates
- Interest rates are underestimated
- Changes to grant funding regimes
- Some budgets are only indicative at the time the budget is agreed
- Volatility in some budget headings between years

- Efficiency gains expected in the agreed budget are not achieved
- Unforeseen insurance costs or legal claims
- Emergencies which cannot be foreseen which occur on an ad hoc basis
- Changes to budgets where targets are not met
- Financial guarantees/loans given by the Council
- Unforeseen Events

3 Medium Term Financial Analysis

The medium term analysis remains difficult to predict beyond 2019/20. This is due to the changes in the Local Government finance system and which includes the move towards 75% business rates retention and the Fairer Funding Review. In addition there remains the uncertainty about the impact of Brexit. These unknown impacts and the level of financial risk contained within the MTFP will require closely monitoring, with at least an annual mid-year update to monitor forecasts as the consequences of these unknowns become clearer.

The Council holds a number of reserves to mitigate these impacts in addition to setting aside a minimum General Fund Working Balance of £2m (13.6%) for 2019/20, which will ensure we are resilient to any impacts in the short term.

The Council has managed the £4m reduction in Revenue Support Grant effectively since 2013/14. For 2019/20 there will be no RSG grant. This has mainly been achieved through commercial and traded income £1.4m, £1m from charges for services, efficiency and cost savings £1.3m and other grant funding, whilst costs have increased annually due to the impact of pay and price increases.

3.1 The Medium Term Financial Analysis below details the current MTFP Funding gap and details the movements from the 2018/19 -2023/24 position, further analysis is detailed at Appendix A;

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
MTFP - FUNDING GAP B/FWD	**(134)**	**351**	**599**	**674**	**674**
Total Pressures	762	766	758	768	1,137
Total Savings	(51)	(130)	(150)	(196)	(203)
Total Additional Income	(1,783)	(653)	(732)	(824)	(1,201)
Total Capital Financing Costs	(23)	33	33	33	78
Contribution to Reserves	1,229	0	0	0	0
MTFP - FUNDING GAP	**0**	**367**	**508**	**455**	**485**

The movement on the medium term forecasts are detailed below;

- **Pressures** – the costs of new service pressures, mainly related to the increase of an assumed 2% in the national pay award offer and annual increments of pay and includes the increased cost of pension contributions. Pressures on planning fee, car park and property related income reflecting current levels of demand.
- **Savings** – savings on expenditure budgets as a result of the annual base budget review and a review of the grant scheme.
- **Additional Income** – Garden Waste income has been realised beyond prudent expectations. Council Tax is forecast to grow by 0.5% per annum and the charge to increase by 3% per annum.
- **Capital Financing Costs** – The net costs of capital investment which is met from additional income or cost savings through project delivery
- **Contributions to Reserves** –
- Contribution to the Project Investment Reserve £0.400m to support investment in technology
- Contribution to Business Rates Volatility Reserve £0.680m
- £0.148m to be returned to the General Fund Balance in setting a £0 budget.

The Financial Analysis reflects a balanced budget for 2019/20 in accordance with Statutory Requirements.

Over the medium term there remains a £0.485m funding gap which, is expected to be balanced by investment in technology gained from the Customer First Programme, intended to deliver a customer and commercial centric delivery environment, in addition to commercial opportunities through Growth Programme. Plans in these two areas continue to be progressed but are insufficiently advanced to be included at this stage.

Members will be informed on progress via the quarterly budget monitoring reports

We have consulted with, residents and businesses on our proposals and there has been overall general support for the Financial Strategy and the assumptions set out in the Financial Analysis.

3.2 Longer Term Financial Outlook

The importance of understanding what the likely longer term financial position of the Council might be. The table below provides the significant assumptions on pay awards and Council Tax increases in addition to the future impacts of current business plans and capital investment projects which are forecast to generate additional returns beyond the 5 year MTFP. This provides an indication that the funding gap would be reducing to £0.294m if all assumptions were realised. Of course this an indication and amounts could vary significantly over time. However we will continue to provide forecasts over the longer term to enable future strategies to be developed.

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
FUNDING GAP B/FWD	**485**	**485**	**485**	**485**	**485**
Annual Pay Award @ 2%	183	371	561	756	955
Council Tax @ 3%	(254)	(517)	(789)	(1,071)	(1,363)
NNDR @ 2.5%	(85)	(173)	(262)	(354)	(448)
Pension Deficit Payment	135	284	449	631	832
Crematorium	(48)	(77)	(91)	(112)	(130)
Impact of Cyclical Budgets	34	(11)	12	(1)	9
MTFP - FUNDING GAP	**450**	**362**	**365**	**334**	**340**

