

# Medium Term Financial Plan

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## **Medium Term Financial Plan** **2016-2017 to 2019-2020**

### **A. Introduction**

Financial planning is a key tool for strategic management and is an aid to operational decision making. Without financial planning the Council would be unlikely to achieve its priorities or make the best use of its resources.

The Medium Term Financial Plan (MTFP) is a financial representation of the Council's Vision and supports its priorities.

The Council's Vision is to enhance the economic and social future of the Borough to meet the needs and aspirations of the community.

The priorities of the Council are:

- **Local Economy**
- **The Town Centre**
- **The Health Inequalities Gap**
- **Greater Choice of Good Quality Housing**
- **Efficient and Effective Services**

This MTFP covers the period from 2016-2017 to 2019-2020. The level of Government support for the Council is known for 2016-2017 and the Council has taken the option of submitting an Efficiency Plan to take up the commitment for Government 'to provide minimum allocations for each year of the Spending Review period'. The MTFP is based upon those minimum allocations.

### **Medium Term Financial Strategy**

The Medium Term Financial Strategy is the financial representation of the Budget Strategy which aims to eliminate the deficit in the core budget. This will require the continued use of reserves to set the pace of change, fund transformation and achieve long term financial resilience.

## **Medium Term Financial Plan** **2016-2017 to 2019-2020**

### **B. Planning process**

To ensure a robust and achievable Medium Term Financial Plan is established, the planning process covered a number of key aspects:

- Leadership – leading Members and the Management Board demonstrate strong leadership of finances and strategic direction.
- Priorities – the Medium Term Financial Plan reflects the Councils Vision which is supported by its Priorities.
- Ownership – the Director of Resources produces and updates the Medium Term Financial Plan.
- Achievement – the Director of Resources will monitor adherence to the Medium Term Financial Plan and will quantify and report any significant deviation to the Executive Committee and Management Board.
- Risk management – the Medium Term Financial Plan highlights the key considerations in terms of finance and refers to the Reserves and Balances Policy for the risk assessment of financial reserves.
- Efficiencies – the Management Board will continue to pursue efficiencies and eliminate these from the core budget. This is an on-going process.
- Completeness – the Medium Term Financial Plan incorporates the Council Priorities, the Budget Strategy, the Budget Setting process for revenue, capital and treasury management, and the Council Tax setting.
- Relevance – the Medium Term Financial Plan will be reviewed periodically throughout the financial year and revised for known financial impacts. This includes a review once the previous financial year outturn is known.

## **Medium Term Financial Plan** **2016-2017 to 2019-2020**

### **C. The funding gap**

Prior to the 2016-2017 financial settlement announcements, the 2016-2017 General Fund revenue budget was balanced to within £28k. This was a continuation of a balanced 2015-2016 budget achieved through the delivery of the Budget Strategy a year earlier in 2014-2015. The first Budget Strategy reduced the Council's core budget by £5m and this reduction has been sustained for three consecutive years.

The £5m deficit was based on a projection of the budget requirement by 2015-2016, using estimated settlement figures and budget assumptions.

The new spending review brought further reductions in the Government settlement, creating future budget deficits and thereby prompting a new Budget Strategy.

The future budget projections using the 2016-2017 budget and assumptions as a basis, identifies the 2019-2020 deficit, including future service resilience, as £2.7m.

<b>Year</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>Total</b>
Budget	£11.02m	£11.47m	£11.79m	£12.11m	
Financing	£10.75m	£10.12m	£9.69m	£9.41m	
Deficit	£0.27m	£1.35m	£2.10m	£2.70m	£6.42m

The Budget Strategy, adjusted for the waste and street cleansing contract, produces a saving by 2019-2020 of £2.5m.

<b>Year</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>Total</b>
Budget	£10.66m	£10.33m	£9.72m	£9.62m	
Financing	£10.75m	£10.12m	£9.69m	£9.41m	
Deficit (Surplus)	(£0.09m)	£0.21m	£0.03m	£0.21m	£0.36m

The Budget Strategy goes a long way towards achieving the aims of eliminating the budget deficit and protecting reserves.

The Council is committed to continue to offer all current services as far as possible.

Under the Local Government Finance Act 1992, the Council is charged with setting a balanced budget by the 11<sup>th</sup> March of the preceding financial year.

Without corrective action the General Fund budget would require £6.42m of usable reserves and would leave the £2.7m deficit to recur and increase into 2020-2021 and beyond.

## Medium Term Financial Plan 2016-2017 to 2019-2020

The budget projections without corrective action are:

	<b>Core Budget 2016-2017 £</b>	<b>Projection 2017-2018 £</b>	<b>Projection 2018-2019 £</b>	<b>Projection 2019-2020 £</b>
Staff Pay	4,688,620	4,907,360	5,016,440	5,146,980
Other Staff Costs	82,570	82,570	82,570	82,570
Transport	94,550	94,550	94,550	94,550
Property	1,931,750	1,979,330	2,035,160	2,095,000
Supplies and Services	2,153,690	2,153,690	2,153,690	2,153,690
Contracts	6,734,410	6,935,220	7,107,210	7,283,890
Benefits	21,360,190	21,360,190	21,360,190	21,360,190
Benefit Grants	(21,241,030)	(21,241,030)	(21,241,030)	(21,241,030)
External Income	(6,498,400)	(6,549,690)	(6,603,650)	(6,660,290)
<b>Direct Costs</b>	<b>9,306,350</b>	<b>9,722,190</b>	<b>10,005,130</b>	<b>10,315,550</b>
Internal Income	(856,910)	(830,950)	(830,950)	(830,950)
Capital Charges	1,605,870	1,605,870	1,605,870	1,605,870
<b>Indirect Costs</b>	<b>748,960</b>	<b>774,920</b>	<b>774,920</b>	<b>774,920</b>
<b>Net Expenditure</b>	<b>10,055,310</b>	<b>10,497,110</b>	<b>10,780,050</b>	<b>11,090,470</b>
External Interest Earned	(80,000)	(99,000)	(127,000)	(125,000)
External Interest Paid	584,640	584,640	584,640	584,640
Minimum Revenue Provision	868,340	840,980	854,590	815,670
Depreciation Reversal	(1,605,870)	(1,605,870)	(1,605,870)	(1,605,870)
Pension Deficit Funding	1,199,750	1,248,940	1,300,150	1,353,460
<b>Net Revenue Budget</b>	<b>11,022,170</b>	<b>11,466,800</b>	<b>11,786,560</b>	<b>12,113,370</b>
Revenue Support Grant	(2,703,590)	(2,079,210)	(1,688,400)	(1,251,880)
Retained Business Rates	(9,616,520)	(9,805,660)	(10,094,930)	(10,417,580)
Retained Business Rates Tariff	6,332,710	6,457,270	6,647,760	6,860,230
Business Rate S31 Grants	(332,430)	(339,730)	(350,530)	(362,530)
Retained Business Rates Levy	330,930	342,200	352,300	363,560
Business Rates Pool	(154,380)	(157,410)	(162,060)	(167,240)
New Homes Bonus	(466,940)	(292,270)	(94,640)	(560)
Council Tax	(4,025,420)	(4,159,380)	(4,295,620)	(4,434,160)
Prior Year Council Tax Surplus	(115,600)	(83,020)	0	0
<b>Total Revenue Financing</b>	<b>(10,751,240)</b>	<b>(10,117,210)</b>	<b>(9,686,120)</b>	<b>(9,410,160)</b>
Deficit	270,930	1,349,590	2,100,440	2,703,210

## **Medium Term Financial Plan** **2016-2017 to 2019-2020**

### **D. Budget Strategy**

The deficit to be eliminated by 2020 is £2.7m. This will be a huge challenge for the Council following the sustained £5m reduction in the core budget since 2011.

The Budget Strategy proposes to eliminate this deficit by a blend of increases in discretionary income, efficiency/cost cutting measures across discretionary and statutory services and a prudent use and protection of reserves.

An estimate of the timing of all proposals has been made reflecting the need to make efficiencies and generate income in the early years of the strategy.

<b>Item</b>	<b>Saving realised</b>	<b>2019-2020</b>
Major contract renewals*	From 2017-2018	£1.11m
Leisure outsourcing	2018-2019	£0.49m
Treasury management	2016-2017	£0.26m
Burial and cremation charges	2017-2018	£0.25m
Ring-fenced properties	2018-2019	£0.15m
Dock Museum income and efficiencies	From 2016-2017	£0.05m
Commercial estate management	2019-2020	£0.05m
Kennels outsourcing	2017-2018	£0.03m
Playgrounds review	2017-2018	£0.03m
Allotment rents and maintenance	2017-2018	£0.03m
Barrow Park efficiencies	From 2017-2018	£0.03m
Conveniences review	2017-2018	£0.01m
<b>Total*</b>		<b>£2.49m</b>

\*Updated for waste and street cleansing contract.

The estimates and projections are based on the best information available and remain subject to change by factors outside the Council's control.

## Medium Term Financial Plan 2016-2017 to 2019-2020

### E. General Fund revenue budget

The Budget Strategy has been incorporated into the budget projections:

	<b>Core Budget 2016-2017</b>	<b>Projection 2017-2018</b>	<b>Projection 2018-2019</b>	<b>Projection 2019-2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Staff Pay	4,688,620	4,919,530	4,176,140	4,285,310
Other Staff Costs	82,570	82,270	71,670	71,670
Transport	94,550	87,400	85,860	85,860
Property	1,931,750	1,946,500	1,380,930	1,387,510
Supplies and Services	2,153,690	2,117,140	1,808,920	1,800,260
Contracts	6,734,410	6,144,070	6,465,240	6,283,330
Benefits	21,360,190	21,360,190	21,360,190	21,360,190
Benefit Grants	(21,241,030)	(21,241,030)	(21,241,030)	(21,241,030)
External Income	(6,522,900)	(6,518,610)	(5,879,200)	(5,951,570)
<b>Direct Costs</b>	<b>9,281,850</b>	<b>8,897,460</b>	<b>8,228,720</b>	<b>8,081,530</b>
Internal Income	(856,910)	(830,950)	(830,650)	(830,650)
Capital Charges	1,605,870	1,605,870	1,605,870	1,605,870
<b>Indirect Costs</b>	<b>748,960</b>	<b>774,920</b>	<b>775,220</b>	<b>775,220</b>
<b>Net Expenditure</b>	<b>10,030,810</b>	<b>9,672,380</b>	<b>9,003,940</b>	<b>8,856,750</b>
External Interest Earned	(80,000)	(99,000)	(127,000)	(125,000)
External Interest Paid	584,640	584,640	584,640	584,640
Minimum Revenue Provision	526,440	526,440	566,300	552,590
Depreciation Reversal	(1,605,870)	(1,605,870)	(1,605,870)	(1,605,870)
Pension Deficit Funding	1,199,750	1,248,940	1,300,150	1,353,460
<b>Net Revenue Budget</b>	<b>10,655,770</b>	<b>10,327,530</b>	<b>9,722,160</b>	<b>9,616,570</b>
Revenue Support Grant	(2,703,590)	(2,079,210)	(1,688,400)	(1,251,880)
Retained Business Rates	(9,616,520)	(9,805,660)	(10,094,930)	(10,417,580)
Retained Business Rates Tariff	6,332,710	6,457,270	6,647,760	6,860,230
Business Rate S31 Grants	(332,430)	(339,730)	(350,530)	(362,530)
Retained Business Rates Levy	330,930	342,200	352,300	363,560
Business Rates Pool	(154,380)	(157,410)	(162,060)	(167,240)
New Homes Bonus	(466,940)	(292,270)	(94,640)	(560)
Council Tax	(4,025,420)	(4,159,380)	(4,295,620)	(4,434,160)
Prior Year Council Tax Surplus	(115,600)	(83,020)	0	0
<b>Total Revenue Financing</b>	<b>(10,751,240)</b>	<b>(10,117,210)</b>	<b>(9,686,120)</b>	<b>(9,410,160)</b>
Deficit (surplus)	(95,470)	210,320	36,040	206,410

