

FINANCIAL SERVICE 001

Medium Term Financial Strategy (2019/20 – 2021/22)

2019/20 – 2021/22



North Kesteven
DISTRICT COUNCIL

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New



INTRODUCTION

North Kesteven's Medium Term Financial Strategy is the means by which the Council demonstrates how it will use the financial resources available to deliver its priorities which have been set following consultation with residents, businesses and stakeholders in the district. For this reason, it is important to understand the policy context within which this Medium Term Financial Strategy is framed.

This Medium Term Financial Strategy sets out the Council's clear commitment to provide quality services which represent value for money for a district of flourishing communities. It builds on the achievements of the past, and sets out a clear direction for the future in conjunction with the Council's Corporate Plan.

The Council has in place an ambitious and innovative programme of activity designed to ensure that the Council maintains its already robust financial position and proactively meets the challenges the Council faces.

Through areas such as the Council's transformation programme, its ExCITe programme and foresight in taking proactive risk mitigation measures (e.g. by establishing the income volatility reserve) it is clear that appropriate mechanisms are in place to preserve the Council's status and drive it forward.

It is clear that economic uncertainty, in relation to the Council's finances and reductions in grant funding and Central Government support are now the new norm. The Government has continued its austerity drive with a key priority being to reduce the current national budget deficit and to achieve a budget surplus originally expected to be achieved by 2019, now by 2025. It aims to achieve this by cutting spending and increasing tax revenues, while looking to reform Local Government funding through devolving power and financial autonomy through its Fair Funding Review and its intention to achieve 75% Business Rates Retention.

The Secretary of State for the Ministry of Housing, Communities and Local Government, Rt Hon Sajid Javid MP, delivered the third year of a four year settlement for Local Government Finance on 6 February 2018. At a headline level, the 4 year settlement will result in an additional reduction to the England Settlement Funding Assessment (SFA) of 31.8% by 2019/20.

Following The Prime Minister, Theresa May, triggering of article 50 in relation to the country's membership of the EU, negotiations remain on going with no clear steer as to the likely detail of the country's economic relationship with the EU post March 2019.

Furthermore, interest rates now appear to be moving on a trajectory back towards normal levels with the Bank of England increasing rates to 0.50%. Inflation has also remained low. The economic prospects, therefore, for the district over the next 3 years are encouraging and should have a positive impact on income levels, particularly in relation to planning fees, business rates and council tax.

Beyond 2020, the Council faces particular uncertainty with the Government's Fair Funding Review and the expected introduction of 75% Business rates Retention. At this stage, many of the mechanisms of the new system are yet to be determined with all aspects of the current "50%" model being reviewed by Government.

However, it has become increasingly clear that delivering the Council's projects takes an enormous amount of work and time before generating the returns planned for the Council. Therefore, it is evident from the 10 year outlook for the General Fund that while these plans embed over time, an annual budget gap of approximately £1.5million exists from 2021/22 onwards. This represents significant

progress on closing the previously reported £2.8million gap.

Despite these challenges the Council's finances remain in a strong position. The longer term projections identify the likely scale of the challenge faced and the opportunities that this presents for the Council. The utilisation of the Income Volatility Reserve and the early savings generated enable a balanced budget for the years 2019/20 to 2021/22. This gives the Council the opportunity to develop further its plans for the generation of new income streams.

The Council has embraced the modernisation agenda and is committed to achieving continuous improvement and innovation in service delivery. It is also committed to working with partners to improve the quality of life for residents and businesses in North Kesteven and this is reflected in the Council's vision "a district of Flourishing Communities".

The Medium Term Financial Strategy provides the funding framework within which the Council will achieve its aspirations. As a consequence of the constraints on resources, a balance has to be struck between the pace of improvement and the affordability of proposals that deliver the desired outcomes and fulfil the Council's community leadership responsibilities. This strategy will cover both the expected variations to revenue programmes and the approach adopted towards planning the capital programme for the next three years.

The Medium Term Financial Strategy demonstrates that the Council has sound financial management arrangements in place which are focused on the delivery of its vision and corporate priorities.

Whilst local government finance contains many uncertainties, the Council has a greater opportunity to retain Business Rates income locally with a lessor reliance on Central Government support. Inevitably the Council's plans will need to change. Therefore, all areas of the budgets will be kept under review and the Council will continue to reduce costs and seek ways to generate income where appropriate.

Russell Stone, ACMA, CGMA, CPFA
Head of Finance and Resources

FINANCIAL STRATEGY APPROACH

The Council has a number of fundamental principles that underpin the financial approach of the Council over the life of the strategy. These are:

- Maintain balanced, sustainable budgets supported with strong financial controls and reporting;
- Transformation to improve service delivery and reduce cost or generate income;
- Parish and Town Council support provided by the Council will be reduced in line with the reductions it is experiencing in its funding;
- Consideration of developments that require investment in order to generate ongoing savings or increased income for the Council;
- Assessment of projects take into account both capital investment and ongoing revenue consequences;
- A commitment to reduce costs in the organisation and to maximise the resources available to secure better outcomes for people by striving to achieve better value for money and greater efficiency;
- Investment in those initiatives where the Council can have the greatest impact, focusing on services that are important to residents and businesses in the district, very often by working in local partnerships.

OBJECTIVES OF THE FINANCIAL STRATEGY

The Medium Term Financial Strategy (MTFS) has been designed to allow changing resource and service levels to be planned in a structured and measured way by forecasting resource availability, and balancing this against improvement and investment needs and priorities. It is also intended that it will act as an important tool for change, monitoring and review.

The objectives of the strategy are to:

- Prioritise resources to align spending plans with the Council's vision, corporate priorities and ambitions;
- Maintain a sustainable financial position;
- Provide a robust framework to assist the decision making process;
- Maintain Council Tax at levels that ensures fairness for the Council Tax Payers;
- Maximise the use of resources available to the Council, both internal and external;
- Deliver value for money to local Tax Payers;
- Highlight financial risks and mitigating controls.

The MTFS supports all other Council strategies, such as the asset management strategy, by setting the financial framework for the Council and by identifying levels of investment that the Council can make into services and its assets. In particular, it acts as a linchpin linking the Council's more detailed service plans, asset management plans, and capital plans with the longer term to show that the Council's plans are financially achievable.

THE COUNCIL'S STRATEGIC DIRECTION

The Council has reviewed its priorities during 2018 in conjunction with the Local Strategic Partnership (Partnership NK). The review considered whether the Council's priorities should be expanded to include a new priority "Our Environment" and this has now been agreed. The Council's budgets will be aligned accordingly. The Council's priorities are:

Our Economy	To promote the economic and employment growth of North Kesteven
Our Homes	To promote housing growth that meets the current and emerging needs of North Kesteven
Our Communities	To promote the sustainability, wellbeing, safety and health of North Kesteven's growing communities
Our Environment	To promote a sustainable natural and built environment, where our heritage is preserved and celebrated
Our Council	To be a high performing and value for money Council that is prepared for the future

CURRENT FINANCIAL CONTEXT

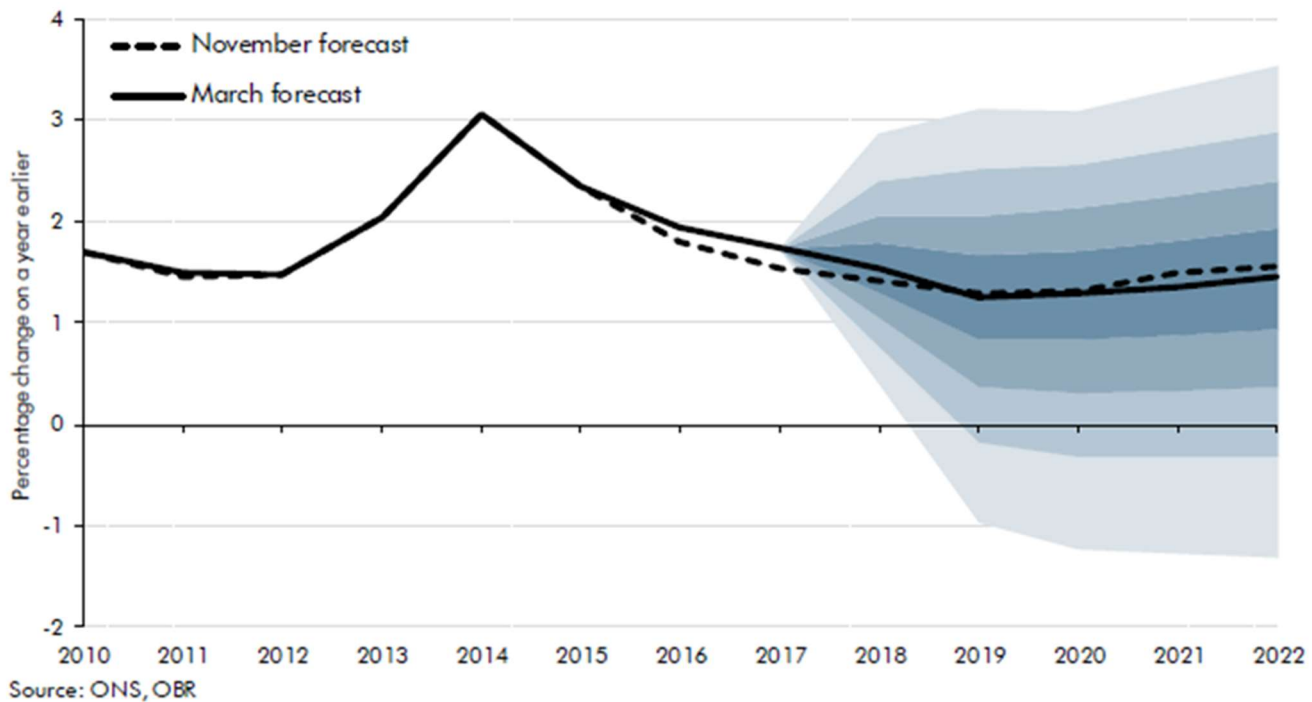
The changes introduced to Local Government Finance during the previous Parliament sees the Council's financial position intrinsically linked to that being experienced by the national and local economy. In simple terms, if local economic growth occurs then the financial position of the Council grows and visa versa. This will become even more apparent as Revenue Support Grant (RSG) from Central Government is removed as a source of funding.

The positive side to this sees the end to the Council relying on Central Government support thereby having greater control of its own financial destiny.

Uncertainty around the EU, whether from the UK exit, the sovereign debt crisis or member country state elections, is likely to persist for a number of years to come. At best, this is likely to cause a lag on the UK's economic growth and at worst, as some commentators have predicted, contribute towards a further global downturn.