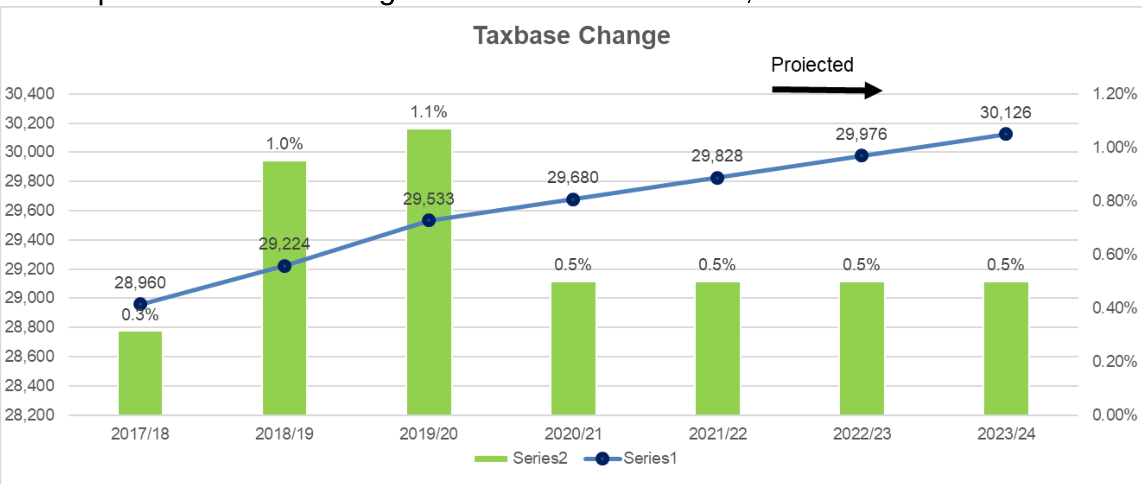
Specific elements of the Medium Term Financial Analysis include;

3.3 Council Tax Setting

Council Tax projections are based on 2 factors;

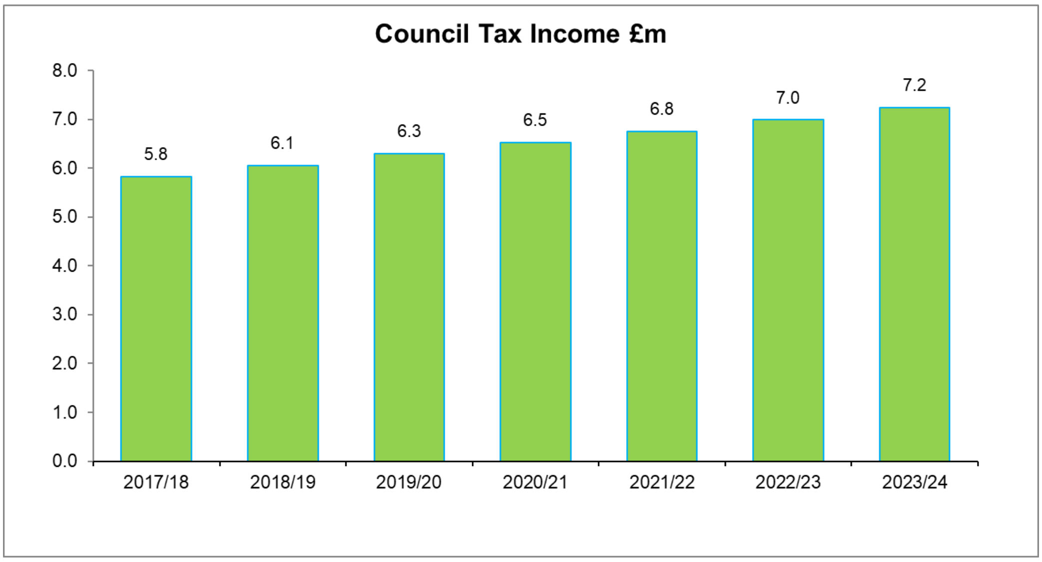
- Estimated growth in the Taxbase
- Increase in the Council Tax charge.

Assumptions for Tax base growth is illustrated below;



Series 1 Taxbase, Series2 % increase in taxbase

The Financial Strategy aims to raise Council Tax by the maximum amount permitted without the need for a referendum. This limit is currently up to 3% or £5 whichever is the higher. The Medium Term Financial Analysis therefore assumes an annual 3% uplift with Council Tax income projections provided in the graph below;



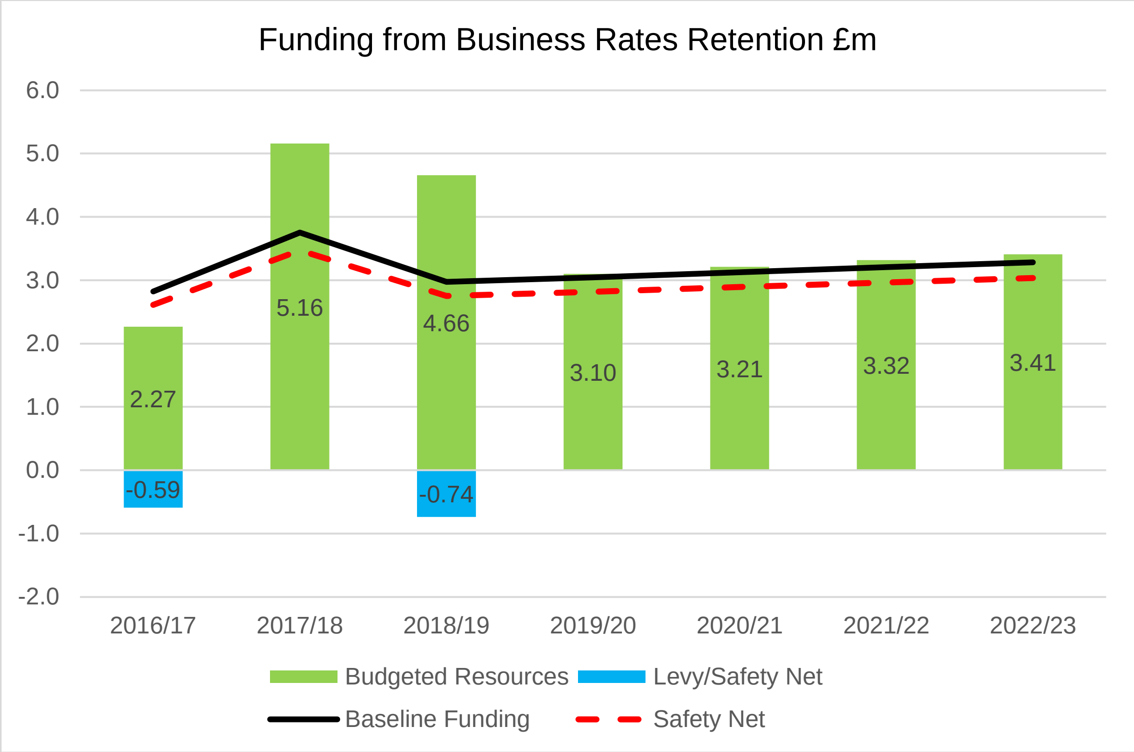
3.4 Business Rates (NNDR)

