

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	11th OCTOBER 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
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SUBJECT:	UPDATE TO THE MEDIUM TERM FINANCIAL POSITION	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the update to the Medium-term Financial Plan to 2024 on the General Fund and to 2029 on the Housing Revenue Account as detailed in the report and summarised in **Appendix 1** and **Appendix 2** are approved.
- 1.2 That the risks and assumptions detailed in the report for the General Fund and Housing Revenue Account are noted and that the Council continues its cautious approach to maintain financial stability ahead of the Government's Spending Review in 2019/20.
- 1.3 That this strategy is reviewed half-yearly to ensure that potential budget deficits are addressed at the earliest opportunity.
- 1.4 That efficiencies and budget savings continue to be pursued where opportunities arise to sustain the current financial position.
- 1.5 That the financial projections provide the basis for planning and for setting the Base Budget for the General Fund and HRA for 2019/20.
- 1.6 That the Council supports an application to the Government as part of the Derbyshire Pool to pilot 75% Business Rates Retention for 2019/20.
- 1.7 That an update on progress of the Pilot is provided at the next Committee meeting on 29th November 2018.
- 1.8 That any additional New Homes Bonus received above the level forecast is earmarked for future growth and transferred to the Growth Provision.
- 1.9 That the Government's Technical Consultation regarding Social Housing Rents from 2020/21 as detailed in the report is noted.

2.0 Purpose of the Report

2.1 In accordance with the Council's financial policy framework, the report updates the Council's medium-term financial position. This follows the reported out-turn for 2017/18, together with known and potential changes since the 2018/19 budget round.

The Council's Financial Planning Framework

2.2 A key factor within the Council's overall Financial Strategy is medium term financial planning. This is considered good practice and is based on Audit guidance which directs councils to achieve a resilient and sustainable financial position. The Council's arrangements for achieving this, together with its performance, are subject to an External Audit each year as part of the "Value for Money conclusion".

2.3 The main target within the Financial Strategy is to achieve a minimum level of General Reserves, £1.5m on the General Fund and £1m on the Housing Revenue Account (HRA), by the end of every financial planning period. This is based on a Medium Term Financial Plan (MTFP) which sets out a financial projection for 5 years on the General Fund and 10 years on the HRA.

2.4 The main focus of the projections is to estimate the Council's future financial position and provide an early warning sign of any financial challenges that may arise in the future. This then provides the opportunity to take a planned approach to remedial action. In addition, it is used as the basis for building detailed budget plans each year.

2.5 It also helps the Council to focus on the resources that it will have available at the end of each period. In addition, it identifies where resources and spending are changing in the medium term to enable action to be taken at an early stage to prevent any loss of financial stability.

2.6 The financial models project forward current base spending and income. This is adjusted for anticipated changes in factors such as Government policy, inflation, local spending plans and commitments approved through the Committee process.

2.7 Assumptions and variables are regularly updated to take account of previous spending changes and their effects over the medium term. The projection aims to show a prudent but realistic position over the planning periods.

Purpose of this Review

2.8 The Council's financial policy requires a mid-year review of the medium term financial position. This follows the budget out-turn for the previous year and before the forthcoming annual budget round. This provides a basis for planning purposes and identifies potential matters for consideration, together with risks and opportunities.

2.9 Since the current MTFP was approved in February 2018, there have not been any significant changes nationally that may immediately affect the Council's financial position. However, the Government released a technical consultation paper in September 2018 outlining proposals for the 2019/20 Local Government Finance Settlement.

2.10 The current New Homes Bonus (NHB) allocation was amended by the Government to include a Baseline of 0.4% on housing growth for 2018/19, below which no NHB is paid. The consultation paper makes reference to the expectation that the Baseline will be increased as part of the settlement but gives no indication as to the level of the expected increase.

Future Business Rates Retention

2.11 When issuing the technical consultation, the Government confirmed that the current 100% Pilots would not continue beyond 2018/19. This includes the current Derbyshire Pilot for which the Council is an integral member.

2.12 However, proposals to apply for inclusion in a 75% Business Rates Retention Pilot have been noted in the technical consultation with applications to be submitted during September 2018. Generally, it appears that the Government's preferred model is now to introduce a system of 75% retention for all authorities from 2020/21.

2.13 Further detail regarding the 75% Business Rates Retention Pilot and New Homes Bonus assumptions are included later in the report.

