APPENDIX A

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

MEDIUM TERM FINANCIAL PLAN 2019/20 to 2022/23

February 2019

INDEX

1. Introduction

1.1. The Medium Term Financial Plan (MTFP) is a key element of the Council's budget and policy framework. It aims to ensure resources are directed effectively and efficiently towards delivery of the Corporate Plan. It describes the financial direction of the Council for planning purposes and outlines the financial pressures the Council is likely to experience over the next 4 years.

1.2. The medium term financial planning process establishes how available resources will be allocated to services in line with Council priorities which have been determined following consultation with residents, councillors and other stakeholders. The process facilitates the Council in planning the prudent management of its finances, in building resilience and in providing for the needs of residents over the long term.

1.3. The MTFP is updated regularly to fit in with the budget cycle. This review of the MTFP builds on the existing strategy and updates assumptions to reflect known changes to income, costs and funding. The plan incorporates revenue and capital financial projections over the four years 2019/20 to 2022/23. It also includes an assessment of key risks and a presentation of longer term financial issues which have the potential to impact on the Council.

1.4. The Council will demonstrate economy, efficiency and effectiveness in the application of its resources. Value for Money (VFM) is maximised when there is an optimum balance between economy, efficiency and effectiveness.

- Economy: the price the Council pays for providing its services
- Efficiency: how much the Council gets out of what's put in (productivity)
- Effectiveness: value of the impact achieved (quantitative or qualitative)

2. Strategic Priorities

2.1. The Medium Term Financial Plan is driven by local priorities. The Council's spending strategy is set out in the Corporate Plan formally adopted by members of the Council.

2.2. Following the elections in May 2015, there was a fundamental review of the Corporate Plan focussing on the period 2015-2019 (up to the end of the current political administration).

2.3. The Council's 4-year Corporate Plan (2015-2019) articulates the aims, objectives and priority actions, which the Council is working to achieve over this period. Its delivery is measured through the Performance Framework, which has at its centre the three pillars of value for money - efficiency, economy and effectiveness. It in effect determines the Council's commitments in the delivery of services and community leadership to the citizens of Staffordshire Moorlands.

2.4. The Council's Corporate Plan was developed after taking into account the views and aspirations of Staffordshire Moorlands citizens and having come to a clear understanding of empirical evidence. The plan has taken due recognition of the national and regional policy framework. It has taken on board learning from the progress made by the Council and has benefitted from input from Members at a priority setting event which was held in September 2015.

2.5. The opportunity was taken, at the mid-point of the current administration, to reflect on the progress made during the first two years of the Plan and to reiterate the Council's commitment to the remaining objectives as well as adding any new areas of priority that have emerged since the Plan was first developed.

2.6. The Council in now in the last year of the current Corporate Plan, with Staffordshire Moorlands District Elections taking place in May 2019.

2.7. The Council's vision is expressed as:

"Achieving Excellence in the delivery of high quality services that meet the needs and aspirations of our communities"

This vision is articulated further by four aims:-:

- Help create a safer and healthier environment for our communiites to live and work
- Meet our financial challenges and provide value for money
- Help create a strong economy by supporting further regeneration of towns and villages
- Protect and improve the environment

2.8. These aims are supported by a number of objectives which also provide the framework for the delivery of service plans. The Council's objectives are summarised below:

	Aim	Objectives
1	Help create a safer and healthier environment for our communities to live and work	• Increased supply of good quality affordable homes • Develop a positive relationship with communities • Effective relationship with strategic partners • Effective support of community safety arrangements including CCTV • Provision of sports facilities and leisure opportunities focused upon improving health
2	Meet our financial challenges and provide value for money	• Effective use of financial and other resources to ensure value for money • Ensure services are easily available to all our residents in the appropriate channels and provided "right first time" • A high performing and well motivated workforce • More effective use of Council assets
3	Help create a strong economy by supporting further regeneration of towns and villages	• Encourage business start-ups and enterprises • Flourishing town centres that support the local economy • Encourage and develop tourism • High quality development and building control with an "open for business" approach

	Aim	Objectives
4	Protect and improve the environment	• Effective recycling and waste management • Promote environmentally sustainable policies and practices • Provision of high quality public amenities, clean streets and environmental health • Provision of quality parks and open spaces • Car parking arrangements that meet the needs of residents, businesses and visitors

2.9. The Council is committed to playing the lead role in championing the local area. In so doing the Council recognises its community leadership role. Fulfilling this role effectively means influencing partners in a number of key areas in order to ensure that services are shaped and delivered around the needs and aspirations of citizens.

2.10. The Council's influencing role is focused in the following areas:

- Support the police and other partners to reduce crime, the fear of crime and anti social behaviour
- Ensure there is effective health provision particularly for the elderly
- Support the development of rail links to the city of Stoke-on-Trent
- Ensure that the services provided by other public sector partners meet the needs of residents
- Work with Staffordshire County Council and other partners to ensure an effective partnership with central government

2.11. The Plan identifies key priority outcomes, which will be the highest priority in the development of performance targets and key actions. A significant proportion of the Council's resources will be directed towards achieving them:-

	Aim	Objectives
1	Help create a safer and healthier environment for our communities to live and work	• Increased supply of quality affordable homes • Improved health • Improved community safety
2	Meet our financial challenges and provide value for money	• Balanced and sustainable medium term financial plan position • Council services provide value for money • High level of resident and customer satisfaction
3	Help create a strong economy by supporting further regeneration of towns and villages	• Sustainable towns and rural communities • Increased economic growth
4	Protect and improve the environment	• High recycling rates • Quality parks and open spaces and clean streets

2.12. The Council maintains a Strategic Alliance with High Peak Borough Council, formed around the principle of shared services in the pursuit of efficiency and realisation of savings. The Strategic Alliance has enabled the implementation and transformation of a joint management structure and services, consequently realising significant efficiency savings.

2.13. The Council intends to continue to drive savings and service improvements through collaboration with its Alliance partner.

3. Current Spending Levels

3.1. The starting point for the development of the MTFP is the current level of spending and the approved capital expenditure commitments.

3.2. The Council's current year (2018/19) General Fund budget can be summarised as follows:

Income and Expenditure	2018/19 Budget
	£
Employees	8,604,930
Premises	1,938,950
Transport	1,203,260
Supplies & Services	4,573,350
Benefits	5,010
Borrowing	272,760
Parish Grant	13,830
Financing Costs	555,000
Contribution to / (from) Reserves and Balances	(801,050)
Total Expenditure	**16,366,040**
Fees and Charges / Other Income	(5,797,000)
Interest Receipts	(73,590)
Ascent LLP Income	(546,690)
Net Expenditure	**9,948,760**

3.3. The net expenditure is financed as follows:

Financing	2018/19 Budget
	£
Council Tax	(5,199,590)
Government Funding	(389,100)
New Homes Bonus	(682,090)
Business Rates Retention	(3,530,390)
Collection Fund Deficit	590,410
Efficiency Requirement	(738,000)
Total Financing	**(9,948,760)**

3.4. The medium-term projection for capital commitments approved by Members in February 2018 is detailed below: -

Service Area	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£	£	£	£	£	£
Asset Management Plan	932,840	1,749,570	617,400	393,470	2,640,970	6,334,250
Affordable Housing	-	-	-	-	-	-
Growth Fund	-	-	-	-	-	-
Housing Grants	501,630	1,241,000	1,211,000	1,211,000	1,211,000	5,375,630
ICT Strategy	104,310	19,390	19,390	19,390	19,390	181,870
Other Schemes	173,690	600,000	150,000	50,000	50,000	1,023,690
Total Programme	**1,712,470**	**3,609,960**	**1,997,790**	**1,673,860**	**3,921,360**	**12,915,440**
Financed by:-						
External Contributions	775,850	1,241,000	1,211,000	1,211,000	1,211,000	5,649,850
Capital Receipts	-	21,000	150,000	190,000	-	361,000
Capital Reserve	420,000	-	-	-	-	420,000
S106 Planning	16,700	114,000	-	-	-	130,700
Borrowing	499,920	2,233,960	636,790	272,860	2,710,360	6,353,890
Total Financing	**1,712,470**	**3,609,960**	**1,997,790**	**1,673,860**	**3,921,360**	**12,915,440**

4. Transformation Programme

4.1. Introduction

4.1.1. The Council's 'transformation programme' incorporates all major projects which meet the strategic priorities of the authority and have significant financial implications, including:-

- The Capital Programme
- The Efficiency and Rationalisation strategy
- Member Priority Projects
- Alliance Environmental Services (AES)

4.1.2. The delivery of transformation programme projects is monitored by the Transformation Board made up of Directors, Heads of Service along with key Corporate Service Managers and officers. A Director is allocated as 'project executive' and a full business case appraisal is completed for each project.

4.1.3. The progress and current financial projections of the transformation programme is explored below along with any potential revenue and capital consequences. Any further work required to identify the financial implications of the programme are discussed and will feed into the November 2019 MTFP update process.