For 2019/20 Business Rates are based on 50% retention and West Lindsey being part of the Lincolnshire Pool, which brings a benefit of £0.442m (being 60% of the £0.738m levy). The overall income relevant to business rates is a budget of £4.659m.

It is difficult to predict with any accuracy the level of future Business rates beyond 2019/20 due to the current review of the Business Rates Retention Scheme. The government have indicated that this will be a 75% retention with a view to this increasing to 100% in the future once legislation is approved. However, it is expected that the new scheme will remove any growth and since 2013/14 and which will be the baseline funding level for the new scheme. The forecasts provided the best estimates at this time and as can be seen are a significant reduction on current levels.

It should be noted for comparative purposes in 2018/19 West Lindsey was a partner in the successful in a Lincolnshire Bid for 100% Business Rates Retention. This resulted in a significant one off gain in Business Rates Income, which was earmarked for future investment in regeneration and growth.

The objective to grow business rates is embedded throughout the Corporate Plan through regeneration and growth schemes. Any actual growth being a benefit for future estimates. However the reductions in income as a subsequence of settlement of valuation on appeals has been offsetting this benefit. In addition the review of the Business Rates Retention Scheme will mean a reset of the baseline with the 2013/14 level being the current assumption (removing all growth since that period), therefore no growth is assumed within the Medium Term Financial Analysis.



The strategy to mitigate against volatility in the tax base due to appeals and the unknown impacts of any new scheme will be achieved by setting a base budget based on our annual NNDR1 return to Government and setting aside resources achieved from the scheme, to the Business Rates Volatility Earmarked Reserve, for 2019/20 this will be £0.680m and is a consequence of a review of the provision for appeals.

3.5 Fees and Charges (Appendix C)

The fees and charges are set in accordance with the Fees and Charges Policy, the main principles are;

- that charges are in line with cost recovery
- that charges are introduced where no charge is currently being made
- that benchmarking will be undertaken

3.6 Commercial Investments in Property

The Local Authority has approved to invest up to £30m in commercial properties (£16m has been invested to date) to support service delivery by generating a contribution, after the cost of borrowing of £0.758m to overall costs. (The MTFP assumes £22m is expended by the end of March 2019). A Commercial Portfolio Strategy has been approved to establish criteria for investment ensuring a risk based approach to acquisition is undertaken. These capital investments may be outside the District where they are designed to deliver purely financial returns to the Council.

3.7 Service Efficiencies and Pay awards

Officers will continue to seek service efficiencies and deliver the maximum reduction in expenditure without a reduction in service levels.

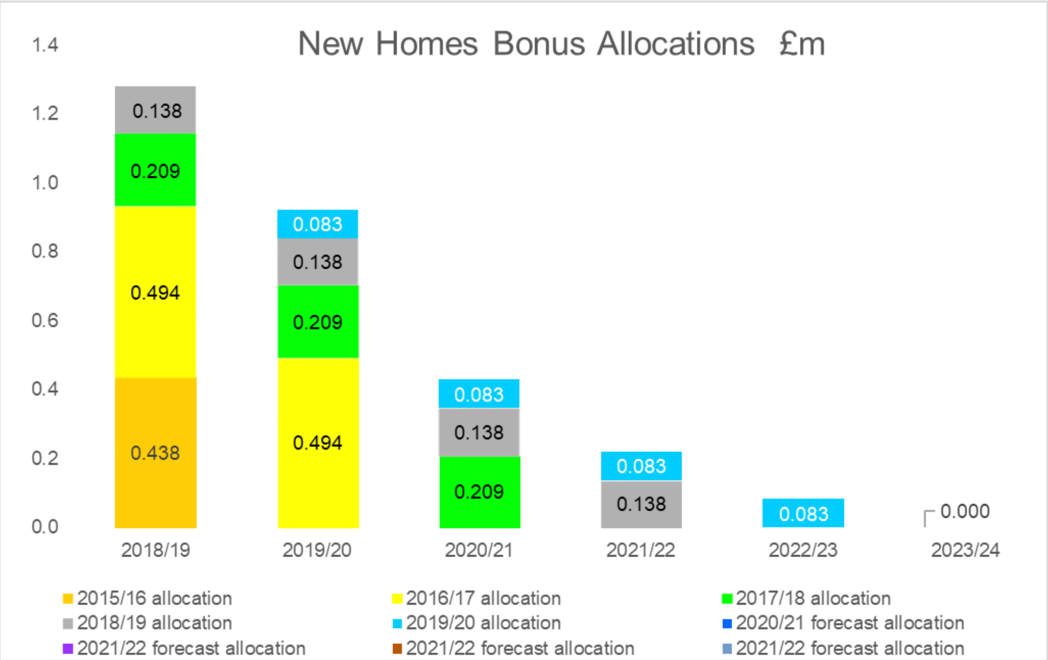
The pay award assumption will be aligned with the Employers recent offer of a 2% pay award. To be prudent 2% has been applied throughout.

