Medium Term Financial Strategy 2019/20 to 2022/23

North Norfolk District Council

Executive Summary

North Norfolk District Council's Medium Term Financial Strategy (MTFS) is a strategic document that supports the delivery of the Corporate Plan. The MTFS sets out how Council's priorities will be achieved by setting out the framework within which resources are available to the Council over the medium term and the financial challenges facing the Council in terms of future funding gaps.

The MTFS Aims to:

- provide a high-level assessment of the resources available and outlines the projections for the following four financial years (beyond the current year);
- refresh the financial projections taking into account a number of local and national factors. These will include known spending pressures and commitments, along with forecast future funding reductions and the impact of the national economic outlook;
- provide preparatory work for the following year's budget;
- explore the demands on the capital programme both in terms of ambition and resources along with the impact on the revenue account and reserve levels held by the Council;
- address the sustainability of the Council's financial position.

The MTFS is fundamentally linked to the Corporate Plan, a summary of which can be found at: https://www.north-norfolk.gov.uk/media/2394/corporate_plan_summary_2015_to_2019.pdf

The following diagram provides an overview of the financial processes undertaken by the Council to ensure value for money for the tax payers.

The updated forecasts in this strategy build on previous figures from the 2018/19 Budget setting exercise in early 2018 as described by the table below.

	2018/19 Base Budget	2019/20 Projection	2020/21 Projection	2021/22 Projection
	£	£	£	£
(Surplus)/Deficit forecast Feb 2018	(843,441)	1,565,599	2,128,739	2,111,233
Revised Funding	-	(21,813)	340,306	714,188
Revised Budget Pressures	-	(500,000)	(500,000)	(500,000)
Revised Income and savings	-	(724,454)	(373,500)	(356,000)
Revised (Surplus)/Deficit Oct 2018	**(843,441)**	**319,332**	**1,595,545**	**1,969,421**

The Council is currently projecting a deficit position for the coming years. Forecasting the deficit allows the Council time to plan mitigating actions more effectively, meaning they are more likely to be successful. This strategy will explore some of the Council's plans for addressing this deficit. As can be seen from the full General Fund summary contained within appendix 1, based on the updated forecasts for the final year of this plan (2022/23), the deficit is forecast to be in excess of £2m by the end of the period currently under review.

Contents

<u>Tables and Charts</u>

1. Context

Demographic and landscape issues that set the scene for the budget and financial strategy.

The population of North Norfolk is gradually increasing, with residents living longer. There is a higher than average number of residents migrating into the district, particularly in the 50-64 years age group as people retire to the area. When compared to county and regional averages, there are far more over 55 year olds proportionately that live in North Norfolk; this puts pressure on services such as Adult Social Care in the district.

North Norfolk has a fairly low index of deprivation score, but is higher than the Norfolk and East of England averages. Areas of deprivation often require higher levels of service provision and are a budget pressure for both NNDC and the County Council. Barriers to housing services and living environment are the highest deprived domains within North Norfolk and these are increasing in deprivation.

The strongest business sectors in the district are:

- Accommodation and food services
- Manufacturing
- Arts, entertainment and recreation
- Retail

There is a higher than average number of micro-businesses in North Norfolk and this trend is increasing. This area has a lower than average number of new business start-ups. The Council offers support for its small businesses through Business Rates relief schemes.

North Norfolk has proportionally more residential property sales than the East of England average, with house prices higher than the County average. The unaffordability of houses and number of second homes is proportionally higher in North Norfolk and is on the increase. The high number of second homes particularly increases the burden on Council services, as well as affecting the sense of community in individual areas with a high number of second homes.

A large part of the North Norfolk economy is dependent on tourism and travel to the area, with the Council itself benefiting directly from tourism in the form of car parking income. Visitor trips to North Norfolk are increasing, with July, August and December being the most popular months for tourists. Overall, visitors spend and the numbers of jobs in the tourism sector are increasing.

2. National Pressures

Some financial pressures are driven nationally and are beyond the control of the Council and may come about due to policy directions or new legislation from Central Government. Some of these which impact NNDC are shown below.

<u>National Pay Review</u>

There are ongoing discussions in relation to the national pay spine and national living wage which are likely to impact on staffing costs. As part of the 2016-18 pay deal, the National Joint Council (NJC) agreed to conduct a review of the NJC pay spine. The primary reason for this review is the introduction of the National Living Wage (NLW).

The forecast of £8.75 per hour NLW in 2020 requires a 12.5% increase from current £7.78 bottom rate of the NJC pay spine. However NNDC already pay a supplement up to the Real Living Wage (RLW) which is currently £8.75 per hour. Previous forecasts regarding the potential impact of this changes were estimated to be £450,000 on the assumption that the review would impact the whole of the pay spine (excluding Heads of Service/Senior Management), the estimated impact being 4-6% on the total pay bill.