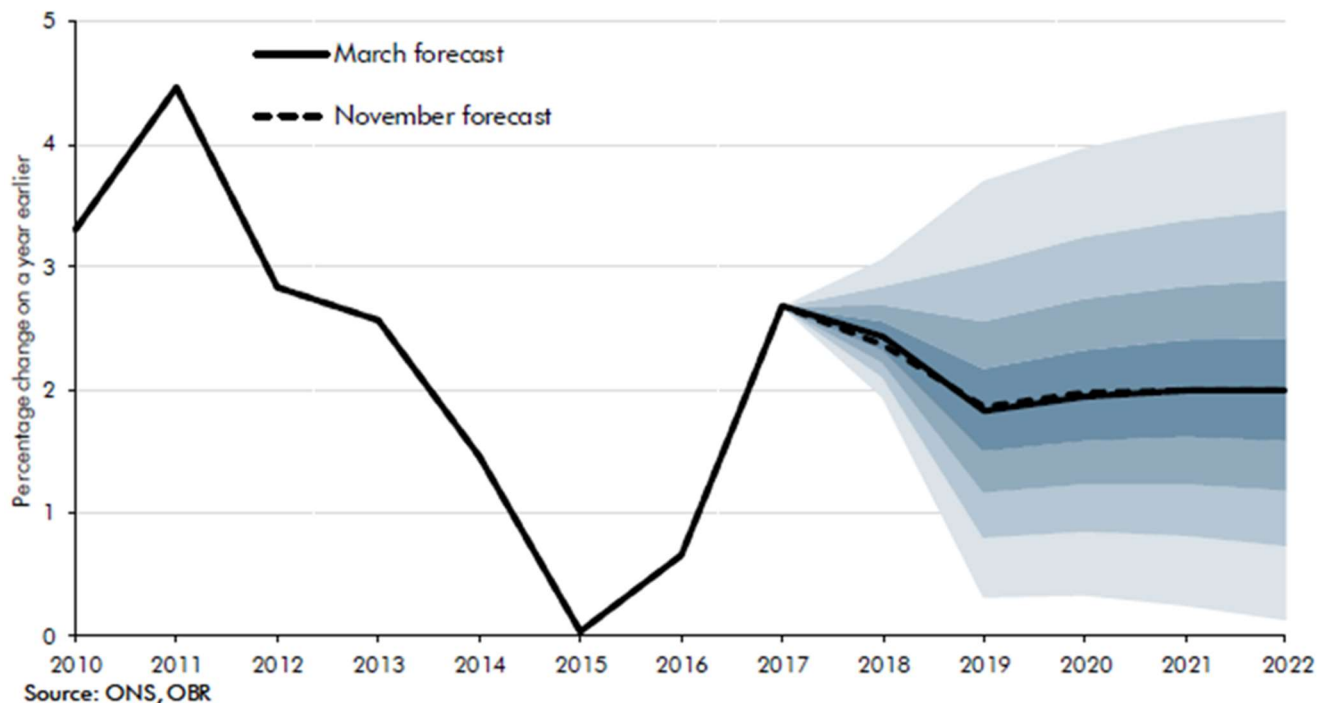
The significant financial issues faced by the EU, principally related to sovereign debt (Greece, Spain, etc), still remain. Very little change has occurred regarding the repayment of the outstanding loans made to these countries and the austerity measures required to unlock further financing.

The Office for Budget Responsibility (OBR) in its March 2018 forecast, has revised down the UK's actual growth in GDP achieved for 2017 to 1.7% and its forecast for 2018 to 1.5% from its November 2017 forecast. This now sees the UK economy as the worst performing of the G7 countries with Canada and Germany achieving growth of 2.9% for the fourth quarter of 2017. The following graph is the OBR's March 2018 projections for UK GDP growth.



As can be seen from the above chart, the OBR projections are somewhat varied due to the financial and economic uncertainty in the UK economy. Many commentators believe that the UK growth outlook is now at the bottom end of the above projections, the most extreme of which could see the UK economy falling once again into recession.

The following table depicts the OBR's inflation forecast for the UK economy.



It is likely that the Consumer Price Index (CPI) the main method for recording inflation, will be above the Bank of England's target of 2% until 2019. The latest CPI released for April 2018 puts annual prices 2.4% above the

same period for 2017. Inflation concerns appear to be subsiding and the current trend still remains well below historic averages.

UK withdrawal from the EU negotiations

Clearly one of the biggest unknowns for the UK economy relates to the negotiations around the UK's withdrawal from the EU. The UK voted to leave the EU and is scheduled to depart on the 29 March 2019.

Provisional agreement on how much the UK owes the EU, what happens to the Northern Ireland border and what happens to UK citizens living within the EU and visa versa, has been made. However, talks focused on the details of these are still underway as well as the future relations of the UK and EU.

To aid this process, a 21 month transition period has been established and the Government has recently agreed how it sees future relations working as part of the "Chequers Deal". However, nothing is agreed until everything is agreed and it is felt that in order to achieve the March 2019 deadline that everything should be agreed for the planned EU summit set for the 18 October 2018. This would allow sufficient parliamentary time for the UK and EU to achieve approval by the 29 March 2019 deadline. However, other options for finalising a deal are being considered with the ultimate fall back being the EU Summit scheduled on 13 December 2018.

Should neither of these summits result in a deal, the UK will exit the EU on 29 March 2019 reliant solely on World Trade Organisation rules which could mean customs checks and tariffs on goods and services as well as longer border checks for travellers.

Even with the economic uncertainties arising from the above, the Council can still remain bullish on growth as the underlying increase in local growth in terms of both housing and businesses has been strong, and with careful long term financial planning the Council will be in a strong financial position to be able to smooth out financial fluctuations as they come along.

A further implication though is the cost of Council Tax Support. As the local economy has improved, Council Tax Support has steadily reduced since its introduction despite an increase in the rate of Council Tax. However, Council Tax Support is directly linked to local economic conditions and therefore acts as a barometer for the Council on the health of the local economy. Any future economic downturn will therefore have a detrimental impact on the Council's financial position as it would be required to meet any resulting increase in the cost of Council Tax Support.

ExCITe STRATEGY

The Council approved its revised ExCITe strategy and programme at the Executive Board meeting 5 October 2017. The strategy has been reviewed to ensure that it remains fit for purpose and that the projects underway remain satisfactory and represent the best opportunities to make significant returns for the Council.

The ExCITe strategy is a three year plan to establish innovative solutions to generate additional income and make commercial returns for the Council's General Fund, centring on the following strands of Local Government finance:

- Economy – Fees & Charges; Business Rates Growth.
- Construction – Housing; Workshops; Crematorium; Regeneration.
- Investment – Alternative to cash investment Treasury options.
- Trading – A wider back office trading option.

The main achievements of ExCITe since its introduction in 2015, has been the establishment of housing options in particular the incorporation of the Council's wholly owned private rental housing company, Lafford Homes Limited. It has also seen the purchase of the Sleaford Moor Enterprise Park to bring forward the only allocated employment land in the south of the district. The Council's Treasury Management investments have also been utilised to maximise investment returns.

The programme, attached at **Appendix 1**, is an updated action plan and timeline for the ExCITe Strategy.

GENERAL FUND 2019/20 to 2021/22

The Council's General Fund is made up of all the services that do not fall under its landlord function (the HRA) or that cannot be capitalised and, therefore, represents the vast majority of the services the Council provides. The MTFS projects the cost of these allowing for inflation and based on the current levels of service provision and the income they generate.

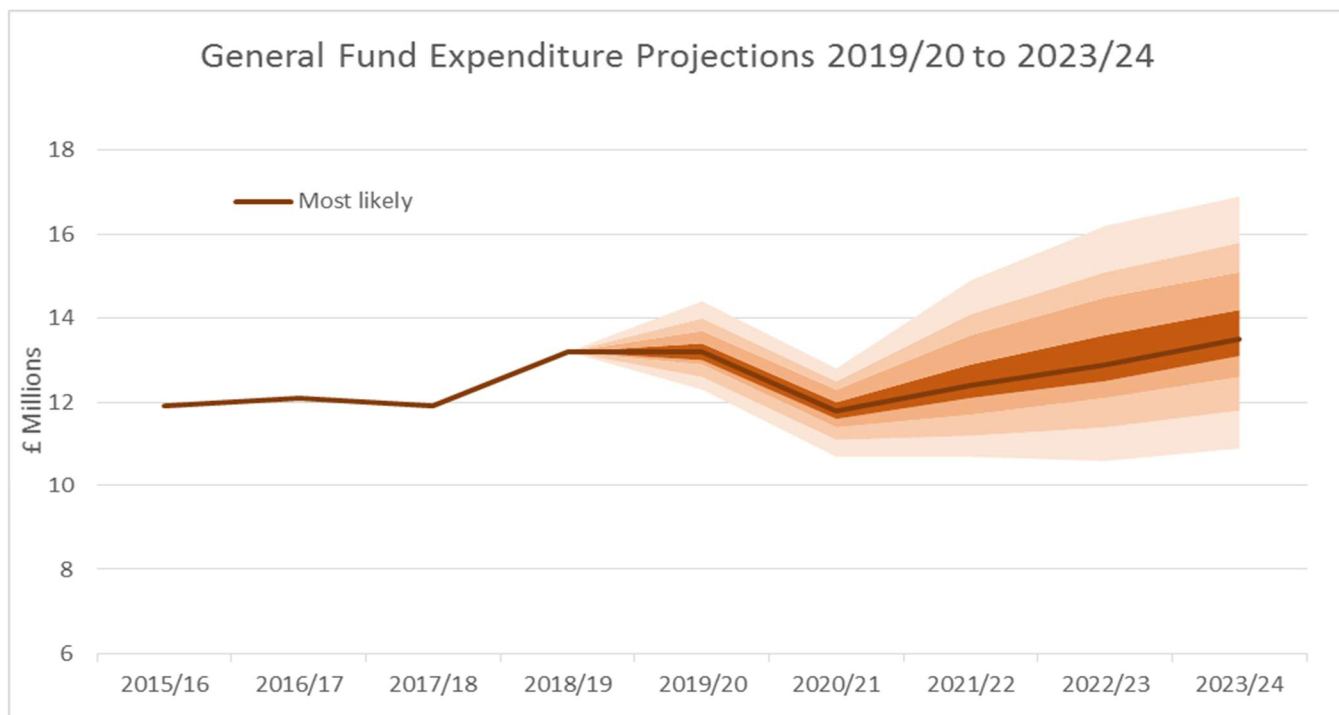
The General Fund incurs expenditure relating to salaries, premises, transport, supplies and services and contractor costs for each service it provides. Services also generate direct income, from fees and charges, government grants and rental income.

The net cost of services are then funded from Business Rates, Revenue Support Grant, and Council Tax.