4.2 Capital Strategy

4.2.1 In accordance with the requirements of the 2017 edition of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities, a Capital Strategy has been produced for 2019/20

4.2.2 The Strategy, which is being presented to members along side this report, explains how capital expenditure and investment decisions are taken in line with the Council's Corporate Plan and service objectives, taking account of stewardship, value for money, prudence, risk management, sustainability and affordability.

4.2.3 The Capital Strategy is detailed in **APPENDIX B.**

4.3 Capital Programme

4.3.1 The Capital Programme presented to Members in February 2018 has been reviewed, re-profiled and updated to reflect the latest position in terms of capital projections to 31st March 2023.

4.3.2 The latest capital projections, specifically identifying the major schemes, are summarised in the table below. Full detail is attached in **Annex A**.

Service Area	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£	£	£	£	£	£
Asset Management Plan	483,750	1,467,080	1,085,220	1,036,300	1,627,450	5,699,800
Housing Grants	1,161,650	1,256,000	1,226,000	1,211,000	1,211,000	6,065,650
ICT Strategy	-	255,800	-	-	-	255,800
Fleet Management	1,346,300	1,325,750	2,468,290	129,250	30,000	5,299,590
Other Schemes	600,000	480,620	50,000	50,000	-	1,180,620
Total Programme	**3,591,700**	**4,785,250**	**4,829,510**	**2,426,550**	**2,868,450**	**18,501,460**
Financed by:-						
External Contributions	1,211,000	1,238,390	1,211,000	1,211,000	1,211,000	6,082,390
Capital Receipts	-	40,000	-	140,000	-	180,000
General Fund Balances	953,730	-	-	-	-	953,730
Capital Reserve	392,570	1,620,430	-	-	-	2,013,000
S106 Planning	135,690	-	-	-	-	135,690
Borrowing	898,710	1,886,430	3,618,510	1,075,550	1,657,450	9,136,650
Total Financing	**3,591,700**	**4,785,250**	**4,829,510**	**2,426,550**	**2,868,450**	**18,501,460**

4.3.3 The capital projections above include the carry forward of £93,190 capital budgets from 2017/18, a further prior year adjustment of £16,850, an increase to the 2018/19 programme of £2,084,890 (to fund the purchase of fleet – as approved by Council in May 2018) and increased budget provision of £50,000 against an existing scheme as approved by Members.

Asset Management Plan (AMP)

4.3.4 It is essential that the Council maintains an asset base, which delivers the ambitions of the Corporate Plan – however, this needs to be affordable. The **Capital Strategy (Appendix B)** sets out the outcomes and actions emerging from a report presented to Cabinet on 20th September 2016 – which was based on the result of asset condition surveys completed on the Council's property portfolio.

4.3.5 This included the potential capital and revenue financial implications of maintaining the Council's current property assets over a 30 year period, as summarised below:-

SMDC AMP Capital Investment & Revenue Consequence (AS AT SEPT 2016)	**2016-17 – 2019-20 £**	**2020-21 – 2045-46 (26 years) £**	**TOTAL £**
Public Buildings	1,010,850	2,761,600	3,772,450
Car Parks	754,000	4,293,431	5,047,431
Public Conveniences	181,400	415,800	597,200
Waterways & Infrastructure Assets	479,361	448,761	928,122
Leisure Centres	310,000	10,005,995	10,315,995
Depots and Parks Buildings	97,070	2,355,714	2,452,784
Industrial Units	80,380	392,050	472,430
TOTAL	**2,913,061**	**20,673,351**	**23,586,412**
Revenue Consequences (cost of borrowing)	***115,959***	***943,653***	***1,059,612***

4.3.6 This position has been reviewed and updated in February 2017 and 2018 to take account of any changes and updates to stock information since September 2016, and has subsequently been reviewed again for the purposes of this report.

4.3.7 The table below reflects the updated capital investment requirements as at February 2019, adjusted for 2017/18 actual outturn, any in-year re-profiling that has taken place in 2018/19 and changes to spending plans – which reduces the forecast capital spend by £906,040 over the 30 years from the original position; reported in September 2016.

SMDC AMP Capital Investment & Revenue Consequences	**2016-17 (actuals) £**	**2017/18 (actuals) £**	**MTFP**		**2023/24 - 2045/46 (23 Years) £**	**TOTAL £**
			2018/19–2021/22 £	**2022/23 £**		
Public Buildings	70,020	410,000	638,360	861,900	2,153,770	4,134,050
Car Parks	-	1,290	684,710	676,930	3,616,502	4,979,432
Public Conveniences	-	3,280	143,900	53,900	361,900	562,980
Waterways & Infrastructure	5,270	261,090	376,270	-	343,761	986,391
Leisure Centres	1,700	95,170	1,356,790	-	7,669,215	9,122,875
Depots and Parks Buildings	-	-	791,940	34,720	1,595,554	2,422,214
Industrial Units	-	-	80,380	-	392,050	472,430
TOTAL	76,990	770,830	4,072,350	1,627,450	16,132,752	22,680,372
Revenue Consequences	**-**	***11,250***	***196,450***	***63,490***	***665,320***	***936,510***

4.3.8 The Chartered Institute of Public Finance Accountancy (CIPFA) Property Team has been commissioned to support the Council in producing an Asset Management Strategy to ensure the future delivery of efficient asset management; this work is underway and will be reported to Members in due course.

4.3.9 Any positive revenue implications of the asset management strategy, for example, reduced annual maintenance and utility costs due to fewer and/or more efficient buildings and income receipts from shared accommodation partners will be taken towards the efficiency programme.

Affordable Housing Project

4.3.10 The Council's affordable housing project is being delivered via Ascent Housing – the joint venture established by the Council in partnership with Your Housing. Phase one resulted in 276 housing units.

4.3.11 The £5 million debenture facility was fully drawn in 2014/15, and is generating annual income of £100,000 for the remainder of the 25 year period (subject to early repayments by Ascent).

4.3.12 £14 million of the £20 million loan facility has been drawn to date, it is assumed for the purposes of this report that the remaining £6million loan facility will not be drawn during the 4 year period (which is subject to review as per paragraph 4.2.14)

4.3.13 The first tranche of the loan facility matured in October 2017, the £7m was refinanced by Ascent with the Council for a short-term period of 1 year until October 2018; and has since be refinanced again for another short-term period of up to 1 year from October 2018 with a slightly improved interest rate.

4.3.14 The short-term refinancing has been completed whilst a full review of the Ascent business plan and wider funding arrangements is being carried out by Your Housing and the Council. There are no assumptions of the potential financial impact of the outcome of this review included at this stage. Any potential additional income streams generated as a result of the review would be realised against the Efficiency Programme. An update on this will be provided as part of a separate report.

Housing Grants

4.3.15 The District Council is the duty holder under the Housing Grants, Construction and Regeneration Act 1996 for the mandatory Disabled Facilities Grant (DFGs) and this status remains despite changes to funding arrangements. All eligible applicants are entitled to receive mandatory funding for certain major adaptations to their properties. The funding for these adaptations has previously been given directly to the council but from 2015/16, the funding has been incorporated into the Better Care Fund and paid to the County Council.

4.3.16 The Better Care Fund is a single pooled fund for all health and social care provision and covers the whole range of services including public health, social care services and clinical commissioning groups

4.3.17 A county-wide review of the approval process was undertaken during 2017 and resulted in the commissioning of new home improvement agency arrangements which took effect from April 2018. The award of the new 5 year contract to Millbrook Healthcare Ltd will facilitate improvements in the processes in order that completions can be achieved to ensure that grants are approved at the new higher level of resources available. The current amount of uncommitted funding as at 31st March 2018 (prior to receipt of future funding and 2018/19 outturn) is £1.4m – this is held in a capital grants reserve.

4.3.18 In the meantime because of current demand and changes to the delivery of DFGs during this transitional year of hand-over to the new service provider, it is unlikely that the existing funds will be required to deliver the mandatory grants programme. If there is to be any significant spend against the new increased budget, there is a need to find new areas to invest as well as embarking on a robust campaign to promote the traditional DFG to local residents in partnership with the new service provider.

4.3.19 There is scope to do this as part of the funding agreement as long as any proactive scheme outside the mandatory DFG programme is agreed with the County Council and is restricted to capital expenditure.

4.3.20 There are several possible options which for example include; investment in local schools, catering for persons with disability needs; work with local social housing providers to look at dementia friendly adaptations or improvements to existing housing schemes with a significant number of elderly residents. There are also opportunities to work with local community groups to help them develop schemes in their areas that benefit the larger disabled community. A paper was submitted to the Strategic Partnership Board in November 2018 seeking approval to seek out new ways of utilising the DFG funding on capital adaptation programmes within the wider local community and this was supported by the other Staffordshire Authorities and the County Council.