2.14 This report is divided into the following sections.

- Section 3: Detailed analysis of the General Fund
- Section 4: Housing Revenue Account
- Section 5: Capital Receipts

Appendices

- *Appendix 1 – Projected General Fund Revenue Account*
- *Appendix 2 – Projected Housing Revenue Account*

3.0 General Fund Revenue Account

3.1 The overall projection on the General Fund, as reported in February, is summarised in the following table.

Medium-term Projection as at February 2018

	Budget Deficit / Surplus (-) £	Earmarked Sums £	General Reserve £
Approved Budget 2018/19	161,270	871,294	-8,180,032
Projection 2019/20	1,055,817	381,830	-6,742,385
Projection 2020/21	955,165	380,394	-5,406,826
Projection 2021/22	1,128,215	378,922	-3,899,689
Projection 2022/23	1,470,430	377,413	-2,051,846

Position Entering this Review

3.2 The position at this time highlighted a budget deficit for every year of the projection. This was due to the reduction of Revenue Support Grant and the Baseline reduction on New Homes Bonus allocations.

3.3 The current level of the General Reserve was healthy compared to the minimum level of £1.5m and was forecast to remain above the minimum level throughout the period to 2022/23. The budgeted deficits could be financed from the General Reserve and the forecast effectively showed the implications of taking that action.

3.4 However, it was considered that this was a high risk strategy. The deficits in future years were projected to be significant. If no action were taken to reduce future deficits, it could quickly de-stabilise the financial position given that any action to achieve budget savings may take time to fully implement.

3.5 Provision for certain cost pressures and potential risks were included in the MTFP, including £500k of additional revenue being set-aside to meet potential demand on services arising from residential growth.

Financial Strengths

3.6 The Council is required to maintain a resilient and sustainable financial position. Currently, the Council continues in this position due to:

- Positive cash flow
- No debt outstanding (on the General Fund)
- Not reliant on interest rates rising to generate additional income
- Current General Reserve healthy
- Provisions in the Base Budget to mitigate inflation and growth
- Budget for a full employee establishment – no vacancy rate is assumed
- Earmarked reserves for capital replacements

- Separate provision made for bad debts, appeals and pensions
- Earmarked reserves to sustain project and capital works
- Growth in the Tax Base
- Capital expenditure not heavily reliant on revenue funding or borrowing

3.7 The Council also has a good history of spending within its Net Budget. However, this cannot be guaranteed in future years and is never assumed for future budgeting purposes.

Financial Risks

3.8 There are many variables that are included in the projection that carry a risk and if realised, could have a significant effect on the overall financial position. The main risks identified in the financial register when the Budget was approved in February 2018 were:

- **Higher risks**

- Further changes to the national funding system and in particular the allocation of the New Homes Bonus
- A reduction in Business Rates income due to appeals
- Additional pressure on service costs due to growth

- **Lower risks**

- A budget overspend
- Economic conditions
- Impact of Welfare Reform

3.9 The Risk Register details the arrangements in place to mitigate the impact of these risks. Currently, any issues arising from the lower risks (above) are not significantly impacting upon the Council's financial position. The impact of the higher risks are, or have the potential to be, more significant.

Core Funding

3.10 The Council's core funding is an aggregate of:

- Business Rates
- New Homes Bonus
- Council Tax Income

Updating the MTFP

3.11 An update and assessment of the main assumptions and variables, where this has been necessary, together with a consideration of external issues, are detailed in the following sections.

3.12 A revised medium-term financial projection is detailed in **Appendix 1**. To maintain a rolling 5 year projection, the forecast position for 2023/24 has been added to the MTFP. The updated position of the General Fund projected balance is summarised in the following table.

Medium-term Projection as at October 2018

	Budget Deficit / Surplus (-) £	Earmarked Sums £	General Reserve £
Base Budget 2018/19	-778,399	1,808,080	-9,014,050
Projection 2019/20	723,481	784,904	-7,505,665
Projection 2020/21	673,230	383,475	-6,448,960
Projection 2021/22	760,245	382,010	-5,306,705
Projection 2022/23	1,000,347	380,508	-3,925,850
Projection 2023/24	1,304,547	378,969	-2,242,334

3.13 The projected position (now to 2024) overall has improved compared to that reported in February 2018 as shown in the following table. The General Fund Reserve balance is still projected to be approximately £2.2m by 2024, which is above the minimum level of £1.5m.

Projected General Fund Reserve Balance as at October 2018

	£'000
Projected balance as at 2023 (reported February 2018)	-2,052
Increased New Homes Bonus	-1,590
Increased Business Rates Funding	-939
2017/18 Out-turn	-734
Industrial Unit Income Loss Re-profiled (see below)	-190
Capital Bid - Release of DFG Funding (see below)	-186
Pension Deficit Increased Costs	46
Rosliston Forestry Centre Management Costs (as approved)	143
Approved Establishment Updates (as approved)	372
Loss of Revenue Support Grant (offset by Business Rates above)	338
Inflation Increase	416
MSP Approved Funding	450
Projected Balance as at 2023 (revised)	-3,926
Add: Projected Deficit 2023/24	1,684
	<u>-2,242</u>

3.14 The improved position, as shown in the above table, is mainly due to increased New Homes Bonus funding alongside a better out-turn position for 2017/18 as previously reported. The assumptions used regarding New Homes Bonus are detailed later in the report.