## **Medium Term Financial Plan** **2016-2017 to 2019-2020**

### **F. Assumptions and Estimates**

<b>Item</b>	<b>Assumption</b>
<b>General</b>	
Reserves	Excluded
Funded projects	Excluded
Services	No service reductions
Services	No demand-led increases assumed
Services	No alternative delivery models
<b>Staff Pay</b>	
Establishment	Static
Incremental advances	Employee progression and National Living Wage
Superannuation current service rate	No change
Pay award	1% on each year
<b>Property</b>	
Electricity, gas and water	5% increase each year
NNDR	Increase by SBRR multiplier each year
<b>Supplies and Services</b>	
Grants to external bodies	Transition ends with 2016-2017 and 50% awarded thereafter
CTS grant to Parishes	Fixed at 2016-2017 figures
<b>Contracts</b>	
Revenues, benefits and customer services contract	Increase by RPI forecast each year
Building cleaning contract	1.7% increase each year
Grounds maintenance contract	3.2% increase each year
Waste and street cleansing	1.8% increase each year
Contract renewals	No cost increase included
Contract renewals	No cost saving assumed
<b>External Income</b>	
Discretionary income	Income policy applied, 2.5% increase to any other items applied each year
Recycling	No reduction in tonnage
<b>External Income</b>	
Recycling reward scheme	3% increase in rate each year
<b>Internal Income</b>	
Support services charged to HRA	Not increased

## **Medium Term Financial Plan** **2016-2017 to 2019-2020**

<b>Item</b>	<b>Assumption</b>
<b>External Interest Earned</b>	
Temporary surplus cash	Reducing by £3m each year
Investment income rate	Based on bank rate forecasts
<b>External Interest Paid</b>	
PWLB interest	HRA maturing loans repaid
Borrowing (cash requirement)	No new borrowing drawn down
<b>Minimum Revenue Provision</b>	
Borrowing (financing only)	Based on current Capital Programme
<b>Pension Deficit Funding</b>	
Pension deficit funding (not ongoing superannuation)	4.1% increase each year
<b>Total Revenue Financing</b>	
Revenue Support Grant	From the settlement
Retained business rates	Increased by SBRR multiplier each year
Retained business rates	No loss of rateable value
Retained business rates	No impact from 2017 revaluation
Retained business rates	No exceptional increase in RV appeals
Retained business rates	No reduction in the collection rate
Retained business rates tariff	From the settlement
S31 grants for business rate reliefs	Assumed to continue
Retained business rates levy	Assumed to continue
Retained business rates pool	Pool membership continues
New Homes Bonus	No new award included
Council tax	No reduction in the collection rate
Council tax base	1% increase each year
Council tax band D	£5 increase each year
Parish precepts	Excluded
LCTRS – default scheme	Continued
Prior year Collection Fund result	2016-2017 and 2017-2018 only
<b>All Other Items</b>	
Not specifically mentioned above	Efficiencies will maintain the cost envelope

## **Medium Term Financial Plan** **2016-2017 to 2019-2020**

### **F. Reserves and Balances**

The Council has a Medium Term Financial Plan support reserve which is to be used in the delivery of the Budget Strategy.

To be able to deliver the Strategy, it will be necessary to fund items of non-recurring expenditure. There are no estimates for this at present and it is proposed the items of non-recurring expenditure necessary to deliver the 2016-2020 Budget Strategy are funded from the Medium Term Financial Plan reserve together with the outturn result during the strategy period being met from or added to the Medium Term Financial Plan reserve.

In order to be in a position to mitigate the fluctuations in the Borough Council's retained share of Business Rates, it has prudently set aside £1m into a volatility reserve. As the localisation of Business Rates progresses there is an increased risk and reliance placed on Business Rates to finance Council services; this is over and above the current fluctuations, revaluations and appeals. The purpose of the volatility reserve is to smooth the impacts on the annual budget setting for General Fund.

The projected reserves over the life of the Medium Term Financial Plan are estimated to be:

	<b>31/3/17 £m</b>	<b>31/3/18 £m</b>	<b>31/3/19 £m</b>	<b>31/3/20 £m</b>
General Fund Balance	2.30	2.30	2.30	2.30
Restructuring – MTFP	1.77	1.27	1.34	1.38
Restructuring – transformation	0.42	0.32	1.22	0.12
Renewals Reserve	0.64	0.54	0.44	0.22
Insurance Reserve	0.08	0.06	0.04	0.02
Losses Reserve	0.59	0.59	0.59	0.59
Budget Contingency	2.43	1.79	1.65	1.52
Apprenticeships	0.11	0.07	0.04	0.01
Welfare Support	0.05	0.04	0.03	0.01
Ring-fenced properties	0.78	0.78	0.18	0.18
Earmarked revenue grants	0.72	0.92	0.72	0.52
<b>Total</b>	<b>9.89</b>	<b>8.68</b>	<b>7.55</b>	<b>6.87</b>

The movements in reserves included in these projections have been included where timing and value can be estimated. Other movements with reserves will occur across the period.