ICT Strategy

4.3.21 The framework for the existing ICT Strategy was established in 2014/15. The key drivers of which were to support delivery of the Efficiency and Rationalisation Plan, provide the infrastructure to support joint working, support new ways of working and improve access to services for our customers.

4.3.22 A Digital Strategy is currently being developed. The aim of which is to drive a change in culture and deliver the systems, processes and skills required in an environment where information is shared seamlessly though connected systems. This will reduce costs of services through optimisation, improving online services and enabling customers to self-serve more transactions. This will also reduce manual administrative tasks, removing paper processes and allowing Officers to focus on high-value tasks.

4.3.23 The initial estimated requirements have been identified with additional costs of £178,240 which have been added to the plan at this stage. However, it is likely that some additional capital investment will be necessary to realise revenue efficiencies and other benefits - these will be subject to individual business case approval.

Fleet Management

4.3.24 Fleet management arrangements have been subject to review over the last 12 months. Responsibility for maintaining the Council's fleet has now transferred to Alliance Environment Service (AES), however, the responsibility for funding fleet remains with the Council. The fleet review aims to deliver savings to be realised against the efficiency programme by ensuring the most cost effective funding options are selected for the various types of vehicles.

4.3.25 The existing contract hire agreements that were in place were terminated on 30th June 2018 and the majority of vehicles under the agreement were directly purchased. An options appraisal undertaken on the funding of refuse freighters has highlighted direct purchase (via the capital programme funded by borrowing or capital reserves/capital receipts) as the most cost effective method of funding.

4.3.26 For the purposes of this report, it has been assumed that all replacement vehicle requirements over the next four years will be funded via direct capital purchase – but this will be subject to further funding options appraisals prior to purchase. Therefore, at this stage, the capital programme includes an allocation of £5,299,590 in order to replace vehicles as they reach the end of their useful lives.

New/Other Capital Commitments

4.3.27 The following additional commitments have been included in the programme for approval:-

- *CCTV - £275,100*

To support the implementation of a revised strategy recommended for the upgrade and monitoring of the existing CCTV system.

- *Brough Park Improvements - £50,000*

Following a successful bid to Sport England, £50,000 has been secured towards the cost of the new Skate Park, including a provision of £20,000 for installation of floodlighting which was not originally planned. It is proposed that the £30,000 saving against the Skate Park costs is added to the capital provision for the next phase of improvements to Brough Park.

- *Home Repairs Assistance Grant Applications - £30,000*

Home Repairs Assistance Grants (HRA) there is only minimal budget within the current capital programme for HRA grants, but officers do receive applications and it is felt that the availability of additional funding will enable them to offer necessary support to vulnerable residents struggling to heat or maintain their homes. It will also give supplementary funding to support additional repair works at premises with disabled occupants where the work is not covered by the traditional Disabled Facilities Grant.

It is proposed to use monies received from a former housing grant scheme, to support the HRA commitment. In June 2012 secured and unsecured loans granted for housing improvements under the West Midlands Kickstart Partnership project transferred to the Council. Debts outstanding are secured by legal charges on properties loans were granted, based on an equity share agreements. When a property is sold the funds received under these agreements are accounted for as capital receipts and used to support the Council's capital programme. In the current financial year receipts of £31,000 have been received so far.

The proposals will be subject to further report and approval by members.

Financing the Capital Programme

4.3.28 As outlined in the Capital Strategy (see Appendix B), the capital programme can be funded from a number of options which include external grants and contributions from third parties comprising of Government and lottery funding; capital receipts from asset sales as part of the asset management plan; earmarked revenue reserves and borrowing.

4.3.29 The main element of spending within the current programme which is expected to be funded from external resources is support towards Disabled Facilities Grants. Estimated capital receipts of £0.18m will be available over the next four years subject to a review of surplus assets. Revenue and capital reserves of £2.97m are forecast (at this stage) to be applied 2018/19.

4.3.30 Borrowing is therefore the main funding option for the programme. The Treasury Management Strategy then considers whether this is funded externally or internally - both options have a consequence on revenue either through reduced investment income or increased external interest liability as highlighted in the table below.

4.3.31 It is proposed to use General fund reserves where an options appraisal on the acquisition of vehicles, plant and equipment has been carried out and suggests that the most financially viable option is to outright purchase.

Revenue Consequences of the Capital Programme

4.3.32 The capital investment proposals above will result in estimated revenue consequences as follows:

Revenue Consequence (changes year-on-year)	2019/20	2020/21	2021/22	2022/23
	£	£	£	£
Ascent Loan Income	(37,580)	(33,730)	-	-
Debenture Income	-	-	-	-
Investment Income	(24,320)	(26,560)	34,570	(14,650)
Borrowing Costs	59,420	104,180	329,700	60,820
Total	**(2,480)**	**43,890**	**364,270**	**46,170**

4.4 Efficiency & Rationalisation Strategy

4.4.1 The current Efficiency and Rationalisation Strategy was approved by Members in February 2017, which identified a programme of £3.1 million (including £443,600 in unachieved efficiencies from the previous efficiency programme) in savings to be made over the period 2017/18 – 2020/21.

4.4.2 The new Efficiency and Rationalisation Strategy has the effect of both reducing expenditure and increasing income. The need to grow income is now more of a priority as the Council moves more towards being self-financing i.e. not reliant on direct government funding such as revenue support grant.

4.4.3 The strategy has been developed with the underlying principles of protecting frontline service delivery. It is also intended that the strategy is a tool to enable the Council to ensure that its service spending is determined by the established priorities set out in the Corporate Plan.

4.4.4 It is intended that there will be five areas of focus:-

- **Major Procurements** - There is the opportunity to focus attention on a number of large service functions which are currently provided by an external contractor / supplier. A number of significant contracts are coming to an end. This will also allow a fundamental review of these services with proper consideration of the current financial constraints. The contract commitments have sometimes restricted the opportunity to align services across the alliance with High Peak. The individual projects will focus on Waste Collection & Environment Services, Leisure Management and Facilities Management
- **Asset Management Plan** – continuation of the existing priority of rationalising the Council's asset base with a focus around priorities in order to allow for the necessary capital investment
- **Growth** – development of a clear focus upon housing and economic growth based upon the established Local Plan.
- **Income Generation** – focus on increasing the yield from existing sources on income and a drive towards identifying new sources of income
- **Rationalisation** – a commitment to reducing expenditure on non-priority areas of spend e.g. management arrangements, channel shift, non-statutory services

4.4.5 The below table summarises the finanical savings requirements and profile for achievement (**ANNEX B** provides more detail of the savings plan):-

General Fund Efficiency Strategy	ACHIEVED 2017/18	2018/19	2019/20	2020/21	TOTAL
	£	£	£	£	£
Major Procurements	100,000	275,000	100,000	600,000	**1,075,000**
Asset Management	50,000	50,000	25,000	25,000	**150,000**
Growth	65,000	150,000	250,000	300,000	**765,000**
Income Generation	305,000	355,000	100,000	250,000	**1,010,000**
Rationalisation	141,000	-	-	-	**141,000**
TOTAL	**661,000**	**830,000**	**475,000**	**1,175,000**	**3,141,000**

4.4.6 The £661,000 target for 2017/18 was achieved in year, and to date, £372,050 in savings have been realised against the 2018/19 efficiency target. Therefore, it is likely that there will be a potential shortfall against the in-year target, mainly down to some slippage in the profile of savings assumed in the Efficiency Programme.

4.4.7 Consequently, a review has been undertaken to assess the timing and estimated value of future savings based on the current programme. The table below shows the projected reprofiled Efficiency Programme – this adjustment has been incorporated into the MTFP:-

	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£	£	£	£	£	£
Original Programme	661,000	830,000	475,000	1,175,000	-	**3,141,000**
Amended Programme	661,000	395,000	935,000	702,000	448,000	**3,141,000**
Variance	**-**	**(435,000)**	**460,000**	**(473,000)**	**448,000**	**-**

4.4.8 Continued progression against the efficiency programme is dependent on achieving significant savings as a result of the alternative delivery model for Waste, Streets and Parks via the transfer of services to trading company Alliance Environment Services, as well as a review of leisure provision. There are also significant income generation targets focusing on housing and economic growth, linked to the approval of the Local Plan.

