

FINANCIAL SERVICE 001

# Medium Term Financial Strategy (2020/21 – 2022/23)

2020/21 – 2022/23



**North Kesteven**  
DISTRICT COUNCIL

Date of publication:

17/10/19

Date of Approval:

17/10/19

Approved by:

Executive Board

New or existing strategy:

New

## INTRODUCTION

North Kesteven's Medium Term Financial Strategy is the means by which the Council demonstrates how it will use the financial resources it has 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 NK 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 Government previously stated its intention to hold a new Spending Review in 2019, covering the period 2020/21 to 2022/23. However, with the current political turbulence around Brexit, the Chancellor Sajid Javid announced on the 4 September 2019 a one-year Spending Round covering the financial year 2020/21, and that this would be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets. However, the current uncertainties surrounding Brexit and Parliamentary process means there is no guarantee that the Chancellors announcement will come to pass.

Interest rates and inflation have 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, it remains the position that 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.

With the ongoing saga over the UK's departure from the EU, parliamentary time to consider all other aspects of UK law, such as introducing changes to Local Government Finance, is likely to be small. Therefore, one option open to the Government is to simply "reset" the current 50% Business Rates Retention regime. All options on revising the Local Government Finance Regime are being considered under the Government's "Fair Funding Review".

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, the additional savings required from each Head of Service and the continued use of the Income Volatility Reserve will be required to ensure that a balanced budget can be achieved for the period 2020/21 to 2022/23.

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 projected savings and generation of additional and new income, along with the utilisation of the Income Volatility Reserve sees the Council's General Fund achieving a balanced budget through to 2029/30.

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 and beyond and is the cornerstone of the tactical financial strategies that guide the detailed financial work of the Council.

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**  
**Director of 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;
- 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 resilient 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 along with the tactical financial strategies support all other Council strategies 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, the MTFS 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 2019 in conjunction with the Local Strategic Partnership (Partnership NK) and 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

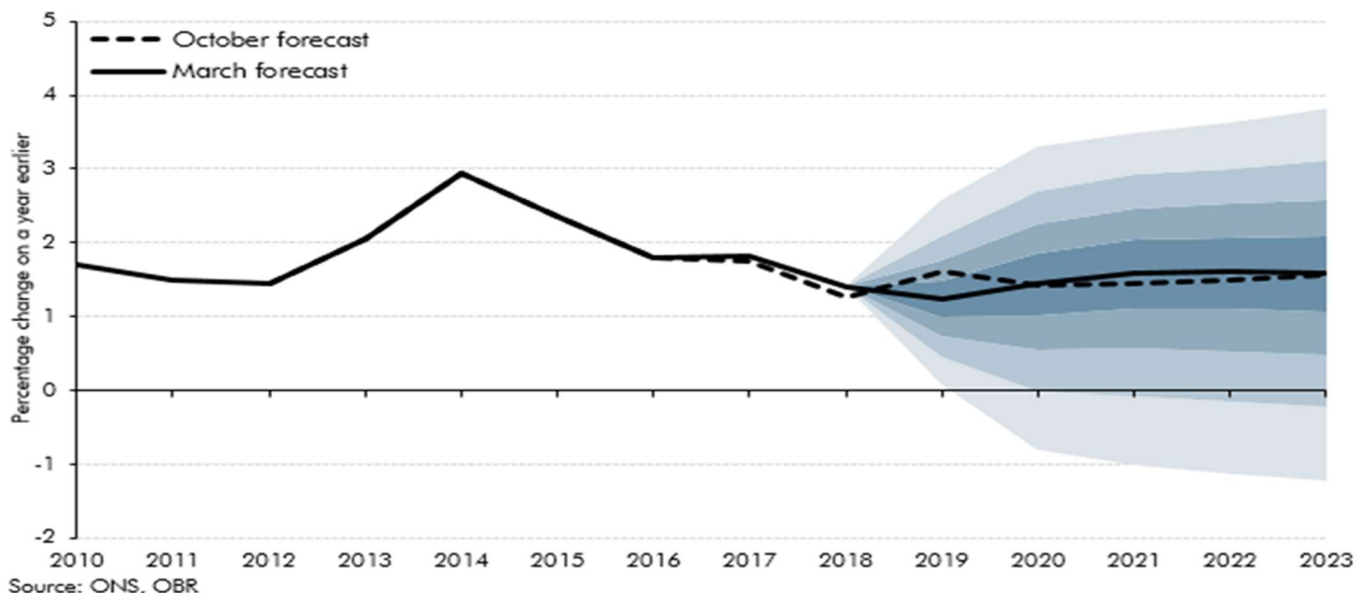
## CURRENT FINANCIAL CONTEXT

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 has become even more apparent with Revenue Support Grant (RSG) from Central Government being removed as a source of funding.

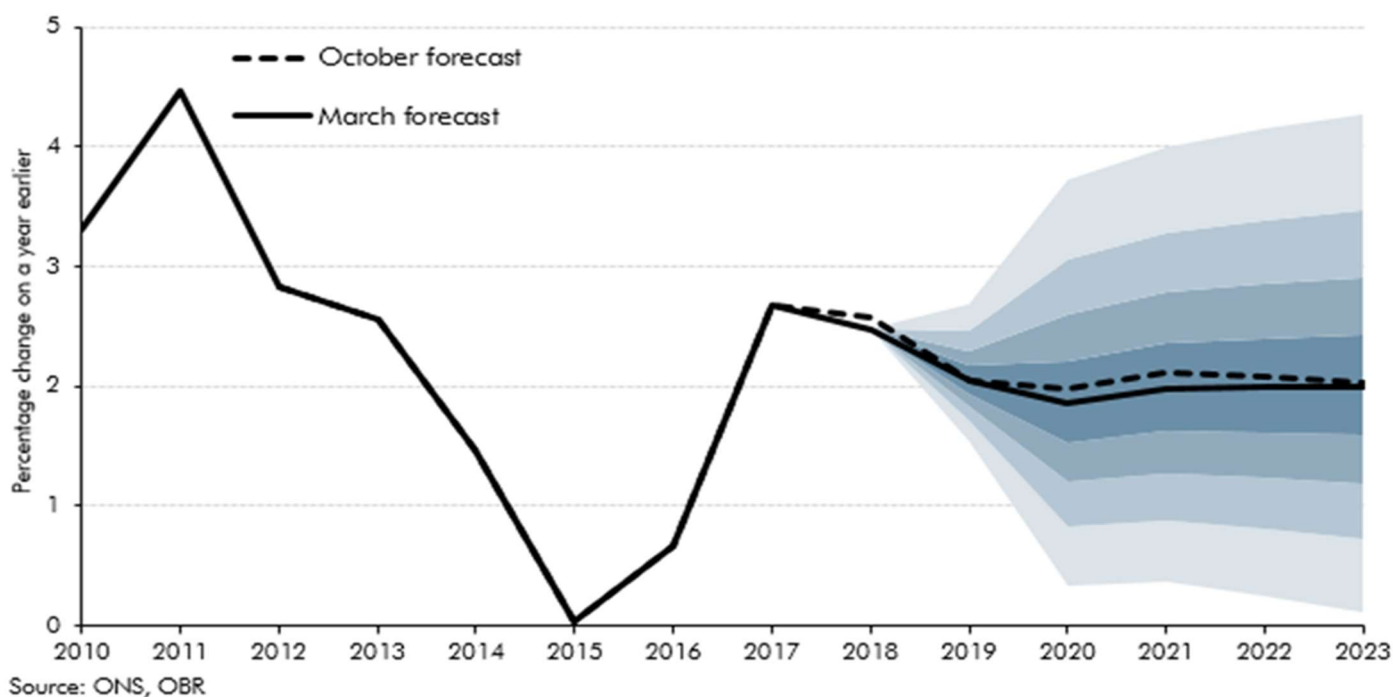
The positive side to this sees the end to the Council relying on Central Government support thereby having greater control of its own financial destiny. However, the success of the Council will be largely governed by the success of the local economy. Any reduction in economic activity will have a negative impact on the Council's finances.

### OBR Outlook

The Office for Budget Responsibility (OBR) in its March 2019 forecast, has revised up slightly the actual growth in GDP achieved for 2018 to 1.4% and lowered its forecast for 2019 to 1.2% from its November 2018 forecast. This sees the UK economy as the worst performing of the G7 countries with the Euro area forecast to grow on average by 1.6% in 2019 and the US 2.5%. The following graph is the OBR's March 2019 projections for UK GDP growth.