**Medium Term Financial Plan**  
**2016-2017 to 2019-2020**

The Council's reserves are set out in the Reserves and Balances policy. Reserves are earmarked for specific purposes through recommendations to Full Council from the Executive Committee.

The minimum General Fund balance for 2015-2016 is £2.3 million.

The losses reserve is also held at the minimum level as the items that this covers are not included in the General Fund balance; these are different in nature and do not lend themselves to risk analysis, being fully payable if they are triggered. The losses reserve includes the partial exemption VAT threshold, the MMI scheme of arrangement and any uninsured losses.

Reserves and the General Fund balance will continue to be monitored by the Director of Resources through the quarterly Council Finances report.

## Medium Term Financial Plan 2016-2017 to 2019-2020

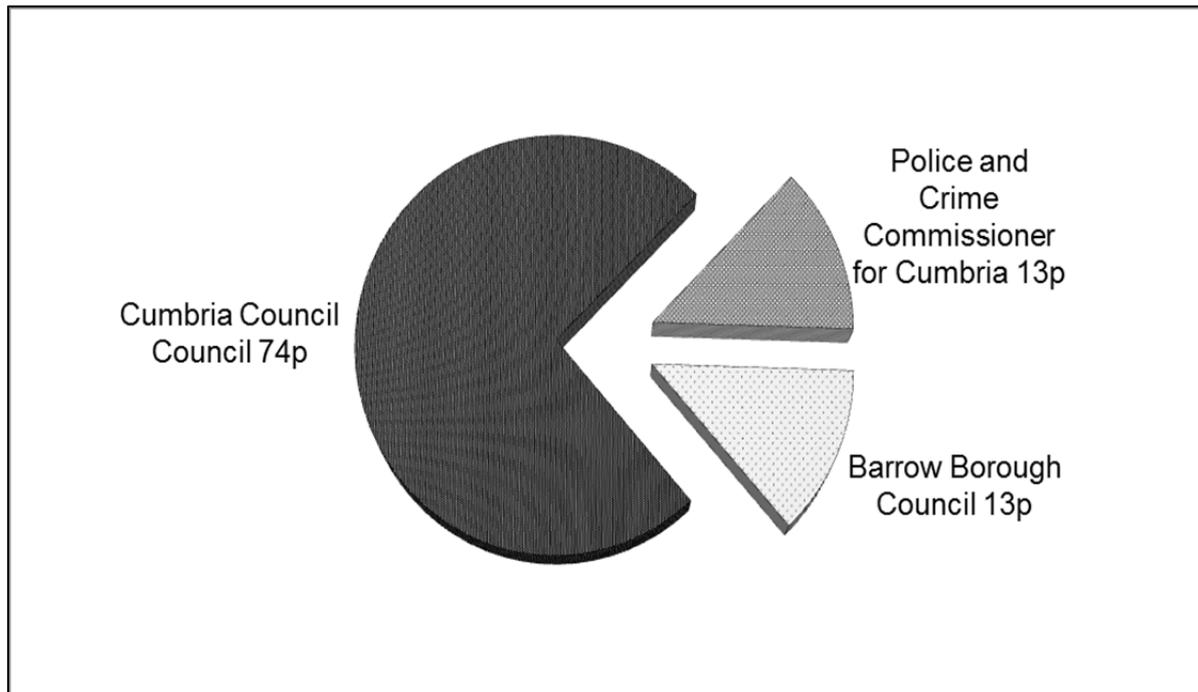
### G. Council Tax

The Council Tax for 2016-2017 was set by Full Council on the 1st March, 2016. The Barrow Borough Council demand on the Collection Fund to meet the 2016-2017 General Fund budget was set at £4,025,420.

Across the whole Borough, the dwellings are split over the Council Tax bands as follows:

<b>Band</b>	<b>2016-2017</b>	<b>Split</b>
<b>A</b>	19,768	59%
<b>B</b>	5,455	16%
<b>C</b>	4,654	14%
<b>D</b>	2,301	7%
<b>E</b>	979	3%
<b>F</b>	234	1%
<b>G</b>	70	-
<b>H</b>	9	-
<b>Total</b>	33,470	100%

Each £1 of the unparished Council Tax bill belongs to:



## **Medium Term Financial Plan** **2016-2017 to 2019-2020**

### **H. Risk**

Estimates contain an element of risk from items such as inflation, the financial markets, Government support, customer demand and the anticipation of future events.

The Council's Reserves and Balances Policy sets out the risk assessment applied to estimates.

Some of the key financial considerations are:

- Allowances for inflation may be insufficient.
- Employer pension contributions may increase.
- National insurance contributions may increase.
- The staff re-grading scheme is not budgeted for.
- Usage of gas and electricity may be estimated too low.
- NNDR and water rates may change.
- Professional services may be required to support key functions.
- The possibility of driving further efficiency savings from the budget.
- Major contracts come up for consideration during the life of this Plan.
- Cash flow requirements must be constantly reviewed.
- The cost of new borrowing.
- Interest rate fluctuations.
- The next triennial pension fund valuation will apply to 2017-2020.
- It is likely that Government funding will reduce beyond current estimates.
- Continuation of the Cumbria business rates pool.
- The impact of Universal Credit and other welfare reforms.

## **Medium Term Financial Plan** **2016-2017 to 2019-2020**

### **I. Capital**

The Capital Programme and Financing for 2016-2017 to 2019-2020 was approved at Full Council on the 1st March, 2016.

The Capital Programme includes financing from borrowing and the revenue implications are included in the General Fund revenue budget. The usable capital receipts are anticipated, but may not materialise, so projects in future years will not be commissioned until sufficient funding is in place.