3.8 New Homes Bonus

The Council receives New Homes Bonus as a reward for housing growth.
The scheme currently provides a grant award for 4 years based on growth data submitted annually in October.

The Council's current policy is to utilise this funding for the purpose of supporting housing and regeneration and it is therefore set aside in the Investment for Growth Reserve to fund this objective.

The graph below shows how New Homes Bonus has been awarded each year and the overall total funding receivable based on current awards. It is assumed at this stage that this scheme will no longer exist for new grant awards beyond 2019/20 due to the Fairer Funding Review.



3.9 Budget Assumptions

There are a number of other assumptions which contribute to the financial estimates provided, the major assumptions include;

- Employees - Pay Award 2% per annum and Pensions based on Actuaries assessment.
- Council Tax increase at 3% and annual tax base growth of 0.5%
- Commercial Property Investment of £22m (from 2017/18-2018/19) to generate £0.758m of ongoing net contribution by 2020/2021
- No growth in NNDR and reversion to Baseline from 2020/21 onwards.

- Contractual inflation applied only to service expenditure budgets
- New Homes Bonus no new allocations from 2020/21 onwards.
- Utilities - Electricity 7%, Gas 6%, Water 4%
- Capital Programme – total investment; total borrowing; use of reserves; balances at end of five years

3.10 Capital Investment Programme and Funding (Appendices E)

In relation to Capital Investment the MTFP assumes that over its lifetime the organisation will deliver a capital programme of £37.347m which will be designed to support the Council's Corporate objectives and Executive Business Plan activity. This will use a mix of self-financing, grant funding and borrowing to finance the programme. It should be noted that the organisation has a high level of earmarked revenues reserves set aside for the purpose of investment and once committed to the capital programme will no longer be available to support revenue expenditure. It is therefore paramount that as we work towards future sustainability, we identify ongoing contributions to earmarked reserves to support future investment needs.

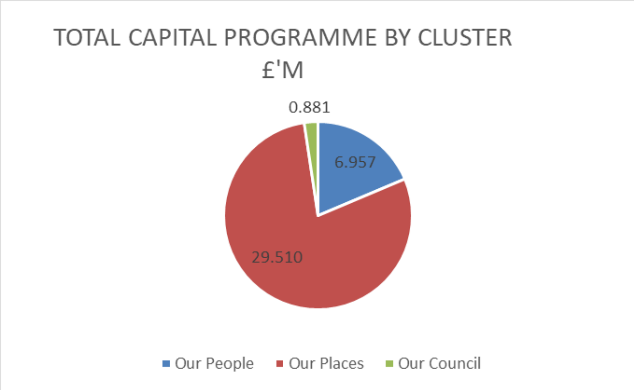
Whilst the overall Capital Investment Programme totals £37.347m ; however, those capital budgets approved to spend i.e. Stage 3 and Business as usual schemes total £20.188m with the remainder being pipeline projects requiring full business cases prior to request for approval. The 4 levels of the Programme are detailed below;

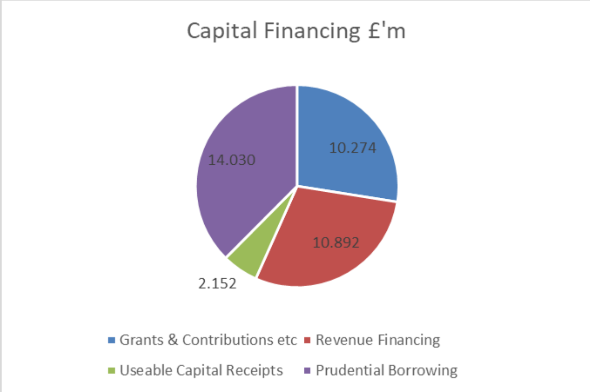
- Pre-Stage 1 – Business Case in preparation
- Stage 1 – Budget approved – requires full business case
- Stage 2 – Business case approved in principal or awaiting funding
- Stage 3 and Business as Usual (BAU) – Approved to spend and funding secured

Stage	2019/20	2020/21	2021/22	2022/23	2023/24	Total
BAU	1,126,600	780,300	1,207,500	1,544,500	954,500	**5,613,400**
Pre-Stage 1	4,947,560	1,391,590	0	225,000		**6,564,150**
Total in Delivery	**6,074,160**	**2,171,890**	**1,207,500**	**1,769,500**	**954,500**	**12,177,550**
Stage 1	493,700	0	0	0		**493,700**
Stage 2	2,508,600	4,000,000	3,193,784	200,000	200,000	**10,102,384**
Stage 3	12,620,658	646,245	961,145	346,245	0	**14,574,293**
Grand Total	**21,697,118**	**6,818,135**	**5,362,429**	**2,315,745**	**1,154,500**	**37,347,927**

The detailed Capital Investment Programme 2019/20 – 2023/24 is attached at Appendix E and includes how the programme will be funded over the MTFP.

The chart below illustrates Capital Investment by Cluster how this expenditure is to be funded**;**





3.11 Borrowing For Capital Schemes (Capital Financing Requirement (CFR))

The table below shows the impact of Capital Investment decisions on our need to borrow to fund relation to Prudential Borrowing. It is anticipated that by the end of 2019/20 the authority will have a funded £42.119m of capital investment by borrowing. As part of the Treasury Management function the authority will consider whether to utilise internal funds or seek external borrowing to meet this financing need; this will take into consideration future interest rates and cash balances.

£m	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Capital Financing Requirement					
Accounting Adj	1.065	1.065	1.065	1.065	1.065
Finance Leases	0.000	0.000	0.000	0.000	0.000
Prudential Borrowing	42.119	42.117	41.548	40.579	39.815
Total CFR	**43.184**	**43.182**	**42.613**	**41.644**	**40.880**
OF which relates to investment properties	*22.999*	*20.509*	*20.509*	*20.509*	*20.509*
Movement in CFR	**13.672**	**-0.002**	**-0.569**	**-0.969**	**-0.764**
Movement in CFR represented by					
Net financing need for the year (above)	13.696	0.334	0.000	0.000	0.000
Less Unwinding of Capital Expenditure	0.000	0.000	0.000	0.000	0.000
Less MRP/VRP and other financing movements	0.024	0.337	0.569	0.969	0.764
Movement in CFR	**13.672**	**-0.002**	**-0.569**	**-0.969**	**-0.764**

3.12 Revenue Implications of Capital Investment

Contained within the Capital Programme Financing (Appendix E) is a forecast that the authority will undertake Prudential borrowing (as detailed in the table above) and the use of reserves to finance the capital programme. In line with the Financial

Strategy, the costs associated with borrowing and the loss of interest from the use of reserves, must be met by the returns generated from the investments in accordance with the Capital Investment Strategy.

The total borrowing required over the MTFP is £14.030m; this borrowing will cost the General Fund £1.083m per annum and the authority will lose investment interest of £0.102m, from the use of reserves, by 2023/24.

From the budget perspective, when taking into account borrowing already undertaken and the additional borrowing expected from the MTFP the cost of borrowing is £1.838m, funded from schemes as detailed below;

Detail	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Cost of Borrowing:					
Minimum Revenue Provision	10,000	325,200	552,300	552,300	552,300
Interest Payable	773,900	1,184,300	1,184,300	1,184,300	1,184,300
Investment interest	16,798	50,667	78,281	92,249	101,742
Total Cost of Borrowing	**800,698**	**1,560,167**	**1,814,881**	**1,828,849**	**1,838,342**
Funded from:					
Commercial investment properties	(503,700)	(631,300)	(631,300)	(631,300)	(631,300)
Crematorium Income	(38,100)	(158,900)	(186,800)	(226,800)	(271,700)
Leisure Centre Contract	(162,159)	(290,919)	(293,734)	(296,606)	(296,606)
Other Schemes (Pre Stage 1 - Stage 2)	(13,105)	(327,186)	(573,085)	(584,182)	(593,675)
Total Funding from Schemes	**(717,064)**	**(1,408,305)**	**(1,684,919)**	**(1,738,888)**	**(1,793,281)**
Use of in year New Homes Bonus	(83,634)	(151,862)	(129,962)	(89,962)	(45,062)
TOTAL REVENUE IMPACT	**0**	**0**	**0**	**0**	**0**

Note: The use of in year New Homes Bonus to support regeneration 2 specific regeneration schemes whereby income levels are expected to meet these costs in future years prior to business growth (Crematorium and Leisure facility).

However, whilst the cost of external borrowing is included within all business cases and budgeted for accordingly. External borrowing will only be undertaken when considered appropriate for Treasury Management purposes. This approach ensures that there is a reflection of sustainability within financial planning, albeit savings against this budget will be achieved where internal borrowing is undertaken through the use of our cash balances.

3.13 Impact on Reserves

The level of the General Fund Balance will be set, as a minimum at 10% with a monetary minimum of £2m for 2019/20 being considered an appropriate level in view of the uncertainties of future level of funding (£1.4m for 2018/19)

This minimum balance will represent funds available to mitigate risks the Council is facing in any one year and which will depend upon the robustness of the estimates within the budgets, the adequacy of budgetary control and external factors such as inflation and interest rates. Such risks may also include changes in Government policy, further funding reductions and market factors.

The table below provides the forecast level of reserves, after taking into account Capital Investment decisions, revenue contributions to the reserves and their use over the MTFP.

RESERVE	**YEAR END 2018/19**	**MTFP 2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
General Fund Working Balance	2,917,001	2,788,301	2,781,301	2,774,301	2,767,301	2,767,301
Earmarked Reserves	13,135,222	11,638,017	8,240,822	7,097,822	6,306,622	6,243,022
Capital Receipts	3,312,987	3,151,299	2,791,811	2,236,911	2,296,911	2,356,911
TOTAL	**19,365,210**	**17,577,617**	**13,813,934**	**12,109,034**	**11,370,834**	**11,367,234**

The use of reserves for revenue purposes relate mainly to fund one off investments in projects or for budget smoothing purposes.

Earmarked Reserves are made up of a number of reserves which the Council utilises for Capital Investment, Service Investment, Replacement and Renewals, Budget Smoothing, Risk Management etc. The Council continues to utilise New Homes Bonus to support housing regeneration and economic growth schemes.

EARMARKED RESERVES	**YEAR END 2018/19**	**MTFP 2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Budget Smoothing	1,239,623	2,163,823	2,220,223	2,383,623	2,462,023	2,469,423
Capital Funding Total	501,115	404,915	743,715	623,515	126,315	288,115
Risk/Insurance Reserves	1,269,123	1,263,123	1,257,123	1,251,123	1,245,123	1,241,723
Economic Regeneration	7,803,796	6,280,291	2,581,196	1,481,196	1,381,196	1,381,196
Invest to Save	1,459,949	843,849	759,749	657,949	369,949	118,949
Service Investment Total	861,616	682,016	678,816	700,416	722,016	743,616
Grand Total	**13,135,222**	**11,638,017**	**8,240,822**	**7,097,822**	**6,306,622**	**6,243,022**

4. The Chief Finance Officer Statement on the Robustness of Estimates, the Adequacy of Reserves and the affordability of capital investments.

In accordance with Section 25 of the Local Government Act 2003, the Council's Chief Finance Officer (Executive Director of Resources) is required to report on the robustness of estimates, the adequacy of proposed reserves and the prudence of capital investment decisions. This information enables a longer-term view of the overall position to be taken.

Key factors in ensuring the robustness of estimates include the initial challenge process to establish budget options, essential project management for the proposals, monitoring and reporting arrangements and utilisation of key, skilled finance staff in drawing up detailed estimates and monitoring proposals going forward. Cross cutting and sound key assumptions are also vital to ensuring proper estimates. The key assumptions, i.e. pay awards, inflation, Council Tax, Business Rates, Government Grant and pension contributions are detailed within this report. It is essential that in order to secure a balanced budget the base estimates are considered robust.

Budget changes have been built on amounts approved by the Corporate Policy and Resources Committee throughout the year, and changes approved under delegation. Changes to the base budget have been reported to both Prosperous Communities Committee and Corporate Policy and Resources Committee in February 2019.

Budget monitoring will be presented to management on a monthly basis and to Corporate Policy and Resources Committee quarterly throughout the financial year (or by exception).

The balance of General Reserves are considered to be adequate to cover risks, peaks and troughs and the investments proposed. A minimum General Fund Balance has been set at £2m of Net Operating Expenditure and is forecast to exceed this target over the MTFP.

This represents;

- 100% of MTFP total 5 year deficit (£1.642m)
- 100% 2 year MTFP risk profile (£1.731m)
- 25% of MTFP total risks (£7.951m)
- 13.2% (10% 2018/19) of budget requirement
- 10 days of average gross expenditure cover (£1.9m per day)

The earmarked reserves as set aside by the Council at the year-end 2018/19 have been independently verified by the external auditor.

A review of reserves was undertaken and approved by the Corporate Policy and Resources Committee at its January meeting.

The prudential borrowing regime places a duty on the Chief Finance Officer to ensure that the financial impact of decisions to incur borrowing are affordable both in the immediate and over the longer term.

Consideration of all new capital schemes and their revenue impact is undertaken alongside other revenue issues to ensure resources are appropriately allocated and impacts are reflected in the Prudential Indicators within the Treasury Management Strategy.

Despite the current economic uncertainty and issues around Local Government reform the Council remains in a stable financial position, with adequate reserves to deal with any economic impacts and work will continue to be undertaken to ensure that the Council is in a sound position to manage its budget within the anticipated funding reductions.

The professional opinion of the Chief Finance Officer on the overall adequacy of the total level of reserves and the robustness of estimates is integral to the sign off of the overall agreed budget. The Chief Finance Officer therefore confirms that the budget estimates are robust, the adequacy of reserves is satisfactory and the capital programme is affordable.

5. Current Financial Position 2018/19

The Corporate Policy and Resources Committee receives quarterly updates of revenue spend against the budget together with a projection of the forecast out-turn position, in respect of Revenue, Capital and Treasury Management activity and investment returns. The Service Leadership Team receive monthly management reports and Management Team review summary details every quarter or by exception.

An audit of the budget monitoring (2018) has resulted in High Assurance being given to the process.

This process allows more accurate predictions of the likely outturn and therefore allows the Council to make further investments into priority services or take remedial action where appropriate.

Initial indications at Quarter 3 are that the Council is forecast to outturn a surplus in the region of £0.380m.

The actual surplus at the year-end will be transferred to General Fund Balances or may be Earmarked for future investment projects, subject to approval.

The capital forecast out-turn position for 2018/19 is £29.967m against an approved budget of £30.108m.

6. Revenue Budget 2019/20

The Council presents a balanced budget for 2019/20 for approval, with the amount to be met from Government Grant or Council Tax being £14.783m

Service Clusters	Proposed Budget 2019/20 £
Our People	4,576,600
Our Place	(278,400)
Our Council	5,477,900
Grand Total	**9,776,100**
Drainage Board Levies	360,200
Parish Precepts	2,019,000
Interest and Investment Income	(242,100)
Interest Payable	773,900
Statutory repayment of borrowing (MRP)	10,000
Capital Expenditure funded from revenue resources	3,463,800
Net Operating Expenditure	**16,160,900**
Transfer to / (from) General Fund	118,900
Transfer to / (from) Earmarked Reserves	1,966,600
Use of Reserves for Capital Investment	(3,463,800)
Amount to be met from Government Grant or Council Tax	**14,782,600**
Funding	
Revenue Support Grant	0
Business Rate Retention Scheme	4,659,000
Collection Fund Surplus - Council Tax	220,000
Parish Councils Tax Requirement	2,019,000
New Homes Bonus	923,800
Other Government Grants	656,400
Council Tax Requirement	**6,304,400**
TOTAL FUNDING	**14,782,600**
Balanced Budget/Cumulative Savings Target	**0**

6.1 Service Budgets (Clusters)

The MTFP 2018/19 projected a funding surplus of £0.134m for the 2019/20 financial year.
During the year a number of initiatives, projects and reviews were undertaken with the aim of achieving meeting the longer term funding gap.