4.5 Member Priority Actions / Projects

4.5.1 During the development of the Corporate Plan a number of priority actions have been identified and prioritised by members. These are as follows:

Member Priority Actions / Projects	Financial Implications			
	(y/n)	Firm - in plans	Costs understood - not in plans	Costs not yet known
Environment				
Work with ANSA and Cheshire East to launch Alliance Environmental Services Ltd, our new joint venture company, to deliver waste, streets and grounds maintenance services on behalf of the Council in order to achieve improved performance and value for money outcomes.	**Y**	✓		
Establish a developer open space contributions plan	**Y**			✓
Reduce the Council's energy consumption and associated costs (through the Asset Management Plan)	**Y**			✓

Member Priority Actions / Projects	Financial Implications			
	(y/n)	Firm - in plans	Costs understood - not in plans	Costs not yet known
Customer Services				
Undertake detailed process benchmarking with high performing / low cost councils with a view to identifying value for money improvements around Housing Benefit processing	**Y**			✓
Planning & Property				
Refresh and implement the Asset Management Plan, including a review of public estate, and ensure adequate facilities management arrangements are in place	**Y**	✓		
Undertake detailed process benchmarking with high performing / low cost councils with a view to identifying value for money improvements for planning application processing	**Y**			✓
Develop and implement plans to extend the public market operation in Leek and Cheadle	**Y**	✓		
Leisure, Sports, Parks, Countryside and Communities				
Identify and implement an approach to reduce the cost of country parks	**Y**		✓	
Develop a plan to improve Brough Park with HLF support	**Y**	✓		
Develop a strategy for further development of affordable and specialist housing	**Y**			✓
Develop and agree a new empty properties strategy	**Y**	✓		
Develop a scheme that supports the upgrading of security in vulnerable people's homes	**N**			
Support the Community Safety Partnership with improved provision of outreach workers for dealing with domestic violence	**N**			
Undertake a review of the current CCTV system to look at its cost-effectiveness in preparation for the expiry of the maintenance contract in early 2018	**Y**	✓		
Help to ensure, through the scrutiny work programme, that partner service provision, particularly health provision for the elderly, is effective	**N**			
Implement the Council's new sport and physical activity strategy and carry out research into nil cost facility provision being achieved by other councils; in order to achieve improved health and value for money outcomes for the Staffs Moorlands	**N**			
Leader				
Develop and implement a plan to identify new and innovative ways of generating income	**Y**			✓
Implement the Growth Fund initiative to support small businesses	**Y**			✓
Support the development of London Mill as part of a wider redevelopment scheme	**Y**			✓
Support the development of Cornhill and improved rail links	**Y**			✓
Implement the town deal in Biddulph in partnership with Biddulph Town Council	**N**			
Work with Staffordshire County Council and other partners to ensure an effective partnership with central government	**N**			

4.5.2 Any costs or revenue associated with these actions will need to be included in the MTFP. The impact of a number of them is already included in this iteration of the plan but additional work will need to be undertaken to develop a number of the actions further and at the same time identify any financial implications. These will be reviewed following the May 2019 elections.

4.6 Alliance Environment Service (AES)

4.6.1 Alliance Environmental Services (AES) is a company created with a vision to deliver waste, street cleansing and grounds maintenance services in the High Peak and Staffordshire Moorlands areas. The company has three shareholders: Staffordshire Moorlands District Council, High Peak Borough Council and Ansa, which is a wholly owned subsidiary of Cheshire East Council.

4.6.2 Phase 1 of the transfer of services commenced on 7th August 2017 to deliver High Peak Borough Council Waste services. This followed the end of their previous contract with Veolia Environmental Services.

4.6.3 Phase 2 of the transfer of services commenced on 1st July 2018 with the transfer of all fleet management across the Alliance and the transfer of the Staffordshire Moorlands Waste Collection service. Phase 3 is currently estimated to commence in April 2019, which will involve the transfer of Street Scene and Grounds Maintenance.

4.6.4 Savings of £500,000 are forecast in the Efficiency & Rationalisation Programme – which are split between AES and savings to be achieved from Council retained budgets.

4.6.5 The contract fee for 2019/20 has been reviewed and discussions have taken place between the Council and AES. The contract fee has been calculated based on the base 2018/19 contract fee plus 2019/20 inflation/growth items less forecast savings achieved. The payment of any identified risk items (which the Council is currently paying an additional fee) primarily relating to the cost of short-term vehicle hire prior to procurement will continue if they materialise. However, every effort will be made to remove these or offset them with other savings.

5. Financial Forecasts

5.1 Interest Rates

5.1.1. The Bank of England Base Rate was increased from 0.50% to 0.75% at the Monetary Policy Committee (MPC) meeting on 2nd August 2018. Link (the Council's advisors) have produced an interest rate forecast which incorporates the assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, with the next increase in Bank Rate in May 2019, followed by increases in February and November 2020, to reach 2.0% in February 2022. They acknowledge that the wide range of potential scenarios (altered deal, no deal, delays) would impact on the movement of interest rates both up and down. Overall the expectation is that investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

5.1.2. Based on the current forecasts, changes in investment income and borrowing costs (based on interest rate changes) are highlighted below:-

Investment Income	2019/20	2020/21	2021/22	2022/23
	£	£	£	£
Changes in Investment Income	(19,670)	(63,660)	(36,260)	(31,310)
Changes in Borrowing costs	(37,780)	95,500	(4,250)	90
	(57,450)	**31,840**	**(40,510)**	**(31,220)**

5.2. Inflationary Projections

5.2.1. The Retail Price Index (RPI) and Consumer Price Index (CPI) 12 month rate, as at December 2018, stood at 2.7% and 2.1% respectively. Inflation forecasts are made reflecting the composition of the Council's expenditure, resulting in an inflation rate specific to the Council.

5.2.2. The MTFP presented to members in November 2018 has been updated, where appropriate, to reflect the latest inflation forecasts. The full costs to the Council arising from inflation are forecast in the table below.

Expenditure/Income	2019/20	2020/21	2021/22	2021/22
	£	£	£	£
Employee Costs	275,240	310,600	272,310	277,620
Premises Costs	46,330	41,180	41,490	42,280
Transport	400	400	2,830	2,850
Supplies and Services	163,420	116,730	107,000	109,190
In-Year Inflation Pressure	**485,390**	**468,910**	**423,630**	**431,940**

5.3. Budgetary Demand

5.3.1. The Medium Term Financial Plan presented to Council in November 2018 analysed and projected forward both income and expenditure. This has been revised to reflect known changes in budgetary demand.

5.3.2. The current changes in budgetary demand, included in this iteration of MTFP, are highlighted below:-

Increased / (Reduced) Budget Demand	2019/20	2020/21	2021/22	2021/22
	£	£	£	£
Reduction in level of Parish Council Local Council Tax Support	(13,830)	-	-	-
Uniforms – Customer Services	(2,500)	2,500	(2,500)	2,500
DWP – Benefits Admin Grant reduction	12,000	12,000	-	-
End of WWI Centenary	(20,000)	-	-	-
Markets promotion – Temp post	-	(26,150)	-	-
Markets promotion – Income generation	(3,300)	-	-	-
Council Tax support administration grant reduction	4,890	4,500	-	-
Benefits – Fairer Charging transfer to SCC	10,180	-	-	-
Elections Reserve Contribution	13,320	-	-	-
Waste transfer station – SCC revised charge	64,600	-	-	-
Dry recyclate – Increased handling costs	90,160	-	-	-
Vehicle Funding – Contract hire adjustment *	(390,520)	120,200	270,320	-
Total	**(235,000)**	**113,050**	**267,820**	**2,500**

* replenishment of reserves used to fund SFS contract hire buy-out as per cabinet report 24th April 2018

5.4. Budget Growth

5.4.1. In previous years, very few additions in respect of budget growth have been included in the MTFP. It is assumed in light of the financial pressures faced by the Council, that any local issues that necessitate budget growth will be financed by internal spending reductions elsewhere. Occasionally, however, it is necessary to include budget growth to meet spending commitments.

5.4.2. No such items are included in this iteration of the MTFP.

5.5. Pensions

5.5.1. The last triennial actuarial valuation of the Staffordshire Pension Fund took place in 2016. At this valuation, the Staffordshire Moorlands portion of the Fund was in deficit by £23 million and was 66% funded.

5.5.2. The 2016 valuation determined the level of contributions necessary for the following 3 year period (2017 – 2020). The Council was required to contribute 16.6% of pensionable pay plus the equivalent of £667,000 per annum in secondary payments with effect from 2017/18. The Council made a £1.9m lump sum payment in 2017/18 to discharge the secondary payment liability realising a £100,000 discount for paying the full amount in a single advance payment.

5.5.3. A further valuation of the Fund is scheduled to take place in 2019. This will set employer contribution rates payable between 2020/21 and 2022/23 (years 2-4 of this plan). As well as national factors; such as investment returns, inflation factors, demographics etc; this valuation will also take into account the impact on pensions of local changes in the Council's service delivery model in respect of environmental services. These local factors are likely to have an upward pressure on primary contribution rates as overall numbers in the Fund reduce.

5.5.4. Provision for an increase in contributions of £125,000 in Years 2-4 have been included in this iteration of the MTFP. This working assumption will be monitored as details of the 2019 valuation emerge over the next 12 months

5.5.5. The outcome of the 2019 valuation is expected in December 2019

6. Funding & Income Generation

6.1. Council Tax

6.1.1. The Council has the capacity to vary Council Tax levels, following the abolition of capping. However the Council's ability to increase Council Tax by more than a certain percentage is subject to referendum. This threshold was increased to 2.99% for 2019/20 the same as in 2018/19.