	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Investment</b>				
Public housing	1.9	1.9	1.9	1.9
Private housing	0.6	0.6	0.6	0.6
Housing market renewal	1.7	0.5	0.2	0.2
Public buildings	0.2	0.2	0.2	0.2
Industrial & commercial properties	0.1	-	-	-
Other public assets	0.2	0.1	0.1	0.1
Asset investment fund	0.1	0.1	0.1	0.1
<b>Total</b>	<b>4.8</b>	<b>3.4</b>	<b>3.1</b>	<b>3.1</b>
<b>Financing</b>				
Major repairs reserve	1.9	1.9	1.9	1.9
Grants and contributions	1.5	0.6	0.6	0.6
Borrowing	0.3	0.7	0.2	0.2
Reserves	0.1	-	-	-
Capital receipts	1.0	0.2	0.4	0.4
<b>Total</b>	<b>4.8</b>	<b>3.4</b>	<b>3.1</b>	<b>3.1</b>

Capital receipts are closely monitored as the proposed capital programme is reliant on usable capital receipts for financing each year. Where capital receipts are not realised, as previously stated, projects will be reviewed and prioritised against the financing available.

## **Medium Term Financial Plan** **2016-2017 to 2019-2020**

### **J. Treasury**

The Treasury Management Strategy for 2016-2017 was approved by Full Council on the 1st March, 2016. This Strategy sets out the Prudential Indicators that control all of the Council's treasury activities, the borrowing strategy, the annual investment strategy and credit and counterparty risk management.

The borrowing requirements of the Capital Programme are included in the Treasury Management Strategy.

CIPFA defines treasury management as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council is required to set the maximum level of debt, beyond which external debt is prohibited. This limit can only be set or revised by Full Council. This Prudential Indicator is the Authorised Limit for External Debt; the limit and the expected external debt is shown below:

	<b>2016-2017</b> <b>£m</b>	<b>2017-2018</b> <b>£m</b>	<b>2018-2019</b> <b>£m</b>	<b>2019-2020</b> <b>£m</b>
<b>Authorised Limit</b>	54.0	54.0	54.0	55.0
<b>External debt</b>	39.5	39.5	39.5	39.5

The external debt is long term debt and is split between the General Fund and the Housing Revenue Account as follows:

	<b>External debt</b> <b>£m</b>	<b>Average</b> <b>interest rate</b>
General Fund	13.4	4.37%
Housing Revenue Account	26.1	3.32%

**Medium Term Financial Plan**  
**2016-2017 to 2019-2020**

**K. Housing Revenue Account**

From the 1<sup>st</sup> April 2012 the Housing Subsidy system ended. The Housing Revenue Account is self-financing as set out in its 30 year Business Plan; the rent from the dwellings pays for the upkeep and management of the dwellings.

The Housing Revenue Account budget for 2016-2017 was approved by Full Council on the 1st March, 2016. It is a balanced budget with a 1% rent decrease for dwellings and a 2% increase for garages.

The Housing Revenue Account remains a ring-fenced account as determined by the Local Government Housing Act 1989.

The Housing Revenue Account balance at the 31<sup>st</sup> March, 2017, is projected to be £1.5 million. The minimum balance required is currently £1.2m.

The dwelling stock at the 1<sup>st</sup> April, 2016, was 2,660.

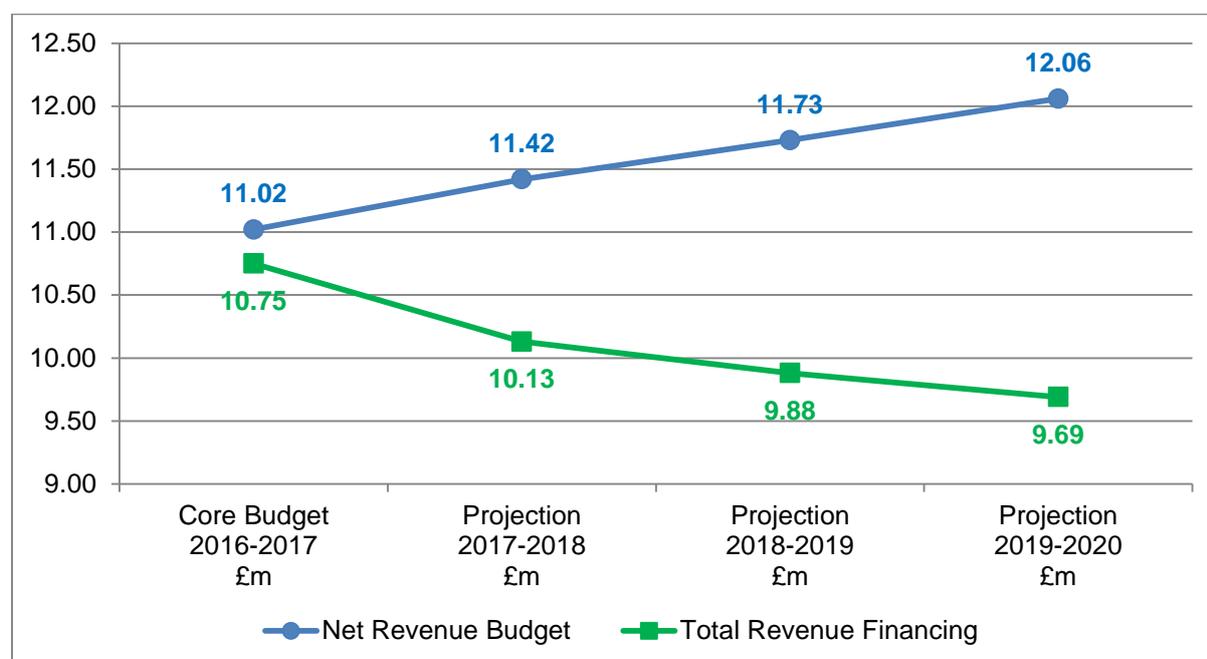
## 2016-2020 Budget Strategy

### A. Budget deficit by 2019-2020

Prior to the 2016-2017 financial settlement announcements, the 2016-2017 General Fund revenue budget was balanced to within £28k. This was a continuation of a balanced 2015-2016 budget achieved through the delivery of the Budget Strategy a year earlier in 2014-2015.

