



## Finance Sub-Committee 11 February 2019

### FINAL Medium Term Financial Strategy and Plan

#### Purpose of report

The purpose of this report is to set out the council's Medium Term Financial Strategy (MTFS) 2019/20 to 2023/24, outline the Revenue Budget 2019/20, Capital Programme 2019/20 to 2028/29, Reserves Forecast 2019/20, Fees and Charges 2019/20 and Commercialisation Strategy 2019/20.

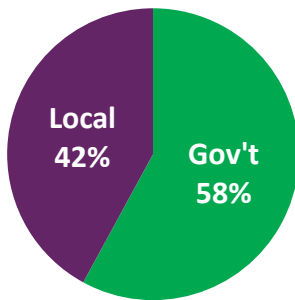
#### Attachment(s):

- Appendix 1 – MTFS Summary 2019/20 – 2023/24
- Appendix 2 – Revenue Budget Changes – 2019/20
- Appendix 3 - Revenue Growth Items – 2019/20
- Appendix 4 – Capital Programme 2019/20 – 2028/29
- Appendix 5 – Reserves Forecasts 2019/20 - 2023/24
- Appendix 6 – Fees and Charges 2019/20
- Appendix 7 – Commercialisation Strategy 2019/20

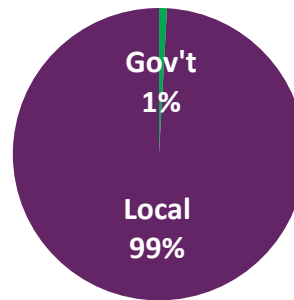
#### 1. Overview and context

- 1.1. The MTFS 2019/20 to 2023/24 has been formulated since the announcement of the Autumn Statement 2018, which sets out how the Government will address the ongoing national financial position over the medium term. Whilst Government have taken some necessary steps to address a number of national changes, there was very little detail or support for local authorities in the announcements that could be incorporated into the financial forecast. This means that there still continues to be a considerable level of uncertainty surrounding key sources of funding the council will receive during this spending review period.
- 1.2. The MTFS was last approved in March 2018, when there were negative signs emerging surrounding the UK economy. Following the EU Referendum in June 2016, there has been a negative impact on the outlook for the UK. A high level of uncertainty still remains surrounding the UK's planned withdrawal from the European Union, adding to the pressure and uncertainty on Local Government finances over the medium term.
- 1.3. The Provisional Local Government Finance Settlement figures was announced on 13<sup>th</sup> December 2018, and confirmed on 29<sup>th</sup> January 2019. Final funding figures are reflected in this version.
- 1.4. Since 2010, the funding to councils has changed significantly. The graphs below demonstrate how the balance has changed between what is funded directly by the government versus what is raised locally. Funding from Central Government refers to grants and funding received directly from the government, such as Revenue Support Grant. Funding raised locally refers to funding generated directly within the district such as Council Tax, New Homes Bonus and Business Rates. This can be increased by stimulating economic growth within the district.
- 1.5. The MTFS has been prepared on the basis of the council continuing in its current form. The council is awaiting confirmation from Government about the proposal it submitted with all other councils in Northamptonshire, with the exception of Corby, to move to create two unitary councils.

## ENC Funding 2010



## ENC Funding Now



- 1.6. The Government's changes around New Homes Bonus, Business Rate Retention Scheme and localisation of Council Tax Support are a major part of the reason for this shift in funding. At the end of MTFs period in 2023/24 it is forecast that 100% of the council's funding will be raised locally.

## 2. Long Term Financial Position

- 2.1. In the ongoing uncertainty around local government finances, the biggest risk facing the council is in assessing the financial implications of proposed changes over the longer term and being able to continue to provide services at current levels.
- 2.2. Since the Spending Review in 2010, the public sector has seen unprecedented reductions in funding and the Autumn Statement 2018 just serves to demonstrate that there are no plans to alleviate the financial pressure placed on local authorities, particularly shire district councils, in the short term.
- 2.3. The Autumn Statement announced that additional funding was being made available for Adult Social Care, with additional funds being made available as well as a shift in funding from district councils to those councils with social care responsibilities.
- 2.4. The council also suffered a reduction in New Homes Bonus funding following revisions to the scheme with further changes proposed for 2020/21 onwards. Other changes, such as the move to 75% business rates retention, are still in the pipeline but no further detail is forthcoming at this time on how this will operate. Further details on these are set out in section 4 of this report. These major uncertainties and changes are impacting on Local Government now and will continue into the longer term. The situation will be closely monitored and any risks and assumptions reviewed as necessary.
- 2.5. Whilst it must be recognised that there is a lot of uncertainty, the preparations and setting of a MTFs and budget must still take place.
- 2.6. In addition to the uncertainty around the council's revenue budget over the longer term, the council still has some significant decisions to make and risks surrounding the future of the capital programme.
- 2.7. The capital programme is projected for a period of 10 years to help the council manage its assets. A large amount of work has been undertaken to assess the condition of the council's assets and ensure that their future life cycle costs are fully reflected in the capital programme. The council's proposals for developing an Enterprise Centre are currently being developed and if approved will significantly impact the capital programme and the whole of the MTFs. Details of the Enterprise Centre are set out in section 6 below.

### 3. Corporate Plan

3.1. The council's current Corporate Plan covers the period 2016-2019. Due to the pending decision on Local Government Reorganisation within Northamptonshire (see paragraph 1.5 and section 5), a decision will be made regarding whether this Corporate Plan is extended for one further financial year, or whether it will be refreshed. For the purpose of setting the budget for 2019-20, the current Corporate Plan remains the foundation upon which it is based.

3.2. The council has an ambition to continue to deliver growth throughout the District, to generate additional income and move away from the financial constraints under which it currently operates. The Corporate Plan reflects this and sets out a number of key priorities and outcomes on which to focus to ensure that the District can thrive and prosper. These reflect a realistic balance between what the council would like to do and what is affordable but also provide a basis for the council to plan its work and allocate its resources accordingly.

3.3. The council recognises that these ambitions are challenging within an environment where resources are limited and has set out the following outcomes on which to focus over the medium term in order to achieve this vision:

<b>Improvements for the community</b>	<b>A good quality of life where the district will be:</b>	<b>Priority outcomes</b>
	<b>Prosperous</b>	<b>Regeneration and economic development</b>
	<b>Sustainable</b>	<b>Sustainable development</b> High quality built environment
	<b>Clean</b>	Effective management of waste Clean streets
	<b>Healthy</b>	High levels of participation in active recreation Improved housing Good public health
	<b>Safe</b>	Low levels of crime and anti-social behaviour
	<b>Council services which provide good value for money</b>	<b>Financial stability</b> Good value for money
<b>Effective processes</b>	<b>High quality service delivery</b>	<b>Customer-focused services</b>
	<b>Effective partnership working</b>	Strong strategic partnerships
	<b>Effective management</b>	Committed staff Good use of resources Legal compliance
<b>How we learn and grow</b>	<b>Knowledge of our customers and communities</b>	Customer and community insight
	<b>Councillors and staff with the right knowledge, skills and behaviours</b>	Continuous development Appropriate behaviours

3.4. These outcomes form the basis of the council's Corporate Plan and are linked to the setting of the MTFS. The links to the corporate outcomes are set out in section 24.

#### **4. Government Funding and Policy Changes**

4.1. The changes to local government funding referred to in sections 1 and 2 of this report are set out in more detail below.

#### **4.2. Government Funding**

4.2.1 Despite the downward change in the economy as a whole, the government has taken little action to ease the financial burden faced by local district councils. Whilst there has been a shift in funding towards social care, the council still awaits further clarity on the move to 75% business rates retention so it remains difficult to predict the impact with any certainty.

4.2.2 Central government is currently working on a 'Fair Funding Review', examining current methodologies for distributing funding throughout Local Government, and will include setting new funding baselines for all local authorities. The new baselines are expected to be implemented in 2020/21. At this point in time there are no indications as to what this baseline may look like, so any impact of this review cannot be incorporated into the MTFS, but it remains a risk into the medium term.

4.2.3 2019/20 is also the last year of a four year settlement offered by Central Government. The next Comprehensive Spending Review is expected Autumn 2019, which will set the overall funding envelop for the public sector for the period 2020/21 – 2023/24. The impact of this review will not be known until late on in the budget setting for 2020/21, which will create additional uncertainty next year when setting the 2020/21 budget. As with the impact of the Fair Funding Review, the MTFS assumes no change to current baselines in the medium term in relation to the Comprehensive Spending Review.

#### **4.3. Changes to Business Rates**

4.3.1 The Business Rate Retention Scheme was introduced in April 2013 with a key aim to incentivise local business growth. The council currently works with other councils across Northamptonshire to maximise the benefits of a pooling arrangement. The current arrangement has increased the benefit to the council by £1.4m to date.