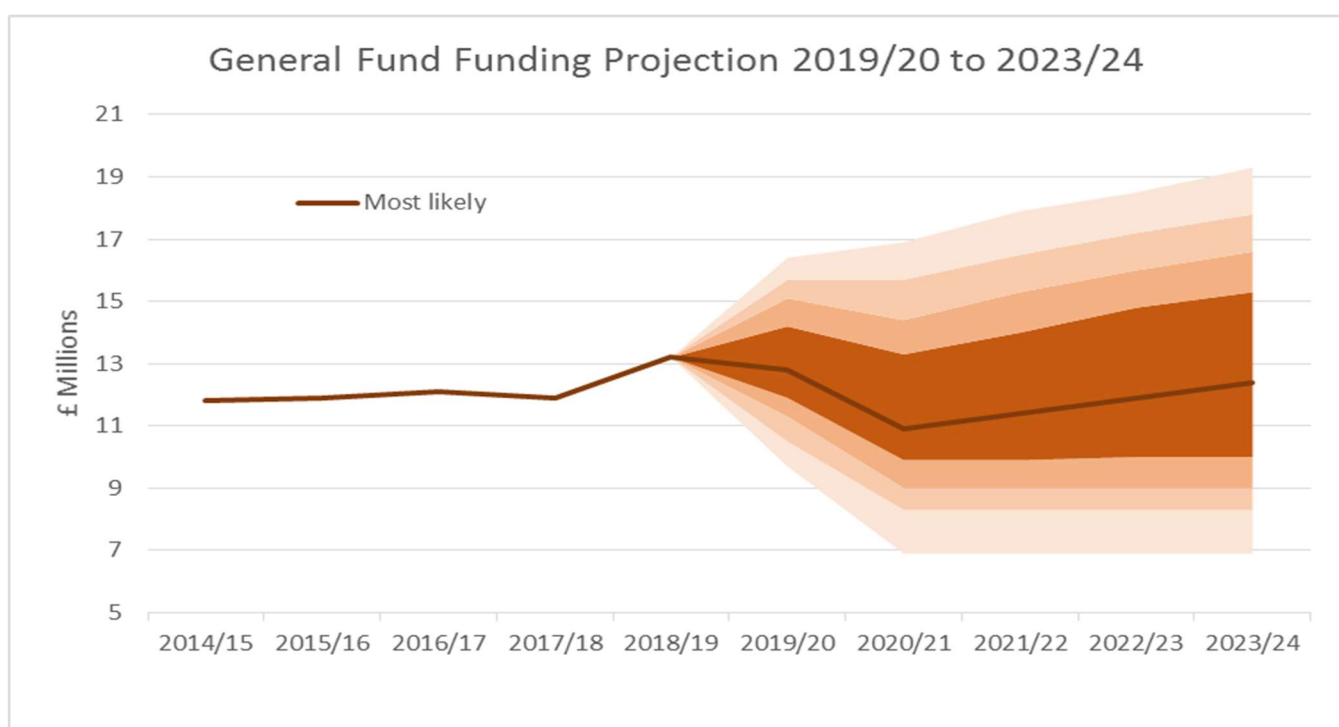
For 2018/19, the Council has been successful as part of the Lincolnshire 100% Business Rates Pilot. This is expected to see the Council retain an additional £1million in Business Rates (net of the removal of revenue support grants) income during 2018/19. Of which £600,000 has been made available for economic projects through the Our Economy Reserve. The Pilot is assumed to be for 2018/19 only. On the 25 July 2018, the Government released an "Invitation to Local Authorities in England to pilot 75% Business Rates Retention in 2019/20" along with a prospectus of forms to guide councils considering applying. Applications are due to be returned to Government on 25 September 2018 and the Lincolnshire proposal is being considered by Lincolnshire Finance Officers.

Budgeted expenditure levels for the General Fund continue to increase with further pressures faced (higher levels of inflation, pay awards, etc). These have been contained within the NK Financial Plan 2018/19 – 2020/21 agreed by the Board in February 2018. The following series of graphs demonstrate the trajectory set for the General Fund as a result of these.

The expected range of the Gross Expenditure of the General Fund, including the expected savings budgeted to be achieve, and the mostly likely position over the next 5 years is shown below.



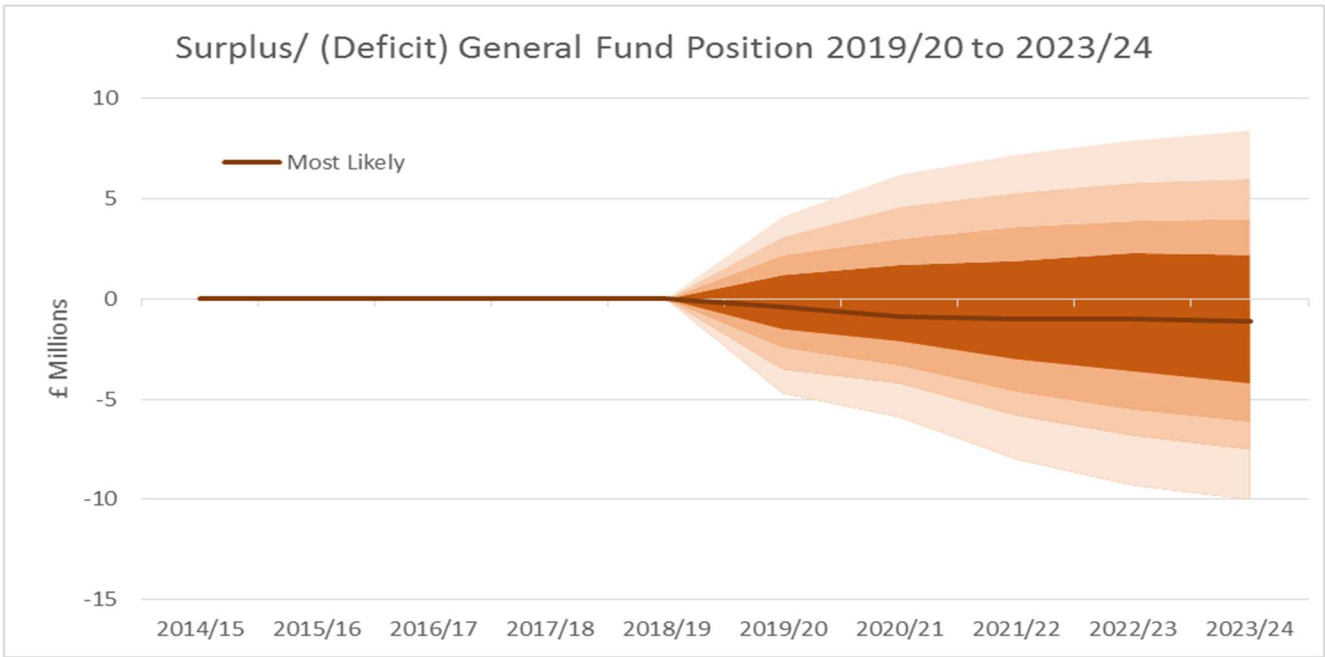
The introduction of the Government's Fair Funding Review and move to 75% Business Rates Retention, sees many of the aspects of the current funding regime being revised. Uncertainty over whether the Lincolnshire Pilot will be allowed to continue, albeit at 75% locally retained, is an additional large variable in the future funding for the Council. The Following graph demonstrates the range of funding scenarios the Council could face and identifies the most likely.



This sees effectively a 10 year stagnation in funding levels for the General Fund with funding peaking in the current year, 2018/19, as a response to the additional income generated from being in the Lincolnshire Pilot. Should the Pilot cease after one year, then funding reduces by approximately

£2million by 2020/21 before beginning to recover.

The following graph summaries the likely range of impacts on the General Fund Balanced Budget position. This demonstrates that the most likely impact on the General Fund sees a further deficit gap opening up in the longer term of approximately £0.5million per annum. This is in addition to the savings and income plans already identified and underway.



Business Rates

Business Rates growth continues to be strong both in terms of normal business rates and renewable energy business rates.

As previously mentioned, Local Government finance is set to experience the most significant reform of funding arrangements in a generation. The Fair Funding Review will re-establish the baseline need of every local authority, and, at the same time, business rates baselines will be reset for the first time. The government also intends to redesign the business rates retention system, moving to 75% local retention, while restructuring the system of risks and rewards. All this is due to come into effect in April 2020.

During this time, the Council will also see the removal of financial support from Revenue Support Grant (RSG) and will therefore be completely reliant on local sources of income, mainly Business Rates and Council Tax, in order to finance the General Fund.

A number of Government consultations are expected to take place during the remainder of 2018, the first of which “2019/20 Local Government Finance Settlement Technical Consultation” was released on the 25 July 2018. At the same time the Government also released its “Invitation to Local Authorities in England to pilot 75% Business Rates Retention in 2019/20”. These look to deal with the main issues for 2019/20, negative RSG (which potentially sees the Council having to pay to the Government) and Business Rates Pilot bids for 2019/20 but do not provide any clarity on the position beyond this.

Based on these releases, it is clear that the Lincolnshire Business Rates Pilot will have to reapply for

2019/20 and based on the principle of 75% local retention of Business Rates.

Council Tax

The rate of growth within the district has remained strong, particularly housing growth. This has been reflected in Council Tax income. As part of the Budget process for 2019/20, Council Tax growth will be assessed. At this stage, no surplus or deficit is expected to be declared.

The Government is currently considering new legislation to allow councils to charge double the rate of Council Tax on homes left empty for years. Councils have had the power to charge a 50% premium in Council Tax bills on long-term empty dwellings since 2013. This has resulted in a vast reduction nationally in the number, but there remains in excess of 200,000 properties across England that remain as long-term empty.

Localised Council Tax Support Scheme 2019/20

Every Billing Authority must consider whether it will revise its Council Tax Support (CTS) scheme by 31st January every year, and allow for a period of consultation with its major preceptors and other stakeholders before it is approved by full Council, as required by the Local Government Finance Act 2012. A CTS scheme cannot be changed mid-financial year.

The proposed CTS scheme must go through certain steps to comply with the provisions stated in the Local Government Finance Act 2012 before it can be adopted (in the following order):-

- a) consult any major precepting authority which has power to issue a precept to it,
- b) publish a draft scheme in such manner as it thinks fit, and
- c) consult such other persons as it considers are likely to have an interest in the operation of the scheme

Various scenarios have been modelled taking into account a number of different changes to the current scheme – such as current Council Tax and caseload levels, and an increase in Council Tax and decrease in caseload.

There will be some technical changes that will need to be applied to ensure that the Council's scheme complies with the Prescribed Scheme Regulations (covering Universal Credit, premiums and discounts). These details are still awaited from the Department for Communities and Local Government (DCLG). Further technical amendments to the scheme in relation to uprating income, applicable amounts, disregards and allowances are to be collated once statutory details have been released by the Secretary of State.

Consultation on potential changes to the scheme will commence on the 11th October 2018 and run for a six week period. Responses to the consultation will be analysed and reported back to the Executive Board before being formally adopted by Council.

GENERAL FUND SUMMARY FUNDING FORECAST 2019/20 to 2021/22

The Outturn for 2017/18 reported an underspend of £0.5million for the General Fund. This still represents a significant amount although not as high as in previous years.

There still remains a number of budget areas and income levels that have been considerably different

to that budgeted. Many of these are difficult to remove from the base budget as when viewed across all services often the amount for each represents a relatively small value.

Attached at **Appendix 2** is a revised General Fund Summary 2018/19 to 2021/22 which is summarised in the following table. It includes for additional items now expected to impact, since the NK Financial Plan was approved in February 2018.

GENERAL FUND	Revised 2018/19 £	2019/20 £	2020/21 £	2021/22 £
Net Cost of Services	10,876,800	11,297,600	11,697,700	11,936,400
Capital Charges and Investments	(875,000)	(1,206,600)	(1,410,000)	(1,410,000)
Appropriations	2,917,300	2,623,700	2,422,000	2,372,000
Income Volatility Reserve	623,500	349,900	(1,160,200)	0
NET EXPENDITURE	13,542,600	13,064,600	11,549,500	12,898,400
Funded by				
Council Tax	(5,843,300)	(6,005,700)	(6,238,100)	(6,425,200)
Business Rates	(7,549,300)	(6,495,400)	(4,937,400)	(5,050,000)
Business Rates Surplus/Deficit	0	122,000	0	0
Revenue Support Grant (RSG)	0	(288,500)	0	0
Total Funding	(13,392,600)	(12,667,600)	(11,175,500)	(11,475,000)
NET (SURPLUS)/ DEFICIT	150,000	397,000	374,000	1,423,200

The revised deficit for 2018/19 relates to the additional upfront costs of the Arts lot of the revised Leisure contracts. However, this proves for significant savings in 2019/20 onwards in excess of this upfront cost.

For 2019/20, there is an additional cost in relation to a net £122,000 Business Rates deficit that occurred for 2017/18.

The deficits for 2019/20 and 2020/21 see additional costs from the Pay and Grading review as well as make allowances for further unavoidable costs or new budget bids. It is also assumed that Lincolnshire Business Rates Pilot will not continue past 2018/19.

By 2021/22 the Income volatility Reserve was originally projected to be fully utilised and therefore unable to further dampen the financial position of the General Fund. This initially resulted in a funding gap of £2.8million. Through the Council's initiative of Lafford Homes, Debt Management and the awarding of the new Leisure contracts, the funding gap has now been reduced to around £1.5million. Further planned initiatives have been identified that look to establish savings sufficient to meet this revised funding gap.

A comprehensive review of historic income and expenditure levels has been performed by the Finance Team with the support of Heads of Service. This has resulted in the identification of £250,000 in regular small budget underspends along with certain budget heads that are no longer required due to passed

decisions.

Furthermore, Heads of Service will be requested to find non-employee budget savings of 5% for 2020/21 to assist in balancing the budget for future years. This will be met through the identification of easily achievable saving initiatives.

The following table summarises the potential revised General Fund position from the savings programme above and the revised use of the Income Volatility Reserve that these will enable. It demonstrates that the proposed actions will result in a General Fund balanced position across the life of the MTFS.

Revised General Fund	2018/19 £	2019/20 £	2020/21 £	2021/22 £
(Surplus) / Deficit for year	150,000	397,000	374,000	1,423,200
Review of historic underspends, budget savings and increased Fees & Charges	(250,000)	(250,000)	(775,000)	(775,000)
Workshop Occupancy	(50,000)	(50,000)	(50,000)	(50,000)
Excite projects	0	0	(25,000)	(112,500)
Further Contribution to/ (from) Income Volatility Reserve	150,000	(97,000)	476,000	(485,700)
Revised (Surplus)/ Deficit	0	0	0	0

The Income Volatility Reserve was created due to the uncertainty created by Business Rates Retention. Contributions have been made from underspends over the last three years and at the end of 2017/18, the reserve stands at £827,600 with a further £623,500 budgeted to be added for 2018/19. With the above additional contribution for 2018/19, a projected balance of £1,600,800 will exist as at 31 March 2019.

The following table demonstrates how the Council intends to use of the Income Volatility Reserve.

Income Volatility Reserve	2019/20 £	2020/21 £	2021/22 £
Opening Balance	(1,600,800)	(1,853,700)	(1,169,500)
Original Contribution (to)/ from Income Volatility Reserve	(349,900)	1,160,200	0
Revised General Fund Contribution	97,000	(476,000)	485,700
Closing Balance	(1,853,700)	(1,169,500)	(693,800)

The Income Volatility Reserve effectively neutralises the potential impact on the Council's finances from the anticipated funding changes arising from the Fair Funding review and changes to Business Rates from April 2020 and returns the General Fund to a balance position. It also ensures that the Council has sufficient time available to deliver the major projects that will generate income and reduce costs in order to bring the base budget to a sustainable long term position.

GENERAL FUND POSITION 2022/23 TO 2028/29

Attached at **Appendix 2A** is a summary of the updated longer term view of the General Fund position that demonstrates the potential impact from the Fair Funding review and changes to Business Rates

Retention for the financial years 2022/23 to 2028/29. From this, the following Table gives a comparison of the original and revised funding gaps established for each year along with an assurance rating to reflect the delivery status of the remaining initiatives.

GENERAL FUND	2022/23 £ (000)	2023/24 £ (000)	2024/25 £ (000)	2025/26 £ (000)	2026/27 £ (000)	2027/28 £ (000)	2028/29 £ (000)
ORIGINAL DEFICIT (MTFS 2018/19 – 2020/21)	2,464	2,348	2,215	2,762	2,436	2,219	2,103
REVISED DEFICIT (MTFS 2019/20 – 2021/22)	1,339	1,501	1,568	2,207	1,785	1,469	1,149
Initiatives							
Review of historic underspends, budget savings and increased Fees & Charges	(925)	(925)	(925)	(1,075)	(1,075)	(1,075)	(1,075)
Workshop Occupancy	(50)	(50)	(50)	(50)	(50)	(50)	(50)
Lafford Homes	(120)	(180)	(240)	(300)	(360)	(420)	(480)
Increased Workshops	(66)	(66)	(132)	(132)	(132)	(198)	(198)
Investment in local economic schemes	(122)	(197)	(272)	(347)	(422)	(497)	(572)
Income Volatility Reserve	(56)	(83)	51	(303)	254	771	1,226
Total Initiatives	(1,339)	(1,501)	(1,568)	(2,207)	(1,785)	(1,469)	(1,149)

The above table demonstrates that in excess of £1.1million has already been delivered. It also highlights that some initiatives are not likely to yield the originally anticipated returns or are expected to take longer to generate returns. The table also demonstrates that the additional measures introduced mitigate this impact and make a significant contributions towards closing the funding gap.

Lafford Homes Ltd's current plan will ensure delivery of those returns already budgeted and should go some way to meeting the earlier years investment requirement post 2020. However, meeting the levels required over the 10 year NK Financial Plan period will require the identification and delivery of further schemes. It is anticipated that Lafford Homes will produce it latest Business Plan with further schemes and timescales for delivery, as part of the budget process for 2019/20. At this stage this is not considered an unrealistic approach, but as the sites have not yet been identified, the initiative is shown as amber.

The major build projects of the Crematorium, Cinema and Sleaford Moor Enterprise Park (SMEP) are in the process of being submitted to full business case and attaining necessary legal advice. It likely that this and procurement will only begin during this financial year. This means that the likelihood of the build phases being sufficiently completed in order to start generating income from 2020/21 is low. Furthermore, the phasing of income is likely to be much slower, particularly for the SMEP with the site unlikely to be fully developed during this 10 year cycle. To help mitigate this a range of interim approaches are being considered.

The following table summarises the traffic light approach. The "green" initiatives generate additional funding of £1.0million. This leaves a potential budget gap for 2022/23 of £0.3million increasing to

£1.1million by 2025/26, to be met from the Amber and Red initiatives as well as the Council's Income Volatility Reserve.

	2022/23 £ (000)	2023/24 £ (000)	2024/25 £ (000)	2025/26 £ (000)	2026/27 £ (000)	2027/28 £ (000)	2028/29 £ (000)
Green Initiatives	(975)	(975)	(975)	(1,125)	(1,125)	(1,125)	(1,125)
Amber Initiatives	(186)	(246)	(372)	(432)	(492)	(618)	(678)
Red Initiatives	(122)	(197)	(272)	(347)	(422)	(497)	(572)
Total	(1,283)	(1,418)	(1,619)	(1,904)	(2,039)	(2,240)	(2,375)
Income Volatility Reserve	(56)	(83)	51	(303)	254	771	1,226
Total Initiatives	(1,339)	(1,501)	(1,568)	(2,207)	(1,785)	(1,469)	(1,149)

A range of work is underway to both deliver the Amber and Red initiatives more quickly and also to identify alternative or revised proposals to provide greater assurance that the above savings will be achieved.

HOUSING REVENUE ACCOUNT FUNDING POSITION

The HRA represents the collection of all the services in relation to the Council's landlord role and the provision of social housing.

Since the introduction of Self Financing and the abolition of the previous HRA financing regime Housing Subsidy, the HRA has looked to repay around £2million of the "take on" debt each year. This means that the Council is looking to reduce the interest and debt cost charged to the tenants allowing the Council to take out further loans to finance the HRA element of the Council's Capital programme.

Rental income was to be set via a general increase in inflation (Consumer Price Index, CPI, plus 1%). However, as announced by the Chancellor as part of the Budget in July 2015, social rents are now being reduced by a flat rate of 1% over a four year period. The final year of this will be 2019/20.

The financial implications of this is significant and the consequential impacts of funding for the Council's HRA Capital New Build programme have been factored into the new HRA 30 year Business Plan. This still sees the Council's HRA as being viable over the long term, and the Council will be able to invest in programmes such as New Build over the life of the business plan but at a much reduced level.

The Council's housing stock continues to be eroded by the Right to Buy (RTB) and the HRA aims to build new affordable housing at a minimum to keep pace with the loss under RTB. As RTB numbers have risen in recent years, this has become increasingly difficult. This has further been compounded by rising build costs as the sector as a whole has seen the pace of build increase.

Housing list numbers have also risen in recent years with more prospective tenants. Combined with a small and undeveloped private rented sector within the district, one solution to assist the Council has been the creation in August 2016 of the Council's wholly owned private rental company Lafford Homes Limited.

Appendix 3 contains a revised ten year view of HRA position. The Table below summarises this for the next three financial years.

	2019/20 £	2020/21 £	2021/22 £
Repairs and Maintenance	3,603,200	3,684,400	3,843,200
Supervision & Management	3,617,900	3,733,800	3,775,900
Debt Charges	2,220,000	2,332,500	2,535,000
<i>Contributions to Major Repairs Reserve (Capital Programme)</i>	<i>3,573,300</i>	<i>3,308,400</i>	<i>3,293,200</i>
Total Expenditure	13,014,400	13,059,100	13,447,300
Rent & Other Income	(15,290,000)	(15,448,400)	(15,896,400)
Appropriations	2,275,600	2,389,300	2,449,100
HRA projected (surplus)/ Deficit for year	-	-	-

As can be seen, the surplus of rental income over the costs allows the HRA to make for a contribution to the Major Repairs Reserve (Capital Programme) of approximately £10.2million for 2019/20 to 2021/22. Appropriations generally relate to dwellings depreciation charges, these are then allowed to be utilised to fund the Council's HRA Capital Programme. Dwelling depreciation charges of £6.8million for 2019/20 to 2021/22 means that the HRA is contributing £17.0million to fund the HRA Capital Programme 2018/19 to 2021/22.

CAPITAL PROGRAMME POSITION

The Council is currently embarking upon the most ambitious capital programme since the mid 1980's.

Appendix 4 contains a ten year view of the Council's Capital Programme. The following table summarises this for the next three financial years.

Capital Programme	Revised 2018/19 £	2019/20 £	2020/21 £	2021/22 £
Housing Revenue Account	9,795,100	7,906,000	15,303,300	11,894,200
General Fund	10,617,500	13,732,600	10,608,100	8,569,100
Total	20,412,600	21,638,600	25,911,400	20,463,300

Housing Revenue Account Capital Programme

The Housing Capital Programme consists of both investment in the current housing stock, in order to maintain to the NK standard, and the New Build programme. The main bulk of the stock requires major improvement works over the 30 year HRA business plan due to the normal life cycles of components and the age of the stock.

Another issue for the HRA Capital Programme is the rising costs for new build. While the Council has been able to maintain a healthy New Build programme with a budget of £34.1million over the four years 2018/19 to 2021/22, the Council's value for money criteria for a new build scheme is that it pays back within 40 years. Rising costs means that this is becoming increasingly difficult to achieve.

To assist with this, funding from Homes England is now being sought where applicable for schemes to help reduce the net cost and maintain the Council's value for money criteria.

The capital improvements to existing stock totals £10.8million for the years 2018/19 to 2021/22.

General Fund Capital Programme

For 2018/19 to 2021/22, following the completion of the £4.2million Metherringham Depot and industrial units in the early part of 2018/19, the General Fund Capital Programme is focused on the delivery of market rental properties through its wholly owned company, Lafford Homes Ltd, the Heart of Sleaford scheme and the refurbishment of the National Centre for Crafts and Design.

Lafford homes Limited (Lafford) was incorporated by the Council in August 2016. This was as a direct intervention into the private rented sector as the market is not well established in the district and represented an opportunity for the Council to both make a return from the provision of privately rented properties but to also ensure that the supply within the sector is boosted at an exemplary standard. Lafford has delivered its first major scheme, Steam Court which is now fully occupied. The Council, through General Fund Capital loans, has made a further £23.4million available over the next three years for further development by Lafford.

A number of schemes are currently being assessed by Lafford. The Council holds land at Station Road Waddington, with the intention to proceed with a General Fund capital scheme for build for sale. However, financial appraisals of this site has demonstrated that this scheme is not only viable for Lafford but would also generate a bigger return for the Council should Lafford build for private rental than if the Council continued as build for sale. This and other schemes will be requested for approval by the Council to both sell the land to Lafford and provide the financing to enable the associated schemes to come forward as Lafford Homes Ltd schemes.

As part of this year's budget process, Lafford will bring forward a revised Business Plan looking to finalise the schemes it wishes to include in its build programme with the aim of drawing down the funding provided and included within the Council's General Fund capital programme.

With the purchase of employment land in Sleaford, the Council is also considering its options to bring forward the delivery of this site. This is likely to require significant infrastructure investment of £41.6million through to 2028/29 with the aim being to enable new and local businesses to flourish on this site while generating long term rental income to support the delivery of Council services. This is supported by the planned establishment of further workshop facilities being established elsewhere within the district with £7.5million being allocated to 2028/29.

Each budget cycle allows for the submission of new capital budget bids for both Housing Revenue Account and General Fund schemes. The Board will be required to review capital bids and assess whether they should be included as part of the Council's Capital Programme.

USABLE RESERVES

New Homes Bonus Reserve (NHB) is projected to be £0.6million by March 2019, rising to £4.1million by 2021/22, after all the Council's current approved expenditure plans and represents a significant sum available for further capital investment. The Council is also pursuing options over the development of

the recently acquired Sleaford employment land and the construction of a Crematorium in the area, both of which could be funded by NHB rather than through borrowing which will attract significant borrowing costs.

The Council's General Fund contributes £0.1million per year to a Capital Reserve which is projected to have a balance of £0.7million by 2021/22.

As part of its Usable Reserves, the Council also maintains working balances for the General Fund and HRA of £1.6million and £0.75million respectively.

Attached at **Appendix 5** is a revised Reserves position. The following table summarises the expected amounts to be available in Usable Reserves to 2021/22.

Usable Reserves	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Revenue Reserves	5,680,000	6,204,700	5,369,800	5,664,700
New Homes Bonus Reserve *	576,000	1,382,400	2,836,600	4,136,600
Capital Reserves	677,500	793,400	1,033,800	1,171,800
HRA Reserves	4,097,500	7,399,000	4,054,100	3,460,800
Total Earmarked Reserves	11,031,000	15,779,500	13,294,300	14,433,900
Capital Receipts & Grants	2,659,500	2,972,600	3,285,700	3,598,800
GF & HRA Balances	2,351,600	2,351,600	2,351,600	2,351,600
Total Usable Reserves	16,042,100	21,103,700	18,931,600	20,384,300

**Projected*

THE MEDIUM TERM REVENUE AND CAPITAL PROGRAMME PROCESS

The preparation of the Council's revenue and capital programmes for the next three years commenced with a strategic review of the Council's vision, strategic objectives and corporate priorities. The Chief Executive will report to the Executive Board in October on the Council's Corporate Plan for the next three years.

The Medium Term Financial Strategy has been informed by the review of the Council's Corporate Plan. The Strategy will be submitted by the Head of Finance and Resources to the Executive Board, also at its meeting in October.

During October, the Corporate Management Team will hold discussions with each Head of Service to consider the resource implications of delivering the Council's priorities set out in the Council's Corporate Plan and various other strategies and initiatives, together with the impact of external factors.

The discussions between Corporate Management Team and Heads of Service may result in a number of requests for additional capital and revenue resources for the next three years. These requests will then be prioritised by the Executive Board to establish whether they can be supported through the budget process.

During these discussions, it will also be necessary to identify potential efficiencies and/or savings within current budgets which could allow for the inclusion of some of the new developments over the next three years and maintain the low Council Tax levels.

Base budgets will be prepared for the General Fund, Housing Revenue Account and Capital

Programme for the next three years. The base budgets will only include expenditure on functions and services that the Council is committed to provide. A review of the Council's fees and charges will also take place at this point.

It is expected that by mid-December, the Government will have announced the provisional finance settlement for 2019/20.

A report will be submitted to the Executive Board in January 2019 which will include draft base budgets, proposed new developments and possible efficiencies/savings that could be achieved over the next three years. The Executive Board will be requested to establish a target budget for 2019/20, together with forecast budgets for 2020/21 and 2021/22.

The Council's target budget will be submitted for scrutiny to the Performance and Resources Overview & Scrutiny Panel during January 2019.

The Executive Board, at its meeting in February 2019, will take into account observations from the Overview & Scrutiny Panel before recommending a three year programme for the General Fund, Housing Revenue Account and Capital programme to the full Council which meets on 5 March 2019. A summary timetable of activities is attached at **Appendix 6**.

Budget Assumptions and their Sensitivity

The base budgets will include assumptions regarding a number of issues which are set out in **Appendix 7**.

Apart from new developments, population growth, inflation and pay increases, the Council will need to consider the level of income that may be generated over the next 3 years, in view of the current economic situation. Current trends in the main General Fund revenue income streams see a significant recovery and this is likely to be sustainable over the next three years.

The main budget assumptions and the sensitivity around them and their potential impact on Council Tax have been assessed. A summary is contained within **Appendix 8**.

Risk Assessment

A risk analysis has been prepared for the major items of income and expenditure included within the sensitivity analysis. This will form part of controlling the budget process and actions required to mitigate the risks around these assumptions have been identified.

RISK AREA	POTENTIAL FINANCIAL IMPACT ON THE COUNCIL
General Fund	
UK exit from the EU	Economic instability
	Removal of EU grant funding
Economic Downturn	Reduced business rates growth
	Increased inflation
	Reductions in fees and charges income
	Increased Council Tax Support
Housing Growth	Slower Council Tax base growth
Savings initiatives	Initiatives slower to materialise
Localisation of Business Rates	Assessment of "Need" results in lower funding levels

	System “Reset” results in lower growth retained
Historic Business Rates Appeals	Provision allowed still insufficient
Lafford Homes Ltd	Slower delivery leads to lower investment income gains than had been anticipated

Separately, a detailed risk assessment of material items of income and expenditure will be prepared as an integral part of the Council’s capital and revenue programme. The risk matrix will identify the main areas of risk and appropriate actions required to respond to any major variations in the levels of expenditure and income over the next 3 years.

THE FINANCIAL CONTROL ENVIRONMENT

Financial management within the Council takes place within a very robust control environment that is outlined in the Annual Governance Statement. The key elements of the control environment are outlined below.

Constitution and Standing Orders

All Council business is conducted in accordance with the policies and procedures set out in the Council’s Constitution which defines how the Council operates, how decisions are made and the procedures that are followed.

Financial Procedures

In order to conduct its business efficiently, the Council needs to ensure that it has sound financial management policies and procedures in place, and this is done through its Financial Procedures that provide clarity about the financial accountabilities of individuals and the procedures that have to be followed.

- **Council** - The Council’s financial affairs are operated through a number of Member committees which have delegated powers; however decisions that cannot be delegated are taken at meetings of Full Council.
- **Executive Board** - Each year, the Council agrees a policy framework and budget, and it is the responsibility of the Executive Board to implement the framework and budget. The Executive Board has special responsibilities for financial matters.
- **Overview and Scrutiny Panels** - The Council has three overview and scrutiny panels which have the power to “call in” decisions that have been made by the Executive Board, but not yet implemented, in order to enable consideration to be given to whether such decisions are appropriate. The Performance and Resources panel also scrutinise the financial performance and draft budgets.
- **Audit Committee** - The Audit Committee has the responsibility for providing independent assurance of the adequacy of the Council’s risk management framework and the associated control environment. It provides independent scrutiny of the Council’s financial and non-financial procedures and the Annual Governance Statement.

- **Internal Audit** - The Council maintains an adequate and effective system of internal audit of the accounting records and the systems of internal control in line with the requirements of the Accounts and Audit (Amendment) (England) Regulations 2011.
- **External Audit** – For 2018/19 onwards, an external audit service to the Council will be provided by Mazars who report on an annual basis to the Council on their findings in respect of the Statement of Accounts, and the results of any additional inspection activity undertaken by them during the course of the financial year. The external auditors also report on the Council's Value for Money Programme.

Risk Management Strategy - The Audit Committee has overall responsibility for ensuring that the Council's risk management framework is robust, and provides an adequate level of assurance that strategic and operational risks which the Council faces, have been identified and that, where appropriate, action has been identified to manage the risks.

VALUE FOR MONEY

Value for money is the optimum balance between relatively low costs, high productivity and successful outcomes. (4Ps - local government project delivery specialist)

VFM is a mix of the three E's

- Economy – the price paid for service inputs
- Efficiency – measures of productivity - how much we get out for what we put in
- Effectiveness – measures of the impact achieved.

This Council recognises its responsibility to ensure that value for money is delivered from all of its activities, however they may be funded. Securing value for money services is a key factor impacting on the Council's ability to fulfil and discharge its statutory corporate governance responsibilities as well as delivering high quality services. The Council is committed to the pursuit of economy, efficiency and effectiveness, which together add up to Value for Money.

The Council is focusing on VFM for a number of reasons:

- Develop services to better meet the needs of its customers
- Improve customer satisfaction
- Internal pressures to reduce costs and achieve efficiency and savings targets
- Further grant reductions in future finance settlements.

Value for Money should not just be a strategy; it is also embedded into the culture of working at North Kesteven.

Alternative Formats

This document is available in large print, Braille, audio tape, electronic formats such as CD, or in a different language. Our website is ReadSpeaker enabled. For a copy please contact the Policy and Performance Team at the Council using the following options:

Phone: 01529 414155 (main switchboard) or 01522 699699 (if calling from a Lincoln number)

Minicom: 01529 308088

Fax: 01529 413956

Web: www.n-kesteven.gov.uk

Email: equality@n-kesteven.gov.uk

Corporate Information
North Kesteven District Council
Kesteven Street
Sleaford
Lincolnshire
NG34 7EF



North Kesteven
DISTRICT COUNCIL

District Council Offices, Kesteven Street, Sleaford, Lincolnshire NG34 7EF
Telephone Number: (01529) 414155
180912-JA2

ExCITE Programme Summary Timetable and Action Plan

Appendix 1

<u>Excite</u>		<u>Time frame</u>		<u>Likely</u>	<u>Priority</u>					
<u>Area</u>	<u>Action</u>	<u>(for Excite involvement)</u>	<u>Resources</u>	<u>Returns</u>	<u>Priority</u>	<u>Ranking</u>	<u>Timeline</u>			
							By 31 March 2019	By 31 March 2020	By 31 March 2021	By 31 March 2022
Economy										
	Fees and Charges - Service Company exploration	Long	High	Low - Medium	Low	7			✓	✓
	Explore renewable energy schemes	Short	Low	Medium - High	}High	}5	✓	✓		
	Provision of a renewable energy scheme	Long	High	Medium - High	}	}		✓	✓	
Construction/ Investment Properties										
	Workshops - Sleaford Employment Land development	Long	High	Medium - High	High	1	✓	✓	✓	✓
	Workshops - establishment of a rolling investment programme	Long	High	Medium - High	High	3	✓	✓	✓	✓
	Lafford Homes Ltd - widen delivery objectives	Short	Low	High	High	2	✓			
	Crematorium (operational)	Long	Medium	Low - Medium	High	Ongoing	✓	✓	✓	
	Regeneration - Sleaford Town centre opportunities	Long	Medium	High	High	4	✓	✓	✓	✓
	Regeneration- other opportunities	Long	Medium	Medium	Medium	6		✓	✓	✓
Investment										
	Determine principles of fund for investing in asset acquisition	Short	Low	}Medium - High	}Low	}	✓			
	Establish agent for asset acquisition	Short	Low	}	}	}	✓	✓		
	Maintain Investment Fund for investment asset acquisition	Long	Low	}	}	}		✓	✓	✓
	Development of further "Fund" cash investment options	Short	Low	Low - Medium	Medium	Ongoing	✓	✓	✓	✓
	Lending to organisations, eg Housing Associations	Short	Low	Low	Medium	Ongoing	✓	✓	✓	✓
Trading										
	Development of a wider back office offer	Long	High	Low - Medium	Low	Ongoing	✓	✓	✓	✓

GENERAL FUND SUMMARY 2018/19 to 2021/22

	Approved Budget 2018/19 £	Forecast 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £
<i>Net Cost of Services</i>				
Our Council	4,100,600	4,359,600	4,314,200	4,403,600
Our Communities	6,728,600	6,933,400	6,908,400	7,055,700
Our Economy	626,400	524,300	543,900	553,400
Our Homes	(1,069,800)	(1,035,200)	(610,100)	(628,400)
Savings	0	0	0	0
Drainage Rates	491,000	515,500	541,300	552,100
	10,876,800	11,297,600	11,697,700	11,936,400
<i>Capital Charges and Investments</i>				
Depreciation	(1,006,400)	(1,155,600)	(1,152,700)	(1,152,700)
Minimum Revenue Provision	463,600	456,200	407,200	407,200
Interest Payments	152,100	150,700	150,100	150,100
Investment Interest	(484,300)	(657,900)	(814,600)	(814,600)
	10,001,800	10,091,000	10,287,700	10,526,400
<i>Appropriations</i>				
Capital Reserve	100,000	100,000	100,000	100,000
IT Acquisitions Reserve	(265,100)	136,700	130,000	130,000
New Homes Bonus Reserve	1,754,700	1,806,000	1,454,600	1,454,600
Renewals Reserves	16,500	100,000	100,000	100,000
In year Reserve Movements	1,934,700	830,900	(522,800)	587,400
Net Expenditure	13,542,600	13,064,600	11,549,500	12,898,400
<i>Financed by</i>				
Council Tax	(5,843,300)	(6,005,700)	(6,238,100)	(6,425,200)
Council Tax (Surplus)/ Deficit	0	0	0	0
Business Rates	(7,375,100)	(6,495,400)	(4,937,400)	(5,050,000)
Business Rates (Surplus)/ Deficit	(174,200)	122,000	0	0
Revenue Support Grant	0	(288,500)	0	0
	(13,392,600)	(12,667,600)	(11,175,500)	(11,475,200)
General Fund (Surplus)/ Deficit	150,000	397,000	374,000	1,423,200

GENERAL FUND SUMMARY 2022/23 to 2028/29

	Forecast 2022/23 £	Forecast 2023/24 £	Forecast 2024/25 £	Forecast 2025/26 £	Forecast 2026/27 £	Forecast 2027/28 £	Forecast 2028/29 £
Net Cost of Services							
Our Council	4,535,700	4,671,800	4,812,000	4,956,400	5,055,500	5,156,600	5,259,700
Our Communities	6,851,400	7,040,900	7,219,100	7,385,700	7,466,400	7,530,700	7,596,300
Our Economy	570,000	587,100	604,700	622,800	635,300	648,000	661,000
Our Homes	(611,400)	(594,900)	(578,800)	(563,200)	(548,000)	(533,200)	(518,800)
Savings	0	0	0	0	0	0	0
Drainage Rates	563,100	574,400	585,900	597,600	609,600	621,800	634,200
	11,908,800	12,279,300	12,642,900	12,999,300	13,218,800	13,423,900	13,632,400
Capital Charges and Investments							
Depreciation	(1,152,700)	(1,152,700)	(1,152,700)	(1,152,700)	(1,152,700)	(1,152,700)	(1,152,700)
Minimum Revenue Provision	386,800	367,500	349,100	331,600	315,000	299,300	284,300
Interest Payments	564,200	739,800	849,700	841,700	814,300	810,600	805,000
Investment Interest	(954,600)	(954,600)	(973,700)	(993,200)	(1,013,100)	(1,033,400)	(1,054,100)
	10,752,500	11,279,300	11,715,300	12,026,700	12,182,300	12,347,700	12,514,900
Appropriations							
Capital Reserve	100,000	100,000	100,000	100,000	100,000	100,000	100,000
IT Acquisitions Reserve	130,000	130,000	130,000	130,000	130,000	130,000	130,000
New Homes Bonus Reserve	1,454,600	1,454,600	1,454,600	1,454,600	1,454,600	1,454,600	1,454,600
Renewals Reserves	100,000	100,000	100,000	100,000	100,000	100,000	100,000
In year Reserve Movements	587,400	587,400	587,400	587,400	587,400	587,400	587,400
Net Expenditure	13,124,500	13,651,300	14,087,300	14,398,700	14,554,300	14,719,700	14,886,900
Financed by							
Council Tax	(6,585,800)	(6,750,400)	(6,919,200)	(7,092,200)	(7,269,500)	(7,451,200)	(7,637,500)
Council Tax (Surplus)/ Deficit	0	0	0	0	0	0	0
Business Rates	(5,200,000)	(5,400,000)	(5,600,000)	(5,100,000)	(5,500,000)	(5,800,000)	(6,100,000)
Business Rates (Surplus)/ Deficit	0	0	0	0	0	0	0
Revenue Support Grant	0	0	0	0	0	0	0
	(11,785,800)	(12,150,400)	(12,519,200)	(12,192,200)	(12,769,500)	(13,251,200)	(13,737,500)
General Fund (Surplus)/ Deficit	1,338,700	1,500,900	1,568,100	2,206,500	1,784,800	1,468,500	1,149,400
INITIATIVE FUNDING							
Removal of historic underspend, budget savings & increased fees & charges	-925,000	-925,000	-925,000	-1,075,000	-1,075,000	-1,075,000	-1,075,000
Workshop occupancy	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000
Additional workshops	-66,000	-66,000	-132,000	-132,000	-132,000	-198,000	-198,000
New Lafford Homes Business Plan	-120,000	-180,000	-240,000	-300,000	-360,000	-420,000	-480,000
Investment in local economic schemes	-121,500	-196,500	-271,500	-346,500	-421,500	-496,500	-571,500
Total Initiative Funding	-1,282,500	-1,417,500	-1,618,500	-1,903,500	-2,038,500	-2,239,500	-2,374,500
Revised Deficit/ (Surplus)	56,200	83,400	(50,400)	303,000	(253,700)	(771,000)	(1,225,100)
Additional Income Volatility Reserve	(56,200)	(83,400)	50,400	(303,000)	253,700	771,000	1,225,100
Total General Fund (Surplus)/ Deficit	0	0	0	0	0	0	0

Actual 2017/18 £		Approved Estimate 2018/19 £	Forecast 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £	Forecast 2023/24 £	Forecast 2024/25 £	Forecast 2025/26 £	Forecast 2026/27 £	Forecast 2027/28 £	Forecast 2028/29 £
Expenditure												
3,422,996	Repairs and Maintenance	3,666,900	3,603,200	3,684,400	3,843,200	4,005,600	4,093,100	4,217,600	4,436,800	4,592,500	4,699,100	4,909,400
2,727,158	Supervision and Management	2,842,100	2,852,200	2,912,800	2,951,600	3,040,300	3,131,700	3,231,300	3,323,500	3,423,700	3,526,800	3,633,400
81,869	Group Dwellings - Facility Costs	206,600	107,100	118,900	117,100	126,200	128,000	134,200	130,300	140,800	135,800	156,900
-	Wellbeing Service	-	-	-	-	-	-	-	-	-	-	-
-	Transitional Support Service	-	-	-	-	-	-	-	-	-	-	-
-	Community Alarms	-	-	-	-	-	-	-	-	-	-	-
3,656	Handyman Service	-	-	-	-	-	-	-	-	-	-	-
(9,161)	Housing & Property Services	47,900	-	-	-	-	-	-	-	-	-	-
54,433	General Community Facilities	66,800	68,500	70,300	72,500	74,700	77,000	79,200	81,500	83,800	86,200	88,700
251,207	Communal Areas	39,400	25,700	41,900	27,500	44,500	29,300	47,400	31,300	50,400	33,400	53,700
152,822	Maintenance of Open Spaces	201,400	206,300	212,800	209,900	216,100	222,500	229,300	236,200	243,200	250,500	258,000
117,164	Community Engagement	116,500	117,900	120,300	123,900	127,900	131,600	135,500	139,300	143,900	148,200	152,600
30,600	Money Advice	34,000	35,000	36,100	37,100	38,100	39,100	40,100	41,100	42,100	43,100	44,100
224,895	Rents, Rates, Taxes and Other Charges	216,700	205,200	220,700	236,300	251,900	267,500	283,200	299,000	314,800	330,600	346,400
-	Bad Debt Provision (Net of Write Offs) -	-	-	-	-	-	-	-	-	-	-	-
73,974	Existing	91,200	92,400	93,700	95,000	106,400	107,800	109,200	110,700	112,200	113,800	115,400
-	Principal Repayments	-	-	-	-	-	-	-	-	-	-	-
2,044,863	Interest Repayments	2,157,700	2,100,800	2,212,300	2,413,800	2,574,300	2,556,100	2,581,800	2,560,400	2,535,000	2,468,500	2,416,800
35,200	Debt Management Expenses - Existing	27,600	26,800	26,500	26,200	25,800	25,100	24,400	23,700	22,900	22,100	22,500
-	Contribution to Major Repairs Reserve	-	-	-	-	-	-	-	-	-	-	-
4,188,069	(Capital Programme)	3,417,200	3,573,300	3,308,400	3,293,200	3,724,100	3,883,700	4,258,300	3,975,700	4,042,700	4,256,300	4,290,100
-	Revenue growth bids submitted	-	-	-	-	-	-	-	-	-	-	-
13,399,747	Total Expenditure	13,132,000	13,014,400	13,059,100	13,447,300	14,355,900	14,692,500	15,371,500	15,389,500	15,748,000	16,114,400	16,488,000
Income												
(15,104,966)	Rental Income	(15,082,600)	(15,252,200)	(15,382,200)	(15,828,100)	(16,796,000)	(17,193,300)	(17,934,500)	(18,016,400)	(18,440,400)	(18,873,800)	(19,316,300)
(55,204)	Other Income	(8,200)	(8,500)	(8,800)	(9,100)	(9,400)	(9,700)	(10,000)	(10,300)	(10,600)	(10,900)	(11,200)
(25,220)	Investment Income/Mortgage Interest	(36,700)	(29,300)	(57,400)	(59,200)	(60,900)	(62,700)	(64,700)	(66,600)	(68,600)	(70,700)	(72,800)
(15,185,390)	Total Income	(15,127,500)	(15,290,000)	(15,448,400)	(15,896,400)	(16,866,300)	(17,265,700)	(18,009,200)	(18,093,300)	(18,519,600)	(18,955,400)	(19,400,300)
(1,785,643)	Net Cost of Services	(1,995,500)	(2,275,600)	(2,389,300)	(2,449,100)	(2,510,400)	(2,573,200)	(2,637,700)	(2,703,800)	(2,771,600)	(2,841,000)	(2,912,300)
Appropriations												
-	MRA Proxy for Depreciation (Yrs 1-5) (MRR entry)	-	-	-	-	-	-	-	-	-	-	-
-	To reverse out depreciation	-	-	-	-	-	-	-	-	-	-	-
1,991,601	Depreciation - Dwellings	2,070,800	2,150,500	2,243,300	2,299,400	2,356,900	2,415,800	2,476,200	2,538,100	2,601,600	2,666,600	2,733,300
20,150	Depreciation - Non Dwellings	20,200	20,200	20,200	20,200	20,200	20,200	20,200	20,200	20,200	20,200	20,200
4,721	Depreciation - Vehicles	4,700	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
(249,419)	Pensions IAS 19	-	-	-	-	-	-	-	-	-	-	-
-	Transfer to/(from) Major Repairs Reserve	-	-	-	-	-	-	-	-	-	-	-
-	Transfer to/(from) Corporate Training Reserve	-	-	-	-	-	-	-	-	-	-	-
-	Transfer to/(from) Affordable/Target Rents Difference Reserve (regarding New Build)	-	-	-	-	-	-	-	-	-	-	-
75,490	Transfer to/(from) Housing Services Reserve	86,400	103,000	123,900	127,600	131,400	135,300	139,400	143,600	147,900	152,300	156,900
(18,000)	Transfer to/(from) HRA Earmarked Exp Reserve	(20,000)	-	-	-	-	-	-	-	-	-	-
(38,900)	Transfer to/(from) HRA Earmarked Exp Reserve	(166,600)	-	-	-	-	-	-	-	-	-	-
(0)	Net Operating (Surplus) / Deficit	-	-	-	-	-	-	-	-	-	-	-
(750,000)	Working Balance at beginning of year	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)
0	(Surplus) / Deficit for the year	-	-	-	-	-	-	-	-	-	-	-
(750,000)	Working Balance at end of year	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)

NORTH KESTEVEN DISTRICT COUNCIL

CAPITAL PROGRAMME SUMMARY 2019/2020 TO 2028/2029

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
		Approved	Original										
Actual 2016/17	Actual 2017/18		Estimate 2018/19	Estimate 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29
£	£		£	£	£	£	£	£	£	£	£	£	£
7,248,387	5,494,390	Housing Revenue Scheme Expenditure	9,795,100	7,906,000	15,303,300	11,894,200	5,465,000	6,113,300	6,480,000	5,680,700	6,947,700	5,988,000	7,569,100
5,468,822	9,548,039	General Fund Scheme Expenditure	10,617,500	13,732,600	10,608,100	8,569,100	8,227,500	13,029,300	6,052,000	5,838,600	16,870,500	5,202,300	8,751,400
12,717,209	15,042,429	Total Capital Programme	20,412,600	21,638,600	25,911,400	20,463,300	13,692,500	19,142,600	12,532,000	11,519,300	23,818,200	11,190,300	16,320,500
Housing Revenue Account Capital Schemes													
41,256	(1,991)	Engineering	70,000	48,400	50,300	52,300	54,400	56,600	58,800	61,200	63,600	66,200	68,800
390,227	299,513	Disabled Adaptations	362,400	337,500	351,000	281,200	292,500	304,200	316,300	329,000	342,100	284,700	296,000
103,966	72,084	Other Works (Canopies, Chimney Stacks etc)	101,200	101,200	105,200	109,400	113,800	164,200	170,800	177,700	184,800	192,100	199,800
227,946	124	Traditional - Structural Improvements	-	-	-	-	-	-	-	-	-	-	-
-	50,390	Replacement Windows/Doors	50,000	50,000	-	-	-	-	-	-	-	-	-
-	-	Replacement Door Entry System	150,000	75,000	-	-	-	-	-	-	-	-	-
-	-	Roofing	112,300	-	558,100	573,700	603,600	569,400	645,300	686,900	706,200	734,400	763,800
328,793	412,228	Kitchens & Bathrooms	884,100	701,800	720,300	687,800	359,200	774,800	551,400	694,100	403,000	393,900	552,900
175,104	635,488	Heating	683,900	535,600	764,700	735,700	622,400	809,100	1,285,500	305,300	1,780,500	483,900	4,822,600
72,758	176,319	Estate Improvements	168,700	168,700	175,400	182,500	189,800	197,300	205,200	213,400	222,000	230,900	240,100
(46)	-	Off Street Parking	-	-	-	-	-	-	-	-	-	-	-
-	-	Non Traditional - Structural Improvements	-	-	-	-	58,500	60,800	63,300	65,800	93,100	444,100	461,800
36,698	62,395	Garages	56,300	56,300	58,500	60,900	63,300	65,800	68,500	71,200	74,000	77,000	80,100
15,946	23,535	Asbestos Removal	33,700	33,700	35,000	36,400	37,900	39,400	41,000	-	-	-	-
-	-	New Homes General Build Programme - Unallocated Budget	1,016,600	1,500,000	9,300,000	7,600,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	-
-	-	Grantham Road, Sleaford	50,000	1,512,500	1,562,500	-	-	-	-	-	-	-	-
556	-	Woodside, Sleaford	-	-	-	-	-	-	-	-	-	-	-
232,198	258	George Street, Sleaford	-	-	-	-	-	-	-	-	-	-	-
500,619	-	Kesteven Court, North Hykeham	-	-	-	-	-	-	-	-	-	-	-
2,919,608	2,901,907	Newfield Road, Sleaford	2,659,900	-	-	-	-	-	-	-	-	-	-
1,680,621	-	Kyme Road, Heckington	-	-	-	-	-	-	-	-	-	-	-
10,205	-	Hill Close Farm, Thorpe on the Hill	-	-	-	-	-	-	-	-	-	-	-
-	1,241	Handley Street, Heckington	115,500	-	-	-	-	-	-	-	-	-	-
-	1,370	Longstongs Crescent, Washingborough	236,500	-	-	-	-	-	-	-	-	-	-
192,368	(56)	Princess Square, Billingham	-	-	-	-	-	-	-	-	-	-	-
-	-	Station Road, Waddington	-	1,885,000	-	-	-	-	-	-	-	-	-
2,266	100	Hoplands, Sleaford	720,000	786,600	1,506,700	1,506,700	-	-	-	-	-	-	-
-	87,550	9 St Johns Square, Bracebridge Heath Property Purchase	-	-	-	-	-	-	-	-	-	-	-
91,781	-	12 Hutson Drive, North Hykeham Property Purchase	-	-	-	-	-	-	-	-	-	-	-
-	91,545	60 Hutson Drive, North Hykeham Property Purchase	-	-	-	-	-	-	-	-	-	-	-
91,814	-	25 Grange Road, Bracebridge Heath Property Purchase	-	-	-	-	-	-	-	-	-	-	-
-	91,911	4 St Johns Square, Bracebridge Heath Property Purchase	-	-	-	-	-	-	-	-	-	-	-
116,858	-	51 Park Avenue, Washingborough Property Purchase	-	-	-	-	-	-	-	-	-	-	-
603	412,962	Twenty Row, Navenby Property Purchases	-	-	-	-	-	-	-	-	-	-	-
-	831	Grantham Road, Sleaford	280,100	-	-	-	-	-	-	-	-	-	-
-	3,252	Northfield Close, Ruskington	398,700	-	-	-	-	-	-	-	-	-	-
-	94,550	19 Tennyson Avenue, Sleaford Property Purchase	-	-	-	-	-	-	-	-	-	-	-
-	810	Quarrington School, Sleaford	1,312,400	-	-	-	-	-	-	-	-	-	-
-	-	115 St Giles Avenue, Sleaford Property Purchase	78,000	-	-	-	-	-	-	-	-	-	-
-	-	6 St Johns Square, Bracebridge Heath	93,000	-	-	-	-	-	-	-	-	-	-
-	76,074	Eslafor Gardens, Sleaford - Conversion	-	-	-	-	-	-	-	-	-	-	-
16,239	-	Pinfold Way, Ruskington	-	-	-	-	-	-	-	-	-	-	-
-	-	Electrical Improvements (2018/19 Budget Bid)	100,000	50,000	50,000	-	-	-	-	-	-	-	-
-	-	Fees	61,800	63,700	65,600	67,600	69,600	71,700	73,900	76,100	78,400	80,800	83,200
7,248,387	5,494,390	Total HRA	9,795,100	7,906,000	15,303,300	11,894,200	5,465,000	6,113,300	6,480,000	5,680,700	6,947,700	5,988,000	7,569,100
General Fund Schemes													
320,489	602,282	Disabled Facilities Grants	750,000	452,000	452,000	452,000	452,000	452,000	452,000	452,000	452,000	452,000	452,000
200,000	-	Cranwell Aviation Heritage Centre / Bomber Command Centre	-	-	-	-	-	-	-	-	-	-	-
605,158	-	Broadband	-	-	-	-	-	-	-	-	-	-	-
49,351	-	CCTV Sleaford	-	-	-	-	-	-	-	-	-	-	-
-	7,500	Asset Management System	-	-	-	-	-	-	-	-	-	-	-
-	-	Regeneration Fund	290,500	-	-	-	-	-	-	-	-	-	-
80,306	-	Audio and Voting Equipment for Council Chamber	-	-	-	-	-	-	-	-	-	-	-
492,015	-	Refuse Vehicle Replacement Programme	598,600	526,600	402,100	483,400	1,075,500	577,300	-	686,600	618,500	50,300	999,400
172,443	-	Whisby Natural World Basement Refurbishment	-	-	-	-	-	-	-	-	-	-	-
40,314	3,978	Whisby Natural World Toilet Refurbishment	-	-	-	-	-	-	-	-	-	-	-
123,268	3,379	Whisby Natural World Little Darters Relocation	-	-	-	-	-	-	-	-	-	-	-
276,828	-	North Kesteven Sports Centre Refurbishment	-	-	-	-	-	-	-	-	-	-	-
346,660	3,452,355	New Waste and Street Scene Depot Including Workshops	212,800	-	-	-	-	-	-	-	-	-	-
-	-	Demolition - Old Refuse Depot Metheringham	68,500	-	-	-	-	-	-	-	-	-	-
797	-	Car Park Grantham Road, Sleaford	-	-	-	-	-	-	-	-	-	-	-
760,400	19,576	Station Road, Waddington	-	2,225,300	2,000,000	205,700	-	-	-	-	-	-	-

NORTH KESTIVEN DISTRICT COUNCIL
CAPITAL PROGRAMME SUMMARY 2019/2020 TO 2028/2029

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
			Approved	Original									
Actual 2016/17	Actual 2017/18		Estimate 2018/19	Estimate 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29
£	£		£	£	£	£	£	£	£	£	£	£	£
		Station Road, Waddington - Remove	-	(2,225,300)	(2,000,000)	(205,700)							
-	-	Boston Road, Sleaford	190,000	-	-	-	-	-	-	-	-	-	-
-	2,677,500	Lafford Homes - Steam Court, Station Road, North Hykeham	-	-	-	-	-	-	-	-	-	-	-
2,000,000	-	Lafford Homes Equity cost	-	-	-	-	-	-	-	-	-	-	-
-	470,400	Lafford Homes - Schemes Funding	7,099,600	4,000,000	3,000,000	2,500,000	1,500,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
		Lafford Homes - Station Road, Waddington	459,000	2,754,000	2,754,000	833,700							
-	4,445	Electric Vehicle Charging Points	-	-	-	-	-	-	-	-	-	-	-
		Conversion of 2 Grantham Road, Sleaford into											
792	63,506	Homelessness Bedsits	7,600	-	-	-	-	-	-	-	-	-	-
-	1,803,545	Purchase of Employment Land, Sleaford	-	-	-	-	-	-	-	-	-	-	-
-	1,315	Springfield Estate, Scopwick	-	-	-	-	-	-	-	-	-	-	-
-	259,802	South of Sleaford Development	166,900	-	-	-	-	-	-	-	-	-	-
-	-	Loan Financing	-	-	-	-	-	-	-	-	-	-	-
-	178,457	Mrs Smiths Cottage - Visitor Centre	500,000	-	-	-	-	-	-	-	-	-	-
-	-	Cranwell Aviation Heritage Centre Heritage Museum	-	-	-	-	-	-	-	-	-	-	-
-	-	Heart of Sleaford - Cinema and Public Realm	-	1,500,000	-	-	-	-	-	-	-	-	-
-	-	NCCD Refurbishment - Budget Bid	-	1,000,000	-	-	-	-	-	-	-	-	-
-	-	Refuse Freighters - Bartec In Cab hardware	229,000	-	-	-	-	-	-	-	-	-	-
-	-	Purchase of Two Wellbeing Service Vans	45,000	-	-	-	-	-	-	-	-	-	-
		Additional Workshops	-	-	2,500,000	-	-	2,500,000	-	-	2,500,000	-	-
		Sleaford Moor Enterprise Park		3,500,000	1,500,000	4,300,000	5,200,000	6,500,000	2,600,000	1,700,000	10,300,000	1,700,000	4,300,000
5,468,822	9,548,039	Total General Fund	10,617,500	13,732,600	10,608,100	8,569,100	8,227,500	13,029,300	6,052,000	5,838,600	16,870,500	5,202,300	8,751,400

Reserve Movements 2018/19 - 2021/22

Appendix 5

	2018-19			2019-20			2020-21			2021-22			
Reserve	Opening Balance £	Contributions To £	From £	Closing Balance £	Contributions To £	From £	Closing Balance £	Contributions To £	From £	Closing Balance £	Contributions To £	From £	Closing Balance £
Environmental	60,500	-	-	60,500	-	-	60,500	-	-	60,500	-	-	60,500
General Fund Earmarked Expenditure	160,700	-	(160,700)	-	-	-	-	-	-	-	-	-	-
Income Volatility	827,300	623,500	-	1,450,800	349,900	-	1,800,700	-	(1,160,200)	640,500	-	-	640,500
Invest to Save	318,700	-	-	318,700	-	-	318,700	-	-	318,700	-	-	318,700
Local Election	162,500	43,000	-	205,500	43,000	(181,000)	67,500	43,000	-	110,500	43,000	-	153,500
Monitoring Officer Investigations	20,800	-	-	20,800	-	-	20,800	-	-	20,800	-	-	20,800
New Homes Bonus	1,186,600	1,854,700	(2,465,300)	576,000	1,806,000	(1,000,000)	1,382,000	1,454,600	-	2,836,600	1,300,000	-	4,136,600
Our Communities	46,300	-	(30,000)	16,300	-	-	16,300	-	-	16,300	-	-	16,300
Our Communities - Homelessness	120,200	218,200	(33,100)	305,300	18,100	(8,500)	314,900	-	-	314,900	-	-	314,900
Our Council	704,800	50,000	(98,800)	656,000	50,000	-	706,000	50,000	-	756,000	50,000	-	806,000
Our Council - ICT	381,600	134,900	(480,900)	35,600	136,700	-	172,300	130,000	-	302,300	100,000	-	402,300
Our Economy	914,400	617,900	(127,600)	1,404,700	1,900	-	1,406,600	1,900	-	1,408,500	1,900	-	1,410,400
Our Homes	752,800	30,000	-	782,800	15,000	-	797,800	-	-	797,800	-	-	797,800
Renewals	385,900	100,000	(273,800)	212,100	100,000	-	312,100	100,000	-	412,100	100,000	-	512,100
Uninsured Claims	210,900	-	-	210,900	-	-	210,900	-	-	210,900	-	-	210,900
Total Revenue Reserves	6,254,000	3,672,200	(3,670,200)	6,256,000	2,520,600	(1,189,500)	7,587,100	1,779,500	(1,160,200)	8,206,400	1,594,900	-	9,801,300
Capital	808,100	100,000	(500,000)	408,100	100,000	-	508,100	100,000	-	608,100	100,000	-	708,100
Capital - Refuse vehicle replacement	487,400	432,500	(650,500)	269,400	542,500	(526,600)	285,300	542,500	(402,100)	425,700	521,400	(483,400)	463,700
Total Capital Reserves	1,295,500	532,500	(1,150,500)	677,500	642,500	(526,600)	793,400	642,500	(402,100)	1,033,800	621,400	(483,400)	1,171,800
Housing Services	485,800	-	(39,000)	446,800	-	-	446,800	-	-	446,800	-	-	446,800
HRA Affordable Rents New Build Reserve	-	86,400	(86,400)	-	103,000	(103,000)	-	123,900	(123,900)	-	123,900	(123,900)	-
HRA Earmarked Expenditure	166,600	-	(166,600)	-	-	-	-	-	-	-	-	-	-
Major Repairs	6,434,300	5,780,600	(8,564,200)	3,650,700	5,745,900	(2,444,400)	6,952,200	5,573,800	(8,918,700)	3,607,300	5,614,700	(6,208,000)	3,014,000
Total HRA Reserves	7,086,700	5,867,000	(8,856,200)	4,097,500	5,848,900	(2,547,400)	7,399,000	5,697,700	(9,042,600)	4,054,100	5,738,600	(6,331,900)	3,460,800
Total Earmarked Reserves	14,636,200	10,071,700	(13,676,900)	11,031,000	9,012,000	(4,263,500)	15,779,500	8,119,700	(10,604,900)	13,294,300	7,954,900	(6,815,300)	14,433,900
Capital Grants	608,000	904,200	-	1,512,200	352,000	(352,000)	1,512,200	352,000	(352,000)	1,512,200	352,000	(352,000)	1,512,200
Capital Receipts (GF)	285,600	2,448,500	(2,448,500)	285,600	2,225,300	(2,225,300)	285,600	2,000,000	(2,000,000)	285,600	205,700	(205,700)	285,600
Capital Receipts (HRA)	500,000	813,100	(500,000)	813,100	813,100	(500,000)	1,126,200	813,100	(500,000)	1,439,300	813,100	(500,000)	1,752,400
Capital Receipts (HRA) 1 - 4 - 1 Receipts	-	490,600	(490,600)	-	490,600	(490,600)	-	408,800	(408,800)	-	408,800	(408,800)	-
s106 monies	48,600	-	-	48,600	-	-	48,600	-	-	48,600	-	-	48,600
General Fund Balance	1,601,600	-	-	1,601,600	-	-	1,601,600	-	-	1,601,600	-	-	1,601,600
HRA Balance	750,000	-	-	750,000	-	-	750,000	-	-	750,000	-	-	750,000
Total Usable Reserves	18,430,000	14,728,100	(17,116,000)	16,042,100	12,893,000	(7,831,400)	21,103,700	11,693,600	(13,865,700)	18,931,600	9,734,500	(8,281,800)	20,384,300

SUMMARY BUDGET TIMETABLE 2019/20**DATE DUE****ACTION****OCTOBER**

11th

Executive Board considers

- Medium Team Financial Strategy
- Corporate Plan process

JANUARY

17th

Executive Board determines Target Budgets**Performance & Resources OSP** (all members invited) considers Target Budgets**FEBRUARY**

7th

Executive Board considers:

- Draft General Fund Budget 2017/18 and Forecasts 2018/19 to 2019/20
- HRA Draft Budget 2017/18 to 2019/20
- Council Tax levels
- Treasury Management Strategy

28th

Council approves:

- Budgets
- Council Tax Levels
- Treasury Management & Investment Strategy

MEDIUM TERM FINANCIAL PLAN 2019/20**KEY BUDGET ASSUMPTION DATA**

Item	NKDC Assumptions
Period covered by MTFP	3 Years
Government Grant - RSG	Phased out by 2018/19
New Homes Bonus	Based on 4 years growth from 2018/19
Support to Parishes	Allocations phased out in line with reduction of RSG
Salary growth forecast	2.0% - 2019/20 onwards assumed annual salary award plus the transition to achieve the Governments planned National Living Wage rate for 2020
Future increase in utilities and fuel costs	3% - Utilities 2019/20 onwards 3% - Fuel (rebased on 2018/19) 2019/20 onwards
Forecast interest rate for investment income	Investment income is assumed to be static throughout the period
Council Tax increase	2.0%
Future growth in numbers of Band D equivalent properties	1.25%
NNDR Base increase	3%
NNDR Renewable Energy income	£2,000,000 – 2019/20 onwards
Increase in Drainage	2.0%
Forecast HB Admin. Grant	Annual 10% reduction
Forecast homelessness grant	Assumes continues beyond 2019/20
Changes to fees and charges	Review of 5% - discretionary charges increases to match specific market levels
Forecast pension contribution rate following triennial reviews	Cash increases in line with outcome from 2013/14 triennial revaluation £56,000 2018/19 onwards
Annual staff vacancy/turnover rate	1% assumed on establishment costs
Major income area	In line with current projections for 2018/19
Contribution to Reserves from G/F – Renewals Reserve	Current £100k base onwards
Contribution to Reserves from G/F – Capital Reserve	Current £100k base onwards
Contribution to Reserves from G/F – ICT Reserve	Current £100k base onwards
HRA – forecast rent increase	Follow Determination guidance (in full increase)
HRA – forecast increase in garage rents	3%
HRA – forecast increase in service charges	3%
GF working balance as % of net operating expenditure	10%
Minimum HRA working balance	£750,000
Capital Receipts	In line with experienced during 2017/18
Policy on bids for growth and service investment	The base budget does not assume any growth. New development bids will be submitted separately for consideration and approval by the Board.

Sensitivity Analysis of Major Budget Assumptions

Item	Budget Assumption	Sensitivity impact on 2019/20	Financial Impact 2019/20	Impact on Council Tax increase 2019/20	Sensitive	Budget Risk	Comment
Government Grant - RSG	Reduction of grant	(+/-) 1% (+/-) 3% (+/-) 10%	£14,000 £42,000 £140,000	0.32% 1% 3.2%	Yes	Yes	
Business Rates Income	2.5% growth	(+/-) 1% (+/-) 3% (+/-) 10%	£100,000 £300,000 £1,000,000	2% 6% 20%	Yes	Yes	
Salary growth forecast	2%	(+/-) 1% (+/-) 3% (+/-) 10%	£85,000 £255,000 £850,000	2% 6% 20%	Yes	Yes	
Future increase in utilities costs	3%	(+/-) 1% (+/-) 3% (+/-) 10%	£900 £2,700 £9,000	0.02% 0.06% 0.2%	No	No	
Future increase in fuel costs	2%	(+/-) 1% (+/-) 3% (+/-) 10%	£3,500 £10,500 £35,000	0.07% 0.21% 0.7%	No	No	
Major Income areas (Planning, Building Control, Land Charges & Car parks)	In line with 2018/19 levels	(+/-) 1% (+/-) 3% (+/-) 10%	£19,500 £58,500 £195,000	0.39% 1.17% 3.9%	Yes	Yes	
Future growth in numbers of Band D equivalent properties	1.25%	(+/-) 1% (+/-) 3% (+/-) 10%	£43,000 £129,000 £430,000	1% 3% 10%	Yes	Yes	
Housing Benefit Admin grant	Annual 10% reduction	(+/-) 1% (+/-) 3% (+/-) 10%	£3,800 £11,300 £37,500	0.08% 0.23% 0.75%	No	No	