Projecting the 2016-2017 budget forward to 2019-2020 (the spending review period), based on the assumptions agreed at Full Council on the 22nd March, 2016, identifies the 2019-2020 deficit, including future service resilience, as £2.37m.

Year	2016-2017	2017-2018	2018-2019	2019-2020	Total
Budget	£11.02m	£11.42m	£11.73m	£12.06m	
Financing	£10.75m	£10.13m	£9.88m	£9.69m	
<b>Deficit</b>	<b>£0.27m</b>	<b>£1.29m</b>	<b>£1.85m</b>	<b>£2.37m</b>	<b>£5.78m</b>



The £2.37m deficit builds up from the cumulative net impact of cost pressures each year. This starts with the reduction in the Revenue Support Grant in 2016-2017 of £0.31m and is then impacted over the four year period by the following cost pressures and grant reductions:

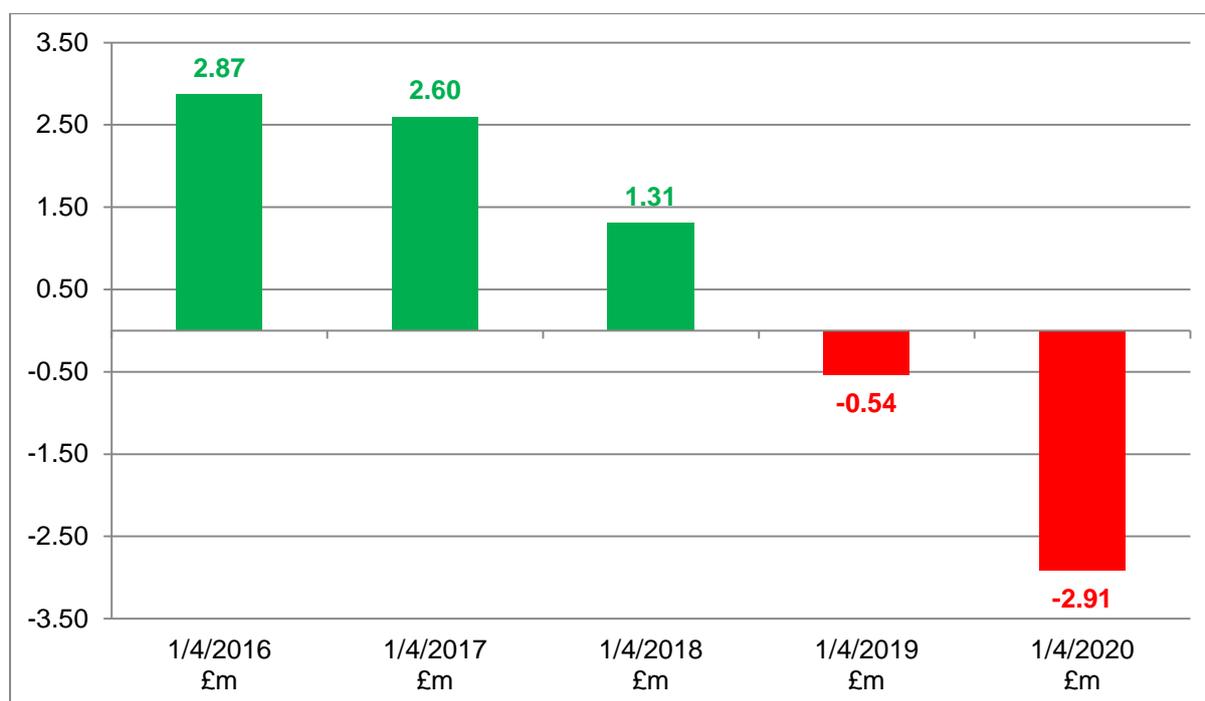
- Reduced Revenue Support Grant £1.45m (£1.76m across 2016-2020)
- Ending New Homes Bonus entitlements £0.19m
- Collection Fund prior year surplus (benefit to 2016-2017 only) £0.12m
- Cost pressures (staff pay and inflation) £0.89m
- Increased pension deficit funding £0.15m
- Reduced Housing Benefit administration grant £0.11m
- Future service resilience £0.15m

## 2016-2020 Budget Strategy

Together with the 2016-2017 grant reduction, these total £3.37m and the following projected increases in income reduce the net deficit to £2.37m:

- Increased Council Tax income £0.41m
- Inflated Business Rates multiplier £0.28m
- Increased service income £0.21m
- Net gain on Treasury portfolio £0.10m

The Medium Term Financial Support Reserve is insufficient to cushion General Fund beyond 2017-2018, being £2.87m at the 31st March, 2016.



In order to be in a position to mitigate the fluctuations in the Borough Council's retained share of Business Rates, it is prudent to set aside £1m into a volatility reserve. As the localisation of Business Rates progresses there is an increased risk and reliance placed on Business Rates to finance Council services; this is over and above the current fluctuations, revaluations and appeals. The purpose of the volatility reserve is to smooth the impacts on the annual budget setting for General Fund.

### **B. Service Resilience**

It is essential that the Council develops resilience in its service delivery, and this is particularly important in our statutory services i.e. those we are required by law to provide. Management Board has undertaken a service by service appraisal of resilience of each of our statutory services and recognised that additional resources are required in some services. In all 7 additional posts have been identified, including mainstreaming 2 apprenticeship posts in IT and Democratic Services within

## **2016-2020 Budget Strategy**

General Fund. Service resilience is driven through the Council's Workforce Development Strategy and therefore focuses upon training to create professional posts within services. The proposal is included in the deficit reduction target and by 2019-2020 is estimated to cost £144k.