6.1.2. This iteration of the MTFP assumes that a 2.9% Council Tax increase will be implemented throughout the 4 year life of this Plan.

6.1.3. Provision has been included within the Plan to reflect anticipated growth in Council Tax base over the 4 years. The figures included are shown in the table below:

Increased Council Tax Income	2019/20	2020/21	2021/22	2022/23
	£	£	£	£
Council Tax increase	(150,790)	(156,120)	(161,440)	(167,010)
Revenue from tax base growth	(33,100)	(27,460)	(30,330)	(36,950)
TOTAL	**(183,890)**	**(183,580)**	**(191,770)**	**(203,960)**

6.2. Business Rates Retention

6.2.1. Under the 50% Business Rates Retention system, the Authority retains 40% of Business Rates less a tariff that is payable into a pool maintained by a number of Staffordshire Authorities. This amount is then compared to a Funding Baseline (estimated at £2,640,830 for 2019/20): any amount in excess of this Baseline is subject to levy, or conversely if the amount of retained Business Rates is below this Baseline, the loss is capped by a safety net payment. The MTFP does not anticipate the Council falling below the Baseline.

6.2.2. As part of the Staffordshire Pool, the levy or the safety net payment is made to or from the Pool instead of Central Government. If the Council was not in the Staffordshire Pool it would have to pay 50p in the £1 to the Government as a levy, effectively limiting the income the Council can gain from business rates growth. However, as part of the Pool, the Council is able to retain 40% of this levy; meaning that each £1 achieved above the baseline, is distributed as follows:

- 70p is retained by the Council;
- 20p is paid to a Central Incentive Fund which is managed by the Pool Board;
- 10p is paid to a Contingency Fund maintained by the Pool Board to assist should a safety net payment be triggered.

The benefit to the Council of being part of the Pool arrangement is estimated to be approximately £293,000 in 2019/20.

6.2.3. In October 2015, the Government announced a forthcoming package of reforms to the Business Rates Retention System including a move to local government retaining 100% of the rates that they received (subsequently being revised to a 75% scheme) with an end to Revenue Support Grant.

6.2.4. There remains uncertainly surrounding how the new system will be phased in and in what form. Following invitation from DCLG, Staffordshire Authorities made an application to become a pilot area for the Business Rates Retention scheme. The application was unsuccessful for 2018/19, but the application was submitted again to the MHCLG for the 2019/20 75% pilot and Staffordshire Authorities were successful in being named as a pilot authority for 2019/20. For the purpose of the MTFP, a windfall of £200,000 has been included based on the minimum payment to be received by each Member Authority as detailed in the Memorandum of Understanding to the Pilot Pool.

6.2.5. The Contingency Fund being built up as part of the original Staffordshire Pool is currently the subject of discussion as to what is a reasonable balance for the County to maintain and whether any amounts could be released for other purposes. Any distribution of this to the Council would be treated as a windfall and is not included in the MTFP at this stage.

6.2.6. The MTFP anticipates that Business Rates retention will be above the baseline. Net income is somewhat suppressed due to the award of reliefs including increased small business rate relief including the changes in thresholds, multiplier cap, extended rural relief, supporting small businesses relief, retail discount and local discretionary relief; and the increase in the provision for RV reductions on successful appeals, including potential NHS Trust applications and ATM RV changes. To compensate for the loss of business rates income resulting from the reliefs, funding has to date been made available to Councils under Section 31 of the Local Government Act 2003. The MTFP assumes both the extension of reliefs and equivalent Section 31 grants will continue.

6.2.7. Changes in the level of the Council's business rates will be impacted by a range of factors, including the Staffordshire Pool's success in generating new and retaining existing business within its area. At this stage, predicted levels of business rates income are based on known and expected changes to the business rates listing.

Business Rates Retention	2019/20	2020/21	2021/22	2022/23
	£	£	£	£
In year:				
Baseline Funding	(2,640,830)	(2,764,640)	(2,894,250)	(3,029,940)
Achievement against Baseline	257,530	409,610	(140,570)	(161,140)
Section 31 Grant	(1,656,810)	(1,669,450)	(1,172,360)	(1,199,410)
Total	**(4,040,110)**	**(4,024,480)**	**(4,207,180)**	**(4,390,490)**
Change between years:				
Business Rates retained	58,720	28,270	(679,790)	(156,260)
Section 31 Grant	(586,440)	(12,740)	497,090	(27,050)
Total	**(509,720)**	**15,630**	**(182,700)**	**(183,310)**

6.3. Collection Fund

6.3.1. The Council maintains a Collection Fund to record the receipt of Council Tax and Business Rates and their distribution to precepting authorities. Any surplus or deficit generated is distributed or recovered from the preceptors in subsequent years.

6.3.2. It is expected that Staffordshire Moorlands' share of a surplus, in respect of Council Tax, will be £71,870 in 2019/20.

6.3.3. It is assumed that a deficit, after providing for appeals, of £666,270 will be distributed in 2019/20 in respect of retained Business Rates generated in the current and previous years. Staffordshire Moorlands' share of this deficit will be £266,510. It is assumed the Business Rates element of the collection fund will break even in future years, leaving no surplus or deficit for distribution.

6.3.4. These and future year movements are set out in the table below:

Changes in Collection Fund Income	2019/20	2020/21	2021/22	2022/23
	£	£	£	£
Council Tax	(44,330)	45,360	8,450	(3,290)
Business Rates	(351,440)	(266,510)	-	-
Total	**(395,770)**	**(221,150)**	**8,450**	**(3,290)**

6.4. Income from Government Grants

Revenue Support Grant

6.4.1. In October 2015, Government announced the phasing out of Revenue Support Grant (RSG). 2018/19 was the final year of RSG grant; none will be received in 2019/20.

6.4.2. In 2016/17 RSG accounted for 12% (£1.25m) of the Council's funding.

New Homes Bonus

6.4.3. New Homes Bonus (NHB) is aimed at encouraging local authorities to grant planning permission for the building of new houses, in return for additional revenue.

6.4.4. The bonus is paid on the increase in occupied homes in the District compared with the previous year. This payment is subject to certain conditions:

- The bonus is only paid on development in excess of a national 'deadweight' threshold (currently 0.4% of the tax base). This threshold represents the percentage of housing that would have been built anyway. For Staffordshire Moorlands, the current threshold is the equivalent of 173 properties. The Government had indicated that it intended to raise the threshold in 2019/20, but in the settlement announcement in December, it backed off from this position, leaving the deadweight threshold at 0.4%. The possibility remains of this threshold increasing in the future and should it happen; this would reduce the value of future New Homes Bonus receipts;
- Once awarded, New Homes Bonus is currently paid for the following 4 years.

6.4.5. Further changes, proposed in the 2016 consultation, have been put on hold to be considered for future implementation. These include:

- Withholding the Bonus from areas where an authority does not have a Local Plan in place; and
- Abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal.

The settlement announcement in December 2018 made no reference to implementing these measures in 2019/20.

6.4.6. The announcement did, however, point out that 2019/20 represents the final year of funding agreed through the 2015 Spending Review and it is the Government's intention to explore how to incentivise housing growth most effectively. There is, therefore, a risk that the system may change fundamentally during the life of this Plan. Given the small amount of benefit SMDC gains from the current arrangements, it is entirely possible that any such changes may turn out to be positive for the Council. There will be a period of consultation on any change prior to a new system being implemented.

6.4.7. This iteration of the MTFP is based on the current NHB system and includes total New Home Bonus receipts of £1.1 million over the next 4 years (£0.4m in 2019/20 and £0.2m pa thereafter). However, these amounts assume no detrimental increase in the Government's (0.4%) 'deadweight' threshold in the period 2020-2023 (Years 2-4 of the Plan).

6.4.8. The settlement announcement in December 2018, confirmed that; although the Council did not achieve housing growth in excess of the threshold; of the 100 new houses that were built, 36 were 'affordable' generating the payment of an 'affordable homes premium'. Consequently, the Council has been awarded additional New Homes Bonus of £10,080 for 2019/20.

6.4.9. Small additional awards are anticipated for Years 2-4 of the Plan, but these will be under threat from any future detrimental movement in the deadweight threshold.

6.4.10. The Efficiency and Rationalisation Strategy included an assumed £400,000 in from stimulated housing growth, primarily from New Homes Bonus over the four years (2017-21). The current low levels of growth being experienced in the District, together with the risk of detrimental change in the deadweight threshold, make this target more difficult to achieve.

Local Council Tax Support Grant

6.4.11. The Council operated a scheme whereby funding received from Central Government in respect of Local Council Tax Support was passed on to the Parishes by means of an annual grant. The allocation of this grant was based on the eligibility of parish residents for Council Tax discounts.