4.3.2 The government has undertaken a series of consultations since 2016 about changes to the local government finance system in preparation for the move to 75% business rates retention from 2020/21. As part of the consultation, consideration was given to the transfer to councils of additional responsibilities which aim to drive local economic growth and support the community. Additionally, proposals have been put forward to simplify the scheme, whilst retaining the element of reward for local growth. No further information is known on how this will operate going forward in practice. Therefore, at this point in time, the MTFS assumes the no change to the business rates regime that is currently in operation.

4.3.3 As part of the Local Government Finance Settlement announcement in January 2019, it was confirmed that the Northamptonshire Pool bid for the 75% retention pilot scheme had been successful. The bid set out that the estimated additional financial resources of £17.5m would be allocated to a Sustainability Fund for the whole area of Northamptonshire. This fund will be subject to its own financial controls and governance arrangements and will be held by Kettering Borough Council as custodians. As such, the financial forecasts contained within this budget and MTFS do not require updating from the draft figures.

- 4.3.4 The council will continue to monitor and consider the implications of any proposed reforms as they are announced. Any risks or assumptions will be reviewed as necessary going forward as further detail becomes available. The pooling arrangement will also continue to be reviewed in response to any changes highlighted above.
- 4.3.5 A revaluation was carried out by the Valuation Office which came into effect from 1 April 2017. This is where the government adjusts the level of business rates to reflect changes in the property market. The rateable value for properties in East Northamptonshire increased by less than 1% overall. The government also introduce a number of reliefs and grants to mitigate the financial pressure on local businesses.
- 4.3.6 The appeals process was also reformed to come into effect from 1 April 2017 alongside the new rating list. The aim is to provide a streamlined and efficient system in which key issues are identified early and resolved as quickly as possible.
- 4.3.7 The council currently has over 110 appeals outstanding in relation to the 2010 valuation list (pre the 2017 revaluation), based on the Valuation Office data provided at 30 September 2018 which are estimated to have a financial impact of approximately £2.926m (of which ENC's share is £1.17m). In regards to the 2017 listing, due to the way the new appeals system operates no data is currently available. However an estimate of appeals has been calculated of approximately £715k (of which ENC's share is £286k). There have been no material changes to appeals between September 2018 and December 2018. The Valuation Office continues to be significantly slow in responding to the number of outstanding appeals. It is expected that these will take a prolonged period going forward to resolve. In the meantime, the council will need to ensure that there are resources available to meet these costs through setting up sufficient provisions or reserves to help manage them.

#### 4.4. **Council Tax**

- 4.4.1 The council continues to have one of the lowest district council tax levels in the country. For 2018/19, the council ranked 24th lowest compared to its 200 district authority peers.
- 4.4.2 For 2019/20, the Secretary of State has confirmed the core referendum principle of no more than 3% with the flexibility that shire district councils could apply an alternative option to increase by £5, whichever was the higher. This is the same as in 2018/19.
- 4.4.3 In order to provide local authorities with their indicative Settlement Funding Assessments for the remainder of the Parliament, the government made a number of assumptions regarding council tax income and what they expect councils to do. The assumptions which have an impact on this council are set out as follows:
- An average annual growth in the council tax base between 2013-14 and 2015-16 throughout the period to 2019-20
  - The potential additional council tax available from a £5 cash principle for district councils.
- 4.4.4 In 2018/19 the council applied a £5 increase to council tax to support its budget proposals. For 2019/20 the current assumption in the MTFS is a 0% increase, with an estimated increase to the council tax base of 200 Band D-equivalent properties per annum thereafter.

#### 4.5. **Local Council Tax Support Scheme**

4.5.1 The Local Council Tax Support Scheme was introduced in March 2013 after the Welfare Reform Act 2012 passed the responsibility to local councils to operate a local scheme, which replaced the national council tax benefit scheme that was previously in place. At that time the Government also reduced the funding for the scheme by 10% and the expectation was that this would be offset by reductions in expenditure.

4.5.2 The scheme currently adopted by East Northamptonshire allows for working age customers to pay at least 20% of their council tax liability and is built on the premise that council tax payers who are not in receipt of or exempt from council tax support do not subsidise those who receive it.

4.5.3 Due to the uncertainty surrounding the creation of two new unitaries in the county, the council currently has no plans to amend the rate of 20% for 2019/20, due to the fact that if it does occur, a unitary-wide harmonisation process will be required. The scheme was confirmed at the Council meeting of 28th January 2019.

#### 4.6. **New Homes Bonus**

4.6.1 In 2015/16 the Government consulted on reforms to the New Homes Bonus Scheme which would sharpen the incentive for additional housing growth. This resulted in the following outcomes:

- A reduction in the length of payments from six to five years in 2017/18 and then to four years in 2018/19
- a national baseline being set in 2017/18 at 0.4% where any growth below this baseline would not attract a bonus payment with an option to make further adjustments to the baseline in future years
- reducing the cost of the scheme by £800 million, which would be used to fund adult social care.

4.6.2 The Government has recently consulted on further changes to the scheme for 2020/21 onwards, including the intention to explore how to incentivise housing growth most effectively.

4.6.3 As part of the Local Government Finance Settlement announcement in January 2019, it was confirmed that the baseline was to be retained at 0.4% for 2019/20. The figures for NHB as per the final settlement have been incorporated into the MTFs.

#### 4.7. **Welfare Reform**

4.7.1 During the medium term planning period, more information and detail is being released about Universal Credit and other welfare reform initiatives, which will have an impact upon the current service provision by the council.

4.7.2 Universal Credit is being made available to people who are on a low income or are out of work. It aims to make the welfare system simpler by replacing a number of benefits and tax credits with a single monthly payment. It includes support for the costs of housing, children and childcare, as well as support for disabled people and carers.

4.7.3 The district currently has a 'live service' for Universal Credit, which means new claims are accepted along with some where circumstances have required a change. A full service was scheduled to be rolled out in the area from January 2019. However, in October 2018, the Secretary for Social Security announced that the roll out would be delayed until November 2020 to allow a 'period of learning', with full migration of working age housing benefit cases scheduled to be completed in 2024.

#### 4.8. ***Disabled Facilities Grants (DFGs)***

- 4.8.1 Funding to help authorities meet the cost of providing DFGs for disabled people is currently paid by Department of Health (DH) as a capital grant. As part of the Spending Review and Autumn Statement 2015, the government announced an increase in funding to £500m by 2019/20 for the DFGs. This funding is provided as part of the Better Care Fund (BCF).
- 4.8.2 Demand for DFGs still continues in support of the aim to keep people living at home for longer. The council increased the annual budget for DFG's to £500k to respond to the increase in new referrals coming from NCC Occupational Therapists. Despite this additional funding, the council still faces ongoing issues in terms of delivering adaptations and reducing the waiting list due to available capacity of technical staff and contractors.
- 4.8.3 Councils will continue to receive DFG funding from the Better Care Fund pooled budget to enable them to continue to meet their statutory duty to provide adaptations to the homes of disabled people. For 2019/20, the council assumes the same full allocation of funding will continue.

#### 4.9. ***National Living Wage and Workforce***

- 4.9.1 The introduction of the government's National Living Wage (NLW) means wages for some individuals will rise by around 40% by 2020.
- 4.9.2 In February 2016, the council approved new pay scales based on the government's NLW legislation and the National Employers' pay offer following a consultation process with staff. The financial implications of the revised pay scales are incorporated into the MTFS for each year.
- 4.9.3 The Local Government Employers' organisation made a pay offer covering the period 2018/19 and 2019/20 that is 2% for most pay scales, and in excess of 2% for those pay points below scale 22 (towards the bottom of the national pay scale).
- 4.9.4 Following review and alignment of pay scales in 2018/19, the 2019/20 draft budget incorporates this additional 2% within salary budgets, and the assumption of a 2% increase has been built into the MTFS for future years.
- 4.9.5 Additionally, since the draft budget, work has been completed on a pay review for 2019/20. For budgeting purposes this is currently held corporately, pending approval.

#### 4.10. ***Housing and Planning***

- 4.10.1 The government continues to announce a range of new policy, financial support and grant measures to support the supply of new houses and home ownership as well as tackling affordability and homelessness. It is very clear that the government's main priority in the field of housing and planning is to increase the supply and construction of new houses.

- 4.10.2 The enactment of key areas of the Housing and Planning Act is starting to emerge, and it is anticipated that this will reinforce need for the council to consider a range of temporary, affordable and starter home packages as part of the district's housing supply. The Homelessness Reduction Act increased the council's statutory duties in respect of homeless people and the council will need to consider options for addressing the potential future financial impacts of this. This council does not have its own housing stock, so affordable housing within the district is provided through a number of housing associations who may also be affected by potential legislative changes and welfare reform, and in particular the ability of tenants to meet their housing costs. The financial impact of these will be monitored during the year.
- 4.10.3 The council is engaged in the process of master planning for two major new development areas. The Rushden East Sustainable Urban Extension in the south of the district will deliver some 2,500 new homes along with community facilities and new employment opportunities. The Tresham Garden Village in the north of the district will deliver some 1,500 new homes and related facilities.
- 4.10.4 These major developments are included in the North Northamptonshire Joint Core Strategy, which was adopted in July 2016. Further development opportunities will be identified in the emerging East Northamptonshire Local Plan and through the Neighbourhood Planning process. As part of this, the council will need to consider the impact on the mix in the housing supply. This may have a financial impact for the council, although at this stage it is unclear and will be subject to further work during the course of the financial year. Further detail is required before the council can assess what impact these changes will have on the MTFS.