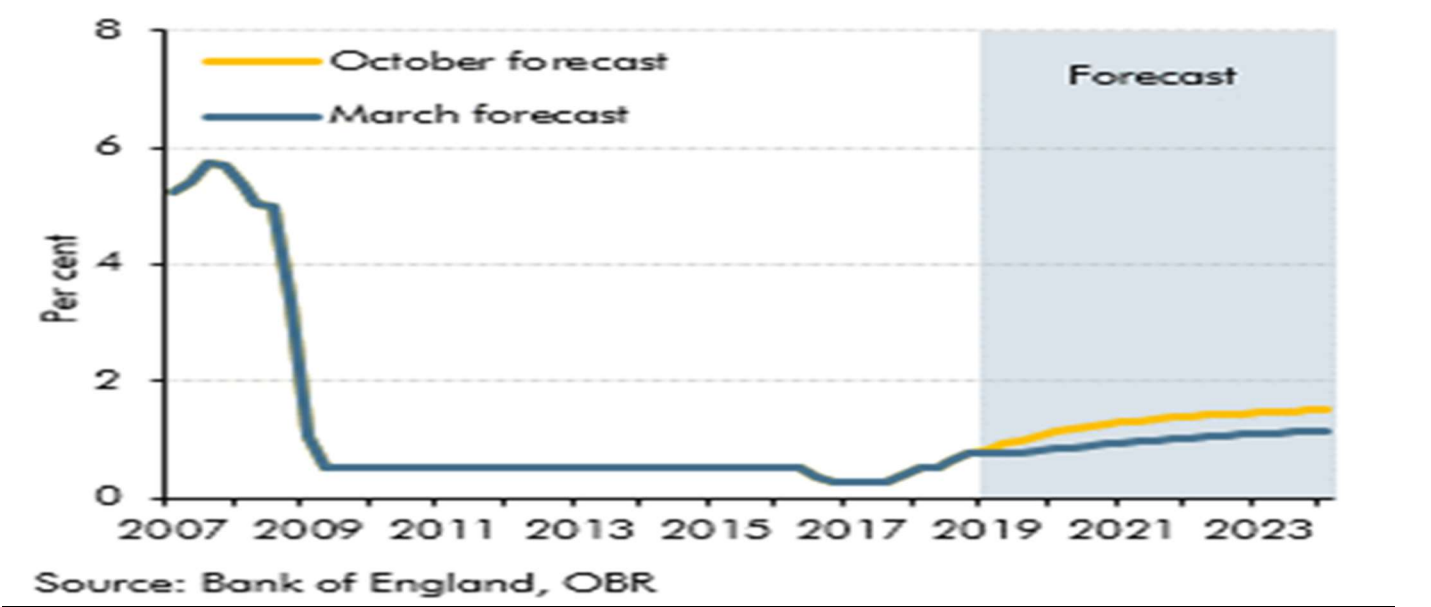
Many of the Council's assumptions are based around the likely impact of inflation (CPI) on the costs of its services. The following chart demonstrates the OBR's central projection for CPI which sees it on or around its 2% target for the foreseeable future.



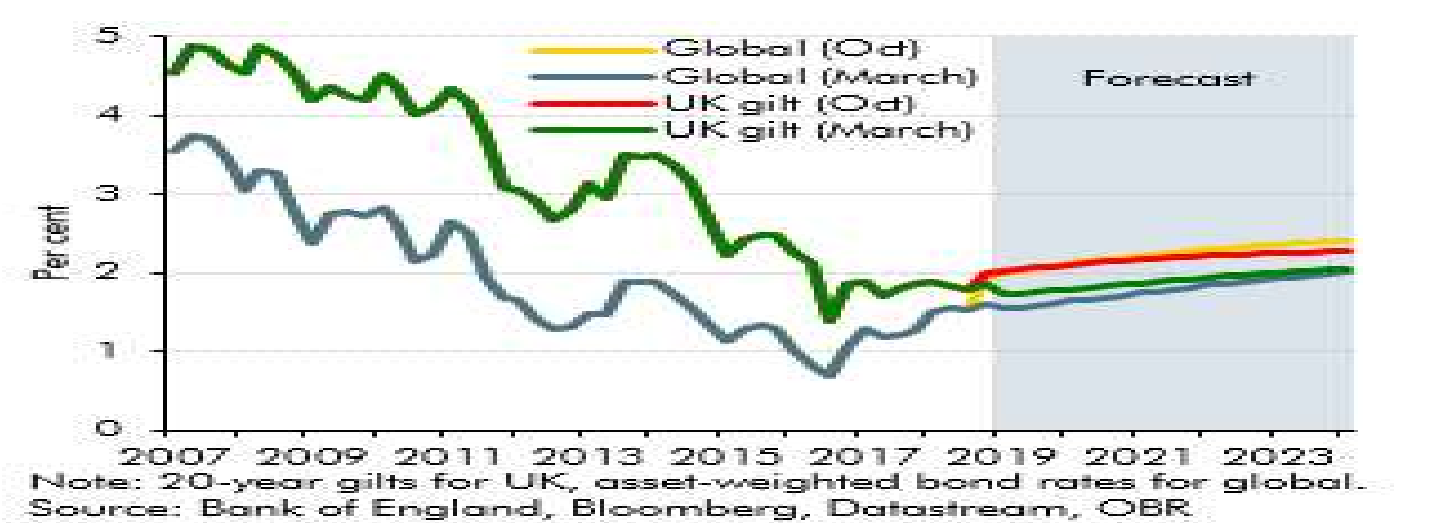
In terms of the Council's investments and loans which have a big impact on the financial position of the Council, investment returns and the ongoing cost of borrowing are influenced by the Bank of England bank rate and the expected return of UK Gilts.

The following graph shows the OBR's view of the Bank of England's Bank Rate. This shows only

minimal increases over the period to 2023, lower than previously forecast. This suggests that the opportunities for the Council to make investment returns on its cash surpluses will remain limited.



The following graph represents the OBR’s projections for UK Gilts. UK Gilts have a large influence on the rate at which the Council can borrow for new debt. The Council recently decided to take up the borrowing it has accumulated through the capital programme in recent years, due to borrowing rates falling to the lowest levels recorded. This helped to ensure that the future costs incurred by the Council Taxpayer would be the lowest possible.



The Council continues with a very ambitious capital programme with £200million of investment planned over the next 10 years covering both the General Fund and Housing programmes. With UK Gilts showing only small expected increases through to 2023, it is clear that borrowing rates will remain low and advantage of particularly attractive rates will be sought in line with the Council’s Treasury Management Strategy.



## UK withdrawal from the EU negotiations

Clearly the biggest unknown for the UK economy remains the outcome from the current negotiations around the UK's withdrawal from the EU. The OBR forecasts above are all on the basis of an orderly withdrawal from the EU through a "deal".

## **FINANCIAL RESILIENCE STRATEGY**

The Council approved its revised and second ExCITe strategy and programme at the Executive Board meeting 5 October 2017.

Since then, the National Audit Office and the Chartered Institute of Public Finance & Accountancy (CIPFA) have been assessing the financial resilience of local authorities particularly in the light of the financial difficulties at Northamptonshire County Council.

CIPFA have looked to take a lead and provide insight for Chief Financial Officers and their council's in assessing financial resilience. CIPFA have identified the financial stress warning signs:

- Running down reserves;
- A failure to plan and deliver savings in order to ensure the council lives within its resources;
- Shortening medium-term financial planning horizons;
- Greater "still to be found" gaps in saving plans;
- A growing tendency to have unplanned overspends and/or carrying forward undelivered savings.

Furthermore, CIPFA have established "The four pillars of resilience" for councils. These are:

- Getting routine financial management right;
- Benchmarking;
- Clear plans for delivering savings;
- Managing reserves.

The Council has maintained strongly all of the "pillars of resilience" identified by CIPFA and has not shown any of the financial stress warning signs. Furthermore, the Council has taken a number of steps in recent years from establishing its income generation ExCITe Strategy in October 2015, developing its financial planning for the General Fund over a 10 year period and the establishment of the Income Volatility Reserve to improve its financial standing and financial resilience.

The MTFS has been the main document to detail the Council's plans for maintaining a General Fund balanced budget position. However in order to provide a specific focus on the financial resilience of the General Fund, as part of the establishment of the Council's wider financial strategies for delivering the MTFS, the Council's ExCITe Strategy will be widened to form the Council's Financial Resilience Strategy.

The new Financial Resilience Strategy will look to encompass the latest guidance from CIPFA to provide detailed governance arrangements including, challenging the robustness of the Council financial plans to deliver savings and additional income, the establishment of the business case and financial models for assessing new initiatives and set the boundaries for future capital investment and commercial activities.

## GENERAL FUND 2020/21 to 2022/23

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. Services also generate direct income, from fees and charges, government grants and rental income.

The net cost of services is then funded from Business Rates, Council Tax and some Government Grants.

The Government previously stated its intention to hold a new Spending Review in 2019, covering the period 2020/21 to 2022/23. However, with the current political turbulence around Brexit, the Chancellor Sajid Javid announced on the 4 September 2019 a one-year Spending Round covering the financial year 2020/21, and that this would be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets.

Therefore, the Council is considering its financial outlook, post the period covered by the current Local Government four year settlement, with limited knowledge of the financial environment in which it will operate.

The proactive work already undertaken by the Council including substantial investment activity, through the Council's Capital Programme, its Transformation Programme and ExCITe programme means that it is well placed to tackle the challenges ahead.

The following table details the budget savings/ additional income resulting from these activities that have so far been included within the General Fund base budget.

	2019/20 £ ('000)	2020/21 £ ('000)	2021/22 £ ('000)
Investment Income & arrangement fees – Lafford Homes Ltd	200	487	866
Revised Leisure Services contract	700	750	800
Reduced Debt Charges	600	600	600
Historic Underspends	300	300	300
<b>Total Additional Savings/ Income Included in General Fund</b>	<b>1,800</b>	<b>2,137</b>	<b>2,566</b>

The revised leisure contracts are on course to deliver the savings identified above. Furthermore, the potential exists for the contracts to deliver further savings over the duration of the contract. Lafford Homes Ltd revised its Business Plan in order to boost delivery and quicken returns to the Council.

Beyond 2020, the Council faces particular uncertainty with the expected introduction of the Government's Fair Funding Review and 75% Business rates Retention and further "responsibilities" as a consequence of the Government's changes to Local Government Funding. 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.

