West Lindsey District Council
The Entrepreneurial Council

Council	
5 March 2018	

Executive Business Plan,
Medium Term Financial Plan 2018/19 – 2022/23
(incl. Financial Strategy, Financial Analysis, Revenue Budget 2018/19
Capital Programme 2018/19 to 2022/23)

Report by:	Ian Knowles Director of Resources (S151)
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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 and details the Revenue Budget 2018/19 and estimates up to 2022/23. The report also covers the setting of Council Tax for 2018/19, Fees and Charges for 2018/19 the Capital Programme 2018/19 to 2022/23 and the Treasury Management Strategy.

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 2018/19 to 2022/23 (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 2018/19.
5) That Members set the Revenue Budget 2018/19 (Appendix A)
6) That Members approve the Fees and Charges Policy and set the Fees and Charges 2018/19 (as amended) (Appendix C&D)
7) That Members adopt the Capital Investment Strategy (Appendix E)
8) That Members approve the Capital Programme 2018/19 to 2022/23 and Financing (Appendix F).
9) That Members approve the Treasury Management Strategy 2018/19 and adopt the Treasury Investment Strategy, the detailed Counter Party criteria, the Treasury and Borrowing Prudential Indicators (Appendix G)
10) That Members approve the Minimum Revenue Provision (MRP) Policy as contained in the Treasury Management Strategy (Appendix G)
11) That Members approve a 3% increase in the Council Tax (Appendix H-L)
12) That Members approve the 2018/19 Pay Policy Statement and establishment numbers (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 approve an Annual Treasury Management Strategy

Financial : FIN/131/17

The report presents a balanced budget 2018/19 and addresses the financial implications arising from the recommended revisions to the MTFP and the requirement to determine the Council Tax for 2018/19.

The report proposes the following contributions to Earmarked Reserves as part of the 2018/19 revenue budget;

- £1.2m NNDR Gain to be earmarked to the Investment for Growth Earmarked Reserve to fund regeneration and growth schemes in accordance with the Pilot bid.
- £0.400m to the Business Rates volatility reserve
- £1.024m of New Homes Bonus to Investment for Growth Reserve
- £0.624m of contributions to other Earmarked reserves

The use of Earmarked Reserves within the 2018/19 Revenue Budget totals £0.189m previously agreed to support fixed term resourcing and project delivery.

£6.024m is forecast to be utilised for funding Capital Schemes in 2018/19 (see Appendix F)

The use of the General Fund Balance

- The Corporate Policy and Resources Committee has approved £500k of General Fund balances be utilised to create a 3 year Community Grants Scheme 2018/19 to 2020/21. Balances will be held in an appropriate Earmarked Reserves to be released annually.

In relation to the proposed 3% increase in Council Tax, this will generate an additional £0.031m in 2018/19 increasing to £0.215m by 2022/23 compared to the previous assumption of a £4.95 increase.

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 within the report.

Climate Related Risks and Opportunities : None arising from this report
Title and Location of any Background Papers used in the preparation of this report: The Chartered Institute of Public Finance and Accountancy – The Prudential Code for Capital Finance in Local Authorities (2017 Edition) The Chartered Institute of Public Finance and Accountancy – Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes (2017 Edition) The Chartered Institute of Public Finance and Accountancy – Treasury Management in the Public Services, Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (2017 Edition). 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

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**	**x**	**No**	

1. Introduction

Presented below is the Executive Business Plan and Medium Term Financial Plan 2018/19 – 2022/23 (which includes the Financial Strategy and Medium Term Financial Analysis). An Executive Summary is contained therein.

These documents are central to our financial planning and play a key role in the budget setting process to ensure that resources are aligned with the Revenue Budget, Capital Programme and their impact and risks 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 2) – 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** which 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 principals 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.

2. The General Fund Revenue Budget

The General Fund Revenue budget and 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;

- that the final settlement announcement was issued in February 2017, this provided an additional £0.094m Rural Services Delivery Grant and a further £0.006m
- That the Council will benefit from the Greater Lincolnshire Pilot for 100% Business Rates retention for 2018/19 only, the benefit being by an estimated £1.6m increase in Business Rates Income for the Authority. Rolled in grants of Revenue Support Grant and Rural Services Delivery Grant are shown separately within the Budget.
- The Council will consider the level of Council Tax 2018/19 at its meeting on 5 March 2018. The current strategy is to maximise Council Tax within the referendum limit. The limit was increased from 2% to 3% or £5 (whichever is the greater) as part of the Budget Statement. The 2018/19 Revenue Budget proposes a 3% increase and the Medium Term Financial Analysis assumes a 3% increase annually.

The Revenue Budget 2018/19

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

- People – Front facing customer services - Benefits, Council Tax, Operational Services, Homelessness and Housing, Licensing, Customer Services, Food Safety
- Places – Area based services, ie Development Management, Economic Development, Car Parking, Asset Management, Leisure
- Policy and Resources – Corporate services, ie Finance, Human Resources, Committee Administration, ICT, Business Improvement, Elections, Corporate Fraud

Cluster	2018/19 Budget £
People	4,849,100
Places	493,300
Policy and Resources	5,081,300
Grand Total	**10,423,700**
Capital Accounting Adjustment	(816,600)
Committee Total	**9,607,100**
Drainage Board Levies	351,500
Parish Precepts	1,909,249
Interest and Investment Income	(263,300)
Interest Payable	371,800
Statutory MRP	32,400
Capital Expenditure Charged Against General Fund	6,024,300
Net Operating Expenditure	**18,033,049**
Capital Grants Applied	555,200
Transfer to / (from) General Fund	(555,700)
Transfer to / (from) Earmarked Reserves	(2,605,307)
Amount to be met from Government Grant or Council Tax	**15,427,242**
Funding	
Revenue Support Grant	370,700
Business Rate Retention Scheme	5,159,100
Collection Fund Surplus - Council Tax	105,010
Parish Councils Tax Requirement	1,909,249
New Homes Bonus	1,278,400
Other Government Grants	547,500
Council Tax Requirement	**6,057,283**
TOTAL FUNDING	**15,427,242**
Balanced Budget/Funding Gap	**0**

3. The Capital Investment Programme

The draft Capital Programme 2018/19 to 2022/23 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.

The overall Capital Investment Programme totals £54.937m however, £27.695m relates to the approved Capital Budgets (Stage 3 and Business as usual) with the remainder of £27.242m being pipeline projects. The 4 levels of the Programme are detailed below;

- Pre-Stage 1 – Business Case in preparation - £8.450m
- Stage 1 – Budget approved – requires full business case - £6.374m
- Stage 2 – Business case approved in principal or awaiting funding - £12.448m
- Stage 3 and Business as Usual (BAU) – Approved to spend and funding secured - £27.665m

There 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 F for consideration and recommendation to Council.

4. Robustness of Estimates and Adequacy of Reserves

In accordance with Section 25 of the Local Government Act 2003, the Council's Chief Finance Officer (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.

In 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, further detail is included within the Medium Term Financial Analysis (paragraph 4)

5. Fees and Charges

The Fees and Charges Policy is attached at Appendix C and Fees and Charges, as recommended by the Corporate Policy and Resources Committee and Prosperous Communities Committee at Appendix D.

6. Capital Investment Strategy (Appendix E)

The Strategy has been updated to include commercial investment pr

7. The Capital Programme (Appendix F)

The Capital Programme and financing is attached at Appendix F and has been recommended for approval by the Corporate Policy and Resources Committee

8. Treasury Management Strategy (Appendix G)

The Treasury Management Strategy has been scrutinised by the Governance and Audit Committee with the main changes from the previous Strategy being;

- Investment Strategy including New Section on the Non -Treasury Investments (4.7), including the Strategy for these investments, the proportionality of the investment and risk mitigation.
- Borrowing Strategy – inclusion that any external borrowing will be taken as a Maturity Loan, with principal repayment being due at the end of the term.
- MRP Policy

9. Council Tax (Appendix H-L)

The detailed amounts for the Tax Base, Parish Precepts and Council Tax increase are

10. RECOMMENDATION(S):

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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 2018/19 to 2022/23 and are aware of the associated Risks (Appendix B)
4. That Members receive a Mid-Year Review of the Medium Term Financial Plan during 2018/19.
5. That Members set the Revenue Budget 2018/19 (Appendix A)
6. That Members approve the Fees and Charges Policy and set the Fees and Charges 2018/19 (as amended) (Appendix C&D)
7. That Members adopt the Capital Investment Strategy (Appendix E)
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10. That Members approve the Minimum Revenue Provision (MRP) Policy as contained in the Treasury Management Strategy (Appendix G)
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12. That Members approve the 2018/19 Pay Policy Statement and establishment numbers (Appendix M)

EXECUTIVE BUSINESS PLAN

1. Introduction

This is our first Executive Business Plan. The purpose of which is to outline the national, regional and local operating environment and to set out our response and proposed activity for the next three years. The supporting financial strategy will be set out in the Appendix 2 document headed Medium Term Financial Plan (MTFP) and this will not only look at the medium term but also attempt to consider those actions that will have an impact beyond that time horizon.

This document will therefore reflect our short, medium and long term goals with diminishing accuracy but will act as a guide for the executive team, our managers and our employees to 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.

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'.

Industrial Strategy

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.

Business Rates Retention

Alongside the Industrial Strategy the Ministry of Housing, Communities and Local Government (MHCLG) (previously Department of Communities and Local Government (DCLG)) are currently progressing with using 'pilots' of 100% Business Rates retention, to continue testing the premise that Local Government can be self-financing through Council Tax and Business Rates. Whilst Treasury will still have overall control of upper funding levels through the determination of a local authority's settlement funding assessment, and the top up and tariff system, Local Government will not receive the grants. The Settlement Funding Assessment (SFA) determines the amount of funding a local authority should receive and how much of tax, locally generated, should be redistributed. There is a debate ongoing at the moment whether this calculation should take into account commercially generated income (we are currently lobbying against this approach).

Provisional Settlement 2018/19

In the Provisional Settlement published on 19th December 2017, it was announced that Government would be seeking to implement a NNDR 75% retention policy in 2020/21 as this will not need primary legislation. In addition there were ten new 100% pilots announced as part of the Provisional Settlement and Greater Lincolnshire was included.

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), increasing the level of Rural Services Delivery Grant and leaving the New Homes Bonus arrangements unaltered.

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.

In addition to the provisional settlement MHCLG also announced that Planning Fees will be increased by 20% from 18th January 2018 and new capital financing and investment guidance has recently been issued. The latter is predominantly aimed at securing that Local Authorities undertake appropriate considerations and advice when making investment decisions.

3. Regional and Local Context

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.

4. WLDC Corporate Plan

Council agreed a four year Corporate Plan in 2016 which had a four year horizon 2016-2020. The vision of the Council is;

"**West Lindsey to be seen as a place where people want to live, work, invest and visit".**

The corporate objectives are based around six themes:

Open for Business

People First

Asset Management

The Local Plan

Devolution/Partnerships

Excellent Value for Money Services

The Corporate Plan sets out a number of priorities against each theme and this Business Plan will set out the activities that will deliver those priorities.

4.1 Review of Corporate Plan

The priorities above were agreed before the Industrial Strategy was announced and work has begun on a review and new corporate plan for 2019-2023 which will ensure we align ourselves with the national strategy. That said, our Economic Development Team are already working with this in mind and our development activity is being aligned to the Industrial Strategy so that WLDC is well placed to benefit from any resources made available.

The majority of programmes and projects currently supporting the delivery of the existing Corporate Plan priorities will continue as these were designed to create long term growth and regeneration, for the District of West Lindsey, to achieve excellent customer service and to provide future financial sustainability for the Council.

Further, the Corporate Plan sets out a number of values which guide our working. (These are detailed at 9. In the MTFP executive summary)

5. Recent Achievements

Before setting out the activities for the next three years it is important to reflect on what has already been achieved in the first two years of the Corporate Plan. A full review of the Corporate Plan is also being provided so only a few highlights will be included here:

Open for Business – Travelodge Hotel, Land Assembly by the Riverside, Two Blue Chip regeneration specialists bidding to be our partner in Invest Gainsborough, New Leisure contract delivering improved facilities and new facilities for Market Rasen, New Crematorium to be built in West Lindsey.

People First – Creation of a Service Hub, Introduction of Selective Licencing Scheme, Community defibrillator scheme, Investment in Trinity Arts Centre

Asset Management – First new commercial property acquired, Increased income from existing commercial property, improvement in Market Rasen Depot

Local Plan – The Central Local Plan has been adopted.

Partnerships – Successful partnership to Pilot NNDR 100% retention, new joint venture for developing Market Street, Successful bid for the Wellbeing Service (contract awarded by LCC), Mayflower 400 national project

Excellent Value For Money Services – Waste Collection Services nominated for an award by APSE for the 7th year running, improved performance in Land Charges and Development Management.

6. Business Deliverables 2018-2021

Over the next 3 years the Executive will focus on delivering the following activities.

Economic Development

A Growth Programme which is aligned to the Industrial Strategy and which will include; delivery to support Employment and Skills, Helmswell Food Enterprise Zone, Business Units for SME's,

Appoint a Development Partner – Phase 1 former Guildhall site to deliver western anchor for Gainsborough Town Centre

Develop the Green Corridor (Riverside walkway, Gainsborough)

Develop and Deliver a Three Year Business Plan for Market Rasen

Deliver the Housing Strategy – implementation of Housing Zone and drawdown of £4m unlocking funding in addition to a Joint Venture Company to deliver 140 new homes

Further support to the Caistor Town Council to implement the Neighbourhood Plan

Place based regeneration schemes at Hemswell and Gainsborough to normalise and stabilise areas with high indices of deprivation.

Growth Fund to be widened to the whole district ready to dovetail with funding from the Midland Engine

Development of a Visitor Economy Strategy

Significant capital projects ie Crematorium and new leisure facilities to realise a net contribution to the MTFP.

Customer First

Introduce a Digital Strategy for all Services

Develop an approach that puts the Customer at the centre of all service delivery

Re-focus Services to be Customer centric

Establish quality standards for Customer Service

Service Specific

Introduce Green Waste Charging

Grow the income from Trade Waste Services

Review the Regulatory services of Food Hygiene and Anti-social Behaviour

Establish the new Well Being Service

Introduce the new Choice Base lettings System and meet the new Homelessness Act requirements

Introduce a new IT system for Land Based Services (Development Management, Building Control and Land Charges)

Introduce a new Finance System

Develop an ICT Strategy

Build and develop a Crematorium

Maximise the return from the Leisure Contract

More detail is available at a Service Team level in Appendix 1.

7. 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 2.5 of the Medium Term Financial Plan.

Commercial Integration

This year there will not be a separate commercial strategy and our commercial activity will be delivered and managed within our Executive Business Plan. Our commercial activity will be integrated in the following ways:

1 – Traded Services will run alongside our 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 – We will continue to develop our commercial property portfolio and take into account the changes to the CIPFA Prudential Code, recently announced, and the recent 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.

8. 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 the base budget of £3.3m through the Financial Strategy and initiatives to reduce expenditure, increase income and generate new income streams. Council Tax has been frozen in three out of the last six years whilst still providing 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 those proposals being considered to deliver a sustainable budget position. In addition, and new for this year, 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.

9. Financial Strategy

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

The Corporate Plan details the values which guide our working:

- Delivering a surplus to re-invest
- Investing in communities
- Delivering Customer Focused priorities
- Generating Growth
- Investing in communities to help themselves and others
- A more commercial Council
- A modern, innovative and collaborative Council

Our 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

<u>The MTFP will deliver against these objectives and principles by:</u>

- 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.

10. Financial Analysis

10.1 Local Government Financial Settlement 2018/19

The Government announced its final Local Government Financial Settlement on 8 February 2018.

Revenue Support Grant - As part of the 4 year Financial Settlement in 2017/18 West Lindsey District Council had seen a further reduction in Revenue Support Grant (RSG) of 45.1 % on 2016/17 amount. The 2018/19 RSG is £0.371m and will reduce to a negative RSG of -£0.065 by 2019/20.

Whilst our plans to date have been based on the reduction of RSG to zero by 2019/20 as part of the four year settlement, which the Government has maintained for this Settlement, WLDC will actually be in a negative RSG position. The Government has committed to consult on how negative RSG will be dealt with over the summer of 2018.

Rural Services Delivery Grant – The reducing RSG is remediated to some degree by the separation of the Rural Services Delivery Grant (RSDG). As part of this agreement the RSDG was expected to reduce in 2018/19 to £0.293m however, the provisional settlement 2018/19 maintained the grant at the 2017/18 level of £0.381m. Further additional funding for this grant has been announced as part of the final settlement with a further increase of £0.094m for WLDC. This outcome has been due to the successful lobbying of Government by the RSN, WLDC and others for fairer funding for rural communities. We have assumed within the MTFP that this grant will revert back to £0.381m for 2019/20 although it is likely that it will now remain at the 2018/19 level of £0.475m

These two grants have been rolled up into the Business Rates Tariff for 2018/19 as part of the Business Rates Pilot arrangements, but have been identified separately in our Medium Term Analysis for transparency. We have assumed that the RSDG will revert back to £0.381m ongoing, however it may be likely that the 2018/19 level is maintained.

New Homes Bonus - Despite lobbying from Local Authorities the MHCLG have maintained their position with regards to NHB, although the threatened increase to the expected growth level before payment is made has not been increased and remains at 0.4%

Council Tax - The settlement has made changes to the Council Tax increase that would trigger a referendum. This has been amended to 3% or £5 whichever is the higher for Shire Districts. (Previously the figure was 2% or £5).

Business Rates - The Council will benefit from additional Business Rates income of £1.6m. This is due to a number of factors, including a 3% increase in the multiplier equating to £0.6m, increases in rateable value growth, S31 grants and renewable energy (£0.5m), in addition the

Council will benefit from an additional one off amount of £0.5m from being part of the successful Greater Lincolnshire (excluding NE Lincolnshire) Pilot bid for 100% Business Rate Retention in 2018/19 only. Our commitment in the Pilot scheme was to use this additional funding towards development in the District and this plan is provided on that assumption. The budget is based on estimates and based on information as at 30 November 2017, therefore exact level of the gain will not be known until the financial year end.

The increase in SFA 2018/19 is due to the NNDR – Baseline Funding being adjusted for the 100% business rates retention scheme. The assumption is that this will be for 1 year only.

The profile of grant reductions is shown in the table below;

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
RSG	3.969	3.125	2.198	1.387	0.761	0.371	-0.065	-0.124	-0.185
NNDR - Baseline funding	2.641	3.111	3.226	2.766	2.823	3.407	2.972	3.032	3.092
Rural Services Grant	0	0	0	0.471	0.381	0.475	0.381	0.381	0.381
TOTAL SFA	**6.610**	**6.236**	**5.424**	**4.624**	**3.965**	**4.253**	**3.288**	**3.289**	**3.288**
% Annual Change		**-5.66**	**-13.02**	**-14.74**	**-14.26**	**7.26**	**-22.70**	**0.03**	**-0.02**
NHB	1.083	1.549	1.986	2.487	1.896	1.278	1.014	0.693	0.658
TOTAL SFA incl NHB	**7.693**	**7.785**	**7.410**	**7.111**	**5.861**	**5.531**	**4.302**	**3.982**	**3.946**
% Annual Change		**1.20**	**-4.81**	**-4.03**	**-17.58**	**-5.63**	**-22.22**	**-7.44**	**-0.89**

10.2 Budget Assumptions

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

- Employee Pay Award 2% per annum
- Council Tax increase at 3% annum and growth 0.5%
- Commercial Property Investment of £20m (from 2017/18-2019/20) to generate £0.6m savings by 2020/2021
- No growth in NNDR for future years - whilst we have growth this is currently being negated by the impact of appeals
- £1.6m gain from 100% Business Rates of which £0.5m from being in a Pilot scheme
- Contractual inflation only applied to service expenditure budgets
- New Homes bonus is based on Government estimates and payable over 4 years.
- Electricity 4%
- Gas 4% from 2018/19

Based on the above assumptions the proposed budget for the Council in 2018/19 will be £15.427m.

APPENDIX 1

Business Activity Over the Next Three Years

The Council's annual business planning activity is designed to identify improvements to service delivery, key projects to support the objectives of the Corporate Plan and additional sustainable revenue streams. All service areas partake and the options generated are fully-appraised; financial implications assessed with decisions made by the Management Team. Feedback is provided and delivery of approved initiatives is monitored through the Councils project management methodology.

Key initiatives considered for 2018/19 onwards focused on the completion of key projects i.e. the build and delivery of the Crematorium facility and completion of the review of Leisure Contract. Across economic development support for the regeneration and development of the District will continue in the form of securing a strategic Development Partner to support the realisation of the Council's growth ambitions. In addition, support for businesses in the form of creating managed workspace facilities is a key driver.

Work on the Council's Customer First agenda is well-supported. A Digital and ICT Strategy is to be completed. This will provide a focus for the Council in ensuring that access to services and communication with residents are improved and take advantage of technological advances. Ensuring our staff are more customer-focused is also a key component of the overarching programme.

Wellbeing and support for communities is of high importance. The Council has been successful in being awarded a contract to deliver such services and the impact of this is reflected in the business planning work. Additionally, on-going support for home choices and homelessness are also key concerns.

The identification of sustainable income streams is also reflected in the business plans. The Council will continue to pursue its Commercial Property Investment Strategy. Additional income streams have also been identified in the form of introducing a charge for green waste collection, expanding the Council's trade waste service and securing additional income from street cleansing and associated activities.

Further initiatives are evident across a range of Council activity. More comprehensive details are available for review below;

Area	Activity
Key Projects	Build and develop a Crematorium
	Maximise the return from the Leisure Contract
Economic Development & Growth	Appoint a Development Partner
	Deliver Investment in Gainsborough Town Centre
	Develop the Green Corridor
	Develop and Deliver a Three Year Business Plan for Market Rasen
	Deliver the Housing Strategy
	Develop managed workspace facilities
	Create additional car parking capacity
	Undertake review of tourism service
Customer First	Introduce a Digital Strategy for all Services
	Develop an approach that puts the Customer at

	the centre of all service delivery
	Re-focus services to be customer centric
	Establish quality standards for customer service
Waste Services & Regulatory Services	Introduce Green Waste Charging
	Grow the income from Trade Waste Services
	Pursuit of additional and growth of current income streams associated with street cleansing
	Develop options for future waste depot facility
	Review the Food Hygiene and ASB services
Housing & Wellbeing	Establish the new Well-Being Service
	Introduce the new Choice Based Lettings System
	Meet the new Homelessness Act requirements
	Identify means of and provide appropriate support for particularly vulnerable communities
ICT	Develop an ICT Strategy
	Develop an Omni-channel approach that puts the Customer at the centre of all service delivery
	Undertake refresh of desktop ICT devices
Development Management	Introduce a new IT system for Land Based Services [Development Management, Building Control and Land Charges]
	Implement statutory increase in planning fees
Miscellaneous	Understand and assess implications of roll-out of Universal Credit (Oct 2018)
	Appraise usefulness of a project/programme management system

APPENDIX 2

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

1.1 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 last four years West Lindsey has achieved reductions in the base budget of £3.3m through the Financial Strategy and initiatives to reduce expenditure, increase income and generating new income streams. Council Tax has been frozen in three out of the last six years whilst still providing 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, and new for this year, 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 Entrepreneurial Model by supporting the following values and approach

The Corporate Plan details the values which guide our working:

- Delivering a surplus to re-invest
- Investing in communities
- Delivering Customer Focused priorities
- Generating Growth
- Investing in communities to help themselves and others
- A more commercial Council
- A modern, innovative and collaborative Council

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. FINANCIAL STRATEGY

The Financial Strategy is designed to complement the values set out in the Corporate Plan and deliver the Entrepreneurial Model by supporting the following values;

The Corporate Plan details the values which guide our working:

- Delivering a surplus to re-invest
- Investing in communities
- Delivering Customer Focused priorities
- Generating Growth
- Investing in communities to help themselves and others
- A more commercial Council
- A modern, innovative and collaborative Council

Our 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 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
- Costs of borrowing can be met from either commercial returns and/or cost savings

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

2.1 National Context

On 19th December 2017 the Secretary of State for the Department of Communities and Local Government, The Rt Hon Sajid Javid MP, made a statement to Parliament on the Provisional Local Government Finance Settlement 2018/19. The final settlement being announcement in February 2018, the impact of which is covered in brackets in each bullet point below;

The main points were;

- Increase of the Council Tax referendum limit increased by 1% to 3%
- For 2018/19, there are no changes to how the award of New Homes Bonus will be made and as announced at last year's settlement, New Homes Bonus grant in 2018/19 will be paid on the basis of 4 years award with growth above 0.4% rewarded;
- Rural Service Delivery Grant in 2018/19 will remain at a national level of £65m rather than being reduced by £15m in 2018/19 as had been planned, this was subsequently increased to £81m in the final settlement;
- There will be a consultation in the spring of 2018 on negative RSG planned for 2019/20;
- Proposals for new Business Rates Pilots in 2018/19 have been approved for 10 areas in addition to London;
- There will be a reset of business rates baselines in 2020/21;
- There will be a move to 75% business rates retention for 2020/21 which will see RSG and Public Health grant replaced by business rates income.

2.2 Core Spending Power within Local Government

Based on the Government's announcement the Core Spending Power will see only a small impact of 2.1% nationally, however in allocating Core Spending Power to individual authorities which is based on the services they provide, WLDC is likely to see a 13.2% reduction over the 4 year period. The tables below detail the impact of individual Government funding streams.

CORE SPENDING POWER[1]
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[2]	21,249.9	18,601.5	16,632.4	15,574.0	14,397.9
Compensation for under-indexing the business rates multiplier	165.1	165.1	175.0	275.0	374.8
Council Tax of which;	22,035.9	23,247.3	24,665.8	26,600.2	28,047.4
Council Tax Requirement excluding parish precepts (including base and levels growth)	22,035.9	22,858.5	23,701.6	24,902.6	26,166.0
additional revenue from referendum principle for social care	0.0	381.8	948.2	1,661.2	1,824.4
Potential additional Council Tax from £5 referendum principle for all Districts	0.0	7.0	16.0	36.4	57.0
Improved Better Care Fund	0.0	0.0	1,115.0	1,499.0	1,837.0
New Homes Bonus[3]	1,167.6	1,461.9	1,227.4	947.5	900.0
New Homes Bonus returned funding	32.4	23.1	24.5	0.0	0.0
Rural Services Delivery Grant	15.5	80.5	65.0	81.0	65.0
Transition Grant	0.0	150.0	150.0	0.0	0.0
The Adult Social Care Support Grant	0.0	0.0	241.1	150.0	0.0
Core Spending Power	**44,666.5**	**43,729.3**	**44,296.3**	**45,126.7**	**45,622.1**
Change over the Spending Review period (£ millions)					955.6
Change over the Spending Review period (% change)					2.1%

Please see the Core Spending Power Explanatory note for details of the assumptions underpinning the elements of Core Spending Power.

[1] The figures presented in Core Spending Power do not reflect the changes to Settlement Funding Assessment made for pilot authorities. For information about pilots please refer to the Pilots Explanatory Note. For the Settlement Finance Assessment figures after adjustments for pilots please see Key Information for Local Authorities.

[2] 2019-20 Settlement Funding Assessment has been modified to include a provisional tariff or top-up adjustment.

[3] New Homes Bonus allocations for 2019-20 are for illustration purposes only. Actual payments will depend on housing delivery and are subject to change.

2.3 Local Settlement Funding

The Provisional Financial Settlement was issued by Government in December 2017, in relation to West Lindsey we will see further reductions from the 2017/18 Core Spending Power to 2019/20 as illustrated in the table below. The final settlement is to be announced in February 2018.

CORE SPENDING POWER[1]

Please select authority

West Lindsey

Illustrative Core Spending Power of Local Government;

	2015-16 £ millions	2016-17 £ millions	2017-18 £ millions	2018-19 £ millions	2019-20 £ millions
Settlement Funding Assessment[2]	4.9	4.2	3.6	3.3	2.9
Compensation for under-indexing the business rates multiplier	0.0	0.0	0.0	0.1	0.1
Council Tax of which;	5.4	5.7	5.8	6.1	6.3
Council Tax Requirement excluding parish precepts (including base and levels growth)	5.4	5.6	5.8	6.0	6.3
additional revenue from referendum principle for social care	0.0	0.0	0.0	0.0	0.0
Potential additional Council Tax from £5 referendum principle for all Districts	0.0	0.0	0.1	0.1	0.1
Improved Better Care Fund	0.0	0.0	0.0	0.0	0.0
New Homes Bonus[3]	2.0	2.5	1.9	1.3	1.1
New Homes Bonus returned funding	0.0	0.0	0.0	0.0	0.0
Rural Services Delivery Grant	0.1	0.5	0.4	0.5	0.4
Transition Grant	0.0	0.0	0.0	0.0	0.0
The Adult Social Care Support Grant	0.0	0.0	0.0	0.0	0.0
Core Spending Power	**12.4**	**12.8**	**11.7**	**11.2**	**10.8**
Change over the Spending Review period (£ millions)					-1.6
Change over the Spending Review period (% change)					-13.2%

Please see the Core Spending Power Explanatory note for details of the assumptions underpinning the elements of Core Spending Power.

[1] The figures presented in Core Spending Power do not reflect the changes to Settlement Funding Assessment made for pilot authorities. For information about pilots please refer to the Pilots Explanatory Note. For the Settlement Finance Assessment figures after adjustments for pilots please see Key Information for Local Authorities.

[2] 2019-20 Settlement Funding Assessment has been modified to include a provisional tariff or top-up adjustment.

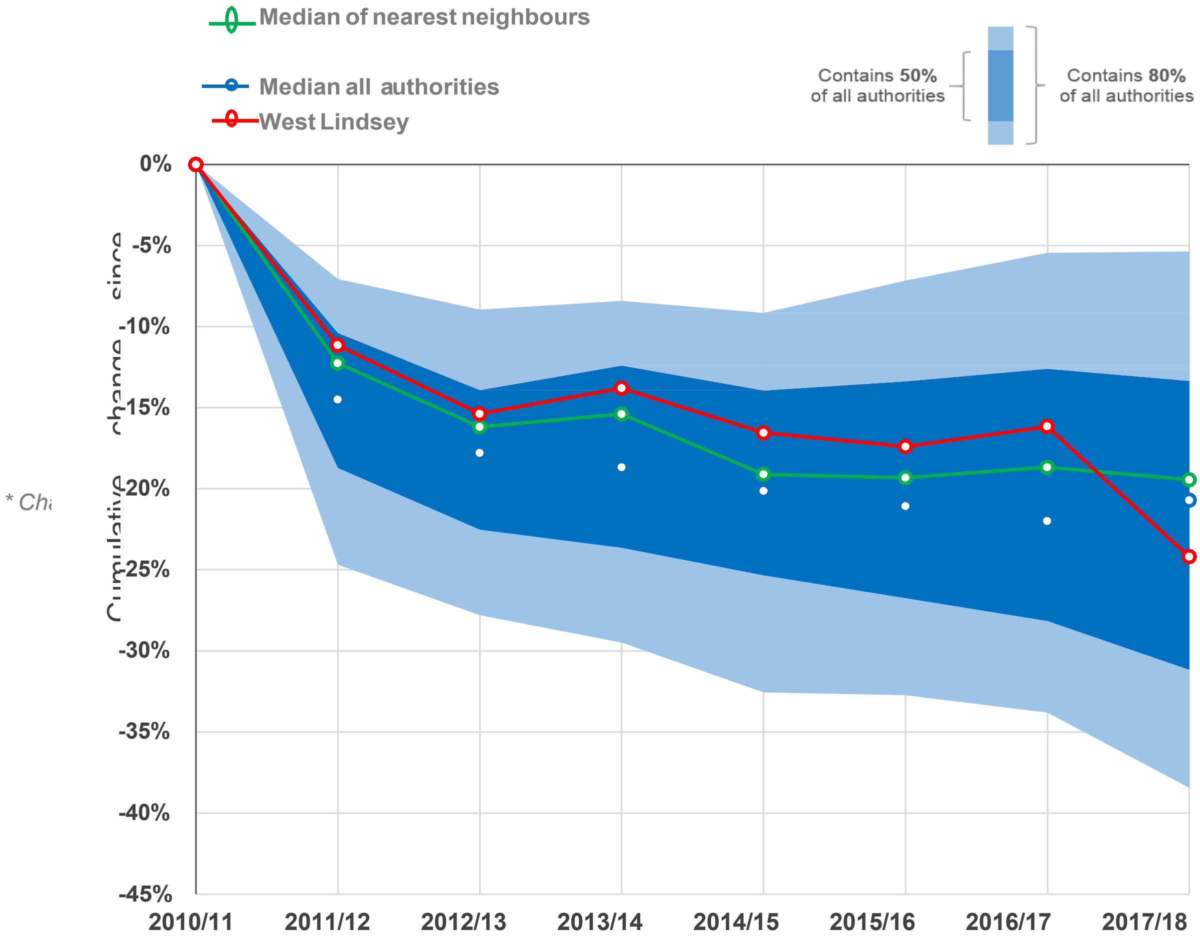
[3] New Homes Bonus allocations for 2019-20 are for illustration purposes only. Actual payments will depend on housing delivery and are subject to change.

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 2017/18, West Lindsey's budgeted expenditure decreased by 24.2%. This is mainly due to the reduction in Settlement Funding of £0.6m and reduction in New Homes Bonus of £0.6m net of the ability to raise Council Tax £0.2m and an increase of £0.1m in Rural Services Delivery Grant. This compares to the median for all authorities in England, with a decrease of 20.7%. This graph below illustrates this position.

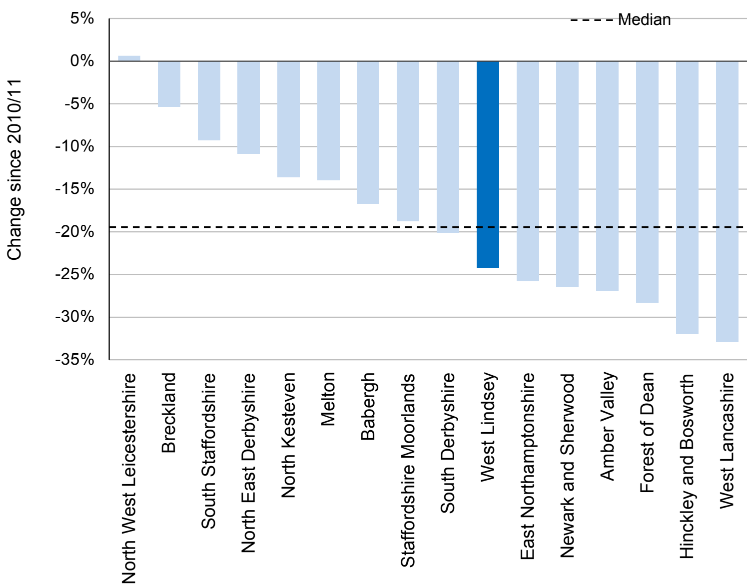
Chart 1 - Change in core spending power since 2010/11 (England)* to 2017/18



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

West Lindsey's overall change of -24.2% was also below the nearest neighbour median of -19.4%, and was ranked 10th highest in the group. This is illustrated in Chart 2.

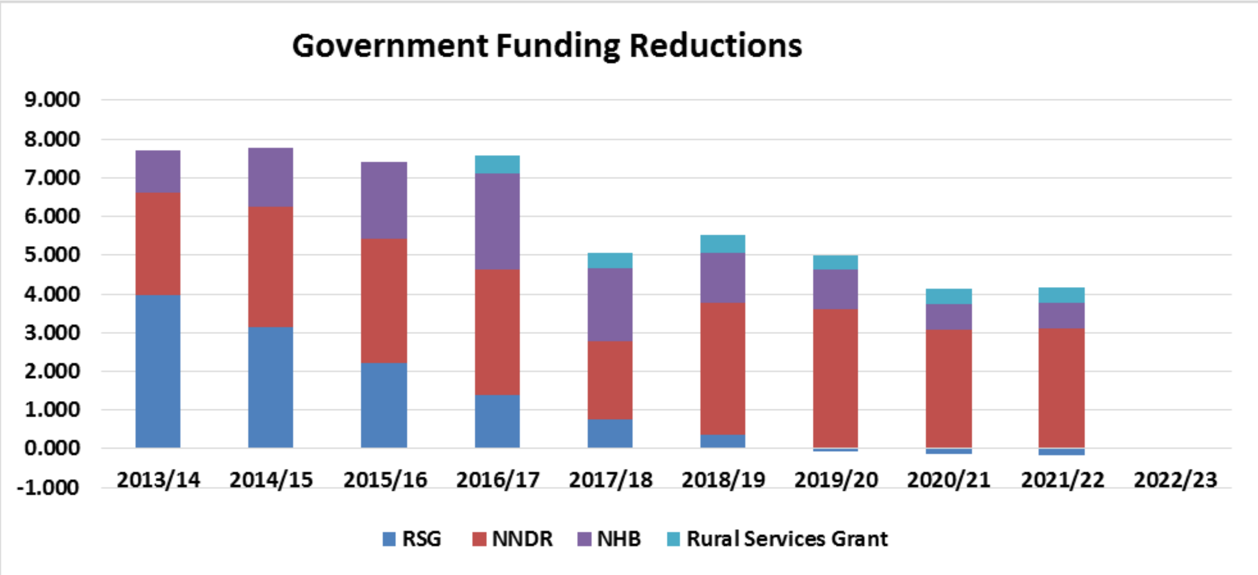
Chart 2 - Change in Core Expenditure Since 2010/11 (NN Group)



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 -£0.065 in 2019/20.

The graph below illustrates the change in the main sources of Government Funding for West Lindsey District Council since 2013/14 including Revenue Support Grant (RSG) and Business Rates (NNDR) baseline (elements of the Settlement Funding), New Homes Bonus (NHB) and the Rural Services Grant.

Information beyond 2021/22 has not been projected as Government Policy implications is as yet unknown.



The Councils settlement funding resources for 2018/19 totals £4.252m. This includes the one off gain from being part of the Greater Lincolnshire Pilot for 100% business rates retention of an estimated £0.5m.

2.4 Financial Performance Benchmarking – How we compare (Appendix M)

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 M 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

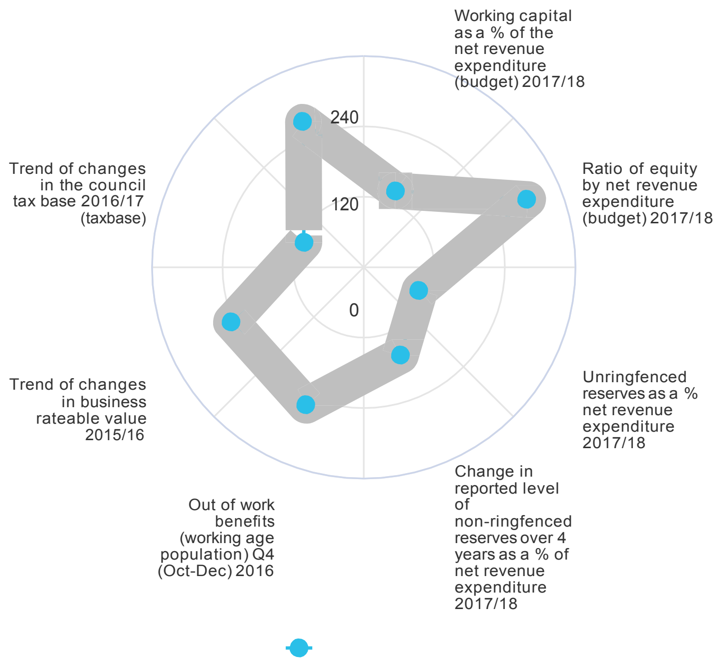
• Pension Fund Liability as a % of net revenue expenditure With a ranking of 26 out of 201 we again rank highly compared with other Districts, this, in part, is as a consequence of making additional payments to reduce this liability.

Opportunity Indicators

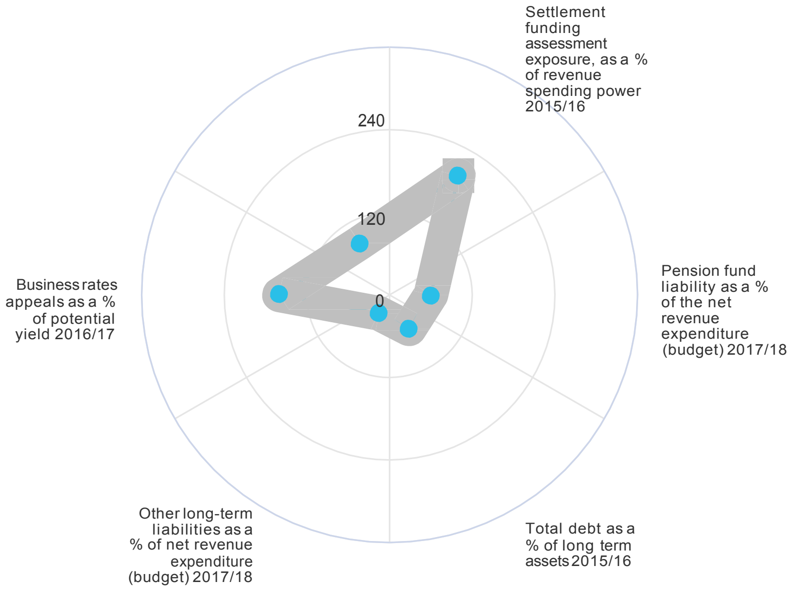
• Council Tax Collection rates remain some of the highest in the country.

• The opportunity to generate revenue income from Capital Investments is part of our commercial aspirations.

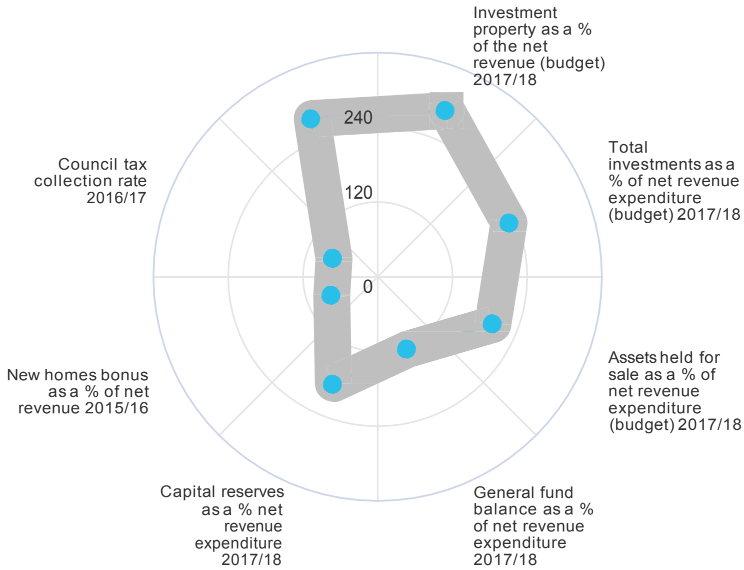
Strategic: All English authorities Rank (353)



Risk: All English authorities Rank (353)



Opportunity: All English authorities Rank (353)



2.5 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 and by embedding the Entrepreneurial Council 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.

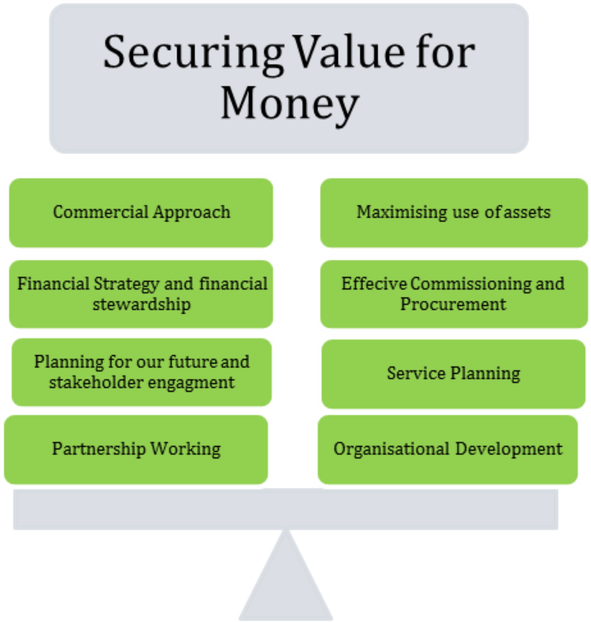
In addition the Council procured CFO Infosights for assistance in benchmarking. It is a tool developed by Grant Thornton in conjunction with CIPFA which uses national data sets such as the RA/RO financial returns. Although in it's infancy at West Lindsey have been developing the use of the tool as a 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



2.6 Commercial Approach

West Lindsey takes a commercial approach to the delivery of all services, with officers and members undertaking training and commercial workshops.

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.

2.7 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.

2.8 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 of existing assets and provides a strategic context for future investments and to achieve the best possible outcomes.

2.9 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 annual People Strategy in addition to a Member Development plan is in place to support elected members.

2.10 Planning for our Future and Service 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.

2.11 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.

2.12 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 by selling our services ie Trade and Garden Waste Collection

2.13 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. This borrowing will only be undertaken if it is considered prudent, affordable and sustainable and has no impact on the council taxpayer. 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.

2.14 Reserves

The level of the General Fund Working Balance will be set, as a minimum at 5% of Net Operating Expenditure. 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 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.

2.15 Capital Investment Strategy (Appendix E)

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 entrepreneurial 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 £0.5m 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.

2.16 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.

2.17 Community Engagement

The Council hold annual Budget Engagement Events to get the views of residents, business, Parish Councils and the public.

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 ie 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 2017 is available on our website https://www.west-lindsey.gov.uk/my-council/have-your-say/consultations/previous-consultation-results/

2.18 Treasury Management Strategy (Appendix G)

The Council 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 would be considered prudent provision for the repayment of debt.

2.19 Risk Considerations (Appendix B)

The full 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 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.

2.20 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 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.

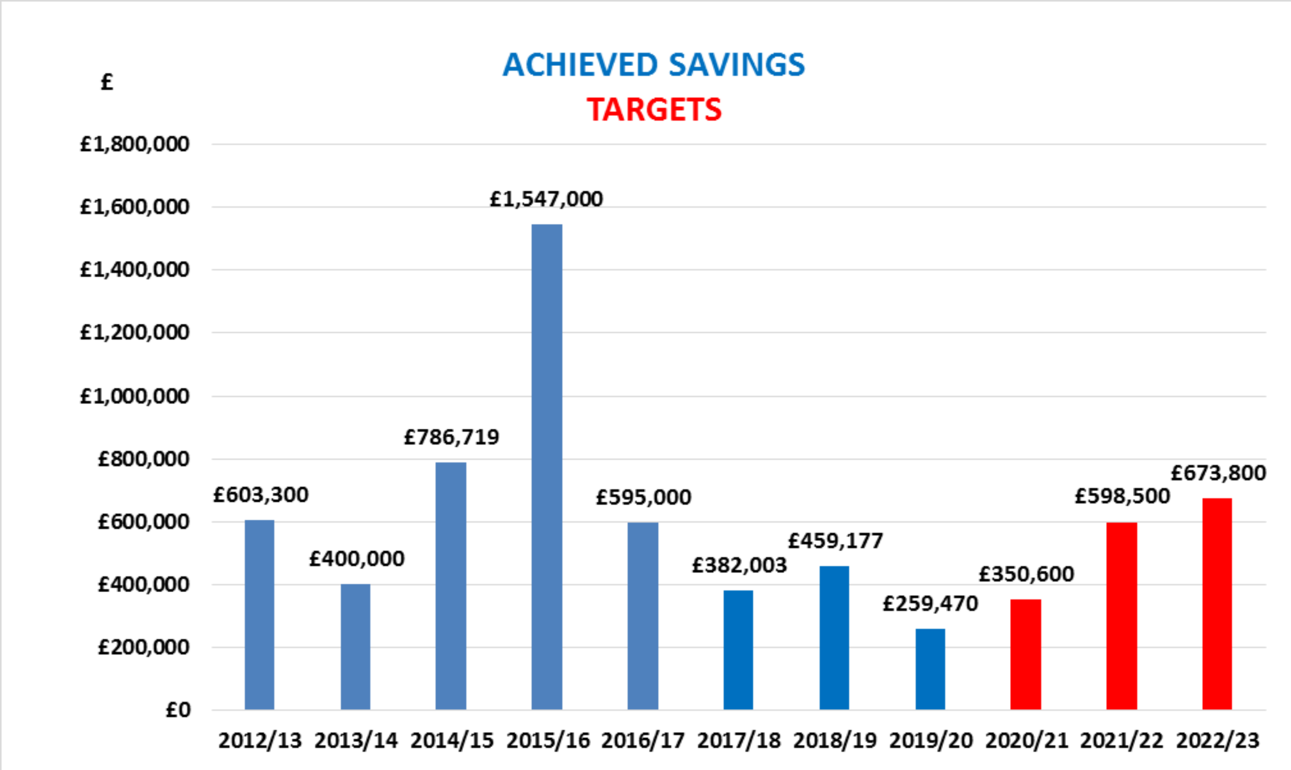
In terms of Budget risks these include;

- 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 due to external factors which include the move towards 100% business rates retention, UK's general election and Brexit. Funding beyond 2020 due to changes in the Local Government finance system will place greater risk locally. 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. (A Commercial Contingency budget and Business Rates Volatility Reserve have been created to mitigate financial risk within the Budget).

The Council has managed the reduction in government funding effectively in addition to meeting increased costs. The savings achieved since 2012/13 and those still required to be found over the MTFP are illustrated below;



3.1 The Medium Term Financial Analysis below details the current MTFP Funding gap and details the movements from the 2017/18 – 2022/23 position, further analysis is detailed at Appendix A;

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
MTFP - FUNDING GAP B/fwd	**(77)**	**126**	**440**	**434**	**434**
Total Pressures	517	494	736	1,087	1,437
Total Savings	(199)	(199)	(199)	(199)	(199)
Total Additional Income	(1,181)	(890)	(981)	(1,078)	(1,353)
Total Capital Financing Costs	0	29	54	54	54
Total New Budgets	940	300	300	300	300
MTFP - FUNDING GAP	**0**	**(140)**	**350**	**598**	**673**

The movement on the medium term forecasts are detailed below;

- **Pressures** – the costs of new service pressures, mainly related to the increase from 1% to 2% in the national payaward offer, and the increased cost of pension contributions.

- **Savings** – savings on expenditure budgets as a result of the annual base budget review and contract savings achieved through procurements.

- **Additional Income** – The introduction of Garden Waste charging, the benefit of new Leisure Contract, the 20% increase in Statutory Planning Fees and projections on Trade Waste growth all contribute to this movement. An additional 1% Council Tax and a £0.5m gain from being part of the Lincolnshire Business Rates Pilot (2018/19 only)

- **Capital Financing Costs** – The net costs of capital investment which is met from additional income or cost savings through project delivery
- **New Budgets** –
  - Commercial Contingency Budget £0.2m (ongoing) to mitigate commercial risk.
  - Business Case Development Budget £0.1m (ongoing) to support feasibility, legal and resourcing costs of investment projects.
  - Creation of a £0.5m Community grant Scheme to be delivered over 3 years (2018/19 only) funded from General Fund Balances.
  - Contribution to Business Rates Volatility Reserve £0.1m (2108/19 only)

The Financial Analysis reflects a balanced budget for 2018/19 in accordance with Statutory Requirements.

However, there remains a £0.673m funding gap which, is expected to be balanced by the development of further commercial opportunities through Gainsborough Growth Programme, and the potential efficiencies gained from the Customer First Programme intended to deliver a customer and commercial centric delivery environment. Plans in these two areas continue to be developed 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.

In relation to Capital Investment the MTFP assumes that over its lifetime we will deliver a capital programme of £54.9m which will be designed to support the Council's Corporate objectives and Executive Business Plan activity. This will use a mix of self-financing and borrowing to fund that programme. It should be noted that we have 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.

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 a further £0.948m of funding gap will need to be met 10 years hence. 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.

	2023/24	2024/25	2025/26	2026/27	2027/28
FUNDING GAP bfwd	**673**	**673**	**673**	**673**	**673**
Annual pay award @ 2%	190	376	562	750	940
Council Tax @ 3%	-62	-132	-208	-293	-385
Business Case and Capital Projects	-73	-113	-177	-225	-280
Development Partner	tbc	tbc	tbc	tbc	tbc
Net Future Funding Gap exl pressures	**728**	**804**	**850**	**905**	**948**

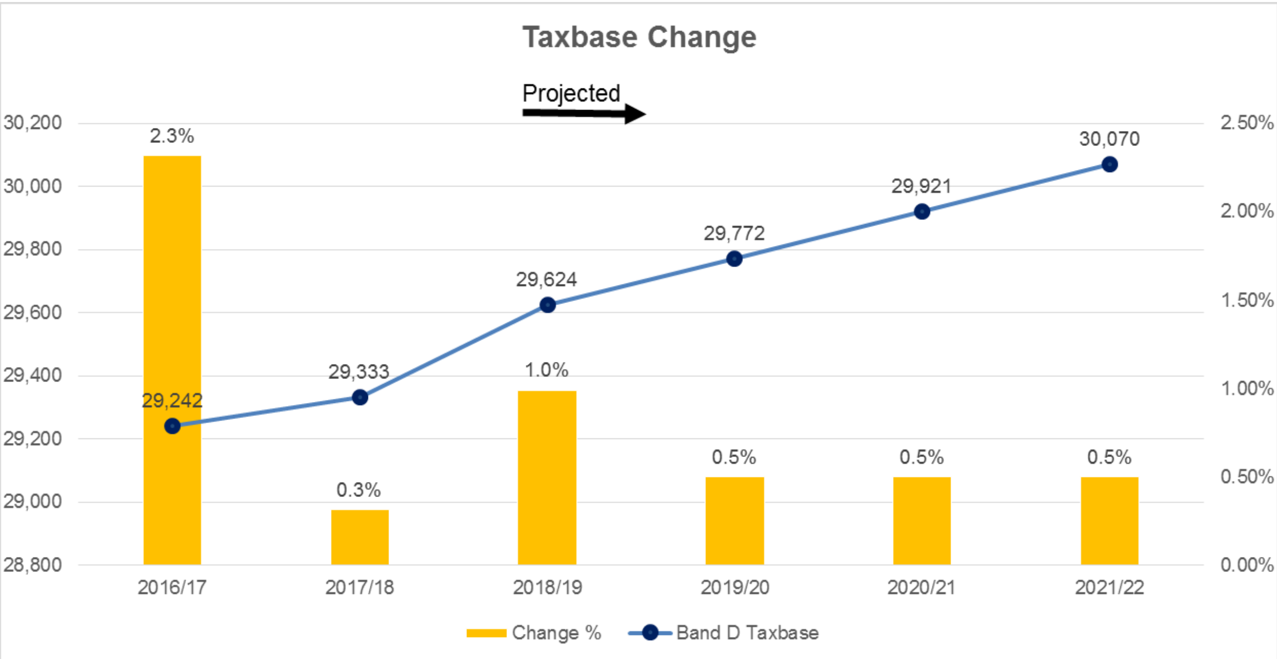
Specific elements of the Medium Term Financial Analysis include;

3.3 Council Tax Setting

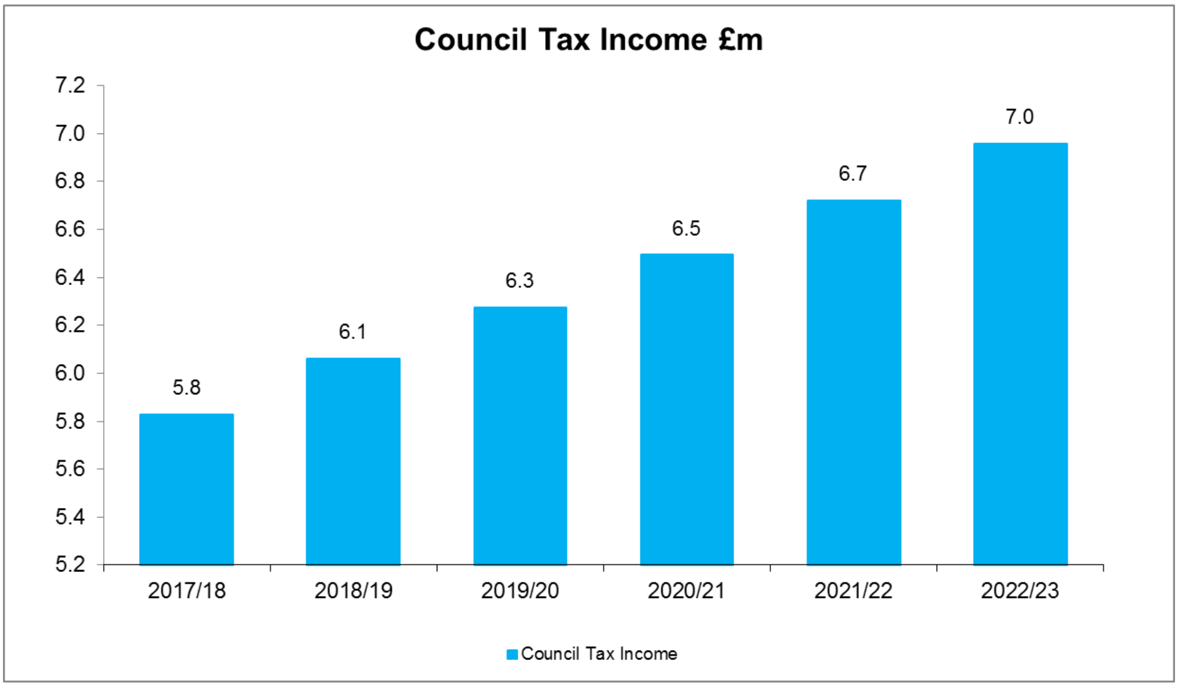
Council Tax projections are based on 2 factors;

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

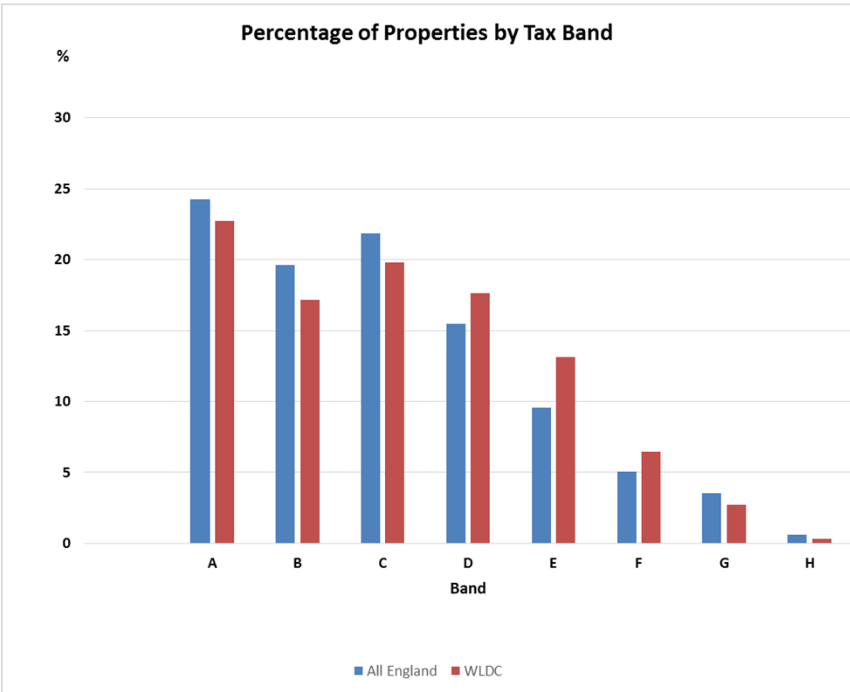
Assumptions for Tax base growth is illustrated below



The Financial Strategy aims to raise Council Tax by the maximum amount permitted without the need for a referendum, this amount has been increased from 2% to 3% as part of the Budget Statement. The Medium Term Financial Analysis therefore assumes an annual 3% uplift. Council Tax income projections including the 3% uplift are provided in the graph below;



An analysis of properties per Council Tax Band compared to the national average is detailed in the graph below;



3.4 Business Rates (NNDR)

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 of appeals has been offsetting this benefit for the past 2 years, 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 the proposed 100% business rates retention scheme will be achieved by setting a base budget and setting aside any additional resources achieved from the scheme, to the Business Rates Volatility Earmarked Reserve.

Due to the changes notified in the Budget Settlement, we will benefit from 100% Business Rates retention in 2018/19, revert back to 50% for 2019/20, and the Government is proposing 75% for 2020/21. Therefore the base budget is fixed over the MTFP and will be reviewed on an annual basis until there is stability in the scheme.

For 2018/19 we are in partnership with other Lincolnshire Authorities as a Pilot for the 100% business rates retention scheme. Gains will be earmarked to mitigate risk of volatility and for future regeneration and growth investments

3.3 Fees and Charges

- That charges are in line with cost recovery
- That charges are introduced where no charge is currently being made
- That benchmarking will be undertaken
- Whilst Car Parking income already makes a contribution to the net budget position, the new Car Parking Strategy is designed to make a contribution towards the funding gap in addition to funding additional car parking.

3.4 Commercial Investments in Property

The Local Authority has planned to borrow at significant levels to deliver a contribution from this type of non treasury investment. A Policy has been approved to establish criteria for investment. These investments may be outside the District where they are designed to deliver purely financial returns to the Council after the cost of borrowing has been met, therefore supporting ongoing service delivery. Approval to invest up to £20m was included in the 2017/18 MTFP and is forecast to generate a £0.6m contribution to the funding gap.

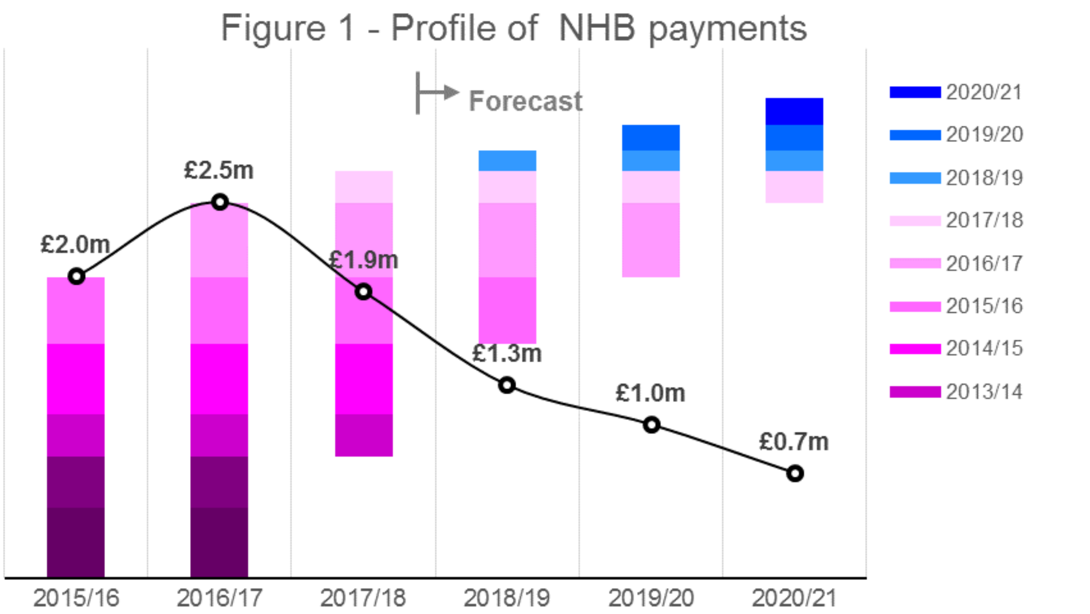
3.5 Service Efficiencies and Pay awards

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.

3.6 New Homes Bonus

The forecast income to be generated from New Homes Bonus is detailed in the graph below. With a 40% implemented in 2018/19 annual awards are significantly lower than previously forecast. However as the Council's current policy is to utilise this funding for the purpose of supporting housing and regeneration, it is set aside in the Investment for Growth reserve to fund capital initiatives. The graph below shows how New Homes Bonus funding has changed since 2015/16.



3.7 Budget Assumptions

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

- Employee Pay Award 2% per annum
- Council Tax increase at 3% and annual tax base growth of 0.5%
- Commercial Property Investment of £20m (from 2017/18-2019/20) to generate £0.6m savings by 2020/2021
- No growth in NNDR (whilst we have growth this is negated by the impact of appeals and future changes in the scheme as yet unquantifiable.
- Contractual inflation only applied to service expenditure budgets
- 4 year funding settlement in line with draft figures issued by Government
- New Homes bonus is based on Government estimates and payable over 4 years.
- NNDR expenditure budgets 1.8% (August RPI)
- Electricity 4%
- Gas 4% from 2018/19
- Capital Programme – total investment; total borrowing; use of reserves; balances at end of five years

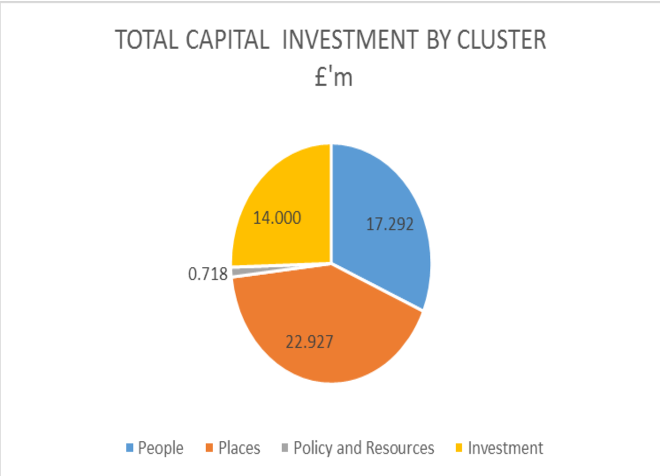
3.8 Capital Investment Programme and Funding (Appendix D & E)

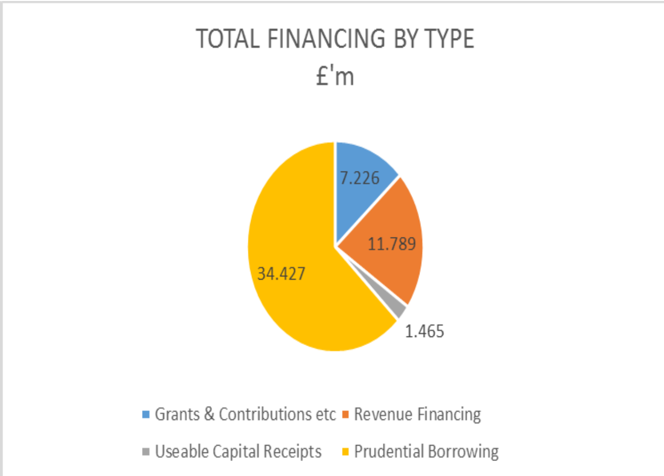
The overall Capital Investment Programme totals £54.937m however, £27.695m relates to the approved Capital Budgets (Stage 3 and Business as usual) with the remainder of £27.242m being pipeline projects. The 4 levels of the Programme are detailed below;

- Pre-Stage 1 – Business Case in preparation - £8.450m
- Stage 1 – Budget approved – requires full business case - £6.374m
- Stage 2 – Business case approved in principal or awaiting funding - £12.448m
- Stage 3 and Business as Usual (BAU) – Approved to spend and funding secured - £27.665m

The detailed Capital Investment Programme 2018/19 – 2022/23 is attached at Appendix D. Appendix E details how the programme will be funded over the MTFP.

The chart below illustrates Capital Investment in Service Clusters and how this is Funded





3.9 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 2022/23 we will have a funded £41.5m of capital investment by borrowing. As part of our Treasury Management function we will consider whether to utilise internal funds or seek external borrowing to meet this financing, this will take into consideration future interest rates and cash balances.

£m	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Capital Financing Requirement							
Accounting Adj	1.065	1.065	1.065	1.065	1.065	1.065	1.065
Finance Leases	0.122	0.027	0.000	0.000	0.000	0.000	0.000
Prudential Borrowing	0.032	7.681	22.756	42.025	41.696	41.148	40.458
Total CFR	1.219	8.773	23.821	43.090	42.761	42.213	41.523

3.10 Revenue Implications of Prudential Borrowing

Contained within the Capital Programme Financing (Appendix D) is a forecast that we will undertake Prudential borrowing (as detailed in the table above) to finance a number of significant projects. In line with the Financial Strategy, the costs of borrowing must be met by the returns generated from the investment, in addition to a required contribution to the funding gap. The total cost of borrowing over the MTPF is £34.427m, this borrowing will cost the General Fund £1.919m by 2022/23. The table below details the schemes which are funding this borrowing;

Detail	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Cost of Borrowing:						
Minimum Revenue Provision	0	65,400	17,860	329,170	547,870	689,858
Interest Payable	47,300	371,840	882,965	1,174,080	1,174,080	1,174,080
Loss of investment interest	19,944	15,030	34,479	51,715	52,628	55,709
Total Cost of Prudential Borrowing	**67,244**	**452,270**	**935,304**	**1,554,965**	**1,774,578**	**1,919,647**
Funded From						
Commercial Properties	-79,000	-559,100	-1,066,400	-1,159,200	-1,159,200	-1,159,200
Carbon	0	-6,000	-6,000	-6,000	-6,000	-6,000
Car parks	-7,675	-12,320	-36,435	-36,435	-36,435	-36,435
Saxilby	0	-15,531	-11,349	-11,349	-11,349	-11,349
Crematorium		0	-38,100	-158,900	-186,800	-226,800
Leisure Centre		0	-162,159	-290,919	-293,734	-296,606
Net Impact (-)income	**-19,431**	**-140,681**	**-385,139**	**-107,838**	**81,060**	**183,257**
Use of in year New Homes Bonus	-25,471	-47,930	-177,115	-417,631	-389,731	-349,731
TOTAL REVENUE IMPACT (-) Income	**-44,902**	**-188,611**	**-562,254**	**-525,468**	**-308,671**	**-166,474**

Note: The use of in year New Homes Bonus to support regeneration through the creation of a Crematorium and new Leisure facilities is to finance these costs prior to business growth.

3.11 Impact on Reserves

The level of the General Fund Balance will be set, as a minimum at 10% (an increase from 5%) of Net Operating Expenditure (£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.