6.4.12. The level of resources made available for this grant has been reduced each year in line with the reduction in overall Government funding suffered by the Authority. The final year of Local Council Tax Support grant funding was 2018/19. No further funding is included for this purpose in the Plan.

Summary of Income from Government Grants

6.4.13. The table below summarises the movement in Government funding from the 2016/17 baseline:-

Government Grant (gain) / loss of funding	2016/17 (baseline)	2017 - 19 (actual)	2019/20 (forecast)	2020/21 (forecast)	2021/22 (forecast)	2022/23 (forecast)
	£	£	£	£	£	£
Revenue Support Grant	(1,246,290)	899,290	347,000	-	-	-
Rural Services Delivery Grant	(14,930)	(22,390)	37,320	-	-	-
Transition Grant	-	(4,780)	4,780	-	-	-
New Homes Bonus	(1,264,390)	582,300	238,330	219,500	15,190	(12,240)
Change in Govt Funding	**(2,525,610)**	**1,454,420**	**627,430**	**219,500**	**15,190**	**(12,240)**

6.4.14. The changes shown in the table above mean that the Government grant funding received by the Council will have reduced to £221,310 by 2022/23, compared to the £2,525,610 received in 2016/17.

6.5. Fees and Charges

6.5.1. Charging for local services makes a significant contribution to the Council's finances. The Council also uses charging to influence individual choices and behaviour, and to bring other benefits to local communities. The Council's Charging Policy sets out the following principles for establishing the level of fees and charges:

- The cost of providing services should be fully met by income
- There is a standard approach to concessions for those on low incomes
- Where a subsidy is agreed, this should be used to support the development of Council services in accordance with priorities
- Subsidies should be reconfirmed annually

6.5.2. Services have completed the fees and charges templates, the financial outcomes of the process are shown in ANNEX C. The summary includes categorisation of charges and identifies where fee-earning services are provided at a subsidy.

6.5.3. The proposed fees and charges for 2018/19 are presented in **Appendix C** to this report.

6.5.4. The Medium Term Financial Plan currently projects that the Council will increase fees and charges (and other income) broadly in line with inflation. However, it is also recognised that certain income streams (such as car parking, planning receipts) may not increase each year and that other income streams (such as grants and rental income) are fixed or subject to periodic review.

6.5.5. The underlying annual total expected from inflationary increases to fees and charges has been set at £25,000, recognising the potential overlap with income generation themes included in the Efficiency Programme.

6.5.6. The projected revenue from increased fees and charges (and other income) is summarised in the table below:

Increased Fees and Changes	2019/20	2020/21	2021/22	2022/23
	£	**£**	**£**	**£**
Revenue from increased Fees and Charges	(25,000)	(25,000)	(25,000)	(25,000)
Total	**(25,000)**	**(25,000)**	**(25,000)**	**(25,000)**

7. Risks, Contingencies & Use of Reserves

7.1. Risk Identification and Management

7.1.1. The early identification and management of risks is critical to the Budget and Medium Term Financial Planning process. Risks are assessed, mitigated and actively managed to ensure that the Council delivers its services effectively within the funding at its disposal. The principal risks to the Medium Term Financial Plan are summarised in ANNEX D.

7.1.2. Risk areas will be closely monitored and reviewed on an on-going basis and remedial action taken as appropriate.

7.1.3. The table below highlights specific financial risks that are embedded within this Medium Term Financial Plan:

Revenue Risks	Capital Risks
• Inflationary assumptions • Interest rates • Revenue consequences of capital • Housing benefits • Fees and charges • Universal Credit • Business Rates • Council Tax collection • Government grants • Financial benefits from partnerships / shared services • Pension costs • Insurance costs • Waste management costs	• Interest rates • External funding • Capital receipts • Capacity to deliver capital programme • Project overspend • Project overrun • External factors (e.g. planning objections, judicial reviews etc. leading to project delay) • Housing Joint Venture • Suppliers / Contractors / Contract Management • Weather

7.1.4. **Britain's Exit from the European Union**

At this stage it is impossible to predict the impact of the Brexit process on the Authority's finances and financial planning. It has the potential to influence a number of local and national economic drivers such as inflation, interest rates, the valuation of assets and liabilities and the demand for and funding of services. Currently the timing and direction of Brexit's influence on these areas is a matter of debate. To give an idea of the potential financial consequences the table below quantifies the impact on the Authority's current 2018/19 budget had there been a 1% change in its key economic drivers.

Risk item	Impact on MTFP
1 % change in inflation	150,000
1 % change in interest rates	135,000

7.2. Contingencies

7.2.1. The Medium Term Financial Plan is underpinned by a number of assumptions. These assumptions have been made in the light of currently available information. New information, when it emerges, may require the Council to alter its assumptions with a consequential effect on the Council's financial position.

7.2.2. Key risk areas will be closely monitored and reviewed on an ongoing basis and remedial action taken. Members will receive quarterly updates on performance against the budget.

7.2.3. The Council carries reserves as a contingency for situations where risks cannot be fully mitigated. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (CFO) to report on the robustness of the estimates included in the budget and the adequacy of the reserves that the budget provides.

7.2.4. While there is no detailed guidance on calculating the level of general reserves the Council is encouraged to take into account the strategic, operational and financial risks facing the Council. The table below present analysis undertaken by the Council in calculating the minimum level of general reserve required.

Risk Item	Calculation Factor	Value	Reserve Requirement
		£'m	£
Expenditure Items (gross) – Employee Related	2% of value	6.80	136,000
Expenditure Items (gross) – Other	2% of value	9.57	191,000
Housing Benefits	0.25% of value	14.95	37,000
Fees and Charges	3.5% of value	4.89	171,000
Interest Receipts/Payments	50% fall in average rate	0.12	59,000
Efficiency Provisions	30% of value	0.48	143,000
Council Tax Collection	1.5% of value	5.38	81,000
Business Rates Retention	5% of value	4.04	202,000
Development Services Income	5% of value	0.51	25,000
Local Land Charges	5% income fall	0.14	7,000
Total Minimum Requirement			**1,052,000**

7.2.5. It is proposed that the minimum general reserve contingency balance should reduce by £58,000 to £1,052,000 to meet unforeseen expenditure and/or shortfalls in income. [The Council anticipates that at 1st April 2019 it will be holding a contingency reserve of £1,510,000 and earmarked reserves (held for specific purposes) of £4,243,000].

7.2.6. The level and utilisation of reserves is determined formally by the Council, having received the advice and judgement of the Chief Financial Officer (CFO). The Chief Financial Officer's advice is:

"In the view of the Executive Director & Chief Finance Officer (Section 151 Officer), the budget includes estimates which take into account circumstances and events which are reasonably foreseeable at the time of preparing the budget. The view is therefore held, that the level of reserves are adequate for the Council based on this budget and the circumstances in place at the time of preparing it."

[Note: A formal record of the Chief Finance Officer's advice is recorded in the minutes of the Council meeting. In the unusual event that a Chief Finance Officer's advice is not accepted by a Council, the rejection by a Council of the Chief Finance Officer's advice must be recorded in the minutes].

7.3. Use of Reserves and Balances

7.3.1. The February 2018 Medium Term Financial Plan included an £8,180 contribution from General Fund Reserves in 2018/19 in respect of Section 106 (Commuted Sum). The level of Section 106 reserve usage has been revised to £7,700 pa from 2019/20.

7.3.2. The February 2018 MTFP also included the use of General Fund contingency reserves in 2018/19 and 2019/20 necessary to smooth timing differences in the delivery of the Efficiency Programme. The Plan then included an anticipated payment into reserves in both 2020/21 and 2021/22.

7.3.3. The use of reserves anticipated over the 4 years has been updated in this iteration of the plan, in line with revenue forecasts. The annual changes are shown in the table below:

Reserve / Balance	2018/19 (Budget)	2019/20	2020/21	2021/22	2022/23
	£	£	£	£	£
General Fund Contingency Reserve	(792,870)	3,140	242,340	50,960	29,370
Section 106 Monies	(8,180)	(7,700)	(7,700)	(7,700)	(7,700)
Total Reserve Usage	**(801,050)**	**(4,560)**	**234,640**	**43,260**	**21,670**
Change in use of reserves		796,490	239,200	(191,380)	(21,590)

7.3.4. The Quarter Three report forecasts that there will be a surplus against the revenue budget of approximately £148,430. During 2018/19 the Council has also used £953,730 from reserves to purchase refuse collection vehicles – as per the Cabinet report approved on 24th April 2018. This results in an expected usage of reserves of £1,598,170 in 2018/19.