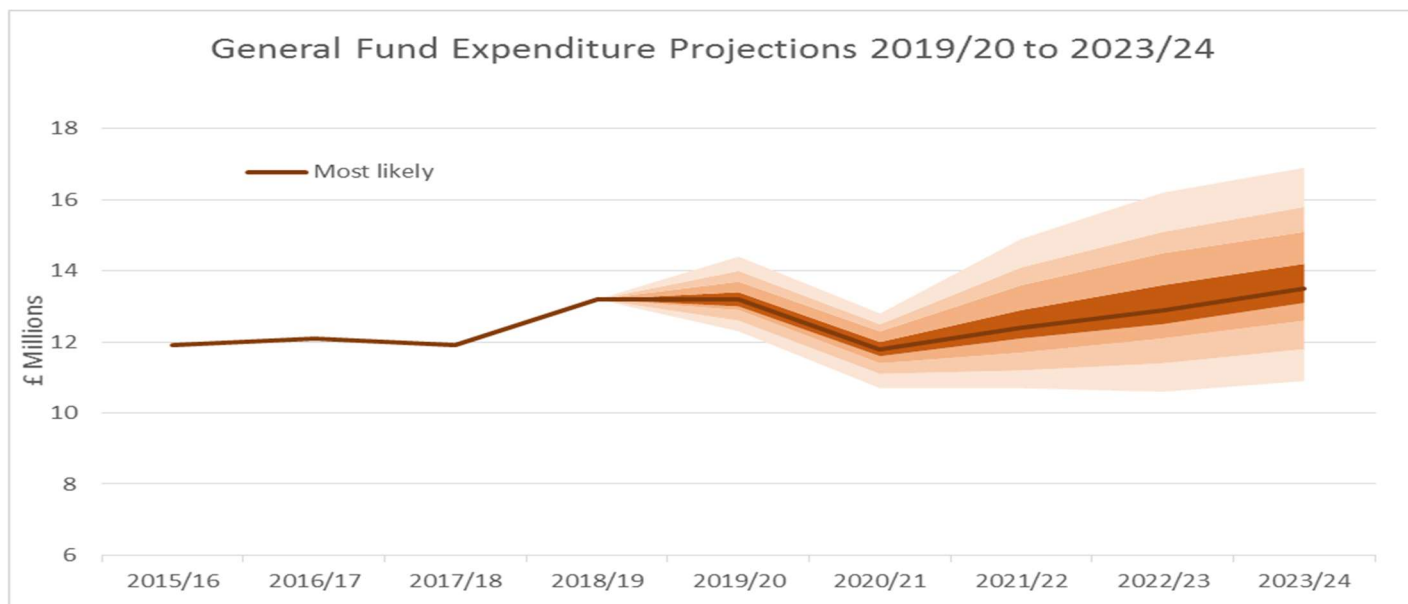
With the ongoing saga over the UK's departure from the EU, parliamentary time to consider all other aspects of UK law, such as introducing changes to Local Government Finance, is likely to be small. Therefore, one option open to the Government is to simply "reset" the current 50% Business Rates Retention regime. All options on revising the Local Government Finance Regime are being considered under the Government's "Fair Funding Review".

The original timetable, towards the introduction of the new finance regime was as follows.

<b>Business Rates Retention &amp; Fair Funding Review Timetable</b>	<b>Likely Date</b>
Submission of Initial "Fair Funding" consultation responses	<b>March 2018 (Completed)</b>
Technical consultations	<b>Summer 2018 – Spring 2019 (Completed)</b>
Consider outcomes from Pilots	<b>Summer 2019</b>
Consider options for assessing relative needs and resources	<b>By September 2019</b>
Set funding Baselines & any transitional arrangements	<b>December 2019/ January 2020</b>
Introduction of final Fair Funding/ 100% BRR	<b>1 April 2020</b>

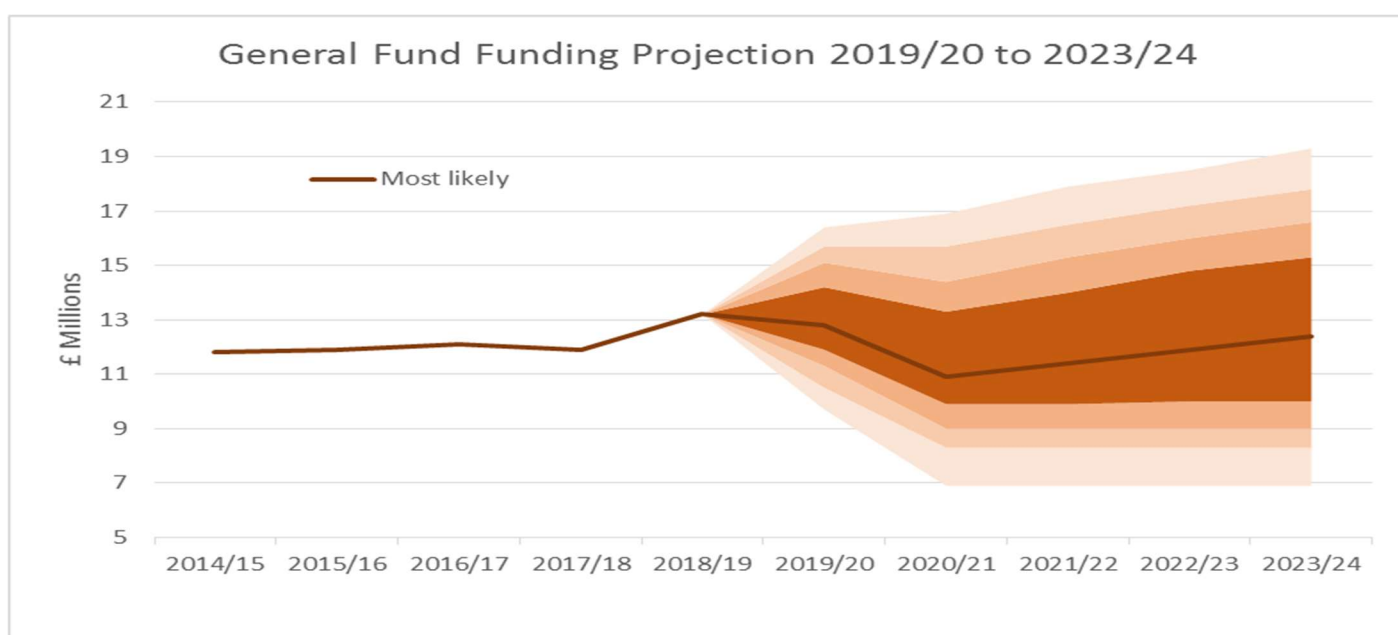
However, this timetable is now expected to have slipped by at least a year. Therefore, the Council has the current financial year before changes are likely to come in to force but this now could be either delayed further or introduced in stages. As mentioned above, with the current national political uncertainty, the Government intends to deliver a one year Local Government settlement for 2020/21 possibly, but unlikely, with a "reset" of Business Rates Retention. It may simply look to just "roll over" funding assumptions. The implications of which will not be known until mid to late December and the announcement of the Local Government Finance settlement for 2020/21.

Budgeted expenditure levels for the General Fund continue to increase with further pressures faced (higher levels of inflation, pay awards, etc). The following graph demonstrates the range of the Gross Expenditure of the General Fund and the mostly likely position over the next 5 years. This includes the expected savings budgeted to be achieve.

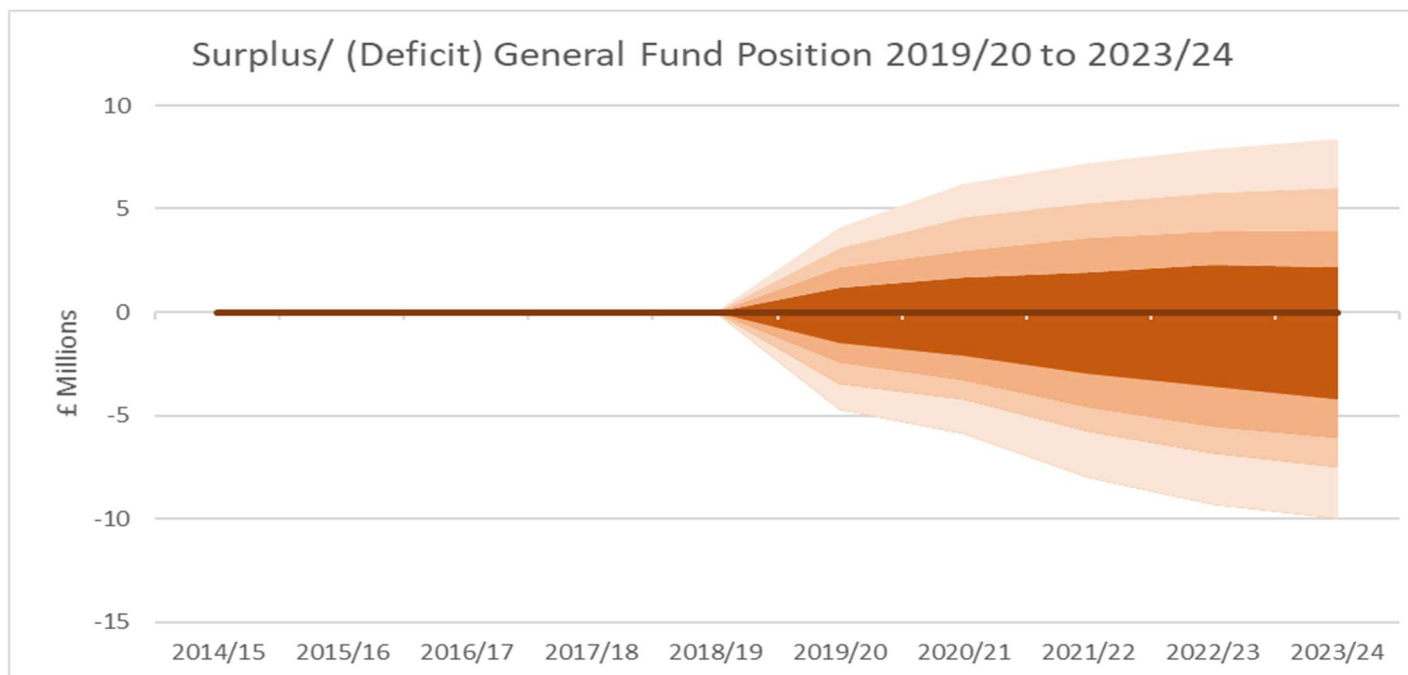


As previously mentioned, the introduction of 75% Business Rates Retention and the Government's Fair Funding Review, sees many of the aspects of the current funding regime being reviewed. The Following graph demonstrates the range of funding scenarios the Council could face and identifies the most likely.