## **5. Local Government Reorganisation (LGR) and Northamptonshire County Council (NCC)**

- 5.1 The financial difficulties facing NCC have been well publicised for a number of years. Following the release of the Max Caller report in March 2018, and subsequently East Northamptonshire Council's resolution on 29th August 2018 to respond to the Secretary of State Housing, Communities and Local Government's invitation with the Northamptonshire Local Government Reform Proposal, the council is awaiting the final decision on whether two new unitary councils will be formed in Northamptonshire from April 2020 onwards.
- 5.2 The consultation period on the unitary proposals was launched on 29 November 2018 and closed on 25 January 2019, however a final decision is not expected until mid-2019. Until a decision is formally made by the Secretary of State, it cannot be pre-judged. Therefore, although the future of East Northamptonshire Council remains uncertain, the MTFS has been prepared on the basis that it will continue to exist into the medium term.
- 5.4 There is a significant likelihood that the creation of two unitary councils will be confirmed during the course of 2019/20 for a commencement date of 1<sup>st</sup> April 2020. If confirmed, this will bring further financial risks to the council during the course of 2019/20, notably including the potential for funding any transitional costs. However, these potential risks are mitigated by the levels of reserves that East Northamptonshire Council will continue to hold.
- 5.3 The future decision of whether LGR will happen or not within Northamptonshire does not take away the significant challenges NCC are currently facing within both their 2018/19 budget and in setting their 2019/20 budget and medium term financial plan. To this end, there are a number of areas where decisions made by NCC will impact upon the council's own budget and MTFS.



- 5.4 NCC published their draft 2019/20 budget and MTFS on 3 December 2018. This includes a number of assumptions regarding savings, efficiencies, future funding and projections surrounding their council tax base and surpluses on the Collection Fund. Work is still ongoing in 2018/19 in relation to a request from NCC for the council to release the prior year surplus and estimated current year surplus held in the Collection Fund within 2018/19. This is a technical adjustment to the Collection Fund, and if agreed following legal advice and the opinion of the External Auditor, the surpluses will be released to all precepting bodies within the Fund, i.e. to Northamptonshire Police Authority and East Northamptonshire Council too. However, for the purpose of this final budget it has been assumed that the Collection Fund surpluses will be released as normal, in 2019/20.
- 5.5 At present, no additional material items have been identified that will have an impact upon the council's own budget, however NCC's budget is not finalised until it is set in late February 2019. The council will continue to review any announcements made by NCC in order to assess the likelihood of risk or impact to the district.

## 6. The East Northants Enterprise Centre (ENEC)

- 6.1 As identified in the 2018/19 MTFS, one of the council's key priorities is to design and build an Enterprise Centre within the district to provide high quality modern business accommodation, business support to drive business growth and to create networks to encourage knowledge development and exchange.
- 6.2 At its Council meeting in July 2018, the council committed £8m towards this scheme:

<b>Expenditure</b>	<b>£000</b>
<b>Approved 2018/19 Programme:</b>	
Land Purchase & Design	1,783
<b>Development Pool c/f to 2019/20:</b>	
Design & Build	6,302
<b>Total</b>	<b>8,085</b>
<b>Funding</b>	
Council Reserves	5,300
External Funding	<i>tbc</i>
Council Borrowing	2,785
<b>Total</b>	<b>8,085</b>

- 6.3 Work is currently underway on modelling the business plan for the project, as well as procuring a contractor to build the centre. The current approved project above is based on estimates of build costs and assumptions over the value of borrowing required. At this point in time, the MTFS reflects the assumptions in above position in terms of funding as at July 2018, including the revenue implications of borrowing £2.785m over 35 years.
- 6.4 However, the procurement process to appoint a building contractor will provide more certainty over the build costs element of the scheme. As part of the project timetable, and to ensure procurement rules and the councils governance and due diligence procedures are followed, the current key milestones are essential for incorporating the build costs and any associated borrowing costs into a revised version of this final budget and MTFS that will be presented to Council in early March 2019:

Milestones required for budget setting	Date
Invitation to tender for main build contractor closes	8 February 2019
Tenders reviewed	w/c 11 February 2019
Recommendation of preferred contractor to Finance and Performance Sub Committee	18 February 2019
Final MTFS incorporating all updates to the Enterprise Centre following the tender process reported to Policy and Resources Committee	27 February 2019
Recommendation of preferred contractor to Council - award and approval of project and revised Budget and MTFS submitted to Council for approval	4 <sup>th</sup> March 2019

- 6.5 The results of the tender process and award of the contractor will ensure that more accurate costs are reflected within the business case for the project. At this stage, the council's due diligence work will be refreshed to ensure the scheme is still viable and at least breaks even in terms of covering both revenue and capital costs. If the scheme is deemed financially viable and is put forward for approval, any changes to costs will have a significant impact across the council's revenue budget, MTFS, reserves, and Treasury Management Strategy Statement (TMSS).
- 6.6 Additionally, the council has submitted a bid to SEMLEP's Local Growth Fund for £1.695m. The decision as to whether to award the scheme this funding is expected in May 2019. If the council is successful, this would also have a positive impact the funding package, and therefore may contribute to changes within the revenue budget, reserves and TMSS after the budget is set by council.
- 6.7 All numbers that are impacted by changes in relation to the Enterprise Centre are **highlighted** throughout this report and appendices.

## 7. Medium Term Financial Strategy

- 7.1. Each year the council reviews and considers its financial position and develops a model for forecasting the likely position over the medium term. The overall purpose of the MTFS is to enable the council to manage its future finances and ensure that its plans are sustainable. This has been increasingly difficult because of the severity of government spending cuts, previous freezing of Council Tax, government policy changes and some significant uncertainties over future costs and income. This report explores some of these details and sets out the MTFS based on a set of assumptions about those key variables.
- 7.2. The council's financial strategy for the medium term is to:  
*"Ensure the financial position is stable and sustainable with resources focussed on its priorities"*.
- 7.3. The MTFS and Budget 2019/20 set out in this report have been developed to address the financial challenges identified above. The MTFS also includes the council's capital spending plans as these have a direct and sometimes significant impact on revenue expenditure.
- 7.4. The MTFS includes:
- receipts from central government in the form of core funding, through Revenue Support Grant;
  - estimated income from Council Tax, based on our estimated Council Tax base and assumptions as to the level of Council Tax increases over the period;
  - estimated income from business rates; and
  - transfers to or from the council's revenue reserves

- 7.5. This report updates the MTFS that was set for 2018/19 - 2021/22, which was approved by council on 26 February 2018. At that time it had been identified that, over the medium term, there was likely to be a funding gap between what the council expected to spend compared to funding that was anticipated to be received. Since that date, the council has seen unprecedented business rates growth, particularly in relation to the Rushden Lakes development. A prudent approach has been taken to releasing growth into the budget, given the uncertainty surrounding the regime, however, it has still been possible to balance the council's position across the medium term based on current assumptions. This position will continue to be reviewed and monitored regularly by the Corporate Management Team.
- 7.6. This report also updates the capital programme and development pool for 2019/20 – 2028/29. The funding of the programme for the first time includes estimates for funding an element the Enterprise Centre through borrowing as detailed in section 6. It is expected that the level of the borrowing will change between this final budget and the version presented to Council on 4th March 2019. Further details on the capital programme can be seen in section 12.
- 7.7. In summary, the council is in a stable financial position in the medium term. However, there are significant assumptions behind the forecasts and risks that need to be fully considered. These are addressed in sections 8 and 10 below.