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

Year End Resources £m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
General Fund Balance	-4.838	-2.707	-2.352	-2.322	-2.322	-2.322	-2.322
Earmarked Reserves	-13.334	-12.443	-10.326	-7.398	-7.954	-8.454	-7.949
Capital receipts	-2.895	-2.434	-1.977	-1.980	-1.868	-1.933	-1.998
Capital Grants Unapplied	-0.153	-0.006	-0.006	-0.006	-0.006	-0.006	-0.006
Total Reserves @ 31.3.xxxx	**-21.220**	**-17.590**	**-14.661**	**-11.706**	**-12.150**	**-12.715**	**-12.275**

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.

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 (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 changes 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 2018.

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

The earmarked reserves as set aside by the Council at the year-end 2016/17 have been independently verified by the external auditor.

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 2017/18

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 (2016) 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 likely to outturn a surplus in the region of £0.009m.

Any surplus will transferred to General Fund Balances and/or Earmarked Reserves.

The Capital Budget forecast out-turn for schemes approved for spend (includes Stage 3 and Business as Usual) totals £10.553m against an original budget of £13.879m with pipeline schemes (Pre Stage 1, Stage 1 and Stage 2) expected to spend £0.298m (subject to future formal approval) This gives an overall total of £10.851m.

6. Revenue Budget 2018/19

The Council presents a balanced budget for 2018/19 for approval, with the amount to be met from Government Grant or Council Tax being £15.427m

Cluster	2018/19 Budget £
People	4,849,100
Places	493,300
Policy and Resources	5,081,300
Grand Total	**10,423,700**
Capital Accounting Adjustment	(816,600)
Committee Total	**9,607,100**
Drainage Board Levies	351,500
Parish Precepts	1,909,249
Interest and Investment Income	(263,300)
Interest Payable	371,800
Statutory MRP	32,400
Capital Expenditure Charged Against General Fund	6,024,300
Net Operating Expenditure	**18,033,049**
Capital Grants Applied	555,200
Transfer to / (from) General Fund	(555,700)
Transfer to / (from) Earmarked Reserves	(2,605,307)
Amount to be met from Government Grant or Council Tax	**15,427,242**
Funding	
Revenue Support Grant	370,700
Business Rate Retention Scheme	5,159,100
Collection Fund Surplus - Council Tax	105,010
Parish Councils Tax Requirement	1,909,249
New Homes Bonus	1,278,400
Other Government Grants	547,500
Council Tax Requirement	**6,057,283**
TOTAL FUNDING	**15,427,242**
Balanced Budget/Funding Gap	**0**

6.1 Service Budgets (Clusters)

The MTFP 2017/18 projected a funding gap in the 2018/19 financial year of £0.459m to be closed to enable a balanced budget to be delivered.

During the year a number of initiatives, projects and reviews were undertaken with the aim of achieving meeting this funding gap. The Council has been successful in identifying these savings against this target. The significant savings on expenditure have been achieved from;

- Base budget review - £0.148m
- Contract Renewals £0.051m

Additional income is forecast from;

- The introduction of Green Waste Charging - £502k
- Planning Fees (incl 20% Statutory Fee increase) - £209k
- Fees and Charges £0.059m
- Council Tax (incl surplus) – £0.069m
- Trade Waste income – £0.131m
- Wellbeing Service Contract - £0.079m
- Interest Receivable - £0.079m

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

- An increase of 1% to 2% for the national pay offer - £0.082m
- Service pressures - £0.114m
- Commercial Property Investment Re-profiled - £0.195m

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 £0.138m per annum of additional grant having been generated. The Government has confirmed that this will be received for a period of 4 years. Further reductions may be required in future years to support other public services. The total allocation for 2018/19 £1.278m. Future projections are based on Government estimates.

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. However, it is considered prudent to assume a static level of business rates retention over the MTFP as it was anticipated that the scheme will be reviewed in the near future. The Government has recently announced that from 2020/21 there will be a 75% retention scheme.

The Council will continue to benefit from being a partner in the Lincolnshire Business Rates Pool and in addition for 2018/19 we estimate a £1.6m benefit from the 100% Business Rate Retention scheme awarded to Greater Lincolnshire authorities. Gains will be transferred to the Business Rates Volatility Reserve and the Investment for Growth Reserve.

The proposed 2018/19 budget has been balanced with no requirement for a contribution from General Fund reserves.

The Revenue Budget includes the impact of the Capital Investment Programme proposals, with significant revenue contributions from commercial investments of £0.270m in 2018/19 raising to £0.600m by 2021/22.
The overall amount to be funded from Government Grant or Taxation is £15.434m

6.2 Council Tax 2018/19 (Appendix H-L)

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 2018/19 this limit is set at 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 2018/19 is therefore to increase Council Tax by 3% to £207.27 reflecting an increase of £6.03 (11p per week)

The Council's past decisions on Council Tax increases are detailed below;

Year	Charge Band D £	Increase %	Increase £
2013/14	191.34	0.78	1.48
2014/15	191.34	0.00	0
2015/16	191.34	0.00	0
2016/17	196.29	2.59	4.95
2017/18	201.24	2.52	4.95
2018/19	207.27	3.00	6.03

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 2018/19 (excludes parish precepts)

Band	West Lindsey DC	Lincolnshire CC	Police & Crime Commissioner Lincolnshire	Aggregate Council Tax
A	138.18	820.98	144.96	1,104.12
B	161.21	957.81	169.12	1,288.14
C	184.24	1,094.64	193.28	1,472.16
D	207.27	1,231.47	217.44	1,656.18
E	253.33	1,505.13	265.76	2,024.22
F	299.39	1,778.79	314.08	2,392.26
G	345.45	2,052.45	362.40	2,760.30
H	414.54	2,462.94	434.88	3,312.36

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

Parish Precepts are in addition to the amounts reflected above, the average Parish Precept is £65.33 (£64.48 2017/18) reflecting an increase of 1.32% increase.

6.3 Business Rates (NNDR)

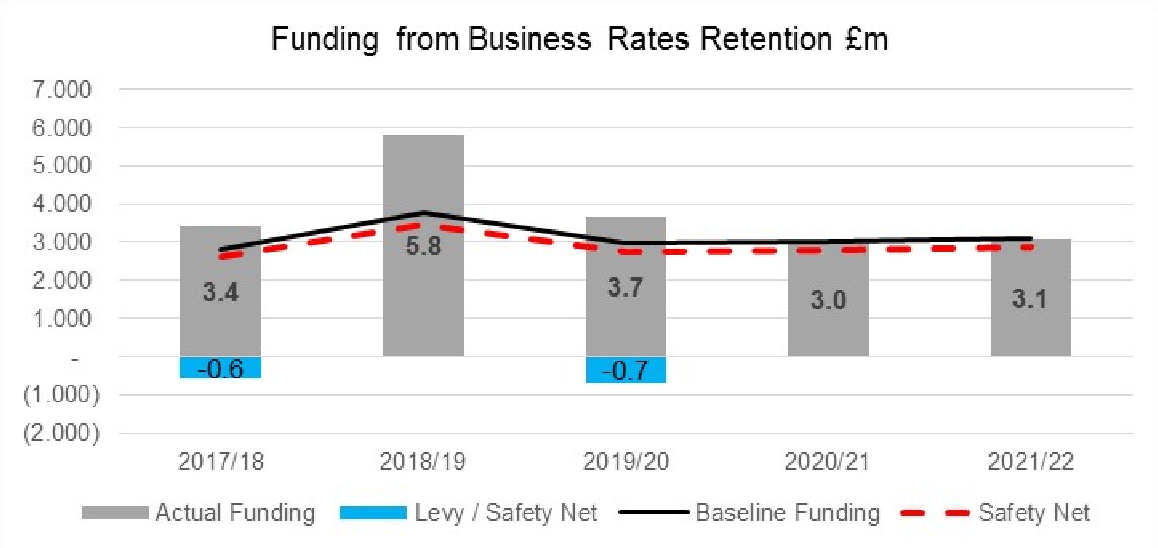
For 2018/19 West Lindsey District Council were a partner in the successful Greater Lincolnshire bid for Pilot status for 100% Business Rates Retention (approved for one year only). This results in an estimated £0.5m of additional income retained by the Council and which will be earmarked for regeneration and growth, as per the bid submission.

This means that the Council is the billing authority for NNDR and will collect 60% for our own purposes and 40% for the 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 yearend 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 we will have a 60% share.

The table below shows our Funding from Business Rates Retention;



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 the scheme in form of Tariffs and Levy. The additional benefit of being part of the Greater Lincolnshire NNDR Pilot Pool is reflected for 2018/19.

The 2018/19 Budget is made up of the following elements:

Budgeted Resources	2017/18	2018/19
	£m	£m
NDR income from collection fund	(6.042)	(10.431)
Tariff (adj for RSG/RSDG)	3.389	6.521
S31 grants	(0.683)	(1.301)
Levy safety net payments	(0.394)	0.000
Renewable Energy	0.024	0.052
Pooling gains / losses	0.246	0.000
Pilot Gains	0.000	0.000
Total Business Rates Related	(3.460)	(5.159)

The remaining MTFP provides resources budget of £3.460m, and will be reviewed on an annual basis until the scheme is stable. We assume that there will be no surplus or deficit in this or future years.

7. Pay Policy Statement and Establishment Numbers (Appendix 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 2018 all workers aged over 25 are legally entitled to a living wage of £7.83 per hour. This amount is below our current lowest level of pay, however the impacts will be reviewed annually.

The Pay Policy Statement for 2018/19 and is set out at Appendix M for approval.

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

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APPENDIX A

Medium Term Financial Plan 2018/19 to 2022/23

Revenue Budget Summary 2018/19 - 2022/23

Cluster	2018/19 Budget £	2019/20 Forecast Budget £	2020/21 Forecast Budget £	2021/22 Forecast Budget £	2022/23 Forecast Budget £
People	4,849,100	4,935,900	4,843,700	4,856,700	4,904,000
Places	493,300	(508,100)	(557,500)	(520,300)	(505,600)
Policy and Resources	5,081,300	5,514,200	5,535,100	5,693,600	5,874,200
Grand Total	**10,423,700**	**9,942,000**	**9,821,300**	**10,030,000**	**10,272,600**
Capital Accounting Adjustment	(816,600)	(1,029,500)	(1,178,200)	(1,152,900)	(1,165,500)
Committee Total	**9,607,100**	**8,912,500**	**8,643,100**	**8,877,100**	**9,107,100**
Drainage Board Levies	351,500	356,700	362,000	367,400	372,900
Parish Precepts	1,909,249	1,916,000	1,916,000	1,916,000	1,916,000
Interest and Investment Income	(263,300)	(246,500)	(244,400)	(261,400)	(261,400)
Interest Payable	371,800	883,000	1,174,100	1,174,100	1,174,100
Statutory MRP	32,400	17,900	329,200	547,900	547,900
Capital Expenditure Charged Against General Fund	6,024,300	4,102,900	235,300	173,800	1,252,500
Net Operating Expenditure	**18,033,049**	**15,942,500**	**12,415,300**	**12,794,900**	**14,109,100**
Capital Grants Applied	555,200	554,000	574,800	605,000	605,000
Transfer to / (from) General Fund	(555,700)	(30,000)	0	0	0
Transfer to / (from) Earmarked Reserves	(2,605,307)	(3,424,400)	38,100	(105,100)	(1,109,300)
Amount to be met from Government Grant or Council Tax	**15,427,242**	**13,042,100**	**13,028,200**	**13,294,800**	**13,604,800**
Funding					
Revenue Support Grant	370,700	0	0	0	0
Business Rate Retention Scheme	5,159,100	3,460,600	3,460,600	3,460,600	3,460,600
Collection Fund Surplus - Council Tax	105,010	50,000	50,000	50,000	50,000
Parish Councils Tax Requirement	1,909,249	1,916,000	1,916,000	1,916,000	1,916,000
New Homes Bonus	1,278,400	1,013,500	698,700	490,200	490,200
Other Government Grants	547,500	466,200	62,600	62,600	62,600
Council Tax Requirement	**6,057,283**	**6,269,800**	**6,489,700**	**6,716,900**	**6,951,600**