3.15 Additional revenue from Business Rates, offset in part by the loss of Revenue Support Grant, is due mainly to the 100% Business Rates Retention Pilot in

2018/19. Further detail regarding the assumptions on Business Rates is detailed later in the report.

Funding for Disabled Facility Grants

- 3.16 Previously, resources have been set-aside from the General Reserve to finance capital projects within the District. Associated schemes were approved and included within the Capital Programme. However, since the allocation of General Fund resources there has been an update to the funding of Disabled Facility Grants (DFG) and Social Adult Care through the Better Care Fund (BCF).
- 3.17 As previously reported, the BCF allocation from Derbyshire County Council has increased the funding received for DFG. Therefore, the £186k capital resources earmarked are no longer required and it is proposed that this amount is returned to the General Fund Reserve.

Income from Industrial Units

- 3.18 The forecasted loss of Industrial Unit income regarding the main factory site on the edge of Swadlincote has been put back by one year. This is due to further negotiations with the current tenant who have indicated that they will not consider their break option now until September 2019 (previously it was September 2018). Any changes would then take-effect from April 2020. The MTFP continues to assume that no rent, at approximately £190k per year, will be payable from that date.

Other Provisions

- 3.19 An increase to inflation of 0.5% using an assumption up to 2.5%, in line with economic projections, has been added to the cost base of the Council alongside an increase of 0.6% for potential pension deficit charges in future years. The Pension Fund revaluation occurs every 3 years with the next revaluation due in 2019/20, which will affect the Council's contributions from April 2020.
- 3.20 Provisions for growth, changes to Waste & Recycling due to potential increases in recycling costs, together with potential National Insurance liabilities for "Off-Payroll" employees continue to be included within contingent sums.
- 3.21 The growth provision has reduced from £500k per year to £315k per year to fund the recruitment of additional Street Scene employees after approval in March 2018.

New Homes Bonus (NHB)

- 3.22 As noted at 2.10, the Government released a technical consultation paper for the Local Government Finance Settlement 2019/20 in September 2018. Within

this consultation paper reference was made to an expected increase in baseline growth of residential properties, below which no NHB is paid.

3.23 Currently the Baseline is 0.4% and the Council currently foregoes revenue on growth in the Tax Base by this baseline percentage. Introduction of the changes to allocations in 2018/19 had an impact of approximately 175 properties (i.e. for which no NHB was paid) resulting in a total loss in income of approximately £1m over the 4 year period.

3.24 No guidance or detail has been issued regarding the expected increase in the Baseline but the assumption used for the MTFP is a baseline of **0.6%** which has further reduced the Tax Base by 94 properties for NHB purposes.

3.25 However, an assumption regarding growth of the Tax Base in future years has also been updated and a 3 year average has now been implemented in accordance with the most recent growth of properties. It is considered that this will reflect accelerated growth over the next four to five years as detailed in the Local Plan.

3.26 This has resulted in an increased Tax Base of 212 properties per annum. The overall impact of the changes to the Tax Base and Baseline on the MTFP is shown in the following table.

New Homes Bonus Tax Base Growth

	Yearly Growth in Properties
Tax Base as at Feb 18 - 4 year average	651
Tax Base as at Oct 18 - 3 year average	863
Increase in Tax Base	212
Baseline growth as at Feb 18	-175
Baseline growth as at Oct 18	-269
Baseline reduction In Tax Base	-94
Increased Tax Base	118

3.27 Financially, the increase in projected income due to the Tax Base growth is summarised in the following table.

New Homes Bonus Revenue

	£'000
Projected Allocation as at Feb 2018	786
Projected Allocation as at Oct 2018	1,061
Increased Allocation	275
Baseline Reduction as at Feb 2018	-211
Baseline Reduction as at Oct 2018	-327
Baseline Reduction	-116
Increased Projected Allocation	159

3.28 The assumption of 0.6% used for the Baseline growth is considered to be a prudent assessment at this stage. If the Baseline were to increase to 0.5%, the impact to the Council is shown in the following table.

£'000	2019/20	2020/21	2021/22	2022/23	Total
Projected Allocation at 0.6% Baseline	159	318	477	636	1,590
Projected Allocation at 0.5% Baseline	213	426	639	852	2,130
Increased Allocation	54	108	162	216	540

3.29 Clearly, the impact of a small change of 0.1% results in a loss of approximately £540k over a 4 year period. However, growth of the Tax Base is likely to be greater than projected and therefore the Council are more likely to receive a larger allocation of income using the current funding mechanism.

3.30 This is due to the fact that the assumed increase of 863 properties per year is still below the forecasts in the Local Plan which are based on current planning permissions. The latest housing trajectory shows increases of well in excess of 1,000 properties per year between 2018 and 2024.

3.31 The Government are due to announce their decision on New Homes Bonus allocations and changes to the Baseline alongside the Financial Settlement in January 2019.