7.3.5. With effect from 2019/20 the MTFP reflects a contribution of £325,810 into reserves over the next 4 years (2019/20 £3,140; 2020/21 £243,340; 2021/22 £50,960; and 2022/23 £29,370)

7.3.6. The table below shows the revised level of contingency reserves over the life of the Medium Term Financial Plan:

Contingency reserve	2018/19	2019/20	2020/21	2021/22	2022/23
	£	£	£	£	£
As at February 2019:					
Balance at year end	1,509,880	1,513,020	1,755,360	1,806,320	1,835,690
Minimum requirement (7.2)	1,110,000	1,052,000	1,052,000	1,052,000	1,052,000
Headroom	**399,880**	**461,020**	**703,360**	**754,320**	**783,690**

8. Budget 2019/20

8.1. The prospects for the 2019/20 Budget were considered by the Council, as part of the update of the Medium-Term Financial Plan, on 5th December 2018 prior to the commencement of the budget exercise.

8.2. Budget preparation work has now been completed and an overall balanced budget position has been reached with the inclusion of a £738,000 efficiency target and a drawdown of £801,050 in reserves.

Proposed Budget

8.3. The proposed 2019/20 Budget is detailed below:-

Budget Heading	2019/20 Projection
	£
Employees	6,800,120
Premises	2,192,420
Transport	404,260
Supplies & Services	5,746,430
Benefits	5,010
Borrowing	294,400
Parish Grant re Council Tax Support	0
Financing Costs	621,900
Total Expenditure	**16,064,540**
Fees and Charges / Other Income	(5,185,420)
Interest Receipts	(117,580)
Ascent LLP Income	(584,270)
Net Expenditure	**10,177,270**
Council Tax	(5,383,480)
Revenue Support Grant	0
Business Rates Retention	(4,040,110)
Rural Service / Transition Grant	0
New Homes Bonus	(443,760)
Earmarked Reserves / Balances	(4,560)
Collection Fund	194,640
Total Financing	**(9,677,270)**
Cumulative Deficit / (Surplus)	**500,000**
Efficiency Requirement	(500,000)
In Year Deficit / (Surplus)	**0**

Council Tax Requirement 2019/20

8.4. The table below illustrates the Council Tax requirement for 2019/20:-

	2019/20
	£
Net Expenditure	**10,177,270**
Efficiency Target (new)	(500,000)
Revenue Support Grant	-
New Homes Bonus	(443,760)
Rural Service Delivery Grant	-
Transition Grant	-
Business Rates Retention	(4,040,110)
Use of Reserves	(4,560)
Collection Fund	194,640
Net Requirement from Council Tax	**5,383,480**

8.5. Members will be aware that the Council has adopted the following items of expenditure as Special District Expenses (SDEs) to be levied on specific parishes:

- Leek – Brough Park, Birch Gardens, Recreation Grounds and Leek Cemetery; and
- Biddulph – Recreation Grounds.

8.6. Estimated net expenditure for 2019/20 in respect of Special District Expense items is set out in the table below:

Special District Expense	Net Cost
	£
Leek	
Brough Park	97,030
Recreation Grounds	79,210
Birch Gardens	29,720
Cemetery	130,490
Total	**336,450**
Biddulph	
Recreation Grounds	65,810
Total	**65,810**
TOTAL LEVY	**402,260**

8.7. Members should note that overall Special District Expenses have been adjusted to achieve a 2.9% increase, to accord with the Council's strategy for District Council Tax levels in 2019/20.

8.8. The overall Council Tax requirement contained within these proposals is summarised in the table below.

	Budget Requirement £	Tax Base	Band D Council Tax £	Increase/ (Decrease) %
District Council Tax	4,981,220	33,089	150.54	2.9%
Special District Expense				
Leek	336,450	6,479	51.93	2.9%
Biddulph	65,810	6,304	10.44	2.9%

9. MTFP General Fund Revenue Position

9.1. The medium term general fund revenue position is as set out in the table below, which summaries the impact of the discussions in the previous sections of the report:-

Summary Revenue Position	2019/20	2020/21	2021/22	2022/23
	£	£	£	£
Revenue Consequences of Capital Spend (section 4.3)	(2,480)	43,890	364,270	46,170
Interest Rate Changes (section 5.1)	(57,450)	31,840	(40,510)	(31,220)
Inflation Pressures (section 5.2)	485,390	468,910	423,630	431,940
Increased / (Reduced) Budget Demand (section 5.3)	(235,000)	113,050	267,820	2,500
Budget Growth (section 5.4)	-	-	-	-
Increased Council Tax Income (section 6.1)	(183,890)	(183,580)	(191,770)	(203,960)
Business Rates Retention (section 6.2)	(509,720)	15,630	(182,700)	(183,310)
Changes in Collection Fund Surplus (section 6.3)	(395,770)	(221,150)	8,450	(3,290)
Reduction in Government Grant (section 6.4)	627,430	219,500	15,190	(12,240)
Additional Fees and Charges (section 6.5)	(25,000)	(25,000)	(25,000)	(25,000)
Contribution to / (Use of) Reserves & Balances (section 7.3)	796,490	239,200	(191,380)	(21,590)
In Year Change in Position	**500,000**	**702,290**	**448,000**	**-**
Existing Efficiency & Rationalisation Plan (section 4.3)	(500,000)*	(702,290)	(448,000)	-
Growth Efficiencies Realised	-	-	-	-
Budget (Surplus) / Deficit	**-**	**-**	**-**	**-**
Cumulative (Surplus) / Deficit				

**new in-year requirement - £435,000 also rolled forward from 2018/19 as per re-profiled programme*

9.2. The table above table shows a balanced position over the life of the Medium Term Financial Plan assuming the remaining Efficiency Programme savings of £1,650,290 (plus £435,000 carried forward from 2018/19) is achieved.

9.3. The above position includes the contribution of £325,810 into contingency reserves during the life of the plan.

9.4. ANNEX E shows the indicative detailed revenue budget for the period 2019/20 – 2022/23.

10. Consultation

10.1. The Council is committed to consulting with residents and other stakeholders to help inform the budget setting process and spending priorities/non-priorities. A variety of techniques have been used and the approaches have been iterative, building year on year on what has gone before. The Council already holds comprehensive information gathered about residents' spending priorities. Much of this information was gathered in times of rising expenditure. The financial challenges for the Council are now very different.

10.2. The consultation process for 2019/20 was undertaken via an online communication available on the Council's website, which summarises the finanicial challenges the Council faces and invited comment. This survey will remain live until 31st March 2019, with any additional responses feeding into the 2020/21 budget setting process.

10.3. It will be particularly important that the Council, as it makes difficult budgetary decisions, is able to evidence that it has considered the impact of its decisions on groups with 'protected characteristics'.

10.4. Going forward, the Council will be developing a timetable of consultation, which will focus on specific emerging issues that potentially have a significant impact on the Council's finances over the medium term.

ANNEX A

Proposed Capital Projections (2018/19 to 2022/23)

Capital Schemes	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£	£	£	£	£	£
Asset Management Plan						
Public Buildings	403,360	235,000	-	-	861,900	1,500,260
Car Parks	63,390	314,430	79,780	227,110	676,930	1,361,640
Public Conveniences	-	-	143,900	-	53,900	197,800
Infrastructure/Waterways	-	209,270	62,000	105,000	-	376,270
Leisure Centres	10,000	510,000	745,790	91,000	-	1,356,790
Depots & Park Buildings	7,000	118,000	53,750	613,190	34,720	826,660
Industrial Units	-	80,380	-	-	-	80,380
	483,750	**1,467,080**	**1,085,220**	**1,036,300**	**1,627,450**	**5,699,800**
Private Housing Grants	**1,161,650**	**1,256,000**	**1,226,000**	**1,211,000**	**1,211,000**	**6,065,650**
ICT Projects	**-**	**255,800**	**-**	**-**	**-**	**255,800**
Fleet Management	**1,346,300**	**1,325,750**	**2,468,290**	**129,250**	**30,000**	**5,299,590**
Other Schemes						
Conservation	30,000	75,520	50,000	50,000	-	205,520
Public Parks/Play Facilities	570,000	130,000	-	-	-	700,000
CCTV	-	275,100	-	-	-	275,100
	600,000	**480,620**	**50,000**	**50,000**	**-**	**1,180,620**
TOTAL PROGRAMME	**3,591,700**	**4,785,250**	**4,829,510**	**2,426,550**	**2,868,450**	**18,501,460**
CONTRIBUTIONS	**1,211,000**	**1,238,390**	**1,211,000**	**1,211,000**	**1,211,000**	**6,082,390**
NET PROGRAMME	**2,380,700**	**3,546,860**	**3,618,510**	**1,215,550**	**1,657,450**	**12,419,070**

Summary of Approved Efficiency and Rationalisation Strategy (February 2017)