This sees effectively a 10 year stagnation in funding levels for the General Fund with funding peaking in 2018/19, as a response to the additional income generated from being in the Lincolnshire Pilot.



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 continuation of a balanced budget in the short term due to the savings and income plans already identified and underway.



### **Financial Outcomes from Yearend 2018/19**

The Outturn for 2018/19 reported a surplus in excess of £1.1million for the General Fund with £0.85million being as a result of increased Business Rates from both the Lincolnshire 100% Pilot and changes in the accounting arrangements for Business Rates appeals.

A number of items have risen as part of the yearend for 2018/19.

#### **Business Rates Income Received**

- A review of Business Rates appeals in December 2018 resulted in a declared surplus for 2018/19 of £2,400,000 with the Council's share being £1,650,000.
- The provisional outturn 2018/19 actual surplus was £3,000,000 with the Council's share being £2,000,000. The increase in the surplus was mostly due to further releases from the Business Rates appeals provision as more information from the Valuation Office on the likely success of appeals became available. However, as there is no guarantee how appeals will ultimately be decided, consideration of this being transferred into the Business Rates Appeals Reserve to cover the original higher cost assumption for appeals would be prudent.
- To cover the original appeals position within the new reserve, approximately £2.3million would be required. As part of the budget process for 2019/20 it was approved to transfer £1.4million into the Business Rates Appeals Reserve. Therefore, the Council should also consider allocating an additional £0.9million met from the underspend and any increased surplus for the year 2019/20.

#### **Borrowing & Investments**

- With historically low borrowing rates, new loans totalling £14million have been entered into in order to begin to finance the capital programme borrowing requirement up to and including 2017/18 of £17.4million.

- This will lead to additional borrowing costs on the General Fund and HRA. However, additional investment income will offset a large part of this additional cost. The MTFS had assumed the continuation of the approach to delay the uptake of borrowing in the short term by using internal borrowing. However, borrowing rates continued to fall during 2018/19 to such low levels that the short term additional cost would be significantly outweighed but the longer term savings.
- In total the extra cost of borrowing totals approximately £320,000 reduced by approximately £200,000 following additional investment income with the balance of £120,000 being charged to the General Fund.
- Borrowing rates in recent months have continued to fluctuate and the Council will continue to monitor borrowing rates in order to take advantage of any further short term lowering of borrowing rates.

#### Pay & Grading Implications

- Pay & Grading and the final cost implications have only recently been finalised. Overall the costs of the new pay structure and arrangements for transition are likely to be contained within the overall cost envelope budgeted with the implications for 2019/20 being finalised as part of the Council's 1<sup>st</sup> quarter financial performance reporting.

### **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.

The Council has already seen 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.

### **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 2020/21, Council Tax growth will be assessed. At this stage, no surplus or deficit is expected to be declared.

### **Localised Council Tax Support Scheme 2020/21**

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. In particular the implications from Universal Credit bandings and 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).

Consultation on potential changes to the scheme will commence on the 17<sup>th</sup> October 2019 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 2020/21 to 2022/23

With all of the above taken into consideration, it is likely that the General Fund will remain in a balanced position for 2020/21, 2021/22 & 2022/23.

Attached at **Appendix 1** is a revised General Fund Summary 2018/19 to 2022/23 which is summarised in the following table. The table also includes for additional items now expected to impact, since the NK Financial Plan was approved in February 2019.

GENERAL FUND	Revised 2019/20 £	2020/21 £	2021/22 £	2022/23 £
Net Cost of Services	11,193,600	10,714,800	11,670,200	11,636,200
Capital Charges and Investments	(1,077,600)	(1,433,500)	(1,412,500)	(1,352,900)
Appropriations	4,867,100	2,077,300	1,394,000	1,557,100
Revised net borrowing costs	120,000	120,000	120,000	0
<b>REVISED NET EXPENDITURE</b>	<b>15,103,100</b>	<b>11,478,600</b>	<b>11,771,700</b>	<b>11,840,400</b>
<b>Funded by</b>				
Council Tax	(6,075,400)	(6,381,700)	(6,478,400)	(6,640,400)
Business Rates	(6,900,400)	(4,976,900)	(5,173,300)	(5,200,000)
Business Rates Surplus/Deficit	(1,647,800)	(350,000)	-	-
Revenue Support Grant (RSG)	(359,500)	-	-	-
Unallocated 2018/19 Surplus	(988,000)	-	-	-
Business Rates Appeals Reserve	850,000	-	-	-
Further Increase/ (decrease) to Income Volatility Reserve	18,000	230,000	(120,000)	-
<b>Total Funding</b>	<b>(15,103,100)</b>	<b>(11,478,600)</b>	<b>11,771,700</b>	<b>(11,840,400)</b>
<b>NET (SURPLUS)/ DEFICIT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



In order to help smooth financial implications for the General Fund, the Council operates an Income Volatility Reserve. The following table summarises the expected position for the Income Volatility Reserve over the next three years.

<b>Income Volatility Reserve</b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>2022/23 £</b>
Opening Balance	(1,450,800)	(2,658,200)	(2,633,900)	(1,701,200)
Original Contribution (to)/ from Income Volatility Reserve	(1,189,400)	254,300	812,700	56,000
Revised General Fund Contribution	<b>(18,000)</b>	<b>(230,000)</b>	<b>120,000</b>	-
<b>Closing Balance</b>	<b>(2,658,200)</b>	<b>(2,633,900)</b>	<b>(1,701,200)</b>	<b>(1,645,200)</b>

#### **Update on MTFS 2019/20 – 2022/23 new income generation and savings initiatives**

The MTFS identified a number of new initiatives required in order to balance the budget for 2019/20 to 2022/23 and to help balance the longer term 10 year General Fund position. The following table provides through a Red, Amber and Green rating (RAG) an update on the current progress for achieving the initiatives and the savings/ increased income required.

	<b>Budget 2019/20 £</b>	<b>Budget 2020/21 £</b>	<b>Budget 2021/22 £</b>	<b>2022/23 £</b>
<b>Historic Underspends</b>	250,000	250,000	250,000	250,000
<b>HoS Savings</b>	0	375,000	375,000	375,000
<b>Workshop Occupancy</b>	50,000	50,000	50,000	50,000
<b>Crematorium</b>	0	0	22,000	22,000
<b>Heart of Sleaford (Cinema)</b>	0	25,000	25,000	25,000
<b>Workshop Investment</b>	0	0	66,000	66,000
<b>Garden Waste charge increase</b>	0	150,000	150,000	300,000
<b>SMEP</b>	0	0	0	75,000
<b>Lafford Homes increased return</b>	0	0	0	120,000
<b>TOTAL</b>	<b>300,000</b>	<b>850,000</b>	<b>938,000</b>	<b>1,283,000</b>
<b>GREEN</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>495,000</b>
<b>AMBER</b>	<b>0</b>	<b>550,000</b>	<b>616,000</b>	<b>766,000</b>
<b>RED</b>	<b>0</b>	<b>0</b>	<b>22,000</b>	<b>22,000</b>
<b>TOTAL</b>	<b>300,000</b>	<b>850,000</b>	<b>938,000</b>	<b>1,283,000</b>

The Historic Underspends and Workshop Occupancy items now form part of the base budgets for 2019/20 onwards.

The Crematorium initiative will no longer form part of the savings target due to the uncertainties of whether a facility could be delivered within the district. However, as a concept opportunities will still be pursued.



## GENERAL FUND POSITION 2023/24 TO 2029/30

Attached at **Appendix 1A** 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 2023/24 to 2029/30. From this, the following Table details the revised funding gaps established for each year along with an assurance rating to reflect the delivery status of the remaining initiatives.