However the Council is in a fortunate position as it only needs to make minor adjustments to our grade bands and these are only at the lower end of the scale (no impact above grade 10). Due to this the revised impact of these changes is expected to be around £250,000 and this is the figure currently built in to the future projections. Ultimately this will mean that our minimum rate is above the NLW and there should also be a positive impact on our gender pay gap although the scheme is still subject to approval by Unison.

<u>Brexit</u>

Following the Brexit referendum result we are due to leave the European Union (EU) on 29 March 2019. At present it is unclear as to exactly what deal will be negotiated and how this might then impact on a raft of factors including Local Government funding, inflation, businesses, availability of labour for construction etc. Due to the level of uncertainty this poses it is flagged as a risk rather than having any quantifiable financial risk. Volatility of investments, cost of commodities and access to funding streams are all likely to affect NNDC post-Bexit.

<u>Low interest rates</u>

The current Bank of England bank rate is 0.75% following two recent rate rises. Investment income continues to be an important source of income to the Council. This is generated from investment of the Council's reserves and surplus funds from the timing of daily cash inflows and outflows. In this climate of low interest rates, the Council has had to work hard to generate investment returns that outstrip inflation.

If this does not happen, not only does this put pressure on our budget through lost investment income, but inflation effectively erodes the spending power of the invested cash. On the upside, borrowing continues to be relatively cheap, and remains a potential source of capital funding for the council and an effective tool to help manage cash flows. As can be seen below the current rate of CPI inflation as at August 2018 is 2.7% and our average rate of return on investments is 2.58%. The current year's budget assumes that an average rate of 3.3% will be achieved.

3. Local Pressures

These arise from local circumstances and demand for services. The financial effects of these must be dealt with by the Council, as there is often no external funding.

Local Economic changes

NNDC derives significant sums of income from fees and charges for services such as car parking and planning. These will be affected by factors outside the Council's control, such as the weather, consumer confidence and the general health of the economy.

Waste Management

Waste management currently represents a pressure for two reasons. The first relates to the current outsourced contract, which is coming to an end in March 2020 and is in the process of being re-procured. This represents a potential cost pressure as market conditions have changed since the contract was last let. We are anticipating this will cost around £700,000 a year more that currently. Recycling income is also under threat as recent quality control developments in China have effectively closed that market with income reducing as a result. The Council is currently exploring ways to mitigate this.

Local Council Tax Support Schemes (LCTS)

The LCTS scheme was implemented in April 2013 as a replacement to Council Tax Benefit. This change was part of wider welfare reforms to reduce expenditure, giving responsibility of the replacement scheme to Local Councils. LCTS schemes should encourage people into work and be based on the ability to pay. Previously the Council Tax Benefit scheme was 100% funded through subsidy paid to the Council from the Department for Work and Pensions (DWP).

From April 2013 each billing authority was given the discretion to set their own scheme, although at the outset the government did stipulate that the scheme would not change the 100% maximum support for low income pensioners i.e. they would receive the same level of support as they did under the system of Council Tax Benefit. Funding for LCTS is no longer received as a separate subsidy grant but is now within the overall Local Government Funding system as non ring-fenced funding within the Revenue Support Grant (RSG) and baseline funding level. The local scheme (for North Norfolk) has remained the same since the introduction of LCTS in 2013/14. The local scheme means that those of working age previously entitled to 100% maximum council tax benefit are required to pay a maximum of 8.5% of their council tax liability.

The Council Tax Support Working Group met in June 2018 to consider the options for the LCTS for 2019/20 and decided that the scheme should remain the same. With the changes made for the rollout of Universal Credit there will be implications for the cost of LCTS schemes. The Council will need to review options going forward to ensure this remains a cost effective, affordable scheme.

4. Inflation

Inflation is the rate at which the prices for goods and services that the Council buys are expected to rise. At the end of August, Consumer Price Index (CPI) inflation was at 2.7%, considerably higher than the Bank of England's target rate of 2%

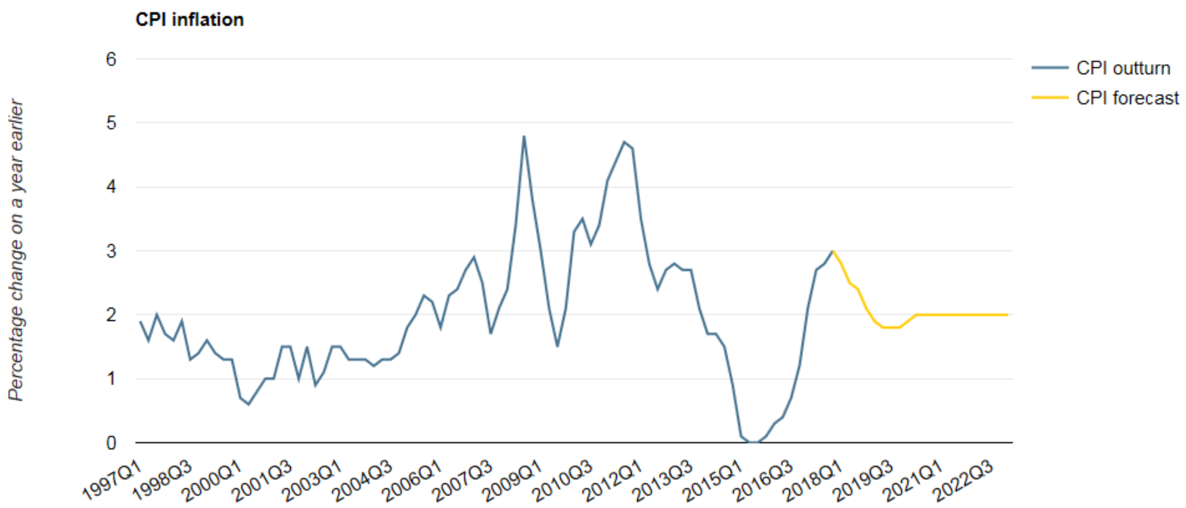
Staff Pay - the forecasts assume an annual pay award of 2%. The Council is part of a national pay agreement and as a guide for NNDC, 1% equates to approximately £100,000 annually. Therefore should the annual pay award agreement be different to the 1% assumed, say for example by 0.5%, this would equate to an additional cost of £50,000 per annum.

General prices and contracts - the Council assumes in this financial strategy that inflation will follow the pattern in the graph below as outlined by the Office for Budget Responsibility (OBR) with general price increases being assumed at around 2%. There are also some areas and contracts, such as the waste contract, which use different indices to calculate annual increases and these are taken account of where appropriate.

Income (fees and charges) – In recent years budgets for fees and charges have included a 3% increase unless there have been specific reasons for higher or lower increases or alternatively the Council is not able to influence them.

During the 2018/19 budget setting process, the inflationary pressure on the budget for 2019/20 was assumed to be £336,000 in total, offset partly by income inflation of (£69,000).

Chart 1 – Inflation Forecast 2019/20 onwards (source OBR)



5. Funding changes

Local Government is currently going through a significant period of change in terms of the way it is funded and the way the funding elements are to be calculated for the future.

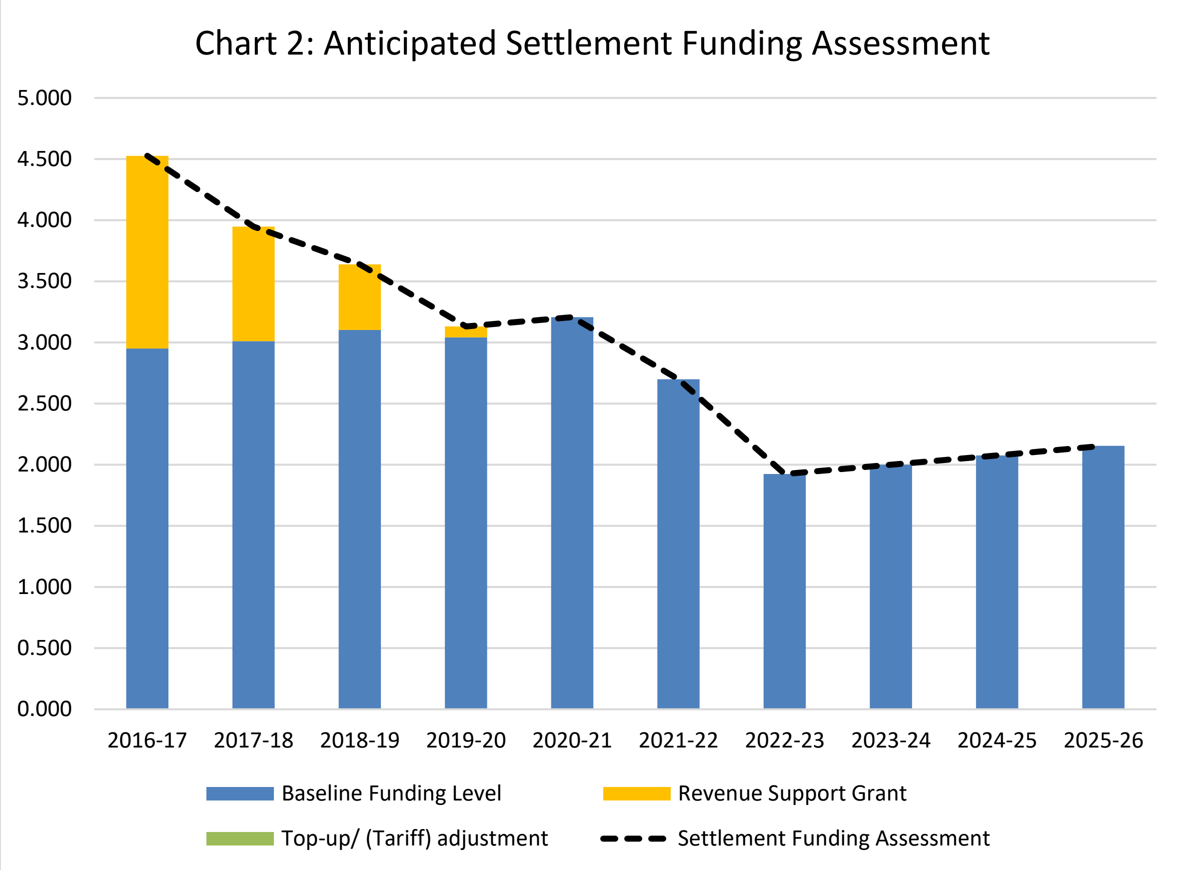
Settlement Funding

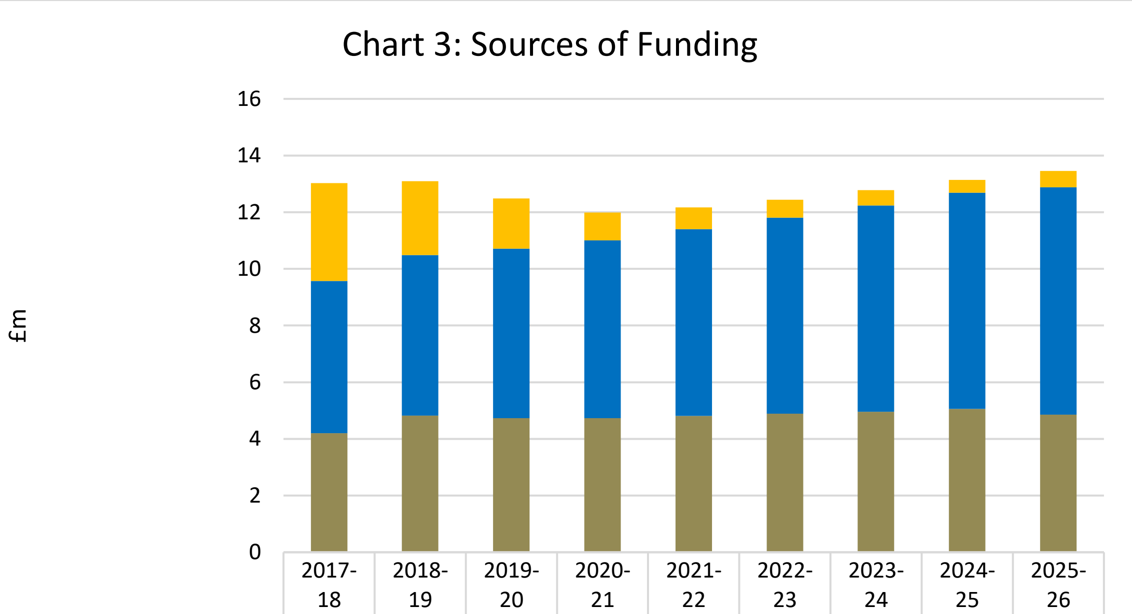
The Local Government funding settlement is issued each year by the Ministry of Housing, Communities and Local Government (MHCLG) and for NNDC comprises several elements. These include Revenue Support Grant (RSG), New Homes Bonus (NHB), Baseline Funding Level (via the Business Rates Retention Scheme), Council Tax (through the setting of referendum principles) and Rural Services Delivery Grant.

RSG is an un ring-fenced grant which can be spent on services at NNDC's discretion. This has been reducing over the past years, and in 2019-20, the last year of receipt of this grant, NNDC will receive just £88,000 compared to £2.4m back in 2015/16.

To reflect North Norfolk's rural nature and the increasing cost this brings to the Council in terms of sparsity, NNDC receive an annual amount of Rural Services Delivery Grant. The final year of this grant is assumed to be 2019-20.

The total amount of settlement funding is anticipated to drop, as detailed below and is summarised below in Chart 2. Chart 3 shows the change in total funding sources, including Council Tax.





	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
TOTAL GRANT FUNDING	3.451	2.601	1.770	0.984	0.760	0.632	0.543	0.451	0.570
TOTAL COUNCIL TAX	5.381	5.672	5.984	6.280	6.594	6.923	7.271	7.636	8.022
TOTAL RATES	4.197	4.819	4.734	4.731	4.811	4.888	4.961	5.057	4.860

TOTAL RATES ■ TOTAL COUNCIL TAX ■ TOTAL GRANT FUNDING

Spending Review/Fair Funding Review

There are a number of projects currently being carried out by MHCLG which have the potential to have a large and unpredictable impact on the Council's finances. The Fair Funding Review is looking at refreshing the data and formulas that sit behind funding allocations for Local Authorities from Central Government. This has not been done since 2011, so even simply refreshing the data would potentially cause large shifts in funding between Councils.

The current crisis in social care funding is likely to mean that more money is channelled towards Authorities with social care responsibilities (such as the County) and away from Authorities such as NNDC. The Fair Funding Review will look again at what drives a Council's need to spend, what resources they can raise locally and create new funding allocations for each authority.

The overall amount of funding available for allocation – the quantum - will be governed by the Spending Review, which will effectively decide how much money each Central Government department will have available to spend. Both of these reviews represent significant risk to NNDC's balanced budget position and are being monitored closely by officers. Within this strategy, the Council has assumed there will be a reduction to core funding of approximately £850,000 (before damping) as a result of the Fair Funding Review.

Refreshing the funding formulas could potentially create large shifts in funding between Councils. There is likely to be some kind of damping mechanism in place which would phase in large changes in funding, to allow the affected Councils more time to plan for this. We have assumed that the damping threshold will be set at 5%, meaning that Councils which have any change to funding levels over and above this amount will see it phased in over a period of 4 years.

6. Income

The Council derives a limited and reducing amount of funding from Central Government, with the main sources of income now being locally raised taxes, fees and charges and specific grants. This section explains more about how the Council is funded and how this is expected to change over the coming years.

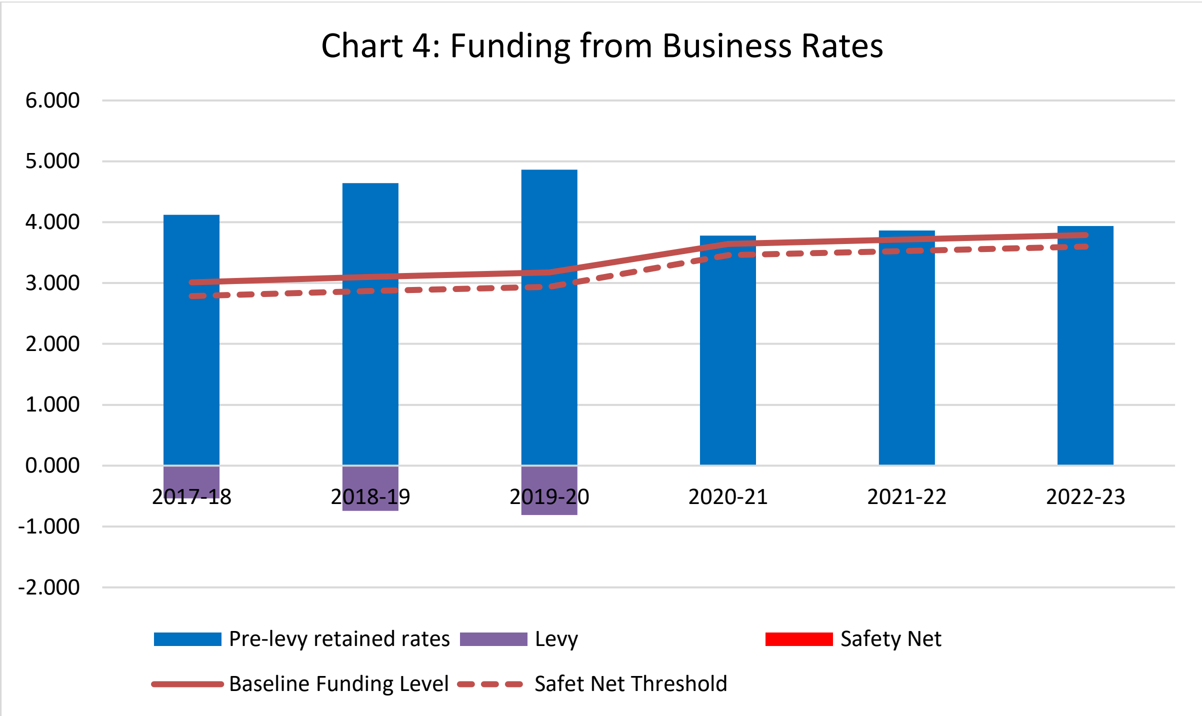
Business Rates Retention

Since the 2013/14 financial year, local government has been able to retain 50% of the growth in the local business rates income to support services. As part of a manifesto commitment, the Government had pledged to allow Councils more control locally over their finances, and as part of this began to plan for an eventual system of 100% local retention of business rates growth. In exchange for this, Councils would have to forgo certain grants received from Central Government.

Following the snap General Election in 2017 and a period of uncertainty around the new Business Rates Retention Scheme, MHCLG have now confirmed a local 75% share from

April 2020. A small number of authorities will pilot this scheme in 2019-20. North Norfolk District Council has applied to be a pilot authority as part of the Norfolk Business Rates Pool, as it is forecast that the pilot would bring significant financial benefit to the district.

The income from the current system is shared on the basis of 50% being returned to Central Government, 40% being retained by NNDC with 10% going to the County. However, while technically NNDC's share is projected to be around £12.7m, after the tariff payment is made the net income to NNDC reduces to around £4.7m for 2019/20. Chart 4 shows the anticipated funding for the Council from the Business Rates Retention Scheme.



New Homes Bonus

The New Homes Bonus (NHB) was introduced in 2011/12 as an incentive and reward mechanism to promote housing growth. Councils receive payment for new houses built in the district and also long term empty properties that have been brought back into use with 80% kept by NNDC and 20% returned to the County. Since its initial introduction the payment mechanism has undergone two fundamental changes which have significantly impacted on the income received by NNDC.

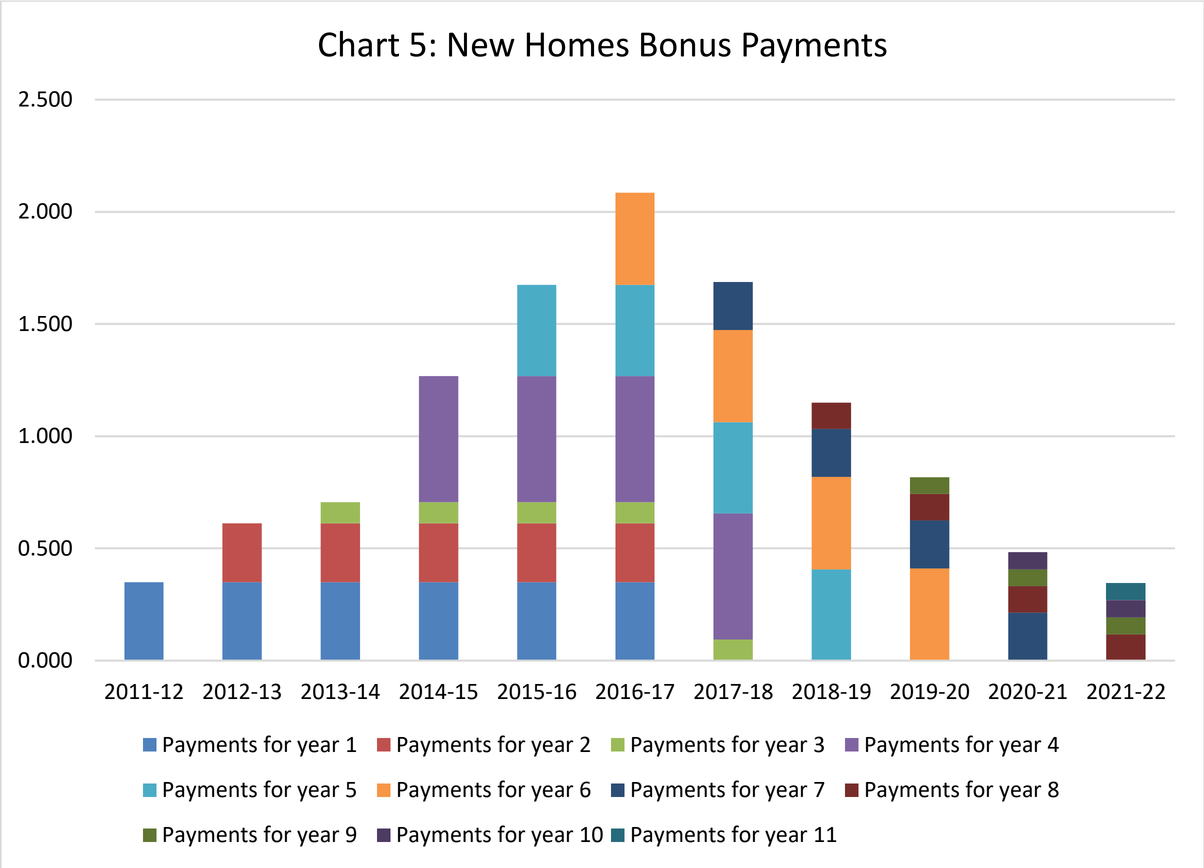
The first was the transition from payments rolled up over a 6 year period up to 2016/17 (for which the Council received £2.1m, to 5 years in 2017/18 to the new 'floor' of 4 years from 2018/19 onwards. The second was in 2017/18 when a national baseline of 0.4% (based on property numbers within the district) was introduced. For the current financial year this equates to 192 properties which is supposed to represent 'normal growth' and it is now only properties which exceed this baseline that attract the bonus.

The combined effect of these two changes is forecast to see income decrease from the highest point in 2016/17 of £2.1m to only £0.3m in 2021/22 and that is assuming that the baseline only increases to 0.6% as per the current projections.

The current consultation on the settlement indicates that the Government is intending to increase this baseline level for the 2019/20 financial year, as money is redirected by the Ministry into social care, but it is not yet clear by how much. Our forecasts assume a 0.2% increase of the national baseline to 0.6% and a continuation of the premium paid for affordable dwellings (currently £350 per dwelling).

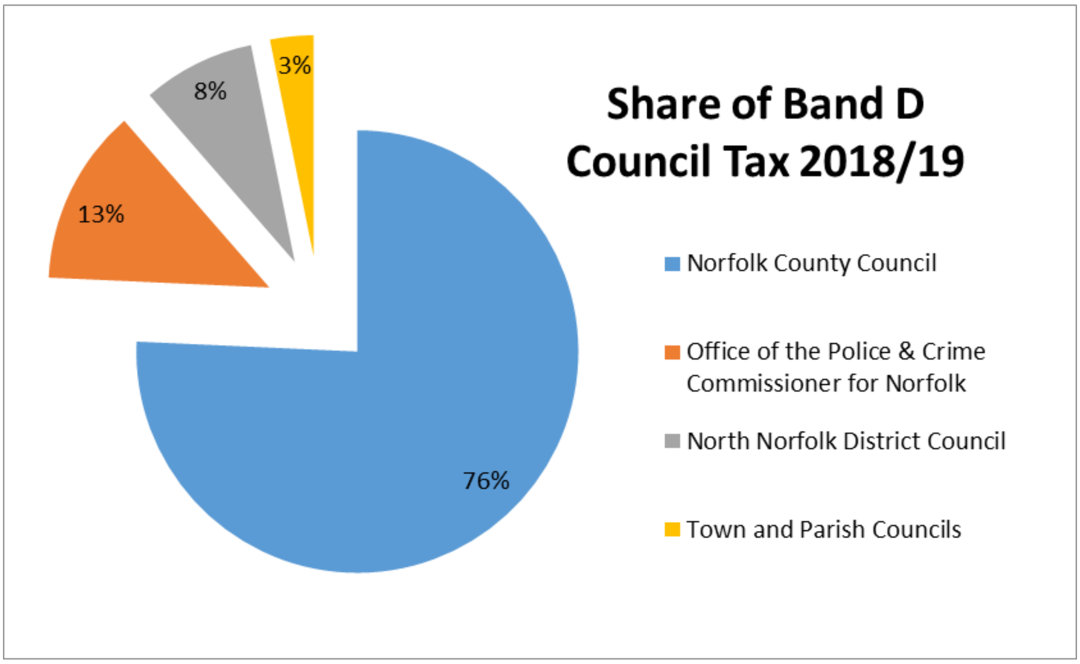
The current forecasts of growth in the District anticipate a 0.67% increase in dwellings; any increase of the national baseline above the 0.6% level forecast would effectively mean the only NHB earnt would be in relation to any affordable homes delivered which aren't impacted by the baseline (just over £19,000 based on the 2018/19 budget). The Government intends to consult further in the coming months on more radical changes to the distribution of NHB, to ensure that additional housing growth is rewarded, rather than what could be seen as normal growth and there is a very strong possibility that NHB will disappear altogether in the very near future.

Chart 5 shows the forecast payments to the Council for NHB.



Council Tax

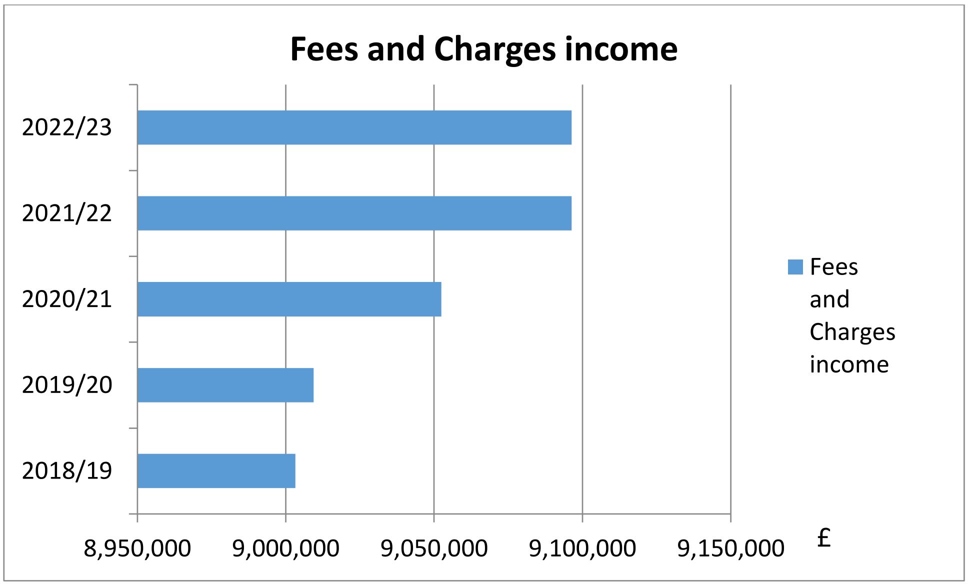
NNDC is the billing authority for the district of North Norfolk. This means that NNDC send out the Council Tax bills to residents and collect the Council Tax, but most of this is then distributed to the County Council and Norfolk Police Authority with a further element then going to town and parishes councils.