3.32 It is recommended that any additional funding that may be allocated over and above the projection once the Finance Settlement is announced is set-aside within the Growth Reserve to mitigate future service pressures associated with growth of the District.

Business Rates

3.33 Following the successful application to the Government to be included in a Derbyshire 100% Business Rates Retention Pilot for 2018/19, the MTFP has been updated to incorporate the additional revenue received as part of the Pilot. Due to the success of the Pilot to-date approval to apply for inclusion in a 75% Business Rates Retention Pilot for 2019/20 is recommended.

3.34 Additional revenue in 2018/19 is projected at £1.5m but this is offset by the approval to earmark £1m for Economic Development and costs of an external agency to identify unregistered business which will cost an estimated £100k for 2018/19.

3.35 The loss of Revenue Support Grant due to becoming part of the Business Rates Pilot has been included in the MTFP and offsets a large part of the remaining additional revenue resulting in an increase of income to the General Fund in 2018/19 of approximately £60k.

3.36 Projected revenue from Business Rates from 2019/20 has assumed that the Council will revert back to the 40% share mechanism previously in place due to no certainty at this point regarding the potential application to Pilot 75% Business Rates Retention.

3.37 An increase in revenue has been assumed of approximately £130k per annum from 2019/20 due to a continuing growth in the Tax Base for commercial properties.

A New Funding System from 2020/2021

3.38 The financial year 2019/2020, is the final year of funding for local authorities arising from the Government's Spending Review of 2015. The Government are currently conducting a "Fair Funding Review" which, if implemented, will reset baseline funding for all councils. Any changes, subject to any transition, will take effect from 2020/21.

3.39 In addition, it is now likely that the Government will implement a 75% retention system for Business Rates universally across local government. Funding for the NHB is also under review.

3.40 Although it is considered that the NHB will still form part of a revised system, its allocation could change to better reflect performance against Local Plan delivery, rather than a pure increase in property numbers from year-to-year.

Council Tax

3.41 The MTFP includes an annual increase in the rate of Council Tax of 1.95%, subject to annual review. This is well below the Government's limit of £5 per Band D property.

3.42 The Band D Tax for 2018/19 is £159.21. The 1.95% increase in the MTFP will raise Band D to £162.31, an increase of just over £3 per year. This would be adjusted across other bands accordingly.

3.43 An increase of £5 would equate to £164.21, an increase of 3.1%. This would increase resources in the MTFP by an additional £63k per year, or £315k over the 5 year planning period.

Updated General Fund Position - Summary

3.44 In principle, the overall scenario for the General Fund has not changed. The current level of the General Fund Reserve remains healthy and is projected to do so over the planning period.

3.45 Although the current level of reserves can be used to meet the projected deficit, this is not a sustainable solution in the longer-term. The MTFP assumes that base budget expenditure will increase year-on-year and overall core funding will increase at a slower rate resulting in larger annual deficits each year over the planning period.

3.46 The Council has historically generated additional income and underspent compared to its Budget, although clearly this cannot be guaranteed. The MTFP aims to set out a realistic but prudent assessment of the future financial position. This includes setting-aside resources for known changes, for

example, pay awards, pension contributions, bad debts, together with known service pressures associated with waste collection and recycling. These are detailed in Appendix 1.

- 3.47 It is considered that the biggest risks are further changes to the New Homes Bonus allocation and the associated cost of growth. The MTFP continues to set-aside resources and it is recommended that additional resources over and above those projected in the MTFP for the NHB, are set-aside in the Growth Reserve.
- 3.48 A further review of services needs to be undertaken to more accurately assess future costs. This would enable a more accurate reflection and enable better planning to meet these financial pressures.
- 3.49 Although the current financial position remains strong, a cautious approach is still recommended pending the outcome of the Fair Funding Review. In the meantime, efficiencies and budget savings should continue to be pursued wherever opportunities arise, to sustain the financial position.

4.0 Housing Revenue Account (HRA)

- 4.1 The HRA budget for 2018/19, together with an updated financial plan to 2028, was approved by Committee in February 2018. In summary, based on the associated projections, the financial plan showed a sustainable position with the HRA's minimum reserve remaining above the minimum level £1m in the medium-term, with resources being set-aside to meet future debt repayment and capital works.
- 4.2 The main risks identified were the impact of Welfare Reform, the reduction in housing stock due to Right to Buy and the ongoing reduction of Supporting People Grant from Derbyshire County Council.
- 4.3 An updated projection is detailed in **Appendix 2** and includes the positive effects of the 2017/18 out-turn alongside the impact to capital of increases to the Dwelling Valuation (detailed later) and Right to Buy.

HRA Financial Plan

- 4.4 The projection is based on a financial model designed so that a £1m minimum balance is maintained on the HRA's General Reserve and that planned resources are set-aside for debt repayment and capital expenditure in future years. These are the priority financial objectives to ensure that the HRA Business Plan is sustainable and the core housing service is delivered.
- 4.5 Given that these objectives are met, any increase or decrease in resources are reflected in the planned capital or new build programmes and these can be flexed accordingly into the longer term where there is a more significant change in resources.

4.6 Overall, the Plan shows a sustainable position and is forecast to make surpluses as planned each year over the 10 year period. There has been a reduction in the projected General Reserve balance however to 2028 as shown in the following table.

Projected HRA Reserve Balance as at October 2018

	£'000
Projected balance as at 2028 (reported February 2018)	-4,808
Reduced Rent due to Right to Buy	509
Increased Capital contribution due to Dwelling Revaluation	983
2017/18 Out-turn	-750
Projected Balance as at 2028 (revised)	-4,066
Add: Projected Surplus 2028/29	-1,900
	<u>-5,966</u>

4.7 The increased contribution to the General Reserve due to a more favourable out-turn has been more than offset by the increased capital contribution required under statute plus the loss of income through Right to Buy.

4.8 Right to Buy sales totalled 22 properties in 2017/18 and as at 30th September 2018, another 16 properties have been sold. The assumptions regarding future Right to Buy have been increased in the projection as listed below but are unlikely to be high enough if sales continue at the same rate over the next few years.

	February 18 Projection	October 18 Projection	Increased Projection
2018/19	15	20	5
2019/20	13	18	5
2020/21	13	18	5
2021/22	12	15	3
2022/23	12	15	3
2023/24	10	12	2
2024/25	10	12	2
2025/26	10	12	2
2026/27	10	10	0
2027/28	10	10	0
	115	142	27

4.9 The sale of only 27 additional properties over a 10 year period results in a loss of income of over £500k. If the current trend continues over coming years then this could potentially more than double the loss of revenue which impacts on the General Reserve and the potential to be below the statutory minimum level.

4.10 However, the current Housing Strategy action plan is currently in the process of being updated which will lay out plans to increase housing stock primarily through acquisition and land deals in addition to new build in Overseal.

Specific proposals will be subject to separate approval which will include the effects on the HRA's Financial Plan.

- 4.11 Another risk to the HRA, as noted in the table at 4.6, is the capital contribution required under statute. The HRA is expected to spend an amount on capital works or debt repayment that is equal to the depreciation charge incurred in any one year. In previous years, the HRA has achieved this.
- 4.12 The housing stock had a large upward revaluation during 2016/17 which has resulted in an increase to the depreciation charge. Accounting standards applicable to the method used for depreciation result in it being difficult to mitigate against this risk. If housing stock values were to increase further, the depreciation charged would also increase and this could potentially reduce the HRA General Reserve below the required minimum level.
- 4.13 Although this is a technical accounting adjustment, it does reflect whether the Council is spending adequate amounts to maintain and repair its housing stock over the longer-term. If not, then the depreciation charge effectively ensures that adequate resources are set-aside.

HRA Reserves

- 4.13 The HRA has 5 separate reserves as shown in the following table. Projections are detailed in Appendix 2.

Reserve	Balance 2017/18 £'000	Detail
General Reserve	5,147	Held as a contingency with a minimum balance of £1m
Earmarked Reserve	215	Sums set-aside annually for replacement of vehicles on a rolling 7 year programme.
Major Repairs Reserve	2,754	A balance held over from the previous financing system. It is increase each year from the HRA for future capital expenditure and is drawn down accordingly.
New Build Reserve	1,529	Accumulated Capital Receipts pending expenditure on building or acquiring new properties.
Debt Repayment Reserve	3,054	Sums set-aside to repay debt in accordance with the repayment profile.
	12,699	

Other Risks

- 4.14 Implementation of Universal Credit (UC) was started in part of the District in July 2018. Full roll out is not due to be completed until 2023. Not all tenants claiming housing benefit will be affected by the change but it is estimated that up to 60% of cases will see an impact.

- 4.15 Currently, housing benefit is applied directly to rent accounts internally at the Council so that a tenant's rent is paid. There has been some concern that UC could increase rent arrears as the one "all-encompassing benefit" will be paid directly to housing tenants.
- 4.16 Reports from across the Country suggest that this is increasing rent arrears which will cost the HRA in the form of a Bad Debt Provision if the rents are considered irrecoverable.
- 4.17 This is being kept continually under review but the impact cannot be assessed in detail at this stage and therefore this is noted as a risk. However, the HRA's provision for bad and doubtful debts has previously been increased to allow for additional rent arrears
- 4.18 Another potential risk to the HRA is the Supporting People Grant which is paid by the County Council for tenants receiving Careline support.
- 4.19 The contribution has been reduced in recent years and £164k per year is included within the projection for perpetuity but this is reviewed annually by the County Council and there is a potential that funding could be withdrawn.

Future Rent Increases and Government Policy

- 4.20 Following the release of the Government's Green Paper regarding Social Housing in August, the MHCLG issued a technical consultation on rents for social housing from 2020/2021. This will give the Secretary of State the power to direct the Regulator of Social Housing to implement rent policy from 1st April 2020.
- 4.21 Effectively, the Government are intending to allow social housing providers to increase rents following the current social rent reduction, which ends in 2019/20. This follows four years of rent reductions of 1% per annum.
- 4.22 The direction will allow providers to increase rents up to a maximum of inflation (as measured by the Consumer Prices Index) + 1% in any one year. This direction will then apply for the next five years to 2024/2025.
- 4.23 This will be subject to controls regarding not exceeding the Formula Rent for individual properties and the overall Limit Rent (a Government average) over which housing benefit subsidy cannot be reclaimed.
- 4.24 This is in accordance with the projections contained in the HRA's financial projections and therefore mitigates the risk of on-going rent reductions in the HRA. There are no other matters of concern contained in the consultation that would immediately affect the Council.

5.0 Capital Receipts

General Fund

5.1 The updated position on the General Fund is shown in the following table.

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Balance B/fwd	-506	-1,372	-1,347	-1,322	-1,797	-2,222
Drawdown to finance Capital Schemes	200	0	0	0	50	0
Development at William Nadin Way	-291	0	0	-500	-500	0
Sale of Old Depot Site	-400	0	0	0	0	0
Land at Staley Close	-400	0	0	0	0	0
Provision for Professional Fees	25	25	25	25	25	25
	-1,372	-1,347	-1,322	-1,797	-2,222	-2,197

5.2 The drawdown to finance capital schemes of £200k in the current year includes some provision for planned maintenance on public buildings together with strategic housing surveys which are a statutory requirement.

5.3 Receipt for the former Depot site at Darklands Road is still in negotiation and a sale is anticipated within this financial year but may cross in 2019/20.

5.4 Development of land at William Nadin Way is still ongoing and receipts are expected over the next 4 years. An additional £1m is expected for the remaining phases over a 4 year period but it is anticipated that, due to collaboration costs, the Council will receive sums at the latter stages of development.

5.5 Although an additional £1m has been included in the above projection, this sum cannot be guaranteed and are subject to on-going option appraisals; details of any proposals will be reported for separate consideration.

HRA

5.6 Council policy is to reinvest all housing receipts (after any pooling payment to Government) from the sale of council houses and land, into the housing stock and in particular, for New Build.

5.7 As regards New Build, the Council has an agreement with the Government to enable it to retain additional receipts generated above a target level of council house sales each year (known as 1-4-1 receipts) to be used on New Build.

5.8 The level of receipts and their drawdown is included in the HRA's Financial Plan as detailed in Appendix 2.

6.0 Financial Implications

6.1 As detailed in the report.

7.0 Corporate and Community Implications

The aim of medium-term financial planning is to “maintain financial health” – a key outcome in the Corporate Plan. The purpose of the MTFP is to ensure that the financial position remains sustainable and that sufficient resources are maintained to deliver current and future service levels.

8.0 Background Papers

8.1 None.

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at OCTOBER 2018

	Budget £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23	Projection £ 2023.24
BASE BUDGET						
Environmental & Development	4,290,775	4,437,348	4,564,250	4,694,055	4,826,836	4,975,862
Housing & Community	2,643,680	2,685,657	2,743,532	2,802,790	2,863,467	2,950,884
Finance & Management	5,075,571	5,115,726	5,251,100	5,389,878	5,532,152	5,678,018
Net Service Expenditure	12,010,026	12,238,731	12,558,882	12,886,722	13,222,454	13,604,764
Accounting Adjustments						
Reverse out Depreciation	-871,666	-871,666	-871,666	-871,666	-871,666	-871,666
Minimum Revenue Provision (MRP)	205,634	197,409	189,512	181,932	174,654	167,668
Voluntary Revenue Provision (VRP - Recycling Bins & Grove Active Zone)	131,226	131,226	131,226	75,891	20,556	20,556
	11,475,220	11,695,700	12,007,954	12,272,878	12,545,998	12,921,322
Add: Known Variations						
External Facilitator - Pay and Grading Review	10,000	0	0	0	0	0
Pay and Grading - On-going Costs of Supporting Downgraded Posts	0	8,750	8,750	8,750	8,750	8,750
Planning Review	-7,443	27,647	27,647	28,876	24,090	24,090
Restructures (approved August 2018)	28,742	37,412	40,303	43,311	43,241	44,322
Rosliston Management Arrangements (approved August 2018)	27,067	68,079	0	0	0	0
Senior Management Restructure - Reinvestment of Saving	92,000	94,300	96,658	99,074	101,551	104,090
Pension Deficit	0	15,096	16,525	17,990	19,492	21,031
Incremental Salary Increases	0	11,065	11,065	11,065	11,065	11,065
Apprenticeship Levy	31,377	32,004	32,804	33,625	34,465	35,327
Costs of Rateable Value finder	100,000	0	0	0	0	0
Phased Implementation of National Living Wage	0	14,822	15,194	15,194	15,194	15,194
Potential Cost of New Waste Disposal Site	0	23,260	50,089	70,400	73,920	77,616
Potential Loss of Industrial Unit Income	0	0	190,000	190,000	190,000	190,000
District Election May 2019 & May 2023	0	125,000	0	0	0	125,000
TOTAL ESTIMATED SPENDING	11,756,963	12,153,135	12,496,989	12,791,163	13,067,766	13,577,806

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at OCTOBER 2018

	Budget £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23	Projection £ 2023.24
Provisions						
Provision for Employer's NIC on "off-payroll" payments	10,000	10,000	10,000	10,000	10,000	10,000
Contingent Sum - Growth	315,000	315,000	315,000	315,000	315,000	315,000
Waste and Recycling	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL PROJECTED SPENDING	12,181,963	12,578,135	12,921,989	13,216,163	13,492,766	14,002,806
FINANCING						
Business Rates Retention	-4,985,318	-3,529,391	-3,547,020	-3,563,495	-3,578,746	-3,592,704
Discretionary Business Rate Relief Scheme	-49,000	-20,000	-3,000	0	0	0
New Homes Bonus	-2,701,973	-2,892,785	-3,092,473	-3,086,849	-2,903,127	-2,884,231
Council Tax Income	-5,169,071	-5,357,477	-5,551,266	-5,750,575	-5,955,546	-6,166,325
Core Spending Power	-12,905,362	-11,799,654	-12,193,759	-12,400,918	-12,437,419	-12,643,259
Add Estimated Collection Fund Surplus - Council Tax	-55,000	-55,000	-55,000	-55,000	-55,000	-55,000
TOTAL FINANCING	-12,960,362	-11,854,654	-12,248,759	-12,455,918	-12,492,419	-12,698,259
General Fund yearly Surplus (-) / Deficit	-778,399	723,481	673,230	760,245	1,000,347	1,304,547
GENERAL FUND RESERVE BALANCE						
Balance b/fwd	-10,043,731	-9,014,050	-7,505,665	-6,448,960	-5,306,706	-3,925,851
General Fund Yearly Surplus (-) / Deficit (as above)	-778,399	723,481	673,230	760,245	1,000,347	1,304,547
MSP funding	50,000	400,000	0	0	0	0
NNDR Earmarked for Economic Development	1,000,000	0	0	0	0	0
Purchase of Town Centre Land	44,335	0	0	0	0	0
Community Partnership Scheme	250,000	0	0	0	0	0
General Fund Capital Bids Remaining	90,988	0	0	0	0	0
Pension Earmarked Reserve Drawdown	-27,243	-15,096	-16,525	-17,990	-19,492	-21,031
Contribution to Asset Replacement Fund	400,000	400,000	400,000	400,000	400,000	400,000
Balance c/fwd	-9,014,050	-7,505,665	-6,448,960	-5,306,706	-3,925,851	-2,242,336

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - OCTOBER 2018

	2018.19 Approved Budget £'000	2019.20 Forecast £'000	2020.21 Forecast £'000	2021.22 Forecast £'000	2022.23 Forecast £'000	2023.24 Forecast £'000	2024.25 Forecast £'000	2025.26 Forecast £'000	2026.27 Forecast £'000	2027.28 Forecast £'000	2028.29 Forecast £'000
INCOME											
Rental Income	-12,166	-12,300	-12,297	-12,535	-12,845	-13,170	-13,510	-14,122	-14,220	-14,596	-14,982
Non-Dwelling Income	-121	-120	-122	-125	-129	-132	-136	-140	-143	-147	-152
Supporting People Grant	-164	-164	-164	-164	-164	-164	-164	-164	-164	-164	-164
Other Income	-175	-175	-175	-175	-175	-175	-175	-175	-175	-175	-175
Total Income	-12,626	-12,759	-12,758	-12,999	-13,313	-13,641	-13,985	-14,601	-14,702	-15,082	-15,473
EXPENDITURE											
General Management	1,907	1,952	1,998	2,045	2,093	2,143	2,193	2,245	2,298	2,352	2,407
Supporting People	795	817	839	861	885	910	935	962	989	1,018	1,049
Responsive	1,283	1,314	1,347	1,380	1,414	1,449	1,485	1,521	1,559	1,597	1,636
Planned Maintenance	1,860	1,905	1,952	1,999	2,049	2,097	2,148	2,201	2,254	2,309	2,365
Bad Debt Provision	100	123	123	125	128	132	135	141	142	146	150
Interest Payable & Receivable	1,798	1,798	1,798	1,798	1,498	1,498	1,228	1,228	1,228	927	927
Depreciation	4,535	4,630	4,604	4,583	4,562	4,546	4,530	4,514	4,501	4,488	4,475
Net Operating Income	-348	-220	-97	-208	-684	-866	-1,331	-1,789	-1,731	-2,245	-2,463
Known variations:											
Reversal of Depreciation	-4,535	-4,630	-4,604	-4,583	-4,562	-4,546	-4,530	-4,514	-4,501	-4,488	-4,475
Capital Expenditure	1,543	1,888	1,935	1,683	1,470	1,433	1,477	1,516	1,547	1,182	1,261
Disabled Adaptations	300	300	300	300	300	300	300	300	300	300	300
Asbestos and Health & Safety Surveys	100	100	100	100	100	100	100	100	100	100	100
Debt Repayment	1,992	1,742	1,669	1,900	2,092	2,413	2,053	1,998	1,954	2,306	2,214
Major Repairs Reserve	600	600	600	600	600	300	600	600	600	600	600
Asset Replacement Earmarked Reserve	45	45	45	45	45	45	45	45	45	45	45
Apprenticeship Levy	6	6	6	6	6	6	6	6	6	6	6
Job Evaluation On-going Support Costs	5	5	5	5	5	5	5	5	5	5	6
Incremental Salary Increases	0	6	6	6	6	6	6	6	6	6	7
HRA Surplus (-) / Deficit	-293	-159	-35	-146	-622	-804	-1,268	-1,726	-1,668	-2,181	-2,400

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - OCTOBER 2018

	2018.19 Approved Budget £'000	2019.20 Forecast £'000	2020.21 Forecast £'000	2021.22 Forecast £'000	2022.23 Forecast £'000	2023.24 Forecast £'000	2024.25 Forecast £'000	2025.26 Forecast £'000	2026.27 Forecast £'000	2027.28 Forecast £'000	2028.29 Forecast £'000
HRA General Reserve											
HRA Reserve B/fwd	-5,147	-5,340	-5,298	-5,234	-3,980	-2,501	-1,467	-1,235	-1,961	-2,134	-4,066
(Surplus) / Deficit for year	-293	-159	-35	-146	-622	-804	-1,268	-1,726	-1,668	-2,181	-2,400
Earmarked non-traditional properties	100	200	100	100	100	0	0	0	0	0	0
Transfer to Debt Repayment Reserve	0	0	0	1,300	2,000	1,838	1,500	1,000	1,495	250	500
HRA Reserve C/fwd	-5,340	-5,298	-5,234	-3,980	-2,501	-1,467	-1,235	-1,961	-2,134	-4,066	-5,966
RESERVES											
Debt Repayment Reserve											
Balance B/fwd	-3,054	-5,046	-6,788	-8,457	-1,657	-5,749	0	-3,553	-6,551	0	-2,556
Depreciation balance	-1,992	-1,742	-1,669	-1,900	-2,092	-2,413	-2,053	-1,998	-1,954	-2,306	-2,214
Transfers to reserve	0	0	0	-1,300	-2,000	-1,838	-1,500	-1,000	-1,495	-250	-500
Repayment of loan	0	0	0	10000	0	10000	0	0	10000	0	0
Reserve C/fwd	-5,046	-6,788	-8,457	-1,657	-5,749	0	-3,553	-6,551	0	-2,556	-5,270
Earmarked Reserve											
Balance B/fwd	-215	-10	-55	-100	-145	-190	-235	-10	-55	-100	-145
Transfers to reserve	-45	-45	-45	-45	-45	-45	-45	-45	-45	-45	-45
Asset Replacement	250	0	0	0	0	0	270	0	0	0	0
Reserve C/fwd	-10	-55	-100	-145	-190	-235	-10	-55	-100	-145	-190
Major Repairs Reserve											
Balance B/fwd	-1,267	-1,867	-2,567	-3,367	-4,067	-4,767	-5,467	-5,767	-6,367	-6,967	-7,567
Transfers to reserve	-600	-600	-600	-600	-600	-600	-300	-600	-600	-600	-600
Earmarked non-traditional properties	0	-100	-200	-100	-100	-100	0	0	0	0	0
Reserve Drawdown	0	0	0	0	0	0	0	0	0	0	0
Reserve C/fwd	-1,867	-2,567	-3,367	-4,067	-4,767	-5,467	-5,767	-6,367	-6,967	-7,567	-8,167
New Build Reserve											
Capital Receipts B/fwd	-393	-871	-775	-1,144	-1,510	-1,822	-2,131	-2,333	-2,532	-2,731	-2,931
Lullington Rd Phase 2	0	752	0	0	0	0	0	0	0	0	0
HCA grant	0	-180	0	0	0	0	0	0	0	0	0
RTB Receipts in year	-478	-475	-369	-366	-312	-309	-202	-199	-199	-199	-199
Borrowing in year	0	0	0	0	0	0	0	0	0	0	0
Balance c/fwd	-871	-775	-1,144	-1,510	-1,822	-2,131	-2,333	-2,532	-2,731	-2,931	-3,130