GENERAL FUND	2023/24 £ (000)	2024/25 £ (000)	2025/26 £ (000)	2026/27 £ (000)	2027/28 £ (000)	2028/29 £ (000)	2029/30 £ (000)
<b>REVISED DEFICIT (MTFS 2020/21 – 2022/23)</b>	<b>1,201</b>	<b>1,365</b>	<b>2,054</b>	<b>1,703</b>	<b>1,414</b>	<b>1,115</b>	<b>1,003</b>
<b>Initiatives</b>							
Review of underspend, savings and increased Fees & Charges	(675)	(675)	(825)	(825)	(825)	(825)	(825)
<b>Lafford Homes</b>	(180)	(240)	(300)	(360)	(420)	(480)	(480)
<b>Increased Workshops</b>	(66)	(132)	(132)	(132)	(198)	(198)	(198)
<b>Investment in local economic schemes</b>	(175)	(250)	(325)	(400)	(475)	(550)	(550)
<b>Income Volatility Reserve</b>	(105)	(68)	(472)	14	504	938	1050
<b>Total Initiatives</b>	<b>(1,201)</b>	<b>(1,365)</b>	<b>(2,054)</b>	<b>(1,703)</b>	<b>(1,414)</b>	<b>(1,115)</b>	<b>(1,003)</b>

While good progress has been made on the above sets of initiatives, more work is required to ensure delivery and that the financial outcomes expected are achieved. However, as an indication of the success of the work in delivering savings to date, the original deficit set for 2023/24 totalled £2,464,000. Therefore, the Council has reduced the deficit for 2023/24 by £1,263,000 in the last two years.

Furthermore, the above table also demonstrates that over time, delivery of the initiatives identified above, moves the Council into a stronger financial position making it more resilient to any further challenges that might befall the General Fund.

The Council is focused on delivering the above schemes and the financial savings required with robust plans in place.

## 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 have been reducing by a flat rate of 1% over a four year period. The final year of this is 2019/20. For 2020/21 and onwards, CPI plus 1% will once again be applied.

The financial implications of the Chancellors Budget 2015 announcement has been significant and the impact on funding for the Council's HRA Capital New Build programme were factored into the HRA 30 year Business Plan. While this represents a significant loss of funding the Council's HRA remains viable over the long term, and the Council continues 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 rate to keep pace with the loss under RTB as a minimum. 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 building increase.

Housing list numbers have also risen in recent years with more prospective tenants. Combined with a small and under developed 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.

The HRA outturn for 2018/19 resulted in an underspend of £1,094,000. After carry forward requests, the remaining underspend of £887,200 has been transferred to the Major Repairs Reserve to finance future capital maintenance and new build projects. This underspend represents a significant percentage of the budgeted expenditure for the year. Therefore, it is a requirement to review the nature and cause of the underspend to ensure that budgeting is appropriate going forward.

**Appendix 2** details a revised summary of the HRA for 2019/20 to 2029/30. This shows that the HRA remains in a healthy and viable position with significant investment in services and repairs and maintenance. The following table summarises the HRA over the next three years.

	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Repairs and Maintenance	4,024,200	3,945,200	4,086,000	4,250,600
Supervision & Management	4,251,100	4,207,800	4,299,700	4,355,500
Debt Charges	2,147,200	2,104,700	2,234,900	2,377,100
Total Expenditure	10,422,500	10,257,700	10,620,600	10,983,200
Rent & Other Income	(15,333,000)	(15,445,000)	(16,024,300)	(16,516,900)
Appropriations & Contribution to Major Repairs Reserve	4,910,500	5,187,300	5,403,700	5,533,700
<b>HRA projected (surplus)/ Deficit for year</b>	-	-	-	-

As can be seen, the surplus of rental income over expenditure allows the HRA to make a contribution to the Capital Programme of approximately £21million for 2019/20 to 2022/23. Appropriations generally relate to dwellings depreciation charges and contributions to the Major Repairs Reserve, both of these are allowed to be utilised to fund the Council's HRA Capital Programme.

## CAPITAL PROGRAMME POSITION

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

**Appendix 3** 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 2019/20 £	2020/21 £	2021/22 £	2022/23 £
Housing Revenue Account	11,694,500	12,736,400	9,369,200	7,526,500
General Fund	19,190,000	16,704,600	9,285,900	18,104,500
<b>Total</b>	<b>30,884,500</b>	<b>29,441,000</b>	<b>18,685,100</b>	<b>18,104,500</b>

### 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.

The Council has been able to maintain a healthy New Build programme with a budget of £63.9million over the next 10 years. 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 has become increasingly difficult to achieve in recent years.

To assist with this, the Council has been successful in securing funding from Homes England for certain schemes to help reduce the net cost and maintain the Council's value for money criteria.

The capital improvements to existing stock totals £45.4million for the years 2019/20 to 2029/30.

### General Fund Capital Programme

For 2019/20 to 2022/23, the General Fund Capital Programme is focused on the delivery of market rental properties through its wholly owned company, Lafford Homes Ltd, delivery of the Sleaford Moor Enterprise Park (SMEP), the Heart of Sleaford scheme, the provision of workshop spaces 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.

As part of this year's budget process, Lafford will bring forward a further Business Plan looking to finalise the schemes it wishes to include in its build programme with the aim of drawing down the funding of £51.6million provided and included within the Council's General Fund capital programme over the next 10 years.

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 2029/30 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 £7.2million being allocated to 2029/30.

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 £1.5million by March 2020, rising to £3.8million by 2022/23, after all of the Council's current approved expenditure plans and represents a significant sum available for further capital investment. This assumes that NHB will continue following the Government's Fair Funding Review.

The Council's General Fund contributes £0.1million per year to a Capital Reserve which is projected to have a balance of £0.8million by 2022/23.

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 4** is a revised Reserves position. The following table summarises the expected amounts to be available in Usable Reserves to 2022/23.

Usable Reserves	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Revenue Reserves	8,863,000	7,461,400	6,926,900	7,147,200
New Homes Bonus Reserve *	1,582,500	1,367,500	2,667,500	3,767,500
Capital Reserves	885,300	1,125,700	1,263,700	1,188,200
HRA Reserves	6,178,800	4,167,000	6,138,800	5,897,300
<b>Total Earmarked Reserves</b>	<b>17,509,600</b>	<b>14,121,600</b>	<b>16,996,900</b>	<b>18,000,200</b>
Capital Receipts & Grants	1,705,400	1,744,800	1,784,200	2,009,600
GF & HRA Balances	2,350,000	2,350,000	2,350,000	2,350,000
<b>Total Usable Reserves</b>	<b>21,565,000</b>	<b>18,216,400</b>	<b>21,131,100</b>	<b>22,359,800</b>

\*Projected

## THE MEDIUM TERM REVENUE AND CAPITAL PROGRAMME PROCESS

The preparation of the Council's revenue and capital programmes for the next three years commences 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 NK Plan for the next three years.

The Medium Term Financial Strategy has been informed by the review of the Council's NK Plan. The Strategy will be submitted by the Director of 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 NK 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 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 in December, the Government will announce the provisional finance settlement for 2020/21.

The Council's budgets for the General Fund, HRA and Capital Programmes along with the proposed Fees and Charges for 2020/21 will be submitted for scrutiny to the Performance and Resources Overview & Scrutiny Panel during January 2020.

The Executive Board, at its meeting in February 2020, 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 27 February 2020. A summary timetable of activities is attached at **Appendix 5**.

### **Budget Assumptions and their Sensitivity**

The base budgets will include assumptions regarding a number of issues which are set out in **Appendix 6**.

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 sees strong growth 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 7**.

### **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.

<b>RISK AREA</b>	<b>POTENTIAL FINANCIAL IMPACT ON THE COUNCIL</b>
<b>General Fund</b>	

Uncertainty on UK exit from the EU	Economic instability leading to UK “downturn”
	Removal of EU grant funding – both directly and indirectly impacting on local businesses
Economic Downturn	Drop in business rates growth
	Increased inflation – higher supplies and services costs
	Businesses closing
	Reductions in fees and charges income
	Increased cost of Council Tax Support
Slowed Housing Growth	Lower Council Tax Taxbase growth + NHB gains not realised
Savings initiatives	Delayed initiatives leading to later timeline for General Fund savings to materialise
Localisation of Business Rates	Reassessment of “Need” leading to a lower level of funding
	Loss of growth as part of a system “reset”
	Withdrawal of central grants higher than gain from 75% localised Business Rates
Historic Business Rates Appeals	Provisions allowed along with the new Business Rates Appeals Reserve are insufficient to cover actual cost of appeals
Lafford Homes Ltd	Failure to deliver leading to default or lower 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, external audit services 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](http://www.n-kesteven.gov.uk)

Email: [equality@n-kesteven.gov.uk](mailto: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

**GENERAL FUND SUMMARY 2019/20 to 2022/23**

	Approved Budget 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £
<b><i>Net Cost of Services</i></b>				
Our Council	4,410,300	4,258,600	4,578,300	4,730,600
Our Communities	5,870,200	5,567,400	5,928,900	6,131,800
Our Economy	679,600	617,700	658,000	682,700
Our Environment	652,600	687,000	704,700	730,800
Our Homes	(946,100)	(433,000)	(232,600)	(226,300)
Savings	0	(525,000)	(525,000)	(982,500)
Drainage Rates	527,000	542,100	557,900	569,100
	<b>11,193,600</b>	<b>10,714,800</b>	<b>11,670,200</b>	<b>11,636,200</b>
<b><i>Capital Charges and Investments</i></b>				
Depreciation	(1,037,000)	(1,027,800)	(1,031,000)	(1,152,700)
Minimum Revenue Provision	429,600	363,500	348,400	357,900
Interest Payments	150,700	150,100	1,034,400	1,346,200
Investment Interest	(620,900)	(919,300)	(1,764,300)	(1,904,300)
	<b>10,116,000</b>	<b>9,281,300</b>	<b>10,257,700</b>	<b>10,283,300</b>
<b><i>Appropriations</i></b>				
Capital Reserve	100,000	100,000	100,000	100,000
IT Acquisitions Reserve	(90,000)	100,000	100,000	100,000
New Homes Bonus Reserve	1,845,300	1,454,600	1,300,000	1,300,000
Renewals Reserves	9,000	100,000	100,000	100,000
In year Reserve Movements	3,002,800	322,700	(206,000)	(42,900)
<b>Net Expenditure</b>	<b>14,983,100</b>	<b>11,358,600</b>	<b>11,651,700</b>	<b>11,840,400</b>
<b><i>Financed by</i></b>				
Council Tax	(6,143,300)	(6,381,700)	(6,478,400)	(6,640,400)
Council Tax (Surplus)/ Deficit	67,900	0	0	0
Business Rates	(6,900,400)	(4,976,900)	(5,173,300)	(5,200,000)
Business Rates (Surplus)/ Deficit	(1,647,800)	0	0	0
Revenue Support Grant	(359,500)	0	0	0
	<b>(14,983,100)</b>	<b>(11,358,600)</b>	<b>(11,651,700)</b>	<b>(11,840,400)</b>
<b>General Fund (Surplus)/ Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**GENERAL FUND SUMMARY 2023/24 to 2029/30**