The entry levels proposed against all 7 posts have been considered against the requirements of the departments and the functions requiring resilience. Skills and knowledge transfer are also key factors in succession planning.

Full Council agreed:

- That the 2 three-year apprentices, approved by Council on the 1st March 2016, are amended to be permanent trainee positions on the establishment;
- To create a permanent trainee position in the Finance Department to be appointed during 2017-2018, graded Scale 3 (£16,481 per annum);
- To create a permanent trainee position in the Private Sector Housing appointed during 2017-2018, graded Scale 6 (£23,166 per annum);
- To create a permanent trainee position in the Environmental Health Department appointed during 2017-2018, graded Scale 6 (£23,166 per annum);
- To create a permanent trainee position in the Technical Services Unit appointed during 2017-2018, graded Scale 3 (£16,481 per annum); and
- To create a permanent trainee position in the Street Care Team appointed during 2017-2018, graded Scale 3 (£16,481 per annum).

### **C. Budget Strategy**

The deficit to be eliminated by 2020 is therefore £2.37m. This will be a huge challenge for the Council following a sustained £5m reduction in our core budget since 2011. The Budget Strategy proposes to eliminate this deficit by a blend of increases in discretionary income, efficiency/cost cutting measures across discretionary and statutory services and a prudent use and protection of reserves.

An estimate of the timing of all proposals has been made reflecting the need to make efficiencies and generate income in the early years of the strategy. In the following Sections, the saving generated is the 2019-2020 value and the year reflects the start of benefits being realised.

To be able to deliver this strategy, it will be necessary to fund items of non-recurring expenditure. There are no estimates for this at present and it is proposed the items of non-recurring expenditure necessary to deliver the 2016-2020 Budget Strategy are funded from the Medium Term Financial Plan reserve together with the outturn result during the strategy period being met from or added to the Medium Term Financial Plan reserve.

**2016-2020 Budget Strategy****D. Major Contract Renewals**

Saving generated	From 2017-2018	£1.02m
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**Street Cleansing**

The Waste and Street Cleansing contract is out to tender during 2016-2017, with a new contract to start from the 1st April, 2017. There has been some modification to the specification to eliminate duplication, remove bank holiday working, remove weed spraying and to reduce the frequency of service in less sensitive or seasonally affected areas. Members will be notified of the tender prices in the contract award report to be presented to the Executive Committee in the autumn.

**Revenues, Benefits and Customer Services**

This contract ends on the 30th September, 2018 and the Council plans to maximise savings and efficiencies from the future service delivery model. The service delivery assessment will be reported to the Executive Committee at a later date.

**Internal Audit**

The Internal Audit contract ends on the 31st March, 2017. The service delivery options were reviewed to achieve a cost reduction and have been agreed by Full Council.

**E. Leisure**

Saving generated	2018-2019	£0.49m
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Council currently supports The Forum and Park Leisure centre facilities by an annual subsidy of £1.14m (excluding depreciation). Outsourcing operation would generate potential initial savings of £467,000 reducing the Council subsidy to £673,000. These are based on an exercise undertaken by consultants.

The Council is the only Cumbrian authority operating its own theatre and leisure centre. Based on early market engagement, there is an opportunity to continue these services with an external operator and achieve significant savings. TUPE will apply to the staff and the properties would be leased for the contract duration.

Full Council has agreed to outsource The Forum and Park Leisure Centre.

**F. Treasury**

Saving generated	2016-2017	£0.26m
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Full Council agreed the re-profiled debt repayment schedule and released prudential savings.

## **2016-2020 Budget Strategy**

### **G. Burials and Cremations**

Saving generated	2017-2018	£0.25m
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The Council's policy is to match these charges with nearest comparators. Prices have not been increased in this way for a number of years and charges have fallen behind the comparators.

Full Council agreed:

- To retain the policy of matching the highest burial and cremation charges of our nearest comparators;
- That that the next price alignment will be from the 1st April, 2017; and
- To delegate the Cemeteries and Crematorium Manager to annually match the highest burial and cremation charges of our nearest comparators and apply those by 1st October each year, including October 2017.

### **H. Ring-Fenced Properties**

Saving generated	2018-2019	£0.15m
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The Borough Council accrues approximately £0.15m per annum to a ring-fenced fund for the building maintenance costs of certain properties. With the Homes and Communities Agency's permission, the Council will bring these properties and the associated income into the General Fund. Full Council agreed that the net income derived from these properties be used to fund the Council's Regeneration Service.

### **I. Dock Museum**

Saving generated	From 2016-2017	£0.05m
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As Members will recall, BAE Systems are now tenants of part of the Dock Museum. The recoverable proportion of utility costs and NNDR for BAE Systems proportion of the building will be charged under the terms of the lease, generating income. Full Council agreed an efficiency target of £30,420 for the Dock Museum to achieve by 2019-2020.

### **J. Commercial Estate**

Saving generated	2019-2020	£0.05m
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The Council has a strong commercial property portfolio and aims to generate a contribution to the budget deficit through reducing the NNDR liability, repair and maintenance costs on empty Council properties by sale or transfer. Full Council agreed an efficiency target of £48,000 to be achieved from the commercial estate by 2019-2020.

**2016-2020 Budget Strategy****K. Kennels**

Saving generated	2017-2018	£0.03m
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The Council currently owns and operates kennels to fulfil its statutory duty for receiving stray dogs. Council agreed to seek competitive quotes to operate the service in 2013. Full Council agreed to outsource the statutory kennelling service to another organisation within the Borough from the 1st April, 2017.