## 8. Review of Assumptions

- 8.1 In order to maintain the financial position, officers and members continue to monitor and review the assumptions that were made. All assumptions have been reviewed and challenged, and where amendments have been made these are outlined below.
- 8.2 The key assumptions in the MTFS are as follows:

<b>Revenue Budget</b>	<ul style="list-style-type: none"> <li>The council will spend around £11m (net) each year</li> </ul>
<b>Council Tax</b>	<ul style="list-style-type: none"> <li>It is assumed that there is no increase to council tax over the MTFS period.</li> <li>Council tax is assumed to be £138.65 for a Band D property for 2019/20 and subsequent years</li> <li>Lowest council tax in the county</li> </ul>
<b>Government Funding</b>	<ul style="list-style-type: none"> <li>Continue to maximise the proportion of business rates growth retained locally by “pooling” its business rates with other councils in Northamptonshire whilst this is available</li> </ul>
<b>Capital Programme</b>	<ul style="list-style-type: none"> <li>Invest up to <b>£17.5m</b> over 10 year period</li> <li>Requirements to look into other capital funding sources over the medium term, potential need to borrow in 2019/20 in regards to the Enterprise Centre, decision expected in late February 2019</li> <li>Continue with current asset management strategy</li> </ul>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>Maintain a minimum level of reserves of £1.5m to ensure the council can meet unforeseen costs in the long term, and manage the shorter-term risks</li> <li>Use of reserves will be reviewed alongside any requirements to borrow in relation to the Enterprise Centre, with decision expected in late February 2019</li> </ul>

### **8.3 Employee Costs**

- 8.3.1 The MTFS includes an assumption of a 2% increase on salaries every year, as detailed in section 4.9.4 above. An amount for an additional pay review has also been incorporated, as detailed in section 4.9.5 above, but is pending approval.
- 8.3.2 Vacancy factors were incorporated into the 2018/19 budget and MTFS. These were based on a previous assessment where a prudent level of 3.5% (£200k) was set. The council will continue to include the vacancy factor at this level from 2019/20 onwards.
- 8.3.3 With reducing workforces across many organisations, the ability to provide for the future pension liability through pension contributions from the reduced workforce is extremely difficult. The process for recovery of pension deficit costs changed in 2011/12 as a result which put additional pressure on budgets.
- 8.3.4 The employer's pension costs are paid to the Local Government Pension Scheme (LGPS). A review of the pension fund was carried out during 2016/17. Estimates received to date indicate that from 1 April 2017 the future service costs (% of payroll costs) will increase but the deficit (lump sum) cash payment will reduce. Costs are expected to remain at these levels until the next review is carried out in 3 years time. In 2019/20 an estimated £57k increase has been incorporated into the MTFS.
- 8.3.5 The council pays a stabilised rate in pension contributions, which means that the transfer of this liability would have minimum impact on the rate that is currently paid.

### **8.4 Contract Costs**

- 8.4.1 Contractual commitment costs have reduced in previous years. However, with new and renewed contracts being procured, it is noted that prices have now reached a stable position with some contracts now pricing for increases. The majority of contracts have been in place for a number of months or years and there is some certainty when forecasting future inflationary increases, especially in the short to medium term when inflation is anticipated to remain low.
- 8.4.2 Contractual inflation has only been built into the MTFS where it is mentioned within the contract.
- 8.4.3 Inflation has been included in the waste contract at 2.5%.
- 8.4.4 It has been assumed that all other contracts will be maintained within current levels of expenditure.

### **8.5 General Inflation**

- 8.5.1 As part of the review of assumptions, general inflation has been removed. Only pay, contractual and utilities inflation is assumed within the MTFS.

### **8.6 Fees and Charges**

- 8.6.1 A thorough review of all fees and charges was undertaken previously to understand the pricing of services and ensure that demand is reflected in the charge and costs are fully recovered. Fees and charges continue to be reviewed at least annually and changes are incorporated into the MTFS accordingly. Full details of the fees and charges can be found at **Appendix 6**.

## 8.7 **Investment Income**

8.7.1 The current low level of interest rates has resulted in lower returns from investing our income. It is anticipated that investment returns will continue to remain low, but show signs of improvement going forward. As result, the anticipated average return on investment for 2019/20 is estimated to be around 0.8%, increasing to around 1.25% by 2021/22. Estimates for 21/22 have been used to project forward to 2022/23 and 2023/24 due to the increasing uncertainty into the medium term. There are significant risks in estimating the rate at which the economic position will improve, and we have taken a relatively cautious view based on overall performance against the bank rate as well as advice from our Treasury Management advisors, Link Asset Services.

8.7.2 The following table shows the impact on the council's return on investment if the interest rate altered by 0.25% or if the amount invested changed by £1m:

	2019/20	2020/21	2021/22	2022/23	2023/24
Increase/Decrease of 0.25%	£110,000	£99,000	£93,500	£93,500	£93,500
Increase/Decrease of £1m	£152,000	£170,000	£200,000	£200,000	£200,000

## 8.8 **Council Tax Base**

8.8.1 The assumptions relating to the Council Tax Base have been reviewed. The estimated Billing Authority tax base for 2019/20 is 31,860 compared to 31,348 for 2018/19 which is a 1.6% increase. The increase in the tax base is attributable mainly to new property completions and the reduction in Council Tax Support expenditure. This is illustrated in the table below. The proposed tax base for 2018/19 also takes into account other discounts and exemptions, anticipated additional new properties and a small provision for non-collection.

<b>2018/19 Tax base estimate</b>	<b>31,348</b>	
18/19 adjustment	199	Actual new property occupations in addition to the 231 included in the original 2018/19 estimate.
New Properties	262	Anticipated number of new property occupations in 2019/20 (adjusted for anticipated relief and discount levels)
Council Tax Support (CTS)	106	Reduction in CTS expenditure due to caseload reducing as a consequence of welfare reforms.
Discounts	18	Reduction in the number of single occupier discounts awarded. Proactive work is carried out on reviewing these on a 12 month rolling basis.
<b>2019/20 Tax base estimate</b>	<b>31,860</b>	

## 8.9 **Council Tax**

8.9.1 It has been assumed within the MTFs that Council Tax will remain unchanged for 2019/20 and subsequent years.

8.9.2 As explained in paragraph 4.4.2, the core referendum principle of no more than 3% has been set for 2019/20 as well as the option to increase the Band D council tax by £5, whichever is the greater.

8.9.3 The table below shows the additional income that would be raised if the council were to increase council tax up to the 3% referendum limit:

	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
Total (per year)	132,080	137,712	143,538	149,565	155,799
Total (Cumulative)	132,080	269,792	413,330	562,895	718,694
Increase in %	2.99%	2.99%	2.99%	2.99%	2.99%
Pence per week	8.0	8.2	8.5	8.7	9.0

8.9.4 The table below shows the additional income that would be raised if the council were to increase council tax using the alternative option of £5:

	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
Total (per year)	159,300	161,300	163,300	165,300	167,300
Total (Cumulative)	159,300	320,600	483,900	649,200	816,500
Increase in %	3.61%	3.48%	3.36%	3.25%	3.15%
Pence per week	9.6	9.6	9.6	9.6	9.6

#### 8.10 **Council Tax Support Funding**

8.10.1 ENC will receive Council Tax Support Funding through the Revenue Support Grant (RSG) allocation in 2019/20. This funding is not ring-fenced and can be used to support any spending the council incurs. However, the level of funding included within RSG is not clear. As RSG funding disappears, it becomes increasingly necessary to review an alternative method of assessing how the Local Council Tax Support Scheme is calculated going forward (section 4.5).

8.10.2 The Government has indicated that a proportion of Council Tax Support Funding could be passported to local precepting authorities at the council's discretion; this is similar to previous years. Further to previous decisions of the council, the MTFS assumes that the grant will not be passported in 2019/20 or thereafter.

#### 8.11 **Business Rates.**

8.11.1 The MTFS now recognises all of the actual growth achieved in rating from Rushden Lake Phase 1. At this stage, due to its uncertainty, no future growth projections have been incorporated into the MTFS. Additionally, a large proportion of this growth has been retained by the council as a result of the pooling arrangement in Northamptonshire. Without the pool, the council would be subject to a higher levy payable to central government. The MTFS assumes that this pooling arrangement continues into the medium term.

8.11.2 Revaluation came into effect on 1 April 2017. This is where government adjusts the value of business rates to reflect changes in the property market. Revaluation schedules have shown an increase in rateable value to properties in the district of less than 1% overall. The MTFS does not include assumptions on changes to the property market as government advised it would be cost neutral to the council. Growth estimates are being reviewed alongside the revaluation schedules and will be refreshed with any changes incorporated into the MTFS as required.

8.11.3 The council has a significant number of outstanding appeals which are estimated to increase as a result of the revaluation in April 2017. These are expected to take a while to resolve. The council will need to ensure it has sufficient resources available to meet these costs.

## 8.12 **Government Funding**

8.12.1 The Government are undertaking an assessment of the relative needs of local councils as part of the reforms to move to 75% business rates retention. The Fair Funding Review will conduct a thorough review of what the needs assessment formula should be when local government spending is funded by local resources rather than central grant. There is a risk that the outcome will result in more funding being diverted from District and Borough Councils to those with social care responsibilities. The situation will be closely monitored as more detail is released.

8.12.2 The council has incorporated the Local Government Finance Settlement figures for 2019/20 into the MTFS, as confirmed on 29<sup>th</sup> January 2019.

## 9 **Medium Term Financial Strategy (MTFS) overview**

9.1 The MTFS revenue position for 2019/20 – 2024/25 is shown in **Appendix 1**.

9.2 Items which continue to be reviewed include:

- Enterprise Centre proposal, as detailed in section 6
- Outcome of Local Government Reorganisation consultation, as detailed in section 5

## 10 **Risks**

### 10.1 **Government Funding**

10.1.1 Not all detail on funding resources has been released and the council awaits further announcements in the coming months. As mentioned throughout the report, until further detail is announced specifically around New Homes Bonus and Business Rates Retention, there remains uncertainty in trying to predict future levels of Government funding. The council will review the MTFS regularly and update it accordingly.

10.1.2 As outlined in paragraph 8.10.2, the MTFS assumes that Council Tax Support Grant will not be passported to precepting Town and Parish Councils in 2019/20. There is a risk that the Government could still legislate to force the payment for this to Town and Parish Councils. Were this to happen, the cost to the council would be £195k, reducing thereafter in line with cuts in government funding.

### 10.2 **New Homes Bonus**

10.2.1 The figures confirmed in the Local Government Finance Settlement announcement on 29<sup>th</sup> January 2019 have been included in the 2019/20 budget.

10.2.2 The MTFS then assumes a level of New Homes Bonus funding into the medium term in line with the current scheme. However, the final allocation will be dependent on how much the funding is topsliced by Government in order to fund other priorities as well as the final decisions taken in response to the proposed changes.

10.2.3 The council remains committed to funding Community Projects and therefore, the MTFS assumes that 50% of New Homes Bonus will be set aside for this purpose. The council will continue to review the financial impact against future allocations as they are announced and will further consider whether the allocation to Community Projects is appropriate in future years.

### 10.3 ***Pension Contributions and third party liabilities***

- 10.3.1 There is a risk that the pension liability for the council could increase as a result of the governments changes to how pension funds are managed going forward. However, a review of the pension fund was carried out during 2016/17 which resulted in a change in our pension contributions from 1 April 2017 where future service costs (% of payroll costs) increased but the deficit (lump sum) cash payment was reduced. Costs are expected to remain at these levels until the next review is carried out in next year. However, following this an estimated £57k increase has been incorporated into the MTFs.
- 10.3.2 Any changes to pension costs within the current contract for waste are borne by the current provider. However, any future costs or implications under the new contract will need to be reviewed and incorporated into future years when the position becomes known.

### 10.4 ***Pressures from Other Public Sector Bodies***

- 10.4.1 The forecast continued reduction in public sector funding is expected to see further changes implemented by other public sector bodies as they reduce their levels of spending. Some of these could have an adverse impact on East Northamptonshire Council's budget, either directly or indirectly. Particular areas of risk are where there are links with the County Council or Health.
- 10.4.2 As highlighted in section 5, Northamptonshire County Council (NCC) pose a significant risk in terms of affecting the council's budget.
- 10.4.3 The council will again review any budget or savings announcements made by NCC in order to assess the likelihood of risk or impact to the district. It is recognised that this cannot be quantified until the County Council approves its final budget in late February 2019, and remains a risk throughout the year as NCC try to tackle their in-year pressures.

### 10.5 ***Business Rates***

- 10.5.1 Changes to businesses' circumstances can affect the income due to the council from Business Rates. Changes that can occur include appeals, demolitions, changes in use, and business rate reliefs. There are also changes by Government such as the recent revaluation implemented from 1 April 2017 as mentioned at paragraph 8.11.2. These changes can be significant and are often difficult to predict. The council takes action to ensure any potential changes are closely monitored and analysed to ensure that forecasting of future business rate income is robust and accurate.

## 11 **Revenue Budget 2019/20**

### 11.1 ***Revenue Outturn 2018/19***

- 11.1.1 The 2018/19 budget was set with a surplus of £948k, which was budgeted to contribute towards reserves at the end of the financial year.
- 11.1.2 Budget monitoring is currently showing a forecast overspend of £28k. The majority of this overspend is attributable to the delays in relation to delivery of the IT transformation programme and pressures in relation to housing rent overpayments. Both of these areas remain under close review and work will continue throughout the financial year.
- 11.1.3 At present the £28k overspend will reduce the budgeted surplus of £948k, reducing the forecasted contribution to reserves to £920k.



## 11.2 Revenue Budget 2019/20

11.2.1 The council needs to spend £11.274m in 2019/20 to maintain current services. A summary of the revenue budget for 2019/20 is set out below:

2018/19 MTFS £		2019/20 FINAL £
1,593,566	Customer and Community Services	1,870,109
298,460	Economic and Commercial Regeneration	310,620
3,395,910	Environmental Services	3,357,942
728,703	Information Technology	847,621
1,499,800	Resources	1,714,611
1,574,304	Planning Services	1,542,039
1,120,080	Corporate and Democratic Core	1,630,936
<b>10,210,080</b>	<b>Total Net Expenditure</b>	<b>11,273,877</b>
0	Enterprise Centre	202,341
948,464	Transfer to Earmarked Reserves	327,771
1,161,592	Community Projects	1,098,204
(90,000)	Net Interest (Received) / Paid	(105,625)
<b>12,230,878</b>	<b>Budget Requirement</b>	<b>12,796,567</b>

11.2.2 The total net service expenditure in the revenue budget for 2019/20 is £1m higher than the approved budget for 2018/19. This is due to the following changes:

	£k
Revenue Budget Net Service Expenditure 2018/19	10,210
Service Pressures and reductions ( <b>Appendix 2</b> )	1,495
Savings and Additional Income ( <b>Appendix 2</b> ) (excl. Government Funding and Council Tax)	(532)
Growth items ( <b>Appendix 2 and 3</b> )	100
<b>Revenue Budget Net Service Expenditure 2019/20</b>	<b>11,274</b>

11.2.3 A full analysis of the revenue budget changes is shown at **Appendix 2**. A summary of the growth items are detailed at **Appendix 3**.

11.2.4 As part of the revenue budget, an estimate has been made in relation to costs associated with the haulage and disposal of dry recycled and food waste. The contract for this service is currently out for tender, and, due to market forces, cost to the council are expected to increase. In order to mitigate this risk, additional budget provision has been made based on a 'medium-case' price, which is to be held corporately. Additionally, a risk-based reserve for waste has been set up to mitigate the possibility that costs are higher than anticipated. Delegated authority is therefore requested as part of this report to enable the Chief Finance Officer, following consultation with the Chair of Finance and Performance Sub-Committee, to vire the additional budget as required once the tender process is complete and costs can be more reliably estimated.

## 12 Capital Programme 2019/20 to 2028/29

12.1 The capital programme is split into two sections – the approved capital programme, for those schemes that have specific funding which has been released; and the development pool of proposed schemes. Proposed schemes will remain within the development pool until such time as funding becomes available, at which point a request is made to Finance Sub-Committee for approval to move these schemes into the approved capital programme.

12.2 The proposal to build an Enterprise Centre will have a significant impact on both the capital programme, revenue budget, MTFs and reserves position. The current capital programme and development pool incorporates cost estimates approved in July 2018. Changes as a result of the tender process are expected in late February 2019, and subject to approval, these cost changes will be built into the final budget presented to council.

### 12.3 **Capital Outturn 2018/19**

12.3.1 The capital programme for 2018/19 is currently forecasting a slight overspend of £52k. Additional funding for this £52k has been identified, and is currently being requested through the Council's governance process.

12.3.2 The 2018/19 capital programme is summarised in the table below:

2018/19	£k
Capital Programme, previously approved	6201
Disabled Facilities – <i>if approved</i>	7
Purchase of wheeled bins – <i>if approved</i>	45
Fire Doors – <i>if approved</i>	15
<b>Total Expenditure</b>	<b>6,268</b>
Funded by:	
External Contributions	669
Earmarked Reserves	4,259
Capital Reserves – ( <i>including £67k if approved</i> )	1,340
<b>Total Funding</b>	<b>6,268</b>

### 12.4 **Capital Programme 2019/20 and beyond**

12.4.1 The main aim of the Capital Programme 2019/20 to 2028/29 is to set out a programme which is affordable, ensures business continuity for the council's services and enables investment in council priorities. To achieve these, often competing objectives, the council's capital spending must be reviewed and scrutinised in the same way as revenue expenditure to ensure the schemes put forward meet the council's priorities and are affordable.

12.4.2 Whilst the programme has been focussed on maintaining business continuity, meeting statutory obligations and investing in assets to improve revenue income streams, there is also now a strong focus on the developing the opportunity of building an Enterprise Centre, as detailed in section 6.

12.4.3 The development pool has been reviewed and updated by CMT and Members in line with current and future service planning. Further information about individual schemes can be requested from the relevant Head of Service. The revised position is shown in **Appendix 4**.

## 12.5 **Revised Capital Position**

12.5.1 After taking into account the proposed changes to the capital programme, the revised programme is as follows.

	2019/20	%	Future Years	Total
<b>Capital Programme:</b>				
Disabled Facilities Grant	£500,000	57.14%		
Stanwick Lakes – Infrastructure	£198,000	22.63%		
Twywell Hills	£7,000	0.80%		
Purchase of Wheeled Bins	£80,000	9.14%		
Warm Homes Fund	£80,000	9.14%		
Civica Enhancement	£10,000	1.14%		<b>£875,000</b>
Development Pool	£6,965,641		£10,077,949	<b>£17,043,590</b>
<b>Total Expenditure</b>	<b>£7,840,641</b>	<b>100%</b>	<b>£10,077,949</b>	<b>£17,918,590</b>
Funded by:				
Capital Reserves (including Proceeds from Asset Sales)	£970,641		Future funding streams will be agreed annually as part of the budget setting process	
Earmarked Reserves	£3,585,000			
Grant and Revenue Contribution	£500,000			
Borrowing	£2,785,000			
<b>Total Funding</b>	<b>£7,840,641</b>			

12.5.2 The revised programme above reflects the capital investment needs over the longer term and reflects what investment is likely to be required to maintain the current service levels.

## 13 **Reserves and Balances Strategy**

### 13.1 **Minimum Level of Reserves**

13.1.1 There is a regulatory requirement to set a minimum level of reserves.

13.1.2 Having considered the risks facing the council in the short, medium and long term its is proposed to maintain the minimum level of reserves of £1.5m as follows:

- An underlying minimum level of £1m for the long term, and
- In the short to medium term to maintain the minimum level to £1.5m to reflect the uncertainties currently facing the council

13.1.3 There remain a number of uncertainties, including:

- The proposed project of the Enterprise Centre (see section 6)
- Local Government Reorganisation (see section 5)
- Assumptions around business rates growth
- Assumptions around central government funding
- Demand pressure on services such as waste collection

13.1.4 In order to fully capture and manage the risks and their impact on reserves, a reserves matrix is used. This is a grid which sets out the risks facing the council and applies a financial probability to each risk. The matrix will assist the council in determining the correct level of minimum reserves required.

13.1.5 The table below sets out the council's forecast reserves position with further detail for each reserve shown in **Appendix 5**:

Reserve	Balance 31 March 2019	Balance 31 March 2020	Balance 31 March 2021	Balance 31 March 2022	Balance 31 March 2023	Balance 31 March 2024
Corporate/Service Delivery Reserves	4,307	1,360	1,060	1,060	1,060	1,060
Technical and Risk Related Reserves	5,172	5,182	5,511	5,865	6,029	5,949
Minimum Reserves	1,500	1,500	1,500	1,500	1,500	1,500
Capital Reserves	2,414	1,744	1,063	351	46	0
Grant Reserves	316	316	316	316	316	316
<b>Total Reserves</b>	<b>13,709</b>	<b>10,101</b>	<b>9,450</b>	<b>9,091</b>	<b>8,951</b>	<b>8,825</b>

13.1.6 The table above assumes that all capital schemes within the development pool would be moved to the approved pool in each year.

13.1.7 As detailed in section 6 above, any changes in cost or funding package in relation to the Enterprise Centre project will have an impact on the forecasted use of reserves. The reserve position will be updated in line with updated Enterprise Centre forecasts within the final budget, if the scheme is deemed viable.

## 13.2 **Future use of reserves**

13.2.1 The MTFs proposes a minimum level of reserves of £1.5m. The remaining level of reserves has been earmarked for future use.

13.2.2 It is important to review the use of earmarked reserves regularly to ensure they meet the needs and priorities of the council. A full review will be completed at year end as part of the council's close down procedures.

## 14 **Treasury Management Strategy Statement (TMSS)**

14.1 The Treasury Management Strategy Statement (TMSS) 2019/20 is presented as a separate agenda item at Finance and Performance Sub Committee on 11<sup>th</sup> February 2019.

14.2 The CIPFA Code of Practice on Treasury Management, adopted by the council in April 2002, requires the preparation of an annual Treasury Management Strategy Statement (TMSS). The 2017 Prudential Code for Capital Finance in Local Authorities introduced requirements on how capital spending plans should be considered when determining the council's Treasury Management Strategy for the next three financial years.

- 14.3 The Treasury Management Code provides a framework for effective treasury management in public sector organisations and was updated in 2017. Since the previous update in 2011, the landscape for public service delivery had changed significantly following a sustained period of reduced public spending and developing the localism agenda, resulting in local government increasing its commercial investments for revenue returns.
- 14.4 The TMSS presented separately to Committee considers the following matters:
- The institutions the council will invest money with
  - The types of investment instruments that will be used
  - The limits that are placed on either the institution or the instrument used
  - The underlying economic environment that will affect the types of investment the council will use and the duration of these investments
- 14.5 The TMSS also includes details of the treasury management practices that are carried out by the council. These practices are designed to effectively manage risk within treasury management activities.
- 14.6 As noted above in section 6, changes to the estimate of costs and funding in relation to the Enterprise Centre will have a material impact on the TMSS. This includes the potential for the Council to borrow monies to finance the scheme. Therefore, any changes as a result of the procurement process will be fully reflected in the final TMSS presented to Council in March 2019.

## **15 Capital Strategy 2019/20**

- 15.1 The revised 2017 Prudential Code for Capital Finance in Local Authorities focusses around longer term planning and the requirement for the authority to consider both capital and investment decisions in line with service objectives and also takes account of stewardship, value for money, prudence, sustainability and affordability. Consideration is also required in terms of borrowing for capital investment alongside more commercial and third party-type investments so the overall impact on affordability and risk on financial sustainability can be identified and understood. The importance of this is highlighted due to increasing commercialisation as all potential liabilities and risks should be considered to ensure activity remains proportionate. There is now a requirement in 2019/20 to produce and report a Capital Strategy to Full Council that encompasses all of these things.
- 15.2 The Capital Strategy 2019/20 is presented as a separate agenda item at Finance and Performance Sub Committee on 11<sup>th</sup> February 2019.

## **16 Commercialisation Strategy Update 2019/20**

- 16.1 The council has a Commercialisation Strategy which influences the Capital Strategy. The Commercialisation Strategy is reviewed every year. There have been no material changes to the underlying policy, but the action plan has been updated. The updated Commercialisation Strategy is detailed at **Appendix 7**.
- 16.2 The key thrust of the Commercialisation Strategy to date has been to drive delivery of the circa £8 million East Northamptonshire Enterprise Centre (ENEC), as detailed at section 6.
- 16.3 Work has been on going with regards to the review of the lease structure for the Council's investment at Eaton Walk in Rushden which it acquired in May 2017. The aim is to secure the investment over a longer term whilst taking back control of the empty units and public spaces in order to develop and deliver an enhancement scheme to the immediate area as part of a wider town centre improvement strategy.

- 16.4 Over the last year the Enterprising East Northants Business Charter has been helping to ensure that Council services continue to support local businesses and economic development. The Charter has been promoted with a range of local businesses and networks and an internal pan service officer group meets quarterly to review progress.
- 16.5 Other areas of progress included the Office Transformation Project which is driving improvements to ENC House to enhance working conditions for staff and make sure the best use of resources in the delivery of services. Work is also underway to explore the potential for sponsorship to support service delivery with an initial focus on the Destination Nene Valley programme and associated projects.
- 16.6 Most of the other actions relating to investment, property development and asset management will be considered over the coming months and years working with the other North Northants councils as part of the local government review process.

## **17 Equality and Diversity Implications**

- 17.1 There are no equality and diversity implications arising from this report.

## **18 Privacy Implications**

- 18.1 There are no privacy implications arising from the content.

## **19 Legal Implications**

- 19.1 There are no known legal implications arising from this report.

## **20 Risk Management**

- 20.1 The risk register includes the corporate risk of “Medium Term Financial Strategy assumptions become inaccurate (Risk FIN 002)”. The purpose of the MTFS is to ensure that this risk is anticipated and addressed.

- 20.2 The key risks relating to the MTFS are:

- Major uncertainty regarding future Government funding levels
- Uncertainty around levels of growth, nationally and locally
- Key decision on the Enterprise Centre not expected until 18 February 2019 which will have a significant impact on the MTFS if approved
- Uncertainty around the knock-on implications of Northamptonshire County Council and the significant budgetary pressures it faces in 2019/20 and beyond
- Decision on Local Government Reorganisation within Northamptonshire

## **21 Resource and Financial Implications**

- 21.1 This report is of a financial nature and the implications are set out within the report.

## **22 Constitutional Implications**

- 22.1 This report does not require any amendment to the council’s constitution.

## **23 Implications for our Customers**

- 23.1 This report is of a financial nature. There are no direct implications impacting on our customers.

## 24 Corporate Outcomes

24.1 This report links to the following Corporate Outcomes:

- **Good Quality of Life**  
*Ensuring the financial sustainability of the council to maintain and improve upon service levels contributing to a better quality of life*
- **Effective Management**  
*MTFS allows the council to manage and review its financial performance. Financial forecasting and horizon scanning contributes to the effective management of the council*
- **Good Value for Money**  
*The MTFS ensures that services provided are at the lowest possible cost as well as high quality and strive to continually improve*
- **High Quality Service Delivery**  
*Ensuring financial sustainability via the MTFS allows high quality services to continue to be delivered*

## 25 Recommendations

### 25.1 TO FINANCE SUB-COMMITTEE:-

:

1. That the content of the report be noted
2. That the report be referred to the Policy and Resources Committee for consideration at its meeting on 27 February 2019.

*(Reason: To ensure that the Sub-Committee is aware of the forecast financial position; so that in due course the council complies with its constitution in setting its budget)*

### 25.2 TO POLICY AND RESOURCES COMMITTEE:-

1. That the Committee recommends that Full Council invites the Leader of the Council to propose the approval of the following as part of the budget setting process:
  - Medium Term Financial Strategy (MTFS) 2019/20-2023-24
  - Revenue Budget 2019/20
  - Approved Capital Programme for 2019/20
  - Minimum level of Reserves and Earmarked Reserves 2019/20-2023-24
  - Fees and Charges 2019/20
  - Commercialisation Strategy 2019/20

*(Reason: To ensure that in due course the council complies with its constitution in setting its budget)*

2. To delegate authority to the Chief Finance Officer, following consultation with the Chair of Finance and Performance Sub Committee, to vire additional budget to Environmental Services as required up to the value of £500k following the completion of the tender process for dry recycling and food waste haulage and disposal.

*(Reason: To ensure that the council complies with its Financial Regulations)*

3. To delegate authority to the Chief Finance Officer, following consultation with the Chair of Finance and Performance Sub Committee, to vire the budget to all service areas as required up to the value of £160k in relation to the 2019/20 pay review, subject to approval.


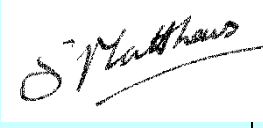
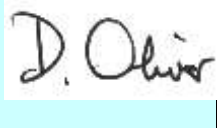
*(Reason: To ensure that the council complies with its Financial Regulations)*

### 25.3 TO COUNCIL

*(To be proposed by the Leader of the Council)*

1. That, subject to the determination of the level of Council Tax for the 2019/20 financial year, Council approves the following as part of the budget setting process:
  - Medium Term Financial Strategy (MTFS) 2019/20-2023-24
  - Revenue Budget 2019/20
  - Approved Capital Programme for 2019/20
  - Minimum level of Reserves and Earmarked Reserves 2019/20-2023-24
  - Fees and Charges 2019/20
  - Commercialisation Strategy 2019/20

*(Reason: To ensure that the council complies with its constitution in setting its Budget)*

<b>Legal</b>	Power: Local Government Finance Act 1992, Local Government Finance Act 2012			
	Other considerations: Localism Act 2011, Local Government Act 1988			
<b>Background Papers:</b>				
<b>Person Originating Report:</b> Amy Eyles, Finance Manager ☎ 01832 742087 ✉ aeyles@east-northamptonshire.gov.uk				
<b>Date: 31/01/18</b>				
<b>CFO</b> 31/01/19		<b>MO</b> 31/01/19		<b>CX</b> 31/01/19
				



# Medium Term Financial Strategy 2019/20 to 2023/24

# Appendix 1

2018/19 Revised Budget £		2019/20 Indicative Budget £	2020/21 Indicative Budget £	2021/22 Indicative Budget £	2022/23 Indicative Budget £	2023/24 Indicative Budget £
1,593,566	Customer and Community Services	1,870,109	1,912,406	1,955,548	1,999,554	2,044,440
298,460	Economic and Commercial Regeneration	310,620	317,463	324,442	331,561	338,823
3,395,910	Environmental Services	3,357,942	3,387,677	3,418,006	3,448,942	3,480,496
728,703	Information Technology	847,621	757,445	772,249	787,349	802,751
1,499,800	Resources	1,714,611	1,735,827	1,757,467	1,779,541	1,802,056
1,574,304	Planning Services	1,542,039	1,499,191	1,537,087	1,575,740	1,615,167
1,120,080	Corporate and Democratic Core	1,630,936	1,702,044	1,715,924	1,730,081	1,744,522
<b>10,210,823</b>	<b>Total Service Expenditure</b>	<b>11,273,877</b>	<b>11,312,052</b>	<b>11,480,724</b>	<b>11,652,769</b>	<b>11,828,255</b>
	<b>Other Expenditure/Adjustments</b>					
<b>0</b>	Enterprise Centre	<b>202,341</b>	<b>31,195</b>	<b>(154,967)</b>	<b>(196,998)</b>	<b>(210,060)</b>
948,464	Transfer to Earmarked Reserves	<b>327,771</b>	<b>329,810</b>	<b>353,657</b>	<b>163,809</b>	<b>104,500</b>
1,161,592	Community Projects (New Homes Bonus)	1,098,204	976,655	892,824	731,352	731,352
(90,000)	Net Interest Received	(105,625)	(135,000)	(125,000)	(125,000)	(125,000)
<b>2,020,055</b>	<b>Total Other Adjustments</b>	<b>1,522,690</b>	<b>1,171,465</b>	<b>1,121,481</b>	<b>770,161</b>	<b>710,852</b>
<b>12,230,878</b>	<b>Total Budget Requirement</b>	<b>12,796,567</b>	<b>12,514,711</b>	<b>12,447,237</b>	<b>12,225,932</b>	<b>12,329,047</b>
	<b>Sources of Funding</b>					
(84,871)	Transfer From Collection Fund	(137,526)	0	0	0	0
(2,323,183)	New Homes Bonus	(2,196,407)	(1,953,309)	(1,785,647)	(1,462,704)	(1,462,704)
(413,931)	Revenue Support Grant	0	0	0	0	0
(33,698)	Rural Services Delivery Grant	0	0	0	0	0
(2,318,159)	Business Rates Retention Baseline	(2,493,376)	(2,493,376)	(2,493,376)	(2,493,376)	(2,493,376)
(2,710,635)	Business Rates Retention Growth	(3,551,870)	(3,622,907)	(3,695,366)	(3,769,273)	(3,844,658)
<b>(7,884,477)</b>	<b>Total Funding</b>	<b>(8,379,179)</b>	<b>(8,069,592)</b>	<b>(7,974,388)</b>	<b>(7,725,353)</b>	<b>(7,800,738)</b>
<b>(4,346,400)</b>	<b>Amount being raised through Council Tax</b>	<b>(4,417,389)</b>	<b>(4,445,119)</b>	<b>(4,472,849)</b>	<b>(4,500,579)</b>	<b>(4,528,309)</b>
31,348	Council Tax Base	31,860	32,060	32,260	32,460	32,660
-138.65	Equivalent Band D Tax	-138.65	-138.65	-138.65	-138.65	-138.65
	% change in Council Tax	0.00%	0.00%	0.00%	0.00%	0.00%
<b>0</b>	<b>(Surplus)/Deficit</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>

Denotes all lines where changes to the Enterprise Centre estimates will impact

Revenue Budget Changes 2019/20

Appendix 2

Service Area	Change	Salary Incr./(Decr.) £000	Contract Inflation £000	Service Pressure £000	Efficiency £000	Additional Income £000	Service Reduction £000	Growth bids £000	Technical adjustments £000	Net Change £000
Corporate and Democratic	Staff Budget Changes	(19)								(19)
	Various minor savings				(2)					(2)
	Various minor pressures			3						3
	Internal Audit increase in fees			3						3
	Welland Procurement Unit proposed fee for 2019/20			4						4
	Increase in external audit fees anticipated due to increased risk from Unitary proposal			15						15
	Business Transformation efficiency savings now incorporated into other budgets				21					21
	Reduction in Insurance premium				(5)					(5)
	Increase in Encor recharges			7						7
	Reduction in Legal costs						0			0
Customer & Community Services	Salaries	51								51
	Housing Benefit			362						362
	Reduction in NNDR Collections contribution			11						11
	Increase in Twywell Hills & Dales Lease costs			9						9
	Reduction in Land Charges Income			3						3
	Income from Freedom Leisure- Annual contract payments from 1/4/19.					(125)				(125)
	Other minor pressures			0					1	1
	Reduction of Grants Budget - Domestic Violence budget not required if Bid unsuccessful						(22)			(22)
	Council Tax - Increase in income with increased committal summons					(10)				(10)
	Court fees - Increase in committal cases to 10 rather than 6 per month				(10)					(10)
	Savings in Analyse Local subscriptions and other various savings				(4)					(4)
	Winter Gritting							5		5
	Grants - Ground Works & Armed Forces							10		10
Environmental Services	Staff Budget Changes	63								63
	Increased Garden Waste subscriptions, Trade waste and Environmental protection income.					(98)				(98)
	Rental from Duck Street					(16)				(16)
	NCC recycling credits					(87)				(87)
	New waste contract			105	(88)					17
	Increase in shared service contribution costs			0						0
	Reduction in resources for food safety courses			2						2
	Additional support for direct debit project			2						2
	Various small pressures			2						2
	Increase in landfill tax		1							1
	Maintenance for Duck Street			2						2
	Reduction in Clinical collections income			4						4
	Training for new animal licensing qualification							3		3
	Consultancy for food inspections							2		2
Waste service Depot lease			65						65	