	Forecast 2023/24 £	Forecast 2024/25 £	Forecast 2025/26 £	Forecast 2026/27 £	Forecast 2027/28 £	Forecast 2028/29 £	Forecast 2029/30 £
<b><i>Net Cost of Services</i></b>							
Our Council	4,872,500	5,018,700	5,169,300	5,272,700	5,378,200	5,485,800	5,595,500
Our Communities	6,299,800	6,455,800	6,599,500	6,664,500	6,712,800	6,762,100	6,812,300
Our Economy	703,200	724,300	746,000	760,900	776,100	791,600	807,400
Our Environment	752,700	775,300	798,600	814,600	830,900	847,500	864,500
Our Homes	(220,200)	(214,300)	(208,500)	(202,900)	(197,400)	(192,100)	(186,900)
Savings	0	0	0	0	0	0	0
Drainage Rates	580,500	592,100	603,900	616,000	628,300	640,900	653,700
	<b>12,988,500</b>	<b>13,351,900</b>	<b>13,708,800</b>	<b>13,925,800</b>	<b>14,128,900</b>	<b>14,335,800</b>	<b>14,546,500</b>
<b><i>Capital Charges and Investments</i></b>							
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	367,600	373,100	380,200	390,400	381,700	363,700	333,700
Interest Payments	1,437,800	1,573,400	1,573,400	1,573,400	1,573,400	1,573,400	1,573,400
Investment Interest	(1,904,300)	(1,904,300)	(1,904,300)	(1,904,300)	(1,904,300)	(1,904,300)	(1,904,300)
	<b>11,736,900</b>	<b>12,241,400</b>	<b>12,605,400</b>	<b>12,832,600</b>	<b>13,027,000</b>	<b>13,215,900</b>	<b>13,396,600</b>
<b><i>Appropriations</i></b>							
Capital Reserve	100,000	100,000	100,000	100,000	100,000	100,000	100,000
IT Acquisitions Reserve	100,000	100,000	100,000	100,000	100,000	100,000	100,000
New Homes Bonus Reserve	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Renewals Reserves	100,000	100,000	100,000	100,000	100,000	100,000	100,000
In year Reserve Movements	70,400	100,000	100,000	100,000	100,000	100,000	100,000
<b>Net Expenditure</b>	<b>13,407,300</b>	<b>13,941,400</b>	<b>14,305,400</b>	<b>14,532,600</b>	<b>14,727,000</b>	<b>14,915,900</b>	<b>15,096,600</b>
<b><i>Financed by</i></b>							
Council Tax	(6,806,400)	(6,976,600)	(7,151,000)	(7,329,800)	(7,513,000)	(7,700,800)	(7,893,300)
Council Tax (Surplus)/ Deficit	0	0	0	0	0	0	0
Business Rates	(5,400,000)	(5,600,000)	(5,100,000)	(5,500,000)	(5,800,000)	(6,100,000)	(6,200,000)
Business Rates (Surplus)/ Deficit	0	0	0	0	0	0	0
Revenue Support Grant	0	0	0	0	0	0	0
	<b>(12,206,400)</b>	<b>(12,576,600)</b>	<b>(12,251,000)</b>	<b>(12,829,800)</b>	<b>(13,313,000)</b>	<b>(13,800,800)</b>	<b>(14,093,300)</b>
<b>General Fund (Surplus)/ Deficit</b>	<b>1,200,900</b>	<b>1,364,800</b>	<b>2,054,400</b>	<b>1,702,800</b>	<b>1,414,000</b>	<b>1,115,100</b>	<b>1,003,300</b>

### The Housing Revenue Operating Account

	Original Estimate 2019/20 £	Approved 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 £	Forecast 2029/30 £
<b>Expenditure</b>												
Repairs and Maintenance	3,875,600	4,024,200	3,945,200	4,086,000	4,250,600	4,336,600	4,471,300	4,684,600	4,857,300	4,973,300	5,200,500	5,478,500
Supervision and Management	3,248,000	3,243,400	3,219,600	3,291,800	3,379,600	3,481,500	3,594,000	3,693,800	3,805,300	3,919,900	4,038,000	4,168,400
Group Dwellings - Facility Costs	93,300	123,600	108,700	103,700	28,900	19,400	31,000	25,000	33,000	22,100	34,700	27,000
Handyman Service	-	-	-	-	-	-	-	-	-	-	-	-
Housing & Property Services	30,900	52,300	31,800	32,800	33,800	34,800	35,800	36,900	38,000	39,100	40,300	41,500
General Community Facilities	57,100	57,100	58,400	59,700	61,500	63,300	65,100	66,900	68,800	70,800	72,800	75,000
Communal Areas	30,000	30,000	46,200	32,000	48,200	33,700	51,400	35,900	54,700	38,400	58,300	40,800
Maintenance of Open Spaces	179,100	179,100	184,000	189,300	195,100	201,000	207,000	213,200	219,500	226,100	232,700	239,700
Community Engagement	128,700	132,200	129,500	132,100	136,300	140,300	144,300	148,700	153,100	157,400	162,000	166,700
Money Advice	34,800	34,800	35,900	36,900	38,000	39,100	40,300	41,500	42,700	44,000	45,300	46,700
Rents, Rates, Taxes and Other Charges	218,500	246,500	240,400	262,600	270,400	278,500	286,900	295,400	304,100	313,100	322,200	331,700
Bad Debt Provision (Net of Write Offs) -												
Existing	152,100	152,100	153,300	158,800	163,700	170,400	179,400	181,800	187,700	193,700	199,900	206,200
Interest Repayments	2,115,800	2,115,800	2,077,200	2,209,400	2,354,700	2,314,700	2,398,400	2,475,500	2,433,700	2,487,800	2,524,500	2,601,600
Debt Management Expenses - Existing	31,400	31,400	27,500	25,500	22,400	20,200	18,800	17,600	15,500	14,500	13,300	12,900
<b>Total Expenditure</b>	<b>10,195,300</b>	<b>10,422,500</b>	<b>10,257,700</b>	<b>10,620,600</b>	<b>10,983,200</b>	<b>11,133,500</b>	<b>11,523,700</b>	<b>11,916,800</b>	<b>12,213,400</b>	<b>12,500,200</b>	<b>12,944,500</b>	<b>13,436,700</b>
<b>Income</b>												
Rental Income	(15,261,100)	(15,261,100)	(15,372,300)	(15,915,600)	(16,404,800)	(17,068,800)	(17,964,600)	(18,201,600)	(18,787,600)	(19,387,700)	(20,001,700)	(20,629,400)
Charges for Services and Facilities	(30,900)	(30,900)	(31,800)	(32,800)	(33,800)	(34,800)	(35,800)	(36,900)	(38,000)	(39,100)	(40,300)	(41,500)
Other Income	(8,500)	(8,500)	(8,800)	(9,100)	(9,400)	(9,700)	(10,000)	(10,300)	(10,600)	(10,900)	(11,200)	(11,500)
Investment Income/Mortgage Interest	(32,500)	(32,500)	(32,100)	(66,800)	(68,900)	(70,900)	(73,000)	(75,300)	(77,500)	(79,800)	(82,300)	(84,700)
<b>Total Income</b>	<b>(15,333,000)</b>	<b>(15,333,000)</b>	<b>(15,445,000)</b>	<b>(16,024,300)</b>	<b>(16,516,900)</b>	<b>(17,184,200)</b>	<b>(18,083,400)</b>	<b>(18,324,100)</b>	<b>(18,913,700)</b>	<b>(19,517,500)</b>	<b>(20,135,500)</b>	<b>(20,767,100)</b>
<b>Net Cost of Services</b>	<b>(5,137,700)</b>	<b>(4,910,500)</b>	<b>(5,187,300)</b>	<b>(5,403,700)</b>	<b>(5,533,700)</b>	<b>(6,050,700)</b>	<b>(6,559,700)</b>	<b>(6,407,300)</b>	<b>(6,700,300)</b>	<b>(7,017,300)</b>	<b>(7,191,000)</b>	<b>(7,330,400)</b>
<b>Appropriations</b>												
Depreciation - Dwellings	2,031,300	2,031,300	2,052,900	2,069,200	2,120,900	2,173,900	2,228,200	2,283,900	2,341,000	2,399,500	2,459,500	2,521,000
Depreciation - Non Dwellings	21,100	21,100	21,100	21,100	21,100	21,100	21,100	21,100	21,100	21,100	21,100	21,100
Depreciation - Vehicles	1,900	1,900	-	-	-	-	-	-	-	-	-	-
Transfer to/(from) Major Repairs Reserve	2,978,500	2,958,200	2,996,100	3,192,700	3,267,400	3,727,700	4,178,600	3,966,500	4,198,300	4,452,600	4,562,000	4,635,400
Transfer to/(from) Affordable/Target Rents												
Difference Reserve (regarding New Build)	104,900	104,900	117,200	120,700	124,300	128,000	131,800	135,800	139,900	144,100	148,400	152,900
Transfer to/(from) HRA Earmarked Exp Reserve	-	(206,900)	-	-	-	-	-	-	-	-	-	-
<b>Net Operating (Surplus) / Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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)	(750,000)

# CAPITAL PROGRAMME SUMMARY 2019/20 TO 2029/30

## Appendix 3

	Revised										
	Estimate	Estimate	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£	£	£	£	£	£	£	£	£	£	£
<b>Housing Revenue Scheme Expenditure</b>	11,694,500	12,736,400	9,369,200	7,526,500	8,207,600	8,596,700	7,778,000	9,035,200	8,083,600	12,741,300	13,521,100
<b>General Fund Scheme Expenditure</b>	19,190,000	16,704,600	9,285,900	10,578,000	13,879,800	6,902,500	6,689,100	15,221,000	8,552,800	9,601,900	4,302,500
<b>Total Capital Programme</b>	<b>30,884,500</b>	<b>29,441,000</b>	<b>18,655,100</b>	<b>18,104,500</b>	<b>22,087,400</b>	<b>15,499,200</b>	<b>14,467,100</b>	<b>24,256,200</b>	<b>16,636,400</b>	<b>22,343,200</b>	<b>17,823,600</b>
	-	-	-	-	-	-	-	-	-	-	-
<b>Housing Revenue Account Capital Schemes</b>											
Engineering	50,300	52,300	54,400	56,600	58,900	61,200	63,700	66,200	68,900	71,600	74,500
Disabled Adaptations	351,000	365,000	281,200	292,500	304,200	316,300	329,000	342,100	284,700	296,000	307,900
Other Works (Canopies, Chimney Stacks etc)	126,000	109,500	113,800	118,400	164,200	170,800	177,700	184,800	192,100	199,800	207,800
Replacement Windows/Doors	50,000	-	-	-	-	-	-	-	-	-	-
Replacement Door Entry System	75,000	-	-	-	-	-	-	-	-	-	-
Roofing	109,200	558,100	560,200	596,600	569,400	645,300	679,000	698,000	734,400	763,800	775,900
Kitchens & Bathrooms	1,127,500	705,200	687,800	356,000	764,700	551,400	686,900	403,000	393,900	556,900	692,000
Heating	594,900	803,600	739,000	606,000	827,300	1,313,400	327,700	1,783,300	483,900	4,892,200	5,465,100
Estate Improvements	175,400	182,500	189,800	197,400	205,200	213,500	222,000	230,900	240,100	249,700	259,700
Non Traditional - Structural Improvements	-	-	-	58,500	60,800	63,300	65,800	93,100	444,100	461,800	480,300
Garages	66,200	60,900	63,300	65,900	68,500	71,200	74,100	77,100	80,100	83,300	86,700
Asbestos Removal	35,000	36,400	37,900	39,400	41,000	42,600	-	-	-	-	-
New Homes General Build Programme - Unallocated Budget	3,548,000	5,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Grantham Road, Sleaford	172,300	2,925,000	-	-	-	-	-	-	-	-	-
Newfield Road, Sleaford	217,300	-	-	-	-	-	-	-	-	-	-
Handley Street, Heckington	114,100	-	-	-	-	-	-	-	-	-	-
Longstongs Crescent, Washingborough	235,200	-	-	-	-	-	-	-	-	-	-
Hoplands, Sleaford	1,504,800	1,506,700	1,506,700	-	-	-	-	-	-	-	-
Quarrington School, Sleaford	560,000	-	-	-	-	-	-	-	-	-	-
141 Westgate, Sleaford	99,400	-	-	-	-	-	-	-	-	-	-
Moor Lane, Potterhanworth	70,000	1,191,000	-	-	-	-	-	-	-	-	-
High Street, Heckington	200,000	304,000	-	-	-	-	-	-	-	-	-
Cranwell New Build	1,000,000	3,500,000	-	-	-	-	-	-	-	-	-
Springfield Estate, Scopwick	182,000	-	-	-	-	-	-	-	-	-	-
Electrical Improvements	103,500	50,000	-	-	-	-	-	-	-	-	-
Structural Improvement / compartmentation of HRA roofs	550,000	-	-	-	-	-	-	-	-	-	-
Improved / enhanced Fire Doors on HRA Flats	250,000	250,000	-	-	-	-	-	-	-	-	-
Fees	127,400	131,200	135,100	139,200	143,400	147,700	152,100	156,700	161,400	166,200	171,200
<b>Total HRA</b>	<b>11,694,500</b>	<b>12,736,400</b>	<b>9,369,200</b>	<b>7,526,500</b>	<b>8,207,600</b>	<b>8,596,700</b>	<b>7,778,000</b>	<b>9,035,200</b>	<b>8,083,600</b>	<b>12,741,300</b>	<b>13,521,100</b>
<b>General Fund Schemes</b>											
Disabled Facilities Grants	452,000	802,500	802,500	802,500	802,500	802,500	802,500	802,500	802,500	802,500	802,500
Regeneration Fund	290,500	-	-	-	-	-	-	-	-	-	-
Refuse Vehicle Replacement Programme	591,100	402,100	483,400	1,075,500	577,300	-	686,600	618,500	50,300	999,400	-
Lafford Homes - Schemes Funding	11,892,800	8,000,000	3,700,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Sleaford Moor Enterprise Park (SMEP)	1,500,000	3,500,000	4,300,000	5,200,000	6,500,000	2,600,000	1,700,000	10,300,000	1,700,000	4,300,000	-
Springfield Estate, Scopwick	-	-	-	-	-	-	-	-	-	-	-
Sports Equipment Purchase	414,100	-	-	-	-	-	-	-	-	-	-
Cranwell Aviation Heritage Centre Heritage Museum	199,800	-	-	-	-	-	-	-	-	-	-
Heart of Sleaford - Cinema and Public Realm	1,499,400	2,500,000	-	-	-	-	-	-	-	-	-
NCCD Refurbishment	1,227,700	-	-	-	-	-	-	-	-	-	-
Purchase Land at Metherringham	373,500	-	-	-	-	-	-	-	-	-	-
Cranwell Aviation Heritage Museum Exhibition Cabinets	28,600	-	-	-	-	-	-	-	-	-	-
Cogglesford Watermill refurbishment	20,500	-	-	-	-	-	-	-	-	-	-
Workshops	700,000	1,500,000	-	-	2,500,000	-	-	-	2,500,000	-	-
<b>Total General Fund</b>	<b>19,190,000</b>	<b>16,704,600</b>	<b>9,285,900</b>	<b>10,578,000</b>	<b>13,879,800</b>	<b>6,902,500</b>	<b>6,689,100</b>	<b>15,221,000</b>	<b>8,552,800</b>	<b>9,601,900</b>	<b>4,302,500</b>