The significant budget movements are detailed below;

Additional/increased income and reduction in costs is forecast from;

- The Green Waste Service – take up above forecast - £205k
- Business Rates – Surplus share £0.344m
- Council Tax – Surplus £0.170m and growth £0.035m
- Business Plan Initiatives - £0.033m
- Grant Funding review - £0.017m
- New Contract to support external organisation £0.015m
- Government Grants £0.127m

This is against pressures identified during the budget process and legislative impacts

- Employee cost £0.113m
- Reduction in Planning Fees due to forecast level of demand £0.185m
- Car Park income pressures - £0.079m
- ICT and shared service contract - £.047m
- Transport – Fuel Price increases - £0.039
- Property Assets – Capital Scheme with returns not progressing - £0.157m
- Approvals 2018/19 0 £0.040m

6.2 Funding

The overall amount to be funded from Government Grant or Taxation is £14.709m as detailed below;

Funding	**Proposed Budget 2019/20 £**
Revenue Support Grant	0
Business Rate Retention Scheme	4,659,000
Collection Fund Surplus - Council Tax	220,000
Parish Councils Tax Requirement	2,019,000
New Homes Bonus	923,800
Other Government Grants	656,400
Council Tax Requirement	**6,304,400**
TOTAL FUNDING	**14,782,600**

The Business Rates Retention Scheme was introduced in April 2013, calculation models have been developed to more accurately monitor and estimate any impacts of changes to grant funding from a number of local variables. It is expected that £4.659m will be generated from the scheme included rates retained, mandatory relief grant funding, WLDC share of 2018/19 surplus and the benefit levy gain of being in a pool.

It is considered prudent to assume no growth for 2019/20 as the impact of outstanding appeals against the 2010 list will offset any growth income.

The Government are currently consulting on the new Business Rates Retention Scheme 2020/21 and it is likely that any growth since 2013/14 will be discounted.

2019/20 budget gains of £0.680 will be transferred to the Business Rates Volatility Reserve; this will provide some mitigation for any negative impacts in the new scheme.

In addition to the above the continued focus on maximising New Homes Bonus through capital investment and identification and intervention measures relating to empty homes has resulted in a further £0.083m per annum, of additional grant having been generated. It is expected that this will be received for a period of 4 years. The total allocation for 2019/20 is £0.924m (2018/19 £1.278m).

The proposed 2019/20 budget has been balanced with no requirement for a contribution from General Fund reserves and an actual contribution to the reserve of £0.149m has been possible.

6.3 Council Tax 2019/20 (Appendix G-K)

The level of Council Tax is considered in line with the impact on council tax payers, economic instability, settlement figures, potential capping, the impact on the Council’s balances and the wish to invest in priorities.

In setting the Council Tax the Council has been mindful of the factors highlighted above; considering the financial pressures faced moving forward Council will need to be increasingly mindful of the financial implications of its Council Tax decisions.

The Secretary of State has powers to impose limits on the rate of Council tax increases imposed by Local Authorities, for 2019/20 this limit is set at up to 3% or £5 whichever is the greater. If the Council wished to increase Council Tax above this level there would be a requirement to hold a referendum. The cost of such a referendum would be broadly equivalent to a 3.5% increase in Council Tax. At this time it would be advised that any increase be below the level at which a referendum would be triggered.

The proposal for 2019/20 is therefore to increase Council Tax by 2.99% to £213.47 reflecting an increase of £6.20 (12p per week) raising £6.304m.

The composition of the proposed Council Tax charge by property valuation band, with Band D being the comparator, is set out in the table below for information (excluding Parish Precepts)

Table 4 Council Tax Charges by Band 2019/20 (excludes parish precepts)

Band	West Lindsey DC	Lincolnshire CC	Police & Crime Commissioner Lincolnshire	Aggregate Council Tax
A	142.31	861.60	160.92	1,164.83
B	166.03	1,005.20	187.74	1,358.97
C	189.75	1,148.80	214.56	1,553.11
D	213.47	1,292.40	241.38	1,747.25
E	260.91	1,579.60	295.02	2,135.53
F	308.35	1,866.80	348.66	2,523.81
G	355.78	2,154.00	402.30	2,912.08
H	426.94	2,584.80	482.76	3,495.50

The required resolutions to determine Council tax levels and all other relevant supporting information can be found in Appendices H-K.

Parish Precepts are in addition to the amounts reflected above, the average Parish Precept is £68.37 (£65.33 2018/19) reflecting an increase of 4.65% increase.

6.4 Business Rates (NNDR)

For 2019/20 West Lindsey District Council is expecting £4.589m from all elements of Business Rates. The authority will revert to being a partner in the Lincolnshire Business Rates Pool after having benefitted from being a 100% retention pilot for 2018/19.

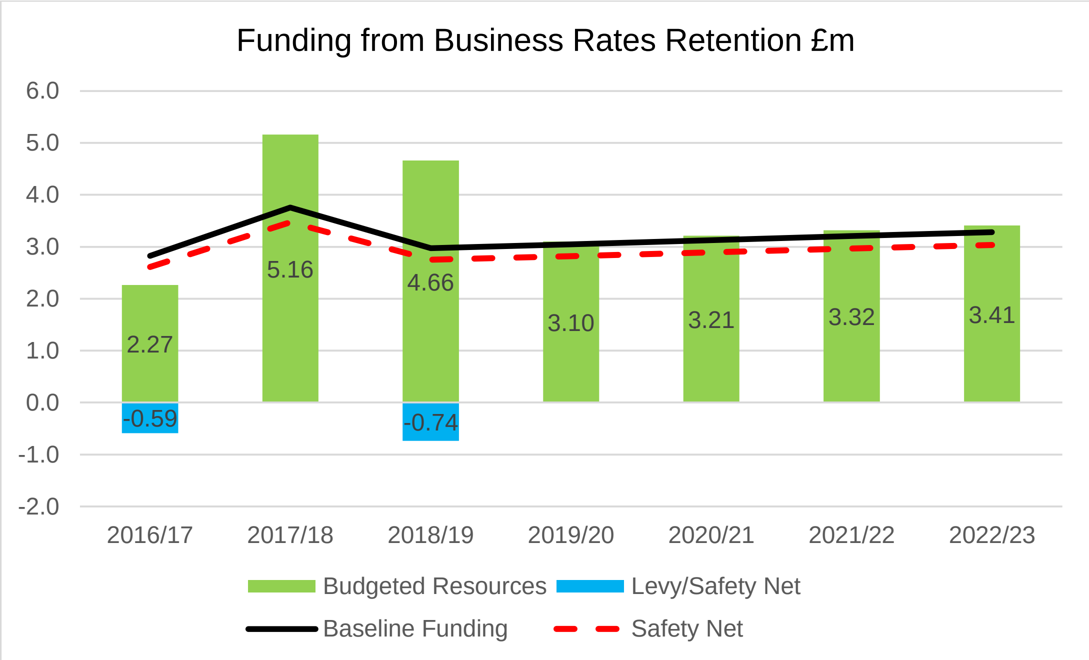
The benefit of being in the County Pool will result in a 50% reduction in the amount of levy payable (levy charged on growth above 7.5%) estimated to be worth £0.443m.

This means that the Council is the billing authority for NNDR and will collect 50% for the Government, 40% for West Lindsey purposes and 10% for Lincolnshire County Council.

However there remains a redistribution of NNDR through the Top/up and Tariff mechanism, ensuring Councils only receive income up to their funding need.

The Council is required to submit an estimate for the year to Government, this return is called the NNDR1. At the year-end a NNDR3 is then submitted to confirm the actual resources received from the scheme. Any variance between these two amounts results in a surplus or deficit on the Collection Fund, to which the authority will have a 40% share.

The table below shows the authority's Funding from Business Rates Retention (excluding the Pooling gains)



The graph above illustrates a forecast income from NNDR which includes additional government grant for supporting mandatory reliefs, or payments due to and from the scheme in form of Tariffs and a Levy on growth. The additional benefit of being part of the Greater Lincolnshire NNDR Pilot Pool is reflected for 2018/19 actual funding level.

The Budget therefore is made up of the following elements:

	50% Pool	**100% Pilot**	**50% Pool**
Budgeted Resources	**2017/18**	**2018/19**	**2019/20**
	£m	**£m**	**£m**
NDR income from collection fund	(6.042)	(10.431)	(6.966)
Tariff (adj for RSG/RSDG)	3.389	6.521	3.525
Distribution of Surplus	0.000	0.000	(0.344)
S31 grants	(0.683)	(1.301)	(1.120)
Levy safety net payments	(0.394)	1.241	0.738
Renewable Energy	(0.024)	(0.052)	(0.049)
Pooling gains / losses	0.246	0.000	(0.443)
Pilot Gains	0.000	(1.241)	0.000
Total Business Rates Related	**(3.508)**	**(5.263)**	**(4.659)**

The Distribution of Surplus is based on the forecast of the 2018/19 year end position. This surplus recognises the impact of a review of the level of the provision for appeals, resulting in £0.680m gain which will be transferred to the NNDR Volatility Reserve to support any future detrimental impact of the new retention scheme 2020/21.

The remaining MTFP provides resources budget of circa £3.1m which assumes that under the new Business Rates Retention Scheme the authority will revert to its 2013/14 Baseline position (+inflation). There is currently a consultation on the proposals relating to the new scheme for 2020/21 and as such has yet to be determined.

7. Pay Policy Statement and Establishment Numbers (Appendix L and M)

Under section 40 of the Localism Act, Council must approve and publish a Pay Policy Statement for each financial year. Pay policies can be amended during the financial year and full Council or a meeting of Members must be offered the opportunity to vote before large (£100k or above) salary packages are offered.
Following the Hutton Review of Fair Pay in Local Authorities on Data Transparency, authorities are now disclosing their pay multiple i.e. the ratio between the highest paid employee and the median earnings level with the organisation. This data will inform the annual review of the Pay Policy Statement in future years.

In March 2015 the Chancellor announced a commitment to implement a Living Wage with a commitment that by 2020 a person aged over 25 and paid the current minimum wage of £6.70 will benefit by increased pay of £4,800 per annum by 2020.

From April 2019 all workers aged over 25 are legally entitled to a living wage of £8.21 per hour. This amount is below our current lowest level of pay, however the impacts will be reviewed annually.

The Pay Policy Statement for 2019/20 and is set out at Appendix L for approval.
The level of Council Tax is considered in line with the impact on council tax payers, economic instability, settlement figures, potential capping, the impact on the Council's balances and the wish to invest in priorities.

The Human Resources Statement details the budgeted full time equivalents for 2019/20 of 282.14. (Appendix M)

THE MEDIUM TERM FINANCIAL ANALYSIS 2018/19 TO 2022/23

List of Appendices