Service Area	Change	Salary Incr./(Decr.)	Contract Inflation	Service Pressure	Efficiency	Additional Income	Service Reduction	Growth bids	Technical adjustments	Net Change
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Information Technology	Staff Budget Changes	70								70
	Removal of Efficiency target				73					73
	2% inflation increase applied			1						1
	Savings on PSN line - no longer needed				(14)					(14)
	Pressures as a result of change to telephone system			18						18
	Additional income from BCW to take account of increased shared service budget					(14)				(14)
	New phone system maintenance contract saving				(11)					(11)
	Licence savings arising from new service desk				(23)					(23)
	Licence pressure due to uncertainty around virtualisation approach			17						17
	Exchange on line licence			13						13
	Firewall/security licences paid upfront in 18/19			0	(12)					(12)
	Capital remote support - one-off cost in 18/19			0	(14)					(14)
	Penetration testing			9						9
	Data centre rental charges higher than expected			4						4
	Reduction in MPLS lines			0	(9)					(9)
	Committee Management system support contract			8						8
	Various minor savings				(2)					(2)
	Ad-hoc income from Royal Mail					(1)				(1)
	Various minor pressures			5						5
Resources	Staff Budget Changes	155								155
	Additional travel expenses for increase in staff from 3 to 6			2						2
	Consumables budget for Business Transformation to purchase equipment for testing			0						0
	Reinstated member training budget (FSC 30 April 2018)			8						8
	Increase cost of Members Allowances (Council 15 October 2018)			24						24
	Increase in cost of subscriptions		2							2
	Document Exchange budget moved to AKL012/4458								(1)	(1)
	Other minor pressures combined			3						3
	HR Shared Service charges due to iTrent	20								20
	Proposed Salaries increase for 19/20	153								153
	Waste Disposal costs (Gate fees and Haulage) held corporately			331						331
	Reinstated maintenance budget (RSC 30 April 2018)			2						2
Planning Services	Staff Budget Changes	73								73
	One off 2018/19 funding for specialist viability and legal advice £30k withdrawn for 2019/20						(30)			(30)
	One off 2018/19 project management support funding withdrawn in 2019/20 (Projects included Rushden SUE, local plan etc)						(25)			(25)
	One off 2018/19 legal support funding withdrawn in 2019/20						(30)			(30)
	One off 2018/19 funding for Rushden East Masterplan £50k consultants and £20k viability study withdrawn in 2019/20						(70)			(70)
	Various minor pressures and savings						(2)			(2)
	Additional homelessness prevention officer post agreed from FHSG funding			50						50
	Local Plan							80		80
	Income from FHSG to fund homeless prevention post - FHSG for 19/20					(80)				(80)
Economic & Commercial Development	Staff Budget Changes	10								10
	Various minor pressures combined		7							7
	Various minor savings combined						(4)			(4)
<b>Total Revenue Budget Changes</b>		<b>575</b>	<b>9</b>	<b>1,092</b>	<b>(99)</b>	<b>(430)</b>	<b>(183)</b>	<b>100</b>	<b>0</b>	<b>1,063</b>

Revenue Growth Items 2019/20

Appendix 3

Service Area	£	Growth Item description	Funded from Revenue Budget	Funded from Reserves
Planning Services	80,000	Additional costs associated with inspection fees for the Local Plan		80,000
Environmental Services	3,000	New training requirement for new animal licensing qualification	3,000	
	2,000	Additional costs associated with new animal welfare regulations and food inspections	2,000	
Customer & Community Services	5,000	Winter gritting for Leisure Centres	5,000	
	5,000	To support Groundwork with volunteering base	5,000	
	5,000	Contribution to funding to Armed Forces Covenant Partnership	5,000	
<b>Total</b>	<b>100,000</b>		<b>20,000</b>	<b>80,000</b>



			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total 2018/19 to 2027/28
Development Pool			Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
			£	£	£	£	£	£	£	£	£	£	£
Disabled Facilities Grants			-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	4,500,000
Commercial Property			6,302,000	-	-	-	-	-	-	-	-	-	6,302,000
Leisure and Tourism Projects			-	106,000	120,000	118,500	78,000	165,000	177,000	140,000	73,000	204,000	1,181,500
Environment Projects			-	120,000	120,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	800,000
Central Services Projects			24,000	20,000	30,000	-	-	-	-	-	-	-	74,000
Corporate Systems			300,641	235,650	272,800	282,800	242,915	306,480	266,480	252,108	250,108	252,108	2,662,090
Essential Maintenance			339,000	465,000	436,000	49,000	30,000	50,000	50,000	20,000	20,000	65,000	1,524,000
<b>Total</b>			<b>6,965,641</b>	<b>1,446,650</b>	<b>1,478,800</b>	<b>1,030,300</b>	<b>930,915</b>	<b>1,101,480</b>	<b>1,073,480</b>	<b>992,108</b>	<b>923,108</b>	<b>1,101,108</b>	<b>17,043,590</b>
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total 2018/19 to 2027/28
Development Pool	Responsible Officer	Service	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
			£	£	£	£	£	£	£	£	£	£	£
JCF201	Disabled Facilities Grants	Mike Deacon	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	4,500,000
<b>Disabled Facilities Grants</b>			<b>-</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>4,500,000</b>
JCJ625	Enterprise Centre - Build	Greg Macdonald	6,302,000	-	-	-	-	-	-	-	-	-	6,302,000
<b>Commercial Property</b>			<b>6,302,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,302,000</b>
	AMP - Pemberton Centre	Julia Smith	-	-	-	-	-	10,000	-	-	-	-	10,000
	AMP - Nene Centre	Julia Smith	-	-	-	15,000	-	-	-	-	-	-	15,000
	AMP - Splash Centre	Julia Smith	-	-	-	-	-	47,000	-	-	-	-	47,000
JCJ381	Stanwick Lakes - Infrastructure	Julia Smith	-	106,000	110,000	96,000	78,000	108,000	177,000	140,000	73,000	204,000	1,092,000
	Twywell Hills	Julia Smith	-	-	10,000	7,500	-	-	-	-	-	-	17,500
<b>Leisure and Tourism Projects</b>			<b>-</b>	<b>106,000</b>	<b>120,000</b>	<b>118,500</b>	<b>78,000</b>	<b>165,000</b>	<b>177,000</b>	<b>140,000</b>	<b>73,000</b>	<b>204,000</b>	<b>1,181,500</b>
JCJ371	Purchase of Wheeled Bins	Mike Deacon	-	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	720,000
	Warm Homes Fund - estimated, fund to be topped up to £80k over 3 years	Mike Deacon	-	40,000	40,000	-	-	-	-	-	-	-	80,000
<b>Environment Projects</b>			<b>-</b>	<b>120,000</b>	<b>120,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>800,000</b>
	Print Room Asset Management	Michelle Drewery	24,000	20,000	30,000	-	-	-	-	-	-	-	74,000
<b>Central Services Projects</b>			<b>24,000</b>	<b>20,000</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,000</b>
JCJ409	End User Devices (Desktops, Laptops, Tablets, Scanners)	Michelle Drewery	143,125	-	-	25,000	25,000	25,000	25,000	25,000	25,000	25,000	318,125
JCJ414	Data Infrastructure Equipment (Data Centre & Council Offices)	Michelle Drewery	5,000	30,000	55,000	5,000	5,000	55,000	5,000	5,000	5,000	5,000	175,000
JCJ423	Security Systems	Michelle Drewery	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000
JCJ416	Licences	Michelle Drewery	107,641	110,000	112,000	114,000	116,000	118,000	120,000	122,000	122,000	124,000	1,165,641
	CRM Replacement	Michelle Drewery	20,000	-	-	20,000	-	-	20,000	-	-	-	60,000
	Business Transformation Resource	Michelle Drewery	9,000	-	-	-	-	-	-	-	-	-	9,000
	ESRI - GIS Upgrade	Michelle Drewery	-	-	10,000	-	-	10,000	-	-	-	-	20,000
	Website Replacement	Michelle Drewery	-	-	-	25,000	-	-	-	-	-	-	25,000
JCJ621	ICT Transformation - Capital Projects	Michelle Drewery	10,875	90,650	90,800	88,800	91,915	93,480	91,480	95,108	93,108	93,108	839,324
<b>Corporate Systems</b>			<b>300,641</b>	<b>235,650</b>	<b>272,800</b>	<b>282,800</b>	<b>242,915</b>	<b>306,480</b>	<b>266,480</b>	<b>252,108</b>	<b>250,108</b>	<b>252,108</b>	<b>2,662,090</b>
	AMP - Rushden Centre	Greg Macdonald	5,000	50,000	90,000	-	-	30,000	-	-	-	15,000	190,000
	AMP - East Northamptonshire House	Greg Macdonald	314,000	95,000	326,000	29,000	10,000	-	30,000	-	-	30,000	834,000
	AMP - Industrial Units	Greg Macdonald	-	300,000	-	-	-	-	-	-	-	-	300,000
	AMP - Contingency	Greg Macdonald	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	200,000
<b>Essential Maintenance</b>			<b>339,000</b>	<b>465,000</b>	<b>436,000</b>	<b>49,000</b>	<b>30,000</b>	<b>50,000</b>	<b>50,000</b>	<b>20,000</b>	<b>20,000</b>	<b>65,000</b>	<b>1,524,000</b>
<b>Total Development Pool</b>			<b>6,965,641</b>	<b>1,446,650</b>	<b>1,478,800</b>	<b>1,030,300</b>	<b>930,915</b>	<b>1,101,480</b>	<b>1,073,480</b>	<b>992,108</b>	<b>923,108</b>	<b>1,101,108</b>	<b>17,043,590</b>