The charge on a Band D property which is retained by NNDC is currently £143.82. Any increases on this amount are restricted by a cap put in place by the Government, which means that NNDC cannot increase its precept by more than 3% or £5, whichever is the greater. The Government is currently consulting on this, but the current view is that this cap will remain the same for the coming year. Within the MTFS, it has been assumed that NNDC will increase its precept annually by the maximum amount to partly offset the reduction in grant funding from Central Government.

Fees and charges

The Council has limited means to charge for some of the services it provides. Some of these charges are set by central government, but the Council has discretion over the levels of others. The latest projections for fee income are shown below.



7. Looking forward

In the context of these pressures and reduced funding, the Council has produced a forecast for spend for Capital and Revenue purposes and also anticipated use of Reserves

General Fund

The General Fund shows how much the services provided by the Council cost the taxpayer, and how much funding is required from other sources.

Table 1: General Fund Summary 2019/20 – 2022/23

	2018/19 Base Budget	**2019/20 Projection**	**2020/21 Projection**	**2021/22 Projection**	**2022/23 Projection**
	£	**£**	**£**	**£**	**£**
Net Operating Expenditure	14,677,474	16,496,154	16,004,601	16,235,643	16,478,498
Contributions to/(from) Earmarked Reserves:	(1,040,693)	(1,889,133)	(585,248)	(462,808)	(462,808)
Amount to be met from Government Grant and Local Taxpayers	13,636,781	14,607,021	15,419,353	15,772,835	16,015,690
Income from Government Grant and Taxpayers	(14,480,222)	(14,287,689)	(13,823,808)	(13,803,414)	(13,898,873)
(Surplus)/Deficit	**(843,441)**	**319,332**	**1,595,545**	**1,969,421**	**2,116,818**

Reserves

The Council holds a number of ‘useable’ reserves both for revenue and capital purposes which fall within one of the following categories:

- General Reserve
- Earmarked Reserves
- Capital Receipts Reserve

The *General Reserve* is held for two main purposes:

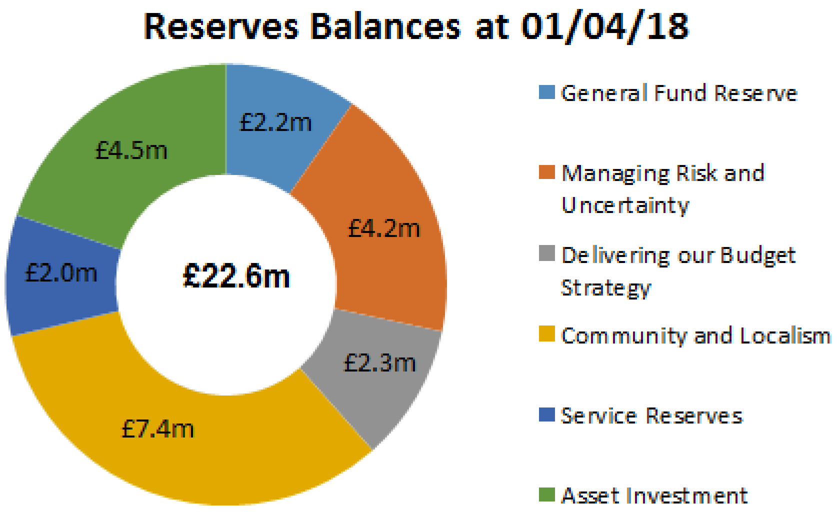
- to provide a working balance to help cushion the impact of uneven cashflows and avoid temporary borrowing
- a contingency to help cushion the impact of unexpected events or emergencies

As part of setting the budget each year the adequacy of all reserves is assessed along with the optimum level of general reserve that an authority should hold. The optimum level of the general reserve takes into account a risk assessment of the budget and the context within which it has been prepared.

Earmarked Reserves provide a means of building up funds to meet known or predicted liabilities and are typically used to set aside sums for major schemes, such as capital developments or asset purchases, or to fund restructurings. A number of contingency reserves are also held by the Council to reduce the impact on Council Tax payers of future uncertain events such as business rate appeals or clawback of benefit subsidy.