APPENDIX A

Summary of WLDC Medium Term Financial Plan 2018/19 - 2022/23

Net Revenue Operating Expenditure

	2018/19 Budget £	2019/20 Forecast Budget £	2020/21 Forecast Budget £	2021/22 Forecast Budget £	2022/23 Forecast Budget £
Expenditure	**45,890,549**	**44,784,800**	**41,418,100**	**41,656,000**	**43,068,600**
Employees	10,074,300	10,304,100	10,461,500	10,730,500	11,028,500
Interest Payable	371,800	883,000	1,174,100	1,174,100	1,174,100
Other Operating Expenditure-Parish Precepts	1,909,249	1,908,200	1,908,200	1,908,200	1,908,200
Premises	769,600	848,800	1,061,300	1,073,600	1,063,100
Supplies and Services	2,586,800	2,651,100	2,589,600	2,596,600	2,644,000
Third Party Payments	1,528,700	1,460,300	1,384,600	1,384,400	1,391,200
Transfer Payments	21,774,200	21,774,200	21,754,200	21,754,200	21,754,200
Transport	851,600	852,200	849,300	860,600	852,800
Capital Expenditure	6,024,300	4,102,900	235,300	173,800	1,252,500
Income	**(28,445,100)**	**(29,422,000)**	**(29,914,600)**	**(30,021,800)**	**(30,120,200)**
Customer and Client Receipts	(4,939,200)	(5,849,600)	(6,228,300)	(6,339,400)	(6,436,800)
Government Grants	(22,618,400)	(22,568,800)	(22,556,800)	(22,536,600)	(22,535,100)
Interest Receivable	(263,300)	(246,500)	(244,400)	(261,400)	(261,400)
Other Grants and Contributions	(624,200)	(757,100)	(885,100)	(884,400)	(886,900)
Transfers To / (From) Reserves	**(2,018,207)**	**(2,328,500)**	**1,516,900**	**1,652,800**	**648,600**
Transfers To / (From) Reserves	(2,018,207)	(2,328,500)	1,516,900	1,652,800	648,600
Grand Total	**15,427,242**	**13,034,300**	**13,020,400**	**13,287,000**	**13,597,000**
FUNDED BY:					
Revenue Support Grant	370,700	0	0	0	0
Business Rate Retention Scheme	5,159,100	3,460,600	3,460,600	3,460,600	3,460,600
Collection Fund Surplus - Council Tax	105,010	50,000	50,000	50,000	50,000
Parish Council Tax Requirement	1,909,249	1,908,200	1,908,200	1,908,200	1,908,200
New Homes Bonus	1,278,400	1,013,500	698,700	490,200	490,200
Other Government Grants	547,500	466,200	62,600	62,600	62,600
Council Tax Requirement	**6,057,283**	**6,269,800**	**6,489,700**	**6,716,900**	**6,951,600**
Grand Total	**15,427,242**	**13,168,300**	**12,669,800**	**12,688,500**	**12,923,200**
Balanced Budget/Cumulative Savings Target	**0**	**(134,000)**	**350,600**	**598,500**	**673,800**

APPENDIX A

Forecast Budget - Cluster Analysis

Cluster and Business Unit	Budget 18/19 £	Forecast Budget 19/20 £	Forecast Budget 20/21 £	Forecast Budget 21/22 £	Forecast Budget 22/23 £
People	**4,849,100**	**4,935,900**	**4,843,700**	**4,856,700**	**4,904,000**
Building Control	76,100	68,900	63,000	64,800	71,300
Cemeteries and Churchyards	53,300	57,300	53,300	43,300	43,300
Community Action & Community Safety	262,700	269,700	269,200	274,000	278,300
Crematorium	0	70,700	(50,100)	(78,000)	(118,000)
Culture, Heritage & Leisure	16,400	300	300	300	300
Customer Services	512,200	501,900	554,900	537,800	566,900
Emergency Planning	14,600	14,600	14,600	14,600	14,600
Environmental Initiatives	56,900	56,900	56,900	56,900	56,900
Food Safety	143,100	146,400	149,100	151,900	154,700
General Grants etc.	388,300	261,800	208,200	208,200	208,200
Homelessness/ Housing Advice	218,900	217,100	222,600	235,800	230,800
Housing Benefits Admin	340,200	372,400	397,600	421,300	444,700
Housing Benefits Payments	(198,800)	(198,800)	(198,800)	(198,800)	(198,800)
Housing Strategy	203,000	227,300	211,600	215,900	220,400
Land Charges	40,300	44,900	48,300	51,800	54,100
Licences - Community	(15,000)	(10,100)	(500)	(9,800)	(8,400)
Local Tax Collection	261,700	275,100	286,000	297,100	306,300
Parish Lighting	54,800	56,200	57,600	59,100	60,700
Pest and Dog Control	24,100	24,100	24,100	24,100	24,100
Pollution Control	139,800	164,500	167,000	169,600	172,200
Private Sector Housing Renewal	67,200	68,700	79,300	94,500	96,200
Street Cleansing	535,000	555,300	563,500	571,700	580,100
Town Centre Markets	34,400	35,400	36,300	37,200	37,300
Trade Waste	(142,600)	(177,300)	(214,200)	(251,700)	(289,900)
Waste Management	1,762,500	1,832,600	1,843,900	1,865,100	1,897,700
Places	**493,300**	**(508,100)**	**(557,500)**	**(520,300)**	**(505,600)**
Admin Buildings	384,300	389,100	395,100	401,200	382,500
Business Improvement & Commercial Development	54,700	14,700	14,800	14,900	15,100
Car Parks	(194,600)	(259,500)	(258,200)	(256,900)	(255,500)
Commercial Properties	(427,800)	(579,200)	(585,000)	(584,000)	(583,000)
Culture, Heritage & Leisure	480,300	305,300	278,900	280,200	281,200
Development Management	(168,800)	(160,300)	(104,800)	(92,300)	(76,600)
Economic Development	327,900	298,800	304,600	310,500	316,600
Environmental Initiatives	3,700	3,700	3,700	3,700	3,700
Neighbourhood Planning & Local Plans	53,200	1,100	1,100	1,100	1,100
Other Council Properties	(12,100)	(12,100)	(12,100)	(12,000)	(12,000)
Parks & Open Spaces	50,100	50,100	50,100	50,100	50,100
Planning Policy - Forward Planning	61,600	64,500	66,800	68,100	69,400
Property Services	(237,800)	(744,000)	(833,600)	(827,100)	(821,700)
Public Conveniences	58,900	59,200	59,500	59,800	60,200
Strategic Manager-Services	18,200	18,400	18,800	19,100	19,400
Tourism	41,500	42,100	42,800	43,300	43,900
Policy and Resources	**5,081,300**	**5,514,200**	**5,535,100**	**5,693,600**	**5,874,200**
Business Improvement & Commercial Development	331,700	341,100	286,700	291,900	297,200
Chief Executive	13,000	13,000	13,000	13,000	13,000
Chief Operating Officer	126,900	129,400	131,800	134,400	137,000
Commercial Director	131,500	134,000	136,600	139,200	141,900
Communications	124,300	126,500	130,000	133,000	135,600
Corporate Management - Apprentices	92,200	92,200	92,200	92,200	92,200
Corporate Management - Finance	1,409,200	1,602,000	1,721,800	1,828,800	1,942,200
Debtors	26,600	27,600	28,400	28,800	29,300
Democratic Representation	607,300	629,200	639,100	649,400	658,500
Director of Resources	128,200	130,700	133,100	135,700	138,300
Elections	0	99,000	0	0	0
Financial Services	609,300	635,900	650,200	654,300	668,200
Fraud	6,300	6,300	6,300	6,300	6,300
Health and Safety	61,900	63,600	65,700	67,900	69,000
Human Resources	271,800	275,400	278,600	281,900	285,400
ICT Services	342,600	374,100	375,000	378,300	381,500
Precepts	8,000	8,000	8,000	8,000	8,000
Register of Electors	147,900	150,200	151,700	153,500	155,300
Support Services - Corporate	142,800	149,800	156,300	160,600	164,400
Systems Development	499,800	526,200	530,600	536,400	550,900
Grand Total	**10,423,700**	**9,942,000**	**9,821,300**	**10,030,000**	**10,272,600**

APPENDIX B

	Likelihood	Impact	
Future available resources less than assumed	**Possible**	**High**	Annual review of reserves, 4 year settlement proposed, Entrepreneurial Council approach to commercialism
Commercial Projects do not deliver anticipated benefits	**Possible**	**High**	Project management and monitoring. Risk Register for each project Appropriate and robust due diligence
Council is unable to provide a balanced budget in future years.	**Possible**	**Low**	The Commercial Plan and the development of a transformation plan will bring forward proposals to ensure the Council has a strategy for delivering a sustainable Medium Term Financial Plan from 2017/18 onwards. The Council has an adequate level of General Fund Reserves to support balancing the budget should the need require.
Volatility of Business Rates	**Likely**	**Medium**	Volatility of funding stream outside of Council control but impact mitigated by establishment of contributions to an earmarked reserves
Pay and price increases above budgeted assumptions	**Unlikely**	**Low**	2 year pay award offer @ 1% proposed aligns to budget. Contractual inflation is included in budget. Average utilities % applied. Improved commissioning and procurement.
Future spending plans	**Possible**	**Low**	All Services carry out effective horizon scanning with profile of service demands (past and future). This informs the MTFP budget modelling throughout the year.
Anticipated savings/ efficiencies not achieved.	**Possible**	**High**	Regular monitoring and reporting take place but the size of the funding cuts increase the likelihood of this risk. Non achievement of savings would require compensating reductions in planned spending within services. A principle is in place to maintain General Reserve at a minimum of 5% of Net Operating Expenditure.
Income targets not achieved.	**Possibly**	**Medium**	Current economic climate likely to impact. Regular monitoring and reporting is undertaken with a full review of fees and charges annually

			which incorporates trend analysis and future demand estimations. Commercial trading monitor volumes and pricing
Revenue implications of capital programmes not fully anticipated	**Possible**	**Low**	Capital bid approval identifies revenue implications and links to Council priorities. Full analysis of revenue implications assessed and considered in scenario planning and in business case development.
Loss of principal investments	**Unlikely**	**Medium**	Limited by the controls in the Treasury Management Strategy which prioritise security of deposit over returns on a risk based approach. Impact limited due to the strategy of a diverse portfolio with top rated institutions backed by Government guarantees and internal funding
New duties imposed by Government	**Likely**	**Low**	It has already been stated that new duties will be transferred to districts, however this will be considered in line with the retention of NNDR. Proactive preparation will be undertaken to engage early and influence the outcome. The availability of general reserves will also help smooth any initial financial impact, pending any reallocation of resources. In the event of new requirements being imposed 'new burdens' funding could also be sought.
Review of NNDR Retention Scheme	**Likely**	**Medium**	Government proposals for 100% of NNDR retention locally will have an impact on the resourcing of WLDC it is not yet known what future income levels will be.
The cultural change and capability required to deliver against the Council's Entrepreneurial aspiration may not be realised as quickly as the financial cuts, as changes in business models can take large organisations a	**Possible**	**Low**	Entrepreneurial Board will ensure that the project management framework is effective and that robust business cases are developed prior to approval of projects and that projects are monitored, with issues being raised and escalated at an early stage for consideration.

number of years to realise regardless of the sector.			
The assumptions contained within the MTFP are not realised.	**Likely**	**Medium**	A contingency budget in addition to a significant amount of reserves are held to mitigate any in year financial risks or volatility relating to income, or increases in expenditure, and which can be utilised in the event of variations to the assumptions made
Recruitment and Retention of skilled staff	**Likely**	**High**	The increased use of consultants brought in to do the right jobs.