Reserve Movements 2019/20 - 2022/23

Appendix 4

	2019-20			2020-21			2021-22			2022-23			
Reserve	Opening Balance £	Contributions To £	From £	Closing Balance £	Contributions To £	From £	Closing Balance £	Contributions To £	From £	Closing Balance £	Contributions To £	From £	Closing Balance £
Business Rates Appeal	-	1,398,300	-	1,398,300	-	-	1,398,300	-	-	1,398,300	-	-	1,398,300
Environmental	60,700	-	(27,500)	33,200	-	(7,100)	26,100	-	(7,100)	19,000	-	(7,100)	11,900
General Fund Earmarked Expenditure	43,200	-	(43,200)	-	-	-	-	-	-	-	-	-	-
Housing Services	389,000	-	-	389,000	-	-	389,000	-	-	389,000	-	-	389,000
Income Volatility	1,450,800	1,189,400	-	2,640,200	-	(254,300)	2,385,900	-	(812,700)	1,573,200	-	(56,000)	1,517,200
Invest to Save	318,700	-	-	318,700	-	-	318,700	-	-	318,700	-	-	318,700
Local Election	202,700	55,000	(164,000)	93,700	55,000	-	148,700	55,000	-	203,700	55,000	-	258,700
Monitoring Officer Investigations	20,800	-	-	20,800	-	-	20,800	-	-	20,800	-	-	20,800
New Homes Bonus	2,985,700	1,965,300	(3,368,500)	1,582,500	1,454,600	(1,669,600)	1,367,500	1,300,000	-	2,667,500	1,100,000	-	3,767,500
Our Communities	61,300	-	-	61,300	-	-	61,300	-	-	61,300	-	-	61,300
Our Communities - Homelessness	259,400	18,100	(54,900)	222,600	-	(53,200)	169,400	-	(54,200)	115,200	-	(54,200)	61,000
Our Council	632,000	100,000	(187,900)	544,100	100,000	(152,400)	491,700	100,000	(2,000)	589,700	100,000	(2,000)	687,700
Our Council - ICT	405,700	100,000	(317,000)	188,700	100,000	-	288,700	100,000	-	388,700	100,000	-	488,700
Our Economy	1,501,400	741,200	(831,900)	1,410,700	1,900	(1,239,300)	173,300	1,900	-	175,200	-	-	175,200
Our Homes	1,025,600	174,100	(241,800)	957,900	156,700	(208,900)	905,700	156,700	(172,100)	890,300	156,700	(172,100)	874,900
Renewals	505,700	100,000	(232,800)	372,900	100,000	-	472,900	100,000	-	572,900	100,000	-	672,900
Uninsured Claims	210,900	-	-	210,900	-	-	210,900	-	-	210,900	-	-	210,900
<b>Total Revenue Reserves</b>	<b>10,073,600</b>	<b>5,841,400</b>	<b>(5,469,500)</b>	<b>10,445,500</b>	<b>1,968,200</b>	<b>(3,584,800)</b>	<b>8,828,900</b>	<b>1,813,600</b>	<b>(1,048,100)</b>	<b>9,594,400</b>	<b>1,611,700</b>	<b>(291,400)</b>	<b>10,914,700</b>
Capital	822,200	100,000	(414,100)	508,100	100,000	-	608,100	100,000	-	708,100	100,000	-	808,100
Capital - Refuse vehicle replacement	342,800	542,500	(508,100)	377,200	542,500	(402,100)	517,600	521,400	(483,400)	555,600	900,000	(1,075,500)	380,100
<b>Total Capital Reserves</b>	<b>1,165,000</b>	<b>642,500</b>	<b>(922,200)</b>	<b>885,300</b>	<b>642,500</b>	<b>(402,100)</b>	<b>1,125,700</b>	<b>621,400</b>	<b>(483,400)</b>	<b>1,263,700</b>	<b>1,000,000</b>	<b>(1,075,500)</b>	<b>1,188,200</b>
HRA Affordable Rents New Build Reserve	-	106,100	(106,100)	-	117,200	(117,200)	-	120,700	(120,700)	-	124,300	(124,300)	-
HRA Earmarked Expenditure	206,900	-	(206,900)	-	-	-	-	-	-	-	-	-	-
Major Repairs	6,866,300	5,210,700	(5,898,200)	6,178,800	5,070,100	(7,081,900)	4,167,000	5,283,000	(3,311,200)	6,138,800	5,409,400	(5,650,900)	5,897,300
<b>Total HRA Reserves</b>	<b>7,073,200</b>	<b>5,316,800</b>	<b>(6,211,200)</b>	<b>6,178,800</b>	<b>5,187,300</b>	<b>(7,199,100)</b>	<b>4,167,000</b>	<b>5,403,700</b>	<b>(3,431,900)</b>	<b>6,138,800</b>	<b>5,533,700</b>	<b>(5,775,200)</b>	<b>5,897,300</b>
<b>Total Earmarked Reserves</b>	<b>18,311,800</b>	<b>11,800,700</b>	<b>(12,602,900)</b>	<b>17,509,600</b>	<b>7,798,000</b>	<b>(11,186,000)</b>	<b>14,121,600</b>	<b>7,838,700</b>	<b>(4,963,400)</b>	<b>16,996,900</b>	<b>8,145,400</b>	<b>(7,142,100)</b>	<b>18,000,200</b>
Capital Grants	675,700	968,100	(968,100)	675,700	802,500	(802,500)	675,700	802,500	(802,500)	675,700	802,500	(802,500)	675,700
Capital Receipts (GF)	765,800	165,000	(373,500)	557,300	-	-	557,300	-	-	557,300	-	-	557,300
Capital Receipts (HRA)	500,000	725,400	(800,000)	425,400	725,400	(686,000)	464,800	725,400	(686,000)	504,200	725,400	(500,000)	729,600
Capital Receipts (HRA) 1 - 4 - 1 Receipts	-	336,900	(336,900)	-	427,000	(427,000)	-	427,000	(427,000)	-	427,000	(427,000)	-
s106 monies	47,000	-	-	47,000	-	-	47,000	-	-	47,000	-	-	47,000
General Fund Balance	2,339,300	-	(739,300)	1,600,000	-	-	1,600,000	-	-	1,600,000	-	-	1,600,000
HRA Balance	750,000	-	-	750,000	-	-	750,000	-	-	750,000	-	-	750,000
<b>Total Usable Reserves</b>	<b>23,389,600</b>	<b>13,996,100</b>	<b>(15,820,700)</b>	<b>21,565,000</b>	<b>9,752,900</b>	<b>(13,101,500)</b>	<b>18,216,400</b>	<b>9,793,600</b>	<b>(6,878,900)</b>	<b>21,131,100</b>	<b>10,100,300</b>	<b>(8,871,600)</b>	<b>22,359,800</b>

**SUMMARY BUDGET TIMETABLE 2020/21**

<b>DATE DUE</b>	<b>ACTION</b>
<b>OCTOBER</b>	
17 <sup>th</sup>	<b>Executive Board</b> considers <ul style="list-style-type: none"> <li>• Medium Team Financial Strategy</li> <li>• Corporate Plan process</li> </ul>
<b>DECEMBER</b>	
5 <sup>th</sup>	<b>Executive Board</b> considers <ul style="list-style-type: none"> <li>• Treasury Management Strategy</li> <li>• Capital Strategy</li> <li>• Financial Resilience Strategy</li> <li>• Lafford Homes Business Plan 2020/21</li> </ul>
<b>JANUARY</b>	
16 <sup>th</sup>	<b>Executive Board</b> considers <ul style="list-style-type: none"> <li>• Council Tax Base 2020/21</li> <li>• Collection Fund Surplus/ Deficit for 2019/20</li> <li>• Council Tax Support Scheme 2020/21</li> </ul>
20 <sup>th</sup>	<b>Performance &amp; Resources OSP</b> (all members invited) considers <ul style="list-style-type: none"> <li>• Draft General Fund budget 2020/21</li> <li>• Draft HRA Budget 2020/21</li> <li>• Draft Capital Programme 2020/21</li> <li>• Fees and Charges 2020/21</li> </ul>
<b>FEBRUARY</b>	
13 <sup>th</sup>	<b>Executive Board</b> considers: <ul style="list-style-type: none"> <li>• NK Financial Plan 2020/21 and Forecasts 2021/22 to 2022/23</li> <li>• Council Tax levels for 2020/21</li> </ul>
27 <sup>th</sup> (or 3 March)	<b>Council</b> approves: <ul style="list-style-type: none"> <li>• NK Financial Plan 2020/21 and Forecasts 2021/22 to 2022/23</li> <li>• Council Tax Levels for 2020/21</li> </ul>

## MEDIUM TERM FINANCIAL PLAN 2020/21

## KEY BUDGET ASSUMPTION DATA

Item	NKDC Assumptions
Period covered by MTFP	3 Years
Government Grant - RSG	Nil
New Homes Bonus	Based on 4 years growth since 2018/19
Support to Parishes	Nil
Salary growth forecast	2.0% - 2020/21
Future increase in utilities and fuel costs	3% - Utilities 2020/21 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	£1,700,000 – 2020/21 onwards
Increase in Drainage Rates	2.0%
Forecast HB Admin. Grant	Annual 10% reduction
Forecast homelessness grant	Assumes continues beyond 2020/21
Changes to fees and charges	Review of 5% - discretionary charges increases to match specific market levels Car Parks - unchanged
Forecast pension contribution rate following triennial reviews	Latest triennial revaluation due 2020, assume required annual increase in contribution continues
Annual staff vacancy/turnover rate	1% assumed on establishment costs
Major income area	In line with current projections for 2019/20
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	0%
HRA – forecast increase in service charges	3%
GF working balance	£1,600,000
Minimum HRA working balance	£750,000
Capital Receipts	In line with experienced during 2018/19
Policy on bids for growth and service investment	The Financial planning assumes small amounts for new growth items. 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 2020/21	Financial Impact 2020/21	Impact on Council Tax increase 2020/21	Sensitive	Budget Risk	Comment
<b>Business Rates Income</b>	2.5% growth	(+/-) 1% (+/-) 3% (+/-) 10%	£100,000 £300,000 £1,000,000	2% 6% 20%	<b>Yes</b>	<b>Yes</b>	
<b>Salary growth forecast</b>	2%	(+/-) 1% (+/-) 3% (+/-) 10%	£85,000 £255,000 £850,000	2% 6% 20%	<b>Yes</b>	<b>Yes</b>	
<b>Future increase in utilities costs</b>	3%	(+/-) 1% (+/-) 3% (+/-) 10%	£900 £2,700 £9,000	0.02% 0.06% 0.2%	No	No	
<b>Future increase in fuel costs</b>	2%	(+/-) 1% (+/-) 3% (+/-) 10%	£3,500 £10,500 £35,000	0.07% 0.21% 0.7%	No	No	
<b>Major Income areas (Planning, Building Control, Land Charges &amp; Car parks)</b>	In line with 2018/19 levels	(+/-) 1%  (+/-) 3% (+/-) 10%	£19,500  £58,500 £195,000	0.39%  1.17% 3.9%	<b>Yes</b>	<b>Yes</b>	
<b>Future growth in numbers of Band D equivalent properties</b>	1.25%	(+/-) 1% (+/-) 3% (+/-) 10%	£43,000 £129,000 £430,000	1% 3% 10%	<b>Yes</b>	<b>Yes</b>	
<b>Housing Benefit Admin grant</b>	Annual 10% reduction	(+/-) 1% (+/-) 3% (+/-) 10%	£3,800 £11,300 £37,500	0.08% 0.23% 0.75%	No	No	