**L. Playgrounds**

Saving generated	2017-2018	£0.03m
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The playgrounds policy and the service delivery arrangements have been reviewed. Full Council agreed:

- To adopt the following policy to determine which playgrounds within the Borough should be recommended for decommissioning:
  - Maintain at least 1 playground in each settlement where one currently exists.
  - Maintain all larger playgrounds as they offer a better play experience and cater for a wider range of community users.
  - Decommission the most localised (serving the immediate area) and those which appear to be least used.
  - Decommission those in the poorest condition.
- That the playgrounds inspection and maintenance service is undertaken by Continental Landscapes as a variation to the existing contract; and
- To set aside contract standing orders in awarding the works to Continental Landscapes.

**M. Allotments**

Saving generated	2017-2018	£0.03m
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The Council's policy is to fully recover the cost of providing allotments in its pricing. Rents have not been increased in this way and have fallen behind the service costs. Costs have also been reviewed and should be reduced. Full Council agreed:

- To retain the policy of full cost recovery for allotment rents;
- That the next rent alignment will be from the 1st April, 2017;
- To delegate the Assistant Director – Community Services to set the rents at full cost recovery and apply those by 1st April each year; observing the required notice period; and
- To reduce the grounds maintenance and repair costs budget by £20,000 in 2017-2018.

## **2016-2020 Budget Strategy**

### **N. Barrow Park**

Saving generated	From 2017-2018	£0.03m
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The Pavilion in the Park is partially unoccupied and the boating service is currently subsidised by the Council. Full Council agreed:

- That the Pavilion be offered for commercial rent;
- That the boating service subsidy is removed and the concession opportunity is put to the market; and
- An efficiency target of £6,630 from Barrow Park by 2019-2020.

### **O. Conveniences**

Saving generated	2017-2018	£0.01m
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The outlying public conveniences within the Borough have been reviewed. Full Council agreed:

- To operate the Roa Island public convenience seasonally; and
- To close the Roanhead public convenience with immediate effect.

### **P. Medium Term Financial Plan**

The Budget Strategy proposals produce a saving by 2019-2020 of £2.40m.

The Council's Medium Term Financial Plan incorporates the Budget Strategy which has the following impact:

<b>Year</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>Total</b>
Budget	£10.66m	£10.48m	£9.81m	£9.66m	
Financing	£10.75m	£10.13m	£9.88m	£9.69m	
<b>Deficit (Surplus)</b>	<b>(£0.09m)</b>	<b>£0.35m</b>	<b>(£0.07m)</b>	<b>(£0.03m)</b>	<b>£0.16m</b>

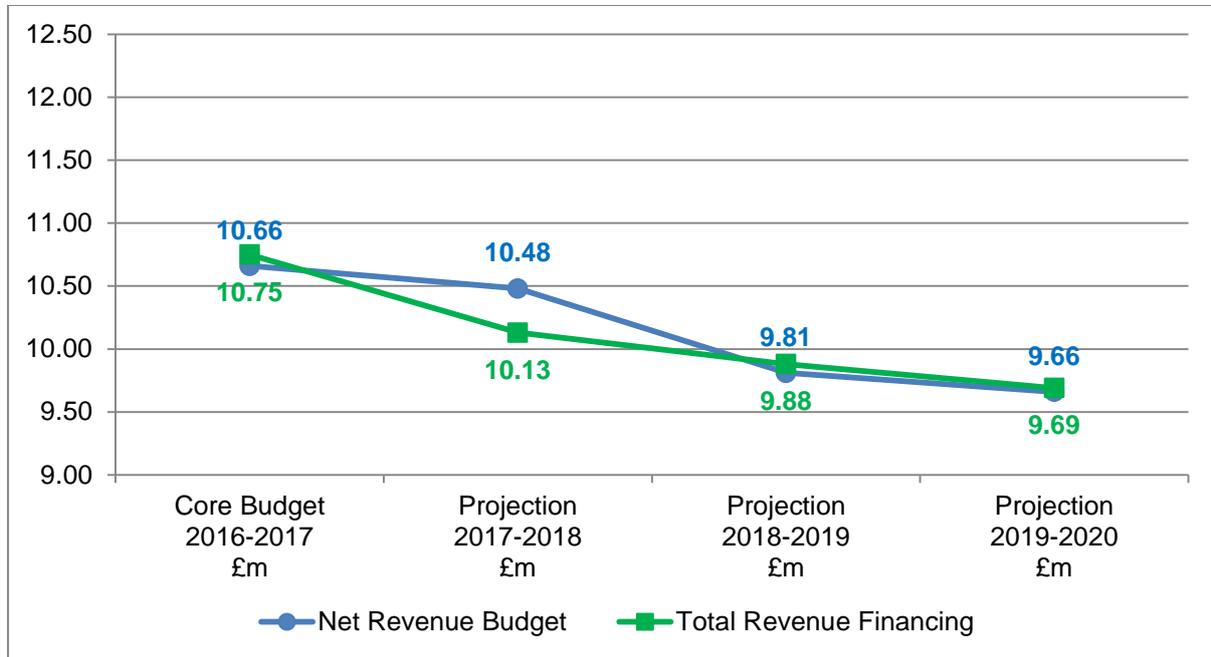
The Budget Strategy achieves the aims of eliminating the budget deficit and protecting reserves.

The Medium Term Financial Plan Support Reserve will be required to meet any costs associated with, or shortfalls from the assumptions within, the Budget Strategy. In accordance with the Reserves and Balances Policy, the reserve level will continue to be reviewed and risk assessed.

The following charts represent the Medium Term Financial Plan in terms of the General Fund revenue budget and the profiling of the agreed actions.

**2016-2020 Budget Strategy**

The Medium Term Financial Plan projects the General Fund for 2019-2020 to be balanced:



The projected profile for realising the increases in discretionary income together with efficiency and cost cutting savings is estimated to be:

