



**Corporate Policy and  
Resources Committee**

**Thursday, 13 February 2020**

**Subject: DRAFT Executive Business Plan and Medium Term Financial Plan  
2020/21 - 2024-25**

Report by:

Chief Executive

Contact Officer:

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Purpose / Summary:

The purpose of the Executive Business Plan is to set out the actions the Executive will undertake to deliver the Corporate Plan over the next 3 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 5 years in supporting 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 the within 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 previous estimates and covers the period 2020/21 to 2024/25

The Financial Analysis includes the draft budget for 2020/21 for scrutiny and consideration prior to recommending to Council.

**RECOMMENDATION(S):**

- 1) That Members recommend to Council the approval of the DRAFT: Executive Business Plan and Medium Term Financial Plan 2020/21 to 2024/25.**
- 2) That Members approve the use of and contributions to Reserves.**
- 3) That Members accept the Statement of the Chief Finance Officer on the Robustness of Estimates and Adequacy of Reserves**
- 4) Members consider and recommend to Council the Revenue Budget 2020/21.**
- 5) That Members consider and recommend to Council the Capital Investment Programme 2020/21 to 2024/25.**
- 6) That Members delegate any housekeeping changes to the Draft Executive Business Plan and the Draft Medium Term Financial Plan to the Chief Executive in consultation with the Chairman of the Corporate Policy and Resources Committee prior to the final consideration by Council on 2 March 2020.**

## IMPLICATIONS

**Legal:** The Council has a responsibility to determine a legitimate balanced 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/178/20/TJB**

The report presents a balanced budget for 2020/21 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 2020/21 taking into account the approved Council Tax Surplus of £215,436.

The Provisional Settlement was announced on 20 December 2019 and has been incorporated into this report, the grants are in line with expectations for a one year settlement.

The 2020/21 Net Budget Requirement is made up of the following;

Gross Expenditure	£37,588,500
Gross Income	(£24,866,300)
Net Contributions to Reserves	£1,623,900
<b>NET BUDGET REQUIREMENT</b>	<b>£14,346,100</b>

Funded from:

Business Rates	£4,121,000
Council Taxes incl precepts	£8,867,900
Other Government Grants	£1,357,200
<b>TOTAL FUNDING</b>	<b>£14,346,100</b>

### **Staffing :**

The Medium Term Financial Analysis includes budget provision for all approved posts, some of which are funded from grant, capital or reserves.

**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

**Data Protection Implications :** None directly from this Report

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

**Section 17 Crime and Disorder Considerations :** The budget provides resources to reduce anti-social behaviour.

**Health Implications:** The budget provides resources to support the health and wellbeing of our residents.

**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 Strategic 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](http://www.west-lindsey.gov.uk)

**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.

**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

**Key Decision:**

A matter which affects two or more wards, or has significant financial implications

Yes

No

## 1. Executive Summary

- 1.1 Presented below is the Executive Business Plan and Medium Term Financial Plan 2020/21 – 2024/25 (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** – 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 includes the Financial Strategy and Medium Term Financial Analysis.

**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 (Appendix 1)** details, in monetary terms, 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.

**The General Fund Revenue Budget 2020/21** reflects a balanced budget and a Net Budget Requirement of £14,346,100.

Future estimates are included at Appendix 1 of the Medium Term Financial Analysis (which covers a period of five financial years).

Members should be aware; the budget is based on the provisional one year financial settlement announced in December by the Minister for Communities, Housing and Local Government, Rt. Hon Robert Jenrick MP.

The proposal to increase Council Tax by 2.00% in 2020/21 is within the Government's referendum limit of upto 2% 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** – Strategic Focus: Health & Wellbeing, Education & Skills, Vulnerable Groups & Communities i.e. Benefits, Homelessness and Housing, Community Grants, Employment & Skills Partnership, Arts & Leisure

**Our Place** – Strategic Focus: Economy, Housing Growth, Public Safety & Environment i.e. Building Control, Licensing, Food Safety, Car Parks, Asset Management, CCTV, Domestic Waste Collections, Development Control, Economic Development

**Our Council** – Strategic Focus: Customer, Finances, Staff & Members i.e. Finance, Human Resources, Committee Administration, ICT, Business Improvements, Elections, Corporate Fraud, Debtors, Local Tax Collection, Local Land Charges, Crematorium, Commercial Properties, Customer Relations, Green Waste Service, Bulky Waste Collections, Trade Waste, Markets

Other elements of operating expenditure and movements in reserves are also detailed within the table below and result in a £14.346m Budget requirement.

<b>Cluster</b>	<b>Proposed Budget 2020/21</b>	<b>£</b>
Our Council	5,905,000	
Our People	1,513,200	
Our Place	3,715,600	
<b>Cluster Total</b>	<b>11,133,800</b>	
<b>Other Operating Expenditure</b>	<b>1,832,100</b>	
<b>Net Revenue Expenditure</b>	<b>12,965,900</b>	
Transfer to/(from) General Fund	927,500	
Transfer to/(from) Earmarked Reserves	452,700	
<b>Amount to be met from Government Grant or Council Tax</b>	<b>14,346,100</b>	
<b>Funding Income</b>		
Revenue Support Grant	(65,000)	
Business Rate Retention Scheme	4,186,000	
Council Tax Freeze Grant	0	
Collection Fund Surplus - Council Tax	215,400	
Parish Councils Tax Requirement	2,142,300	
New Homes Bonus	736,300	
Other Government Grants	620,900	
<b>Council Tax Requirement</b>	<b>6,510,200</b>	
<b>TOTAL FUNDING</b>	<b>14,346,100</b>	
<b>Balanced Budget/Funding Target</b>	<b>0</b>	

#### 1.4 Contributions to Reserves 2020/21

Due to uncertainty around future funding it is proposed that the 2020/21 surplus of £0.942m transferred to the General Fund Balance to mitigate any future budget risk.

<b>Movement on General Fund Balance</b>	
	<b>2020/21</b>
Bal Bfwd	3,646,241
Enforcement Officer (2 years ext)	(7,200)
To Election Reserve	(7,000)
2020/21 Surplus	941,700
<b>Balance Carried Forward</b>	<b>4,573,741</b>

In respect of the contributions to and use of Earmarked Reserves, these are detailed in the tables below;

<b>CONTRIBUTION TO RESERVES</b>	
	<b>2020/21</b>
Maintenance of Facilities Reserve	102,900
ICT Reserve	91,000
Replacement Bins Reserve	19,300
Elections Reserve	40,000
Vehicle Replacement Reserve	338,800
<b>TOTAL CONTRIBUTION TO RESERVES</b>	<b>592,000</b>

<b>USE OF RESERVES FOR REVENUE</b>	
	<b>2020/21</b>
Maintenance of Facilities	(20,000)
Grants Unapplied	(265,800)
Replacement Bins	(20,000)
Project Investment	(127,000)
Feasibility Reserve - Investment for Growth	(91,500)
Supporting Vulnerable Communities	(33,800)
<b>TOTAL USE OF RESERVES FOR REVENUE</b>	<b>(558,100)</b>

<b>USE OF RESERVES FOR CAPITAL</b>	
	<b>2020/21</b>
IT Upgrades/Refresh	(97,000)
Maintenance of Facilities	(170,000)
Property Asset Fund	(150,000)
Investment for Growth Fund	(4,600,800)
Project Investment	(519,400)
<b>Total Use of Earmarked Reserves</b>	<b>(5,537,200)</b>



## 1.5 The Capital Investment Strategy (Appendix 3)

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 overarching 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 (Appendix 4)

The Capital Programme 2020/21 to 2024/25 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 2020/21 £	Estimate 2021/22 £	Estimate 2022/23 £	Estimate 2023/24 £	Estimate 2024/25 £	TOTAL CAPITAL PROGRAMME £
Our People	1300631	693547	595000	595000	595000	3,779,178
Our Places	14,990,588	7,889,559	1,180,775	509,775	402,000	24,972,697
Our Council	826,400	300,000	485,000	129,000	275,000	2,015,400
Investment	7,000,000					7,000,000
<b>Grand Total</b>	<b>24,117,619</b>	<b>8,883,106</b>	<b>2,260,775</b>	<b>1,233,775</b>	<b>1,272,000</b>	<b>37,767,275</b>

The overall Capital Investment Programme totals £37.767m however, £10.752m relates to the approved Capital Budgets (Stage 3 and Business as usual) with the remainder of £13.366m being pipeline projects. Only approved Capital Budgets will be monitored throughout the financial year.

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	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	TOTAL £
BAU	1,030,631	1,158,000	1,503,000	901,000	1,272,000	<b>5,864,631</b>
Pre-Stage 1	3,520,513	3,000,000	225,000	0	0	<b>6,745,513</b>
Stage 1	602,300	1,900,000	0	0	0	<b>2,502,300</b>
Stage 2	9,242,775	2,726,559	532,775	332,775	0	<b>12,834,884</b>
Stage 3	9,721,400	98,547	0	0	0	<b>9,819,947</b>
<b>Grand Total</b>	<b>24,117,619</b>	<b>8,883,106</b>	<b>2,260,775</b>	<b>1,233,775</b>	<b>1,272,000</b>	<b>37,767,275</b>

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 Capital Investment Programme is funded from;

	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	TOTAL
CAPITAL FINANCING	£	£	£	£	£	£
Grants & Contributions etc	-6,228,119	4,621,559	-927,775	-927,775	-595,000	-13,300,228
Revenue Financing	-5,537,200	2,361,547	1,333,000	-306,000	-677,000	-10,214,747
Useable Capital Receipts	-2,152,300	0	0	0	0	-2,152,300
Prudential Borrowing	10,200,000	1,900,000	0	0	0	-12,100,000
<b>Total Capital Programme Funding</b>	<b>24,117,619</b>	<b>8,883,106</b>	<b>2,260,775</b>	<b>1,233,775</b>	<b>1,272,000</b>	<b>-37,767,275</b>

The detailed Capital Investment Programme is attached at Appendix 4 for consideration and recommendation to Council.

## 1.7 Robustness of Estimates and Adequacy of Reserves

In accordance with Section 25 of the Local Government Act 2003, the Council's Chief Finance Officer 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 AND MEDIUM TERM FINANCIAL STRATEGY**

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## **APPENDICES:**

**Appendix 1 Medium Term Financial Analysis (Revenue Budget Summary)**

**Appendix 2 Risk Register**

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**Appendix 5 Analysis of Capital Financing**

**Appendix 6 Treasury Management Strategy 2020/21**

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**Appendix 8 Human Resources Statement**

# EXECUTIVE BUSINESS PLAN

## 1 Executive Business Plan

### 1.1 Introduction

- 1.2 The purpose of the Council's Executive Business Plan is to outline and consider the impacts of the national, regional and local environment the Council operates in and to also set out key activity for the next three years. The background against which the Council operates is forever and seemingly more rapidly changing, with rising levels of uncertainty, so it is critical to appraise both current and possible future scenarios.
- 1.3 The supporting financial strategy as set out in Medium Term Financial Plan, details how key activity and projects will be funded. It takes a medium term perspective while also looking further ahead to consider actions that will have an impact beyond the medium term horizon.
- 1.4 The Council's Corporate Plan (2019-2023), is the organisation's primary strategic document. It sets out the Council's strategic objectives and desired outcomes for the period of its timeframe. This Executive Business Plan complements the Corporate Plan by setting out annually a rolling three year programme of deliverables designed to achieve the required objectives. It reflects short, medium and longer term goals with diminishing accuracy, but acts as a guide for the Council's Senior Leadership Team, managers and staff and Members, of current and future decisions and activity.

### 2. National Context

- 2.1 Following the General Election in December 2019, the Government is working towards leaving the European Union by 31<sup>st</sup> January 2020 and securing a trade deal with Europe by the end of 2020. The potential for a no deal scenario also remains a possibility. At present therefore, much uncertainty continues to exist over both the future political landscape and the economic relationships the UK will forge with its former EU partners and wider trading blocs.
- 2.2 The Government has guaranteed an extension to the European Structured Investment Funds to address poor productivity and deprivation. In the form of the UK Shared Prosperity Fund (UKSPF), monies are to be made available from the end of 2020 to provide local areas with new ways to manage their economies. Commentators have called for the fund to at least match the £2.4 billion per year currently allocated through the EU structural funds and there is an urgent need for additional information, as delays in launching the fund are causing greater uncertainty across local government.

- 2.3 The Government's Industrial Strategy is emphasised as key to achieving the objectives of the UKSPF. The aim of the Industrial Strategy (building a Britain fit for the future), is to boost productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure. It is intended to boost productivity and earning power across the country by focusing on five foundations:
- ideas
  - people
  - infrastructure
  - business environment
  - places
- 2.4 Aligned to the UK's Industrial Strategy are a number of regional industrial strategies setting out how regions and government will work together to maximise their contribution to UK productivity and ultimately lead to better living standards and a better quality of life for residents. In a West Lindsey context, the 'Midlands Engine' partnership brings together public sector partners and businesses to complement the activity of local and combined authorities, Local Enterprise Partnerships, universities, businesses and others. Its focus is on generating added value for the whole of the Midlands, its communities and the wider UK.
- 2.5 In March 2019, a government fund of £2.6bn was launched under the guise of Stronger Towns Funding. The total value of the fund has since been increased to £3.6bn with the incorporation of £1bn of funding previously assigned to the Future High Streets Fund. These monies are targeted at places that have not shared in the proceeds of growth in the same way as more prosperous parts of the country. Of the new fund, £1bn will be allocated using a needs-based formula, with the remaining monies being available through a competitive process. Of the total sum, £110m has been allocated for the East Midlands. The formula is based on a combination of productivity, income, skills, deprivation metrics and proportion of the population living in towns. This targets funding at those places with economies that are performing relatively less well to the England average, whose residents are living on lower incomes, and where larger proportions of the population have low skill attainment.
- 2.6 One hundred towns have now been invited to develop proposals for a new generation of multi-million-pound Town Deals and will work with the Government to develop innovative regeneration plans. Analysis of the places selected suggests that the criteria for selection does not accurately reflect the needs-based formula approach that was originally set out. Unfortunately no places in West Lindsey were selected.
- 2.7 The climate change agenda has achieved great attention over the course of the past 12 months, with groups such as Extinction Rebellion highlighting climate related issues. In response to the seriousness of the situation, Governments globally have publically declared their intentions to reduce greenhouse gas emissions. In May 2019, the UK Government declared a climate emergency and due to the Climate Change Act has committed to reduce emissions by 100% by 2050. According to the Committee on Climate Change, the UK can cut its carbon emissions down to near zero and so become carbon neutral, at no extra cost if done gradually from 2019 to 2050. Following suit, many local authorities have

declared 'climate emergencies' or passed other climate related motions, committing to make Council activities net-zero carbon by 2050, in line with the UK Government's target. West Lindsey District Council is aligned with this position.

2.8 During 2019, calls have strengthened for the Government to produce a Rural Strategy. The Rural Services Network (RSN), comprised of over 120 representatives of rural local authorities and other rural service providers and countryside groups, is lobbying hard to ensure that, "No-one should be disadvantaged by where they live." Such a strategy should address:

- the additional costs borne out of providing services in rural areas
- rural public transport issues
- sustainable economic development in rural areas which provides both employment and housing opportunities for the young
- the adverse effects loneliness has on health and wellbeing, in particular amongst the elderly living in rural areas
- infrastructure issues including the provision and coverage of superfast broadband

2.9 The Government continues to work towards its five year Homes England Strategic Plan 2018/19 – 2022/23. Its purpose is to improve housing affordability, helping more people access better homes in areas where they are needed most. The plan outlines a new mission and the steps to be taken in partnership with all parts of the housing industry sector, to respond to the long-term housing challenges facing the country. However, the impact of the decision made by the Public Works Loans Board (PWLB) to raise interest rates by one per cent has led the Local Government Association (LGA) to comment:

"This 1 per cent PWLB rate increase could cost councils an extra £70 million a year for borrowing to be undertaken in the next year. It presents a real risk that capital schemes, including vital council house building projects, will cease to be affordable and may have to be cancelled as a result."

2.10 As referenced in last year's Executive Business Plan, in 2018 the Government published the 'Civil Society Strategy – Building a Future that Works for Everyone.' Funds, created from dormant accounts, totalling £1.1bn were announced to support the Strategy. The Government proposed to look at five foundations of social value: people, places, the social sector, the private sector and the public sector in order to help communities thrive.

2.11 Despite some progress being made (funding streams made available to encourage more people to get involved in local issues and to expand training programmes for charities to improve digital skills), impetus appears to have stalled. Commentators bemoan a lack of progress and suggest therefore that more needs to be done to support civil society in tackling some of the greatest challenges ahead and enable it to develop new solutions.

### **3. Finance**

- 3.1 For some time the Government has been consulting on a number of proposals as part of the reform of local government funding, including a Fairer Funding methodology, Business Rates Retention of 75% (rather than the current 50%) and a Business Rates Rest; all expected to be implemented by 2020/21. With the Government's focus being on delivering Brexit, the Government's Settlement Proposal for 2020/21 has stated that the new funding regime will be deferred until 2021/22.
- 3.2 The proposed settlement for 2020/21 announced in December 2019, estimated a real terms rise in local government funding of 4.3%; an increase of £2.9bn. With £1.5bn directed towards Adult and Social Care, £700m towards schools and colleges, for second tier authorities the resulting settlement would be made on a similar basis to that of 2019/20.
- £700m for New Homes Bonus 2020/21
  - Rural Service Delivery Grant will remain as 2019/20
  - Council Tax to be capped at 2% (currently 3%)

Local Government Secretary Rt Hon Robert Jenrick MP said

"This year's settlement sets the sector on a strong and sustainable footing for the future as we look to next year's Spending Review and a fresh multi-year settlement."

- 3.3 However, further financial pressures on local government are anticipated following an announcement from the Chancellor calling for all cabinet ministers to identify cuts of at least 5 per cent to their Whitehall department budgets, telling them to consider axing programmes that do not improve health, fight crime or tackle regional inequalities. As a result, the Treasury's public spending team is expected to have robust conversations across Whitehall in the coming months.

### **4. Regional and Local Context**

- 4.1 At a regional level The Greater Lincolnshire Local Enterprise Partnership (GLLEP) covers the Lincolnshire county and North Lincolnshire and North East Lincolnshire unitary authorities. It works with Government to improve the economic climate across Lincolnshire, North Lincolnshire and North East Lincolnshire and is a partnership between the private and public sector led by the private sector. Its aim is to improve infrastructure and the conditions for doing business. The organisation works across a diverse range of industries, from ports, logistics and farming to tourism and engineering. Working to its Strategic Economic Plan, by 2030 the GLLEP intends to have created 13,000 new jobs, delivered 100,000 new homes, supported 22,000 businesses and increased the value of the Greater Lincolnshire economy by £3.2bn.
- 4.2 Currently in draft form, the Greater Lincolnshire Local Enterprise Partnership (GLLEP) has produced a Local Industrial Strategy (LIS), covering the priority sectors of:

- Manufacturing
- Agri-food
- Visitor Economy
- Low Carbon
- Health & Care
- Ports & Logistics

- 4.3 It is considered that these sectors offer competitive advantage for Greater Lincolnshire and therefore the possibility for real growth and greater productivity. West Lindsey District Council has contributed meaningfully to the LIS, ensuring that West Lindsey and Gainsborough are prominent within it and the District's evidence base, priorities, opportunities and challenges are all accurately reflected.
- 4.4 Media reports and briefings suggest however that the Government intends to play down the role that LISs will play in boosting economic development at a regional level.
- 4.5 The impacts of Brexit at a regional or local level have yet to play out. The GLLEP is supporting business through this period of uncertainty and scenario planning continues. In terms of impacts on recruitment and staffing at the Council, few issues are expected in the short-term. However, any longer-term shift in the general recruitment pool may create difficulties as vacancies arise.
- 4.6 As detailed above, a number of funding streams have been announced by government to support local economies and town centres. However, the criteria for applying seem to currently preclude the Council from bidding as the District is neither sufficiently deprived nor does Gainsborough have sufficient population to meet eligibility tests.
- 4.7 At a regional level the Central Lincolnshire Local Plan (CLLP) is under review. This commits to building 4,435 new homes in Gainsborough alone; a 40% increase in the residential base of the town. The review will assess progress made since the CLLP was instigated and evaluate current and future influencers on development. It is vital that the Council ensures that its interests are fully represented and reflected during the review process.

## **5. The Corporate Plan**

- 5.1 Following the Council elections in May 2019, the new administration took ownership of the Council's Corporate Plan 2019-2023. The Plan's vision is:

*“West Lindsey is a great place to be where people, businesses and communities can thrive and reach their potential.”*

- 5.2 The Plan is built around three themes; Our Council; Our People; Our Place and each contains a number of areas of focus.





5.3 Each theme also sets out its strategic aims and the desired outcomes to be achieved for each area of focus. To ensure that the Corporate Plan remains 'live', progress against its aims and intentions is reported annually to Members and other stakeholders.

5.4 While a focus remains on supporting growth across the District, the Plan also emphasises the need for social regeneration to address deprivation, vulnerability and other social issues faced by communities.

## 6. Business Plan Deliverables 2020-21

6.1 On an annual basis, the Council's service areas undertake a business planning exercise. The purpose is two-pronged, with the objectives being to identify over a three year time frame potential initiatives and projects that could be implemented in support of the Corporate Plan and to also offer suggestions that would achieve greater value for money or efficiency, new or increased income streams, improved performance or customer satisfaction. The suggestions put forward are analysed to evaluate the potential financial benefits, investment requirements and the likelihood of successful implementation. Each year a set of initiatives are approved for implementation, with the financial impacts reflected within the MTFP and capital programme and delivery monitored via the relevant Programme Board.

6.2 This Executive Business Plan provides details of the work to be carried out over the next three years to deliver against Corporate Plan objectives. It includes work currently in progress that will be completed within the three year timeframe and new initiatives that will be commenced during 2020/21. All of the 'deliverables' have been aligned to the Corporate Plan theme that they most readily support.

### 6.3 Our People

- Delivery of the Council's Customer First Programme; with the aim of improving the customers' experience and delivering efficiencies and improvements in service delivery, through service redesign, the use of technology and both cultural and organisational development
- Delivery of new waste service depot by Spring 2021
- Evaluation of food waste collection pilot project carried out in Lincolnshire
- Completion of Market Rasen dry-side leisure facility by June 2020
- Redraft of the Council's Vulnerable Communities Strategy
- Completion of the Council's Housing & Wellbeing Strategies

## 6.4 Our Place

- Active participation in the review of the Central Lincolnshire Local Plan
- Work with partners considering extension to the Lincolnshire Wolds Area of Outstanding Natural Beauty
- Active promotion of the visitor economy using Mayflower 400 events as a driver to support the 'Discover West Lindsey' initiative
- Work to develop an Environment & Sustainability Strategy for adoption by May 2021
- Develop a social enterprise structure with the aid of Access Funding
- Continued development of Gainsborough town centre, with emphasis on the night time economy, town centre living and National Lottery Heritage Funding to preserve the heritage of the town centre
- Commence a review of the conservation areas across the District
- For Trinity Arts Centre to maintain progress towards achievement of financial self-sufficiency
- Continued support for rural communities connectivity, including broadband services

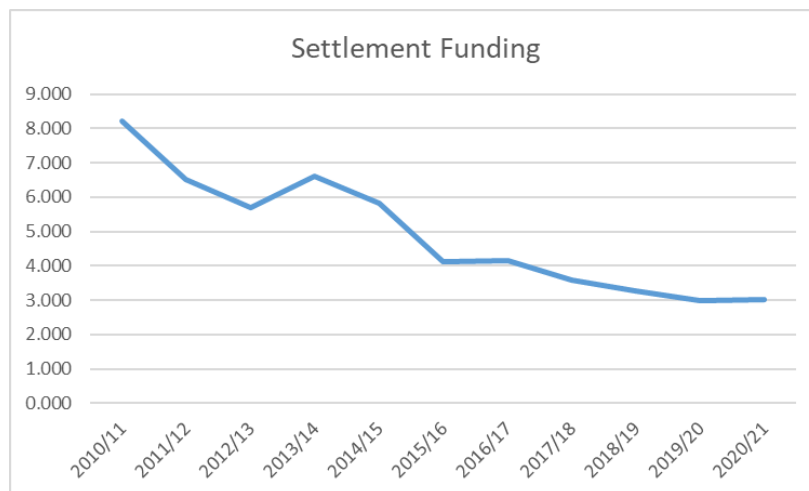
## 6.5 Our Council

- Conduct a review of 4<sup>th</sup> tier of government governance arrangements
- Implement recommendations emanating from the Corporate Peer Challenge
- Establish capacity to effectively support 'change management'
- Review process of handling Members' standard complaints
- Review the Council's petition scheme
- Implement a new Parish Charter
- Determine and implement second tier management structure to support Chief Executive
- Monitor and evaluate progress against the Crematorium business plan and ensure excellence in customer service
- Undertake annual review of The Constitution
- Commence a rolling programme of reviews of Council Tax Single Person Discounts
- Procure and implement a new Financial Management System with a view to extending this to an Enterprise Resource Platform in due course

## 2 The Council's Financial Position

### 2.1 Introduction

Since the commencement of government funding cuts in 2010/11 the Council has effectively managed a reduction of £4.8m in Settlement Funding. This has been achieved through sound financial management and its Financial Strategy initiatives to reduce expenditure, increase income and generate new income streams. In addition to benefitting from New Homes Bonus, a reward grant to reflect our growth in housing.



The Council's aim over this period was to become non-reliant on Government Grant Funding as the Revenue Support Grant ceased in 2019/20. Our income from taxes now reflects 91% of the Budget Requirement (46.6% 2010/11)

Income from Customer and Client receipts is 18% of revenue expenditure, and reflects the success of the Fees and Charges Strategy and the Commercial Plan 2015-2020 over achieving its £1m target with a contribution of £1.7m.

The Council is proud to have continued to deliver award winning services for our residents during a prolonged period of austerity. Our budget setting process has been given the accolade of a High Assurance rating by our internal auditors and our Statement of Accounts and Value for Money assessments receive Unqualified Audit Opinions, confirming that our financial management is sound and statements provide a true and fair view of the organisation's financial standing.

### 2.2 National Context

The draft financial settlement for Local Government 2020/21 was announced on 20<sup>th</sup> December 2019 by the Secretary of State for Housing, Communities and Local Government, The Rt Hon Robert Jenrick MP.

**The main points affecting District Councils were;**

- 4.4% real-terms increase in core spending power to £49.1bn
- The extra resources directed to adult and children's social care
- This is a one year settlement for Local Government (with Fairer Funding Review delayed until 2021/22)
- A change to Council Tax referendum limit – down to 2% (from 3%) or £5, whichever the greater
- New Homes Bonus will continue for a further year with no legacy payments for the 2020/21 allocation.
- Rural Service Delivery Grant will remain at a national level of £81m and there will be no change to the methodology for distribution
- There will be no further distribution of Business Rates Levy surplus (distributed in 2019/20 on a needs basis)

The table below shows the change in 2020/21 Core Spending Power figures compared to the 2019/20 Final Settlement

	2019-20	2020-21	Change
	£m	£m	£m
Settlement Funding Assessment	14,560	14,797	237
Under-indexing business rates multiplier	400	500	100
Council Tax	27,768	29,370	1,602
Improved Better Care Fund	1,837	2,077	240
New Homes Bonus	918	907	(11)
Rural Services Delivery Grant	81	81	-
Winter pressures Grant	240	-	(240)
Social Care Support Grant	410	1,410	1,000
<b>Core Spending Power</b>	<b>46,213</b>	<b>49,142</b>	<b>2,929</b>

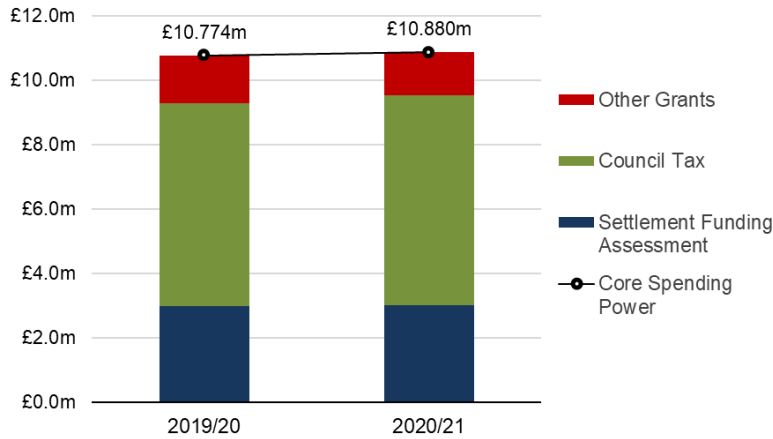
### 2.3 Local Context

With the uncertainty around the future funding of Local Government the Council has been pro-active in ensuring that we prepare for any reductions by taking a prudent approach to setting the Medium Term Financial Plan forecasts. We assumed that our settlement funding would be decreased significantly to reflect the Business Rates reset proposal and will be benefitting from this one year settlement.

We have been increasing the General Fund Working Balance to mitigate any budget risks from other aspects of the review and continue to assume that we will make contributions to Earmarked Reserves for specific projects, future service improvements and significant risk areas.

The table below shows the Core Spending Power for West Lindsey DC based on the Local Government Settlement 2020/21.

'Core Spending Power' is a headline figure used by MHCLG to represent the key revenue resources available to local authorities, including an estimate of actual and potential council tax.



**Table 1 - Core Spending Power (£m)**

	2019/20	2020/21	Change
<b>Core Spending Power</b>	<b>10.774</b>	<b>10.880</b>	<b>1.0%</b>
<i>Of which:</i>			
Settlement Funding Assessment	2.974	3.023	1.6%
Assumed Council Tax	6.304	6.526	3.5%
Other Grants	1.495	1.332	-10.9%

The impact on our own Settlement Funding Assessment reflects an inflationary increase and new relief rates for Business Rates. In relation to Council Tax, there is an assumed 1.5% increase in the tax base and a 2% increase on the Council Tax charge. Other Grants reflect the reduction in New Homes Bonus as the legacy funding from previous years expires (£0.494m) and the one of payment for 2020/21 is added (£0.307m) in addition to a slight increase in the Local Council Tax Scheme Grant of £0.024m.

## 2.4 General Fund Balances

The Council maintains a sound financial position with the General Fund Balance being forecast to be £17.5m by the end of 2019/20. This includes £3.6m of Working Balance and £13.9m of Earmarked Reserves.

It is the Council's policy to retain as a minimum a General Fund working balance of 10% of Net Revenue Expenditure or £2.5m. This is to mitigate any in-year budget risks above any contingency provisions and also to support any shortfall in future funding once the review of Local Government Funding has been concluded and our resources clarified for 2021/22 onwards.

## 2.5 Earmarked Reserves

The Council holds £13.9m of Earmarked Reserves for a number of purposes;

- Future significant project investment

- Service investment including repairs and renewals
- Contingencies ie Insurance, Valuation Volatility in Business Rates and Commercial investments
- Budget Smoothing

Earmarked Reserves are a finite resource, as such we assess projects in accordance with our Capital Investment Strategy, and based on sound business cases and in consideration of the wider benefits, ie economic and social impact, inward investment and the ability to secure funding from grant providers.

## 2.6 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, therefore we have set a number of resilience indicators, applied over the Medium Term to gauge our sustainability and resilience to future financial challenges.

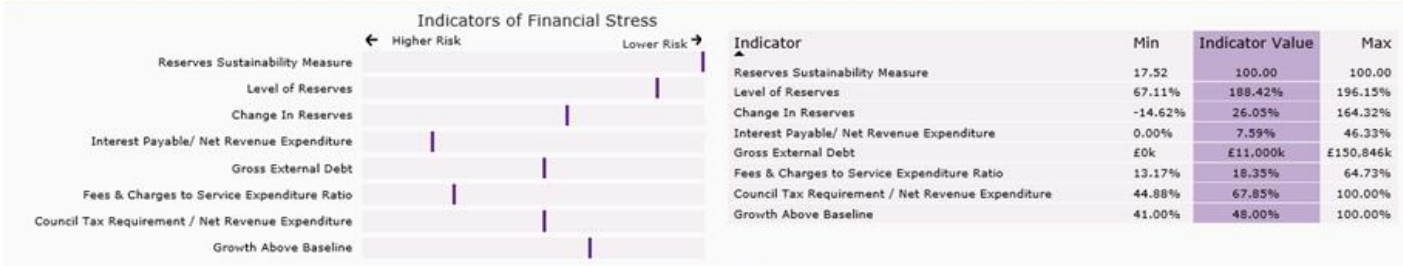
The indicators below reflect that we are in good position to effectively manage our finances over the coming years, our reserves are in excess of our annual budget and which help to support internal borrowing, Council Tax is expected to grow as new housing is delivered and borrowing is undertaken on an affordable and sustainable basis against the value of assets. At this time Business Rates is assumed to reduce back to the Baseline of 2013/14 but will be refined once the wider review of local government funding for 2021/22 is known.

RESILIENCE INDICATORS	2020/21	2024/25
Useable Reserves as % of Net Revenue Budget	101.59%	82.32%
Council Tax as a % of Net Revenue Budget	44.04%	51.25%
Business Rates as a % of Net Revenue Budget	28.32%	22.59%
Exposure of Customer and Client Receipts as % of Net Revenue Budget	47.67%	44.25%
Borrowing as a % of Fixed Assets	63.62%	64.98%
Investments as a % of Useable Reserves	65.19%	69.68%

## 2.7 How We Compare

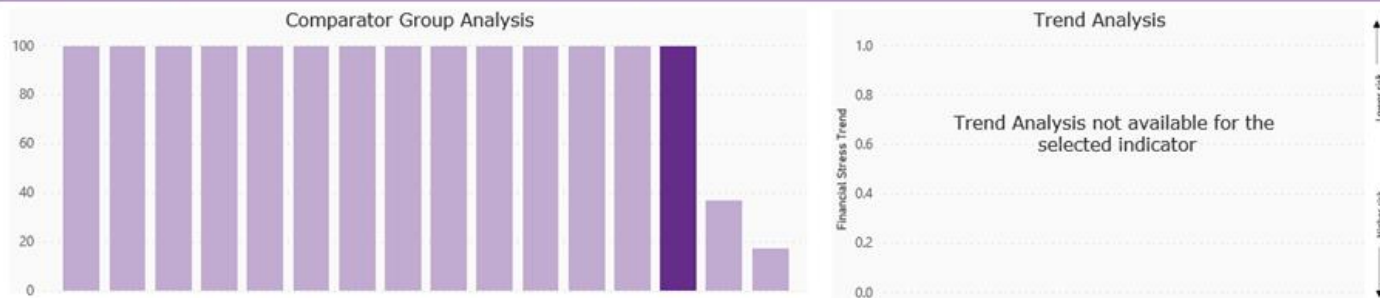
The Chartered Institute of Public Finance and Accountants (CIPFA) has undertaken to prepare a national resilience index. This tool illustrates our standing compared to our Nearest Neighbours in 2018/19 and whilst it does not rank authorities it does reflect our risk exposure to financial stress.

Results Breakdown

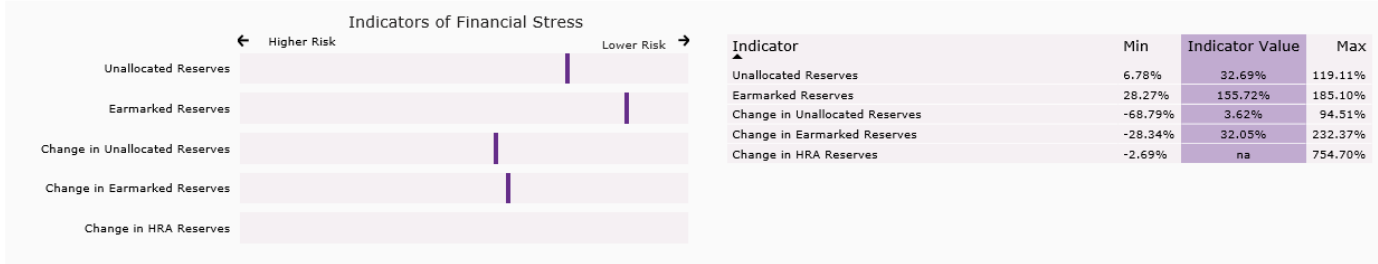


Auditors VFM Assessment  
Unqualified

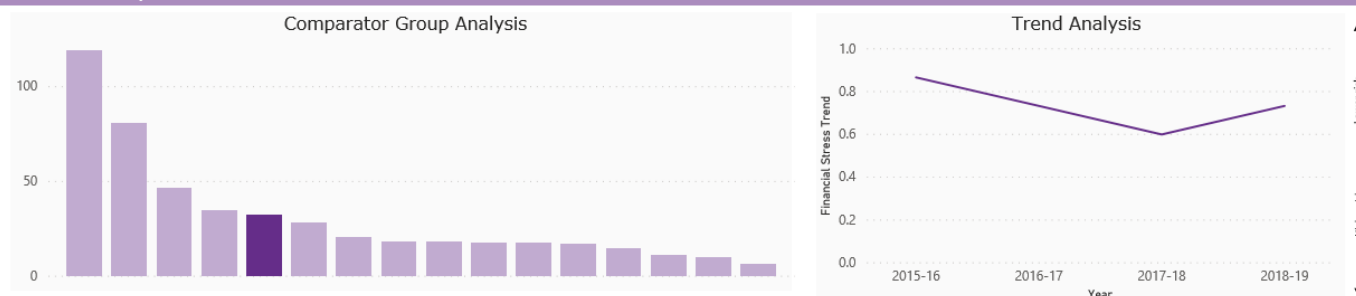
Individual Analysis Reserves Sustainability Measure



Results Breakdown



Individual Analysis Unallocated Reserves



## **1. Introduction**

The Medium Term Financial Plan (MTFP) is the primary strategic financial document for this Council and is a key part of the Council's Policy and Budget Framework and financial planning process.

This document will support the national and local context as set out in the Executive Business Plan, the commitments of the Council to achieve objectives, deliver services, invest in capital development and establish the principles on which financial decisions will be made within available resources.

## **2. Governance**

This document meets a number of regulatory requirements and good practice:

- The requirement for the local Authority to agree a balanced budget for each financial year prior to the start of that year.
- The requirement for the local Authority to establish the level of Council Tax for the coming year on the basis of that budget.
- Meet best practice (supported by CIPFA) by setting out the coming year's budget in addition to a 5 year MTFP.

In October 2018 the Chartered Institute of Public Finance and Accountancy (CIPFA) published a Financial Management Code (FM Code) which has been developed to provide a framework to support designed to support good and sustainable financial management throughout the full financial planning cycle, budget planning, setting, monitoring, reporting and statutory reporting.

The framework sets explicit standards of financial management, complying with these standards will be the responsibility of elected Members, the Chief Finance Officer and the Management Team.

The framework will provide assurance in the prudent use of public resource, effective management of those resources, adherence to legislative requirements for which we are responsible and provide evidence of good governance.



# 1 The Medium Term Financial Strategy

## 1.1 Introduction

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 the following values and approach

The Corporate Plan details the values which guide our working:

1. To put the customer at the centre of everything we do
2. To act as One Council
3. To be business smart, to act on evidence and take advantage of opportunities, thinking creatively and getting things done
4. To communicate effectively with all stakeholders
5. To have integrity in everything we do

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

- To focus on achieving outcomes
- 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, risk assessed 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.

## 1.2 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 the 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 and by embedding the right culture throughout the organisation by;

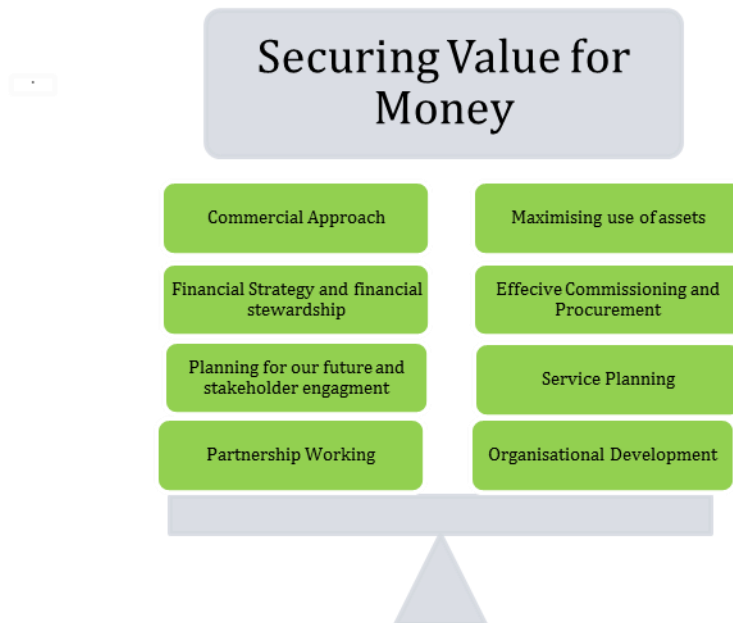
- Investing in communities (to help themselves and others)
- A more commercial council – to generate additional income and identifying opportunities that align with residents needs.
- Modern, innovative and collaborative – utilising the best technology and commissioning delivery to achieve outcomes.

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 has procured CFO Insights for assistance in benchmarking. It is a tool developed by Grant Thornton in conjunction with CIPFA which uses national data sets such as the Government financial returns. 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

### 1.3 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.

## **1.4 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.

## **1.5 Asset Management Plan**

West Lindsey's Strategic 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. Condition surveys are undertaken on our properties to ascertain the extent of works to be undertaken, which subsequently informs the MTFP.

## **1.6 Organisational Development**

In order to deliver an ambitious Corporate Plan against finite 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 which is in place to support elected members.

## **1.7 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.

## **1.8 Commissioning and 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.

An example of this is our Contract with SLM Ltd, our Leisure Management Company which has enabled the construction of a new Dry Leisure Centre at Market Rasen a much needed facility for the community.

## **1.9 Capital Investment Strategy (Appendix 3) and Capital Investment Programme (Appendix 4/5)**

The Council invests significant sums in a wide range of projects. At this stage the Capital Programme can only be estimated as the costs, levels of grant funding and other funding sources are yet to be confirmed. Schemes and projects are subject of future reports to the Corporate Policy and Resources Committee for approval to spend on an individual basis. Projects include;

- regeneration and housing schemes, which bring inward investment from the private sector and the opportunity for significant grant funding, in turn generating additional income for the Council and economic and social benefit for the wider economy.
- Investment in technology, to achieve efficiencies and cost savings
- Investment in our own property assets to ensure fit for purpose facilities for service delivery
- Commercial investments to generate income supporting ongoing costs of service delivery

## **1.10 The Treasury Management Strategy (Appendix 6)**

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 provides options on what is considered prudent provision for the repayment of debt.

### **1.11 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 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 is usually undertaken to maturity, ie repayable at the end of the borrowing term.

### **1.12 Financial Sustainability**

The sustainability of our plans are 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 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 that 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 for the benefit of our customers.

### **1.13 The Pay Policy Statement (Appendix 7)**

Under Section 40 of the Localism Act the 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.

The purpose of the Pay Policy Statement is to ensure transparency and accountability with regard to our approach to setting pay.

The Pay Policy Statement identifies;

- The level and elements of remuneration for each chief officer
- The remuneration of the lowest paid employees
- The relationship between the remuneration of chief officer and other officers; and
- Other specific aspects of chief officer remuneration and other discretionary payments

Remuneration in this context is defined widely to include not just pay but also charges, fees, allowances, benefits in kind, enhancements of pension entitlements and termination payments.

## **2. The Medium Term Financial Analysis**

### **2.1 Introduction**

The Medium Term Financial Analysis provides a 5 year estimation of our Net Revenue Expenditure and highlights the level of resources required to set a balanced budget in future years.

For 2020/21 the Budget has been based on the approved budgets for each Committee and in line with the 2020/21 Local Government Financial Settlement.

Future years are difficult to predict due to uncertainty in relation to the outcome of the review of Local Government Funding, which includes a number of elements including the overall financial settlement, the Fairer Funding Review, the Business Rates Reset and the Business Rates Retention Scheme. We have therefore taken a prudent approach by removing Business Rates Growth, to put us back to Baseline funding. In addition we have assumed that there will be some element of funding to reflect rurality.

The Government has indicated that the outcome of these reviews will be implemented for 2021/22 and will provide a 4 year settlement to enable financial planning. These unknown impacts and the level of financial risk that the Council may be exposed to will require regular monitoring and a mid-year update will provide some indication of likely outcomes as the consequences become clear.

Prudently the Council is setting aside additional funds into the General Fund Working Balance to mitigate any future year shortfalls to balance the budget over the short term.

## **2.2 The Budget Planning Cycle**

The Budget planning process has achieved a High Assurance Rating from our Internal Auditors and includes the following actions;

- Meetings with Budget Managers to ensure resources align to the delivery of Corporate Priorities and to review budgets, identifying ongoing pressures/savings and horizon scanning for future issues, including political, economic or legislative implications.
- Business Planning reviews have been undertaken to identify further income generation opportunities and budget reduction proposals, which can be delivered to ensure a sustainable budget.
- A robust Fees and Charges review, which resulted in an increase in income budgets of £17.6k. Full Details of proposed fees and charges were presented to Policy and Resources Committee on the 7 November 2019.
- Regular updates have been provided to the Management Team who have also reviewed, challenged and proposed inclusion of the pressures and savings incorporated into this budget which have not already been approved by this Committee.
- Regular meetings have been held with the Chairs and Vice Chairs of Committees to ensure they are fully engaged in the process.
- Inclusion of the revenue implications of the DRAFT Capital Programme 2020/21 – 2024/25.
- Consultation with Parish Councils, residents and business ratepayers has been undertaken.
- The review of Earmarked Reserves and approved additional resources being funded from these reserves and/or external grant income (approved by CP&R 9<sup>th</sup> January 2020).
- Consideration of other Strategies i.e. Car Parking Strategy, Housing Strategy etc.



## 2.3 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
- Pensions – 1% annual increase (includes employers contribution and deficit reduction payment) as estimated by the Actuary
- Council Tax increases of 3% from 2021/22 onwards and annual tax base growth of 0.75%
- NNDR and reversion to Baseline from 2021/22 onwards.
- Contractual inflation applied only to service expenditure budgets
- New Homes Bonus no new allocations from 2021/22 and legacy funding for 2018/19 and 2019/20 only
- Utilities - Electricity 0%, Gas 35%, Water 2.9%
- Capital Programme is based on best estimates of total investment; total borrowing; use of reserves; impact on revenue

## 2.4 Council Tax

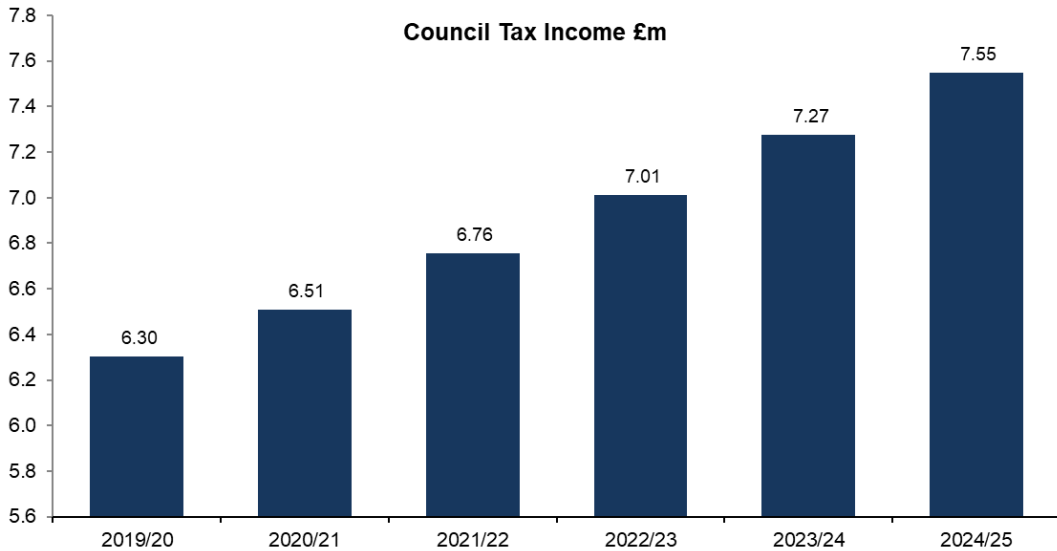
The latest population estimates for West Lindsey in 2019 is 96,100. It is estimated that over the life of the MTFP this will have increased by 4% to 99,600. This increase will impact on the demand for housing and with the Council enabling significant Housing Growth over the longer term this will therefore increase the Council's Tax Base and which will generate additional Council Tax income.

The Tax Base for 2020/21 has been approved at 29,986.98 (29,532.83) reflecting growth of 1.54% (1.07% 2019/20). Average growth over past 3 years has been 0.74%. The MTFP includes an annual growth rate of 0.75%

In terms of actual Council Tax, the Council's current strategy is to increase Council Tax to the Governments maximum capping levels (Assumed 2% for 2020/21 and 3% ongoing), this strategy helps to support future sustainability. As a guide a 1% annual increase results in an additional £0.064m in the first year increasing to £0.464m by year 5. This strategy has been implemented after taking into consideration the views of residents, who have a preference for annual gradual Council Tax increases of between 2%-3%.

The Council Tax increase for 2020/21 is proposed at 2% (3% 2019/20) giving a Band D equivalent Council Tax of £217.74, (£213.47 2019/20).

Within the Medium Term Financial Analysis below we have assumed a 3% increase for all future years and a collection rate of 98.3% which is also the National Average.

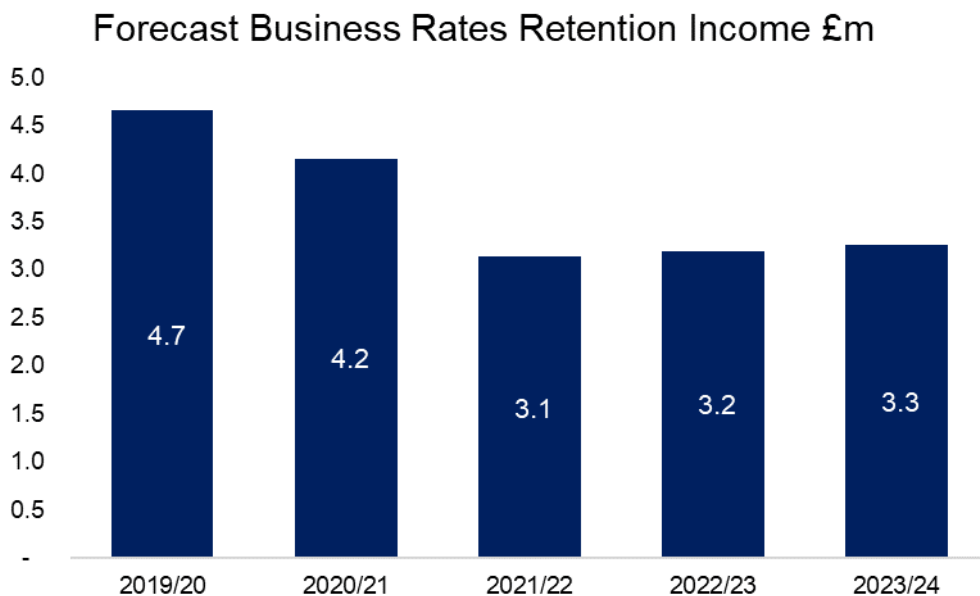


## 2.5 Business Rates

The one year settlement for 2020/21 is estimated to provide business rates income of £3.9m. However, the benefit of continuing to be a part of the Lincolnshire Business Rates Pool, provides an additional benefit of £0.505 being 60% of the levy which would have been payable to the Government, bringing the overall retained income to £4.186m.

For future years, with the impending review of the Business Rates Retention Scheme to a 75% rather than 50% retention model and in addition to a full reset, where we are likely to see a reset back to our baseline level in 2013/14 of £3.1m, thus removing all benefits of growth during that period.

Whilst full details of the scheme are not yet known and there will be the impact of the Fairer Funding Review, both of which are currently expected to be implemented by 2021/22, we have taken a prudent approach to our forecasts and are estimating income from Retained Business Rates over the medium term is detailed below;



## 2.6 New Homes Bonus

The New Homes Bonus was introduced in 2011/12 by Central Government and payable to local councils to reflect and incentivise housing growth in their area. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and bringing long term empty properties back into use. There is also an extra payment for providing affordable homes.

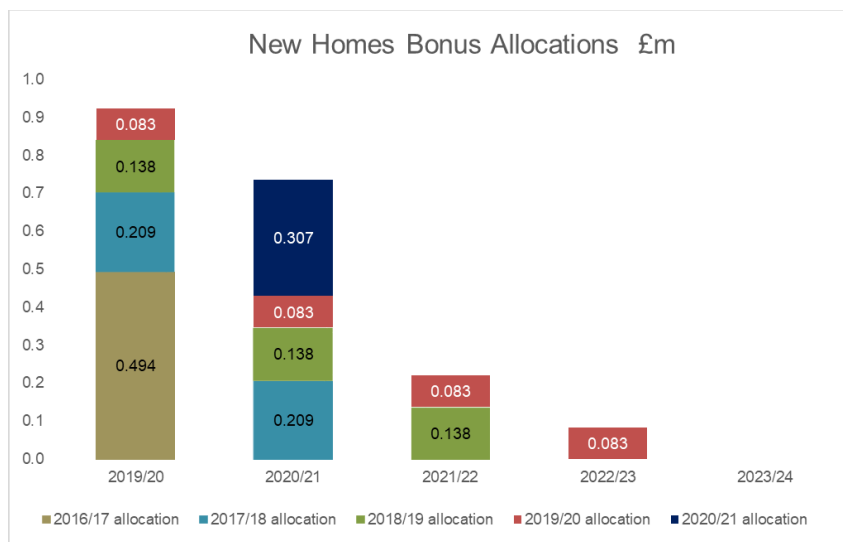
Since 2011 the Council has seen an increase in chargeable properties of 3,366 to its current level of 42,748. We have received £12.45m of New Homes Bonus Grant which has been earmarked and used to support investment in growth and regeneration.

The Scheme is currently under review and therefore for 2020/21 an allocation has been made for one year only of £0.307m. There is a forecast that the balance of monies remaining circa £40m will be returned nationally, with our proportion being circa £0.011m.

It has been assumed that there will be no new allocations beyond 2020/21, with only the 2018/19 and 2019/20 legacy payments made in future years.

The overall New Homes Bonus allocation for 2020/21 is £0.736m

Our strategy is to use New Homes Bonus for future investment in regeneration and growth, as such it will be transferred to the Investment for Growth Reserve. This strategy is supported by a representative 47.2% of residents.



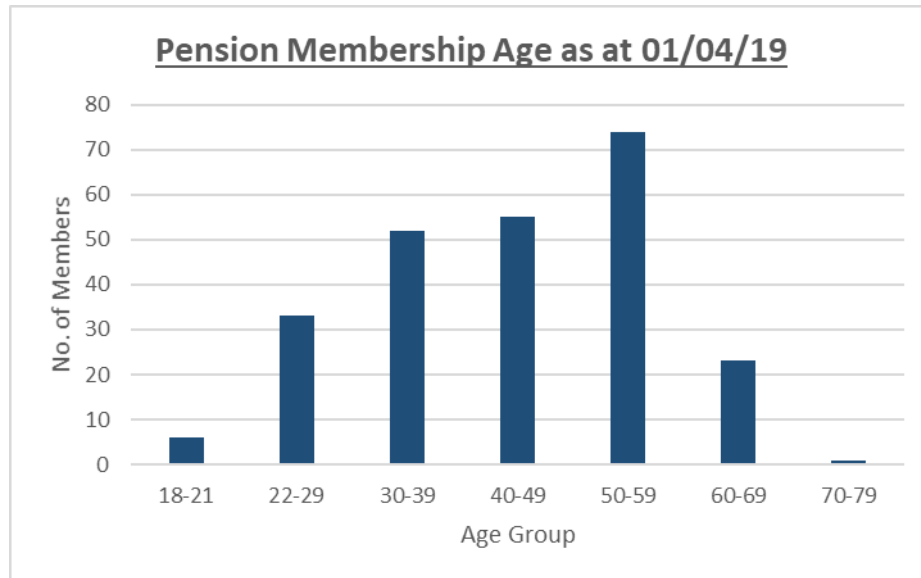
## 2.7 Pension Contributions

As an employer within the Lincolnshire Pension Fund, we are required to make contributions to the fund for current employees and to reduce any pension fund deficit in accordance with amounts provided by the Actuary of the scheme, Hymans Robertson.

The employers contribution rate for the year has been determined at 17.2% (16.2% 2019/20).

In relation to the pension deficit, currently £42.609m, our strategy is to contribute an appropriate amount with the aim of removing the deficit over a 20 year period. The payment for 2020/21 is £0.940m (£0.863m 2019/20).

Age Profile of 244 Members of the Superannuation Scheme as at 1.4.2019 is show in the graph below;



## 2.8 Reserves

The level of the General Fund Working Balance will be set, as a minimum at £2.5m. 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 2020/21 and other 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 uncertainty around future funding levels. Reserves will continue to be maintained at a prudent level.

Earmarked reserves will be reviewed annually to ensure they are utilised to their best effect to support both revenue and capital projects and investment aligned to Corporate Plan priorities and to ensure that adequate reserves are held for longer term investment need.

Reserves held are invested in accordance with the Treasury Management Strategy. They are used to support internal borrowing thus saving interest payable with any interest received from their investment supporting the Councils revenue budget.

The table below illustrates the projected Reserve Balances over the MTFP;

RESERVE	YEAR END	MTFP				
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
General Fund Working Balance	3,636,582	4,110,882	3,901,882	3,694,882	3,646,882	3,582,882
Earmarked Reserves	13,857,690	8,773,190	7,070,190	6,341,590	6,351,890	6,151,190
Capital Receipts	2,822,729	2,138,729	2,204,729	2,270,729	2,336,999	2,397,590
<b>TOTAL</b>	<b>20,317,001</b>	<b>15,022,801</b>	<b>13,176,801</b>	<b>12,307,201</b>	<b>12,335,771</b>	<b>12,131,662</b>

EARMARKED RESERVES	YEAR END	MTFP				
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Budget Smoothing	1,974,917	1,921,817	2,034,717	1,962,617	1,901,517	1,854,417
Capital Funding Total	481,513	820,313	696,113	168,613	310,713	227,813
Risk/Insurance Reserves	1,648,930	1,648,930	1,648,930	1,648,930	1,648,930	1,648,930
Economic Regeneration	7,693,023	3,142,823	1,444,323	1,344,323	1,344,323	1,344,323
Invest to Save	1,359,337	839,637	882,537	860,537	790,537	720,537
Service Investment Total	699,970	399,670	363,570	356,570	355,870	355,170
<b>Grand Total</b>	<b>13,857,690</b>	<b>8,773,190</b>	<b>7,070,190</b>	<b>6,341,590</b>	<b>6,351,890</b>	<b>6,151,190</b>

## 2.9 Medium Term Financial Analysis (Appendix 1)

The 5 year Medium Term Financial Plan 2019/20 has been updated during the budget process and reflects the total Funding Gap from 2020/21 to 2024/25, in the table below.

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
<b>MTFP - FUNDING GAP B/FWD</b>	<b>367</b>	<b>508</b>	<b>455</b>	<b>485</b>	<b>458</b>
Total Pressures	588	496	396	473	503
Total Savings	(198)	46	155	151	157
Total Additional Income	(162)	(141)	(142)	(143)	(149)
Total Capital Financing Costs	(351)	(63)	14	(30)	(30)
Contribution to Reserves	1,202	0	0	0	0
<b>Movement in Funding:</b>					
Council Tax	16	(1)	(18)	(37)	(57)
Business Rates	(1,086)	50	114	142	185
Council Tax Surplus	(115)	0	0	0	0
New Homes Bonus	(287)	0	0	0	0
Contribution to Reserves	26	(2)	0	0	0
<b>MTFP - FUNDING GAP</b>	<b>0</b>	<b>893</b>	<b>974</b>	<b>1,041</b>	<b>1,067</b>

## 2.10 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 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 2020.

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 £2.5m or 10% of Net Operating Expenditure and is forecast to exceed this target over the MTFP.

This represents;

- 100% of MTFP total 2 year deficit (£1.866m)
- 63% of MTFP total funding gap (£3.973m)
- 17.4% of budget requirement
- 17 days of average gross expenditure cover (£0.144m per day)

The earmarked reserves as set aside by the Council at the year-end are 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.

The movement on the previous year MTFP and the level of pressures and savings identified since that time are shown in the table below;

## 2.11 Risk Analysis (Appendix 2)

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 risk 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;

<b>RISK</b>	<b>MITIGATION</b>
Future Funding Levels	10% or £2m minimum General Fund Working Balance set. Which can be used to support a balanced budget should it be required giving the Council time to manage the implications of future settlement funding
Inflation under estimated	General Fund Working Balance
Borrowing Interest Rates under estimated	We budget at 100% borrowing need. In reality as we utilise our own cash reserves for some element of this borrowing (internal borrowing) save on interest costs. It is therefore highly unlikely that there would be a budget impact. General Fund Working Balance
Changes to Grant Funding	Initiatives and Projects would cease/reduce in line with Grant levels
Demand for services reduces level of income receivable	Commercial Contingency Budget of £0.2m in base budget and General Fund Working Balance £2m
Unforeseen events/emergencies/ budget overspend	Unexpected costs or income pressures General Fund Working Balance of £2m
Savings not achieved	General Fund Working Balance of £2m

## 2.12 Sensitivity Analysis

Within the MTFP in relation to assumptions and risks, the table below shows the effect of change on the main assumptions;

Impact of +/-	Equates to +/-
1% Pay award	£0.079m
1% Council Tax	£0.065m
1% Business Rates	£0.042m
1% Non-Pay Budget	£0.058m
1% Interest on balances	£0.133m
1% on Borrowing	£0.382m
1% on Fees and Charges	£0.037m

## 3 The 2020/21 Revenue Budget

### 3.1 Introduction

The Council presents a Balanced Revenue Budget for 2020/21, and is represented over our Service Clusters;

**Our People** – Strategic Focus: Health & Wellbeing, Education & Skills, Vulnerable Groups & Communities i.e. Benefits, Homelessness and Housing, Community Grants, Employment & Skills Partnership, Arts & Leisure

**Our Place** – Strategic Focus: Economy, Housing Growth, Public Safety & Environment i.e. Building Control, Licensing, Food Safety, Car Parks, Asset Management, CCTV, Domestic Waste Collections, Development Control, Economic Development

**Our Council** – Strategic Focus: Customer, Finances, Staff & Members i.e. Finance, Human Resources, Committee Administration, ICT, Business Improvements, Elections, Corporate Fraud, Debtors, Local Tax Collection, Local Land Charges, Crematorium, Commercial Properties, Customer Relations, Green Waste Service, Bulky Waste Collections, Trade Waste, Markets

### 3.2 Settlement Funding

The Settlement Funding Assessment determines our local share of Business Rates. Whilst the final settlement funding has yet to be announced, this draft budget has been prepared based on the Provisional Settlement issued in December 2019, we are not expecting any significant changes.