Efficiency	2017/18	2018/19	2019/20	2020/21	TOTAL
	£'000	£'000	£'000	£'000	£'000
Major Procurements					
Ansa Joint Venture	100	200	100	100	500
Leisure Centres	-	-	-	500	500
Facilities	-	75	-	-	75
	100	**275**	**100**	**600**	**1,075**
Asset Management					
Asset Rationalisation	50	50	25	25	150
	50	**50**	**25**	**25**	**150**
Growth					
Housing Growth	50	50	150	150	400
Business Growth	15	50	50	150	265
Industrial Units	-	50	50	-	100
	65	**150**	**250**	**300**	**765**
Income Generation					
Fees & Charges	125	175	100	250	650
Affordable Housing	100	100	-	-	200
Advertising / Sponsorship	30	30	-	-	60
Commercial Property	-	50	-	-	50
Enhanced Trading	50	-	-	-	50
	305	**355**	**100**	**250**	**1,010**
Rationalisation					
Management Staffing	100	-	-	-	100
Channel Shift	-	-	-	-	-
Service Rationalisation	41	-	-	-	41
	141	**-**	**-**	**-**	**141**
TOTAL	**661**	**830**	**475**	**1,175**	**3,141**

The above programme has been reprofiled to take account of any changes to the expected timing of savings:-

	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£	£	£	£	£	£
Original Programme	661,000	830,000	475,000	1,175,000	-	**3,141,000**
Amended Programme	661,000	395,000	935,000	702,000	448,000	**3,141,000**
Variance	**-**	**(435,000)**	**460,000**	**(473,000)**	**448,000**	**-**

ANNEX C

Fees & Charges

	SMDC Proposed Fees & Charges	Charging Policy Category							
Service Area	**2019/20**	**Full commercial**	**Fair charging**	**Cost recovery**	**Subsidised**	**Nominal**	**Free**	**Statutory**	**Total**
Environmental Health	Income	£12,867	£29,588	£20	£2,348		£0	£14,149	£58,972
	Surplus/ (Subsidy) after Costs	£4,184	£3,773	£20	-£923		-£56,750	-£10,707	-£60,404
Licensing	Income						£127,493	£0	£127,493
	Surplus/ (Subsidy) after Costs						-£1,300	£10,793	£9,493
Land Charges	Income			£199,161			£0	£0	£199,161
	Surplus/ (Subsidy) after Costs			£4,487			£0	-£2,053	£2,433
Planning	Income		£27,088	£6,421					£33,509
	Surplus/ (Subsidy) after Costs		£13,698	£1,373					£15,071
Building Control	Income			£3,788					£3,788
	Surplus/ (Subsidy) after Costs			£3,788					£3,788
Street Naming	Income		£11,616						£11,616
	Surplus/ (Subsidy) after Costs		£9,954						£9,954
Waste	Income	£5,457		£20,925					£26,382
	Surplus/ (Subsidy) after Costs	£1,880		£1,202					£3,082
Cemeteries	Income	£14,836	£95,588						£110,424
	Surplus/ (Subsidy) after Costs	£11,527	£33,372						£44,899
Street Scene	Income		£2,872						£2,872
	Surplus/ (Subsidy) after Costs		£202						£202
Horticulture	Income	£4,012	£686		£515		£0		£5,213
	Surplus/ (Subsidy) after Costs	£284	-£57		-£131		-£745		-£649
Car Parks	Income		£637,287				£0	£30,000	£667,287
	Surplus/ (Subsidy) after Costs		£406,287				-£19,000	£10,000	£397,287
Markets	Income		£125,027						£125,027
	Surplus/ (Subsidy) after Costs		-£20,274						-£20,274
Lettings	Income		£10,177						£10,177
	Surplus/ (Subsidy) after Costs		£6,738						£6,738
Finance	Income		£200,350						£200,350
	Surplus/ (Subsidy) after Costs		£989						£989
Elections	Income					£1,709			£1,709
	Surplus/ (Subsidy) after Costs					£0			£0
Environmental Crime	Income							£18,685	£18,685
	Surplus/ (Subsidy) after Costs							£9,821	£9,821
Community	Income							£1,050	£1,050
	Surplus/ (Subsidy) after Costs							-£296	-£296

Charging Policy	Policy Objective
Full commercial	Service is promoted to maximise revenue within an overall objective of generating a surplus from the service
Fair charging	Service is promoted to maximise income but subject to defined policy constraints including commitments made to potential customers on an appropriate fee structure
Cost recovery	Service generally available to all but without a subsidy
Subsidised	Service is widely accessible, but users of the service should make some contribution from their own resources
Nominal	Service to be fully available and a charge is made to discourage frivolous usage
Free	Service fully available at no cost
Statutory	Charges are set in line with legal obligations

ANNEX D

Medium Term Financial Plan – Principal Risks

Risk Category	Risk	Mitigation and Controls
Financial Implications	Robustness of financial assumptions within Efficiency and Rationalisation Strategy	Structured project management arrangements have been put in place with detailed business cases for each initiative – these will be strengthened in the service review process
Financial Implications	Additional financial pressures emerge – cost & income	The strategy is kept under constant review and adjustments will be made where necessary
Service Continuity	Interruptions to key services or performance standards	Resource implications and impact are identified as part of the business case process. Service continuity and maintenance of standards of service are key requirements of any new proposals
Corporate Governance	Maintaining stakeholder confidence; lack of clarity on accountability	Ongoing review of standards of internal control (e.g. Financial Procedure Rules reviewed and updated). Internal Audit Plan will be reviewed to account for the new approach proposed in the Efficiency & Rationalisation Strategy
Management of Change	Management of corporate and local, cultural change; behavioural risks; residual effects of aggregation; proposed changes to organisational structure, roles & responsibilities	Progress with achievement of aims will be monitored through an effective performance management structure. Investment has been made in a new approach to Organisational Development.
People Risks	Impact of cultural changes; assessment of skills; recruitment & retention; capacity issues	Continuing communications process for the delivery of transformation programme
Key Projects & Partnerships	Managing changes to shared service delivery arrangements	The project management methodology provides for an adequate transition where there are changes in service delivery
Performance Management	Adequacy of framework to monitor transition	Risk management processes are embedded

Risk Category	Risk	Mitigation and Controls
Reputation and Relationship Risks	Maintaining existing partner confidence	Continuing communications process for the delivery of transformation programme
Programme Delivery	Delays in implementation of efficiency savings	Effective governance arrangements in place to monitor plans. Executive Directors and Senior Managers own delivery of efficiencies. Executive Director (Transformation) appointed as programme director.
Programme Delivery	A number of the efficiency / rationalisation initiatives are not achieved	Structured project management approach is in place for delivery including effective exception reporting The strategy is kept under constant review Identification of further efficiency / rationalisation opportunities through benchmarking / effective member working groups
Political Support	Lack of Members support for Plan.	Regular reporting and member briefings including effective scrutiny arrangements

ANNEX E

Proposed Revenue Projections (2019/20 to 2022/23)

Budget Heading	2019/20 Projection	2020/21 Projection	2021/22 Projection	2022/23 Projection
	£	£	£	£
Employees	6,800,120	7,084,570	7,356,880	7,634,500
Premises	2,192,420	2,233,600	2,275,090	2,317,370
Transport	404,260	404,660	407,490	410,340
Supplies & Services	5,746,430	5,985,860	6,360,680	6,472,370
Benefits	5,010	5,010	5,010	5,010
Borrowing	294,400	494,080	819,530	880,440
Parish Grant re Council Tax Support	0	0	0	0
Financing Costs	621,900	621,900	621,900	621,900
Total Expenditure	**16,064,540**	**16,829,680**	**17,846,580**	**18,341,930**
Fees and Charges / Other Income	(5,185,420)	(5,193,920)	(5,218,920)	(5,243,920)
Interest Receipts	(117,580)	(207,800)	(209,490)	(255,450)
Ascent LLP Income	(584,270)	(618,000)	(618,000)	(618,000)
Recharges	0	0	0	0
Net Expenditure	**10,177,270**	**10,809,960**	**11,800,170**	**12,224,560**
Council Tax	(5,383,480)	(5,567,060)	(5,758,830)	(5,962,790)
Revenue Support Grant	0	0	0	0
Business Rates Retention	(4,040,110)	(4,024,480)	(4,207,180)	(4,390,490)
Rural Service Delivery Grant	0	0	0	0
New Homes Bonus	(443,760)	(224,260)	(209,070)	(221,310)
Earmarked Reserves	(7,700)	(7,700)	(7,700)	(7,700)
Contingency Balances	3,140	242,340	50,960	29,370
Collection Fund	194,640	(26,510)	(18,060)	(21,350)
Total Financing	**(9,677,270)**	**(9,607,670)**	**(10,149,880)**	**(10,574,270)**
Cumulative Deficit / (Surplus)	**500,000**	**1,202,290**	**1,650,290**	**1,650,290**
Efficiency Requirement (cumulative)	(500,000)*	(1,202,290)	(1,650,290)	(1,650,290)
Growth Efficiencies realised (cumulative)				
Deficit / (Surplus)	**0**	**0**	**0**	**0**

**new in-year requirement - £435,000 also rolled forward from 2018/19 as per re-profiled programme*