The announcement for West Lindsey included;



**Baseline Funding** - An amount fixed as at 2013/14 upon the implementation of the Business Rates Retention Scheme, and considered to be our funding need.

**NDR Baseline** – The expected level of Business Rates to be collected

**Tariff** - The amount of NDR Baseline above Baseline Funding, which is payable to the Government for national redistribution.

**Safety Net** - The Safety Net protects local authorities from any negative impact on business rates income, with the Government meeting any amount below this amount.

	2019/20 £m	2020/21 £m
Settlement Funding Allocation	2.974	3.023
Modified SFA		
NDR Baseline	6.499	6.605
Baseline funding	2.974	3.023
Top Up / Tariff	-3.525	-3.583
Safety Net Level	2.751	2.796

### 3.3 Revenue Income and Expenditure

Cluster	Proposed Budget 2020/21 £
Our Council	5,905,000
Our People	1,513,200
Our Place	3,715,600
<b>Cluster Total</b>	<b>11,133,800</b>

<b>Other Operating Expenditure</b>	<b>1,832,100</b>
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<b>Net Revenue Expenditure</b>	<b>12,965,900</b>
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Transfer to / (from) General Fund	927,500
Transfer to / (from) Earmarked Reserves	452,700

<b>Amount to be met from Government Grant or Council Tax</b>	<b>14,346,100</b>
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<b>Funding Income</b>	
Revenue Support Grant	(65,000)

Business Rate Retention Scheme	4,186,000
Council Tax Freeze Grant	0
Collection Fund Surplus - Council Tax	215,400
Parish Councils Tax Requirement	2,142,300
New Homes Bonus	736,300
Other Government Grants	620,900

<b>Council Tax Requirement</b>	<b>6,510,200</b>
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<b>TOTAL FUNDING</b>	<b>14,346,100</b>
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<b>Balanced Budget/Funding Target</b>	<b>0</b>
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### 3.4 Base budget movements

The Budget of £14,346,100 (£14,782,600 2019/20) is proposed for approval and reflects a reduction of £436,500. The significant movements are detailed below;

#### 3.4.1 Pressures

<b>£0.139m</b>	Contracts
<b>£0.077m</b>	Pension Deficit contribution
<b>£0.120m</b>	General properties rental income
<b>£0.020m</b>	Building Control Income
<b>£0.130m</b>	Various
<b>£0.234m</b>	Minium Revenue Provision (MRP)
<b>£0.720m</b>	

#### 3.4.2 Savings/additional Income

<b>£0.060m</b>	Green waste income in excess of assumptions
<b>£0.125m</b>	Leisure Management Contract
<b>£0.116m</b>	new service provision, crematorium net income
<b>£0.222m</b>	net income from Investment Property Portfolio
<b>£0.051m</b>	staffing budget (net of pay award)
<b>£0.574m</b>	

In addition there is a reduction of £0.578m in relation to the net use of reserves.

## 4The Capital Investment Programme and Financing (Appendix 4/5)

### 4.1 Introduction

The draft Capital Programme 2020/21 to 2024/25 provides a plan of future capital investments, this is reviewed annually and may result in significant change as business cases for schemes are developed or schemes re-profiled over financial years due to external factors.

## 4.2 Asset Management Plan

The Capital Programme takes account of the objectives of the Asset Management Plan and the resources required to achieve these objectives are detailed below;

Initiative	Delivery Year				
	2020/21	2021/22	2022/23	2023/24	2024/25
Strategic & Operational Plans	11,750	0	0	0	0
Physical Assets (Fit for Purpose)	60,000	0	0	0	30,000
Risk Management (Physical Estate)	6,500	0	0	0	0
Operations & Maintenance	144,000	200,000	115,000	275,000	185,000
Physical Assets	0	10,000	0	0	0
Capital Works Planning	270,000	150,000	30,000	150,000	0
<b>Total</b>	<b>492,250</b>	<b>360,000</b>	<b>145,000</b>	<b>425,000</b>	<b>215,000</b>

## 4.3 The Summary Capital Programme

Corporate Plan Themes	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	TOTAL CAPITAL PROGRAMME
<b>Our People</b>	1,300,631	693,547	595,000	595,000	595,000	3,779,178
<b>Our Places</b>	14,990,588	7,889,559	1,180,775	509,775	402,000	24,972,697
<b>Our Council</b>	826,400	300,000	485,000	129,000	275,000	2,015,400
<b>Investment Properties</b>	7,000,000	0	0	0	0	7,000,000
<b>Grand Total</b>	<b>24,117,619</b>	<b>8,883,106</b>	<b>2,260,775</b>	<b>1,233,775</b>	<b>1,272,000</b>	<b>37,767,275</b>

The overall Capital Investment Programme totals £37.767m, however, £15.685m relates to the approved Capital Budgets (Stage 3 and Business as usual (BAU)). The remaining £22.082m being pipeline projects (Stage 2 and below).

The four 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/BAU	Approved to Spend and funding secured

The detail below details the Capital Investment Programme by stage of the term of the financial plan.

Stage	2020/21	2021/22	2022/23	2023/24	2024/25	Total
BAU	1,030,631	1,158,000	1,503,000	901,000	1,272,000	<b>5,864,631</b>
Pre-Stage 1	3,520,513	3,000,000	225,000	0	0	<b>6,745,513</b>

Stage 1	602,300	1,900,000	0	0	0	<b>2,502,300</b>
Stage 2	9,242,775	2,726,559	532,775	332,775	0	<b>12,834,884</b>
Stage 3	9,721,400	98,547	0	0	0	<b>9,819,947</b>
<b>Grand Total</b>	<b>24,117,619</b>	<b>8,883,106</b>	<b>2,260,775</b>	<b>1,233,775</b>	<b>1,272,000</b>	<b>37,767,275</b>

There are a number of significant programmes of work, which at this time have not been subject to a full financial appraisal, and to that end Members should be aware that the estimates within this programme could vary significantly.

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

#### 4.4 Capital Investment Financing

The proposed funding for the Capital Programme 2020/21 – 2024/25 is analysed below;

Analysis of Capital Financing						
Source	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	TOTAL
	£	£	£	£	£	£
Use of Capital Receipts	-2,152,300	0	0	0	0	-2,152,300
Total Use of Grants	-6,228,119	-4,621,559	-927,775	-927,775	-595,000	-13,300,228
Total Use of Earmarked Reserves	-5,537,200	-2,161,547	-1,133,000	-306,000	-677,000	-9,814,747
General Fund	0	-200,000	-200,000	0	0	-400,000
Prudential Borrowing	-10,200,000	-1,900,000	0	0	0	-12,100,000
<b>Capital Financing Total</b>	<b>-24,117,619</b>	<b>-8,883,106</b>	<b>-2,260,775</b>	<b>-1,233,775</b>	<b>-1,272,000</b>	<b>-37,767,275</b>

#### 4.5 New Bids

Members should be aware that the Capital Investment Programme has five new bids.

1. IT Software Defined Wider Area Network (SDWAN)
2. Bus Station Refurbishment
3. Riverside Gateway redevelopment project
4. Development of surplus land asset

## 5. Treasury Management 2020/21 (Appendix 6)

- 5.1 The full Treasury Management Strategy, Minimum Revenue Provision Policy and Investment Strategy is attached at Appendix 6.

Taking into account both the revenue and capital budget implications as detailed above, the following table reflects our forecast treasury position.

The Capital Financing Requirement reflects the level of overall approved borrowing for capital purposes, net of any Minimum Revenue Provision (MRP) which is an annual amount charged to the tax payer reflecting repayment of the borrowing over the life of the asset.

£m	2020/21 Estimate
<b>Investments</b>	
Average Investment	13.321
<b>Borrowing</b>	
Actual external borrowing at 31 March	38.189
Internal Borrowing	11.468
<b>The Capital Financing Requirement</b>	<b>50.307</b>
<b>Internal Borrowing %</b>	<b>22.80</b>

## 6. Human Resources Statement (Appendix 8)

The Human Resource Statement details the budgeted full time equivalents of 288.77 (282.14 2020/21) by Cluster and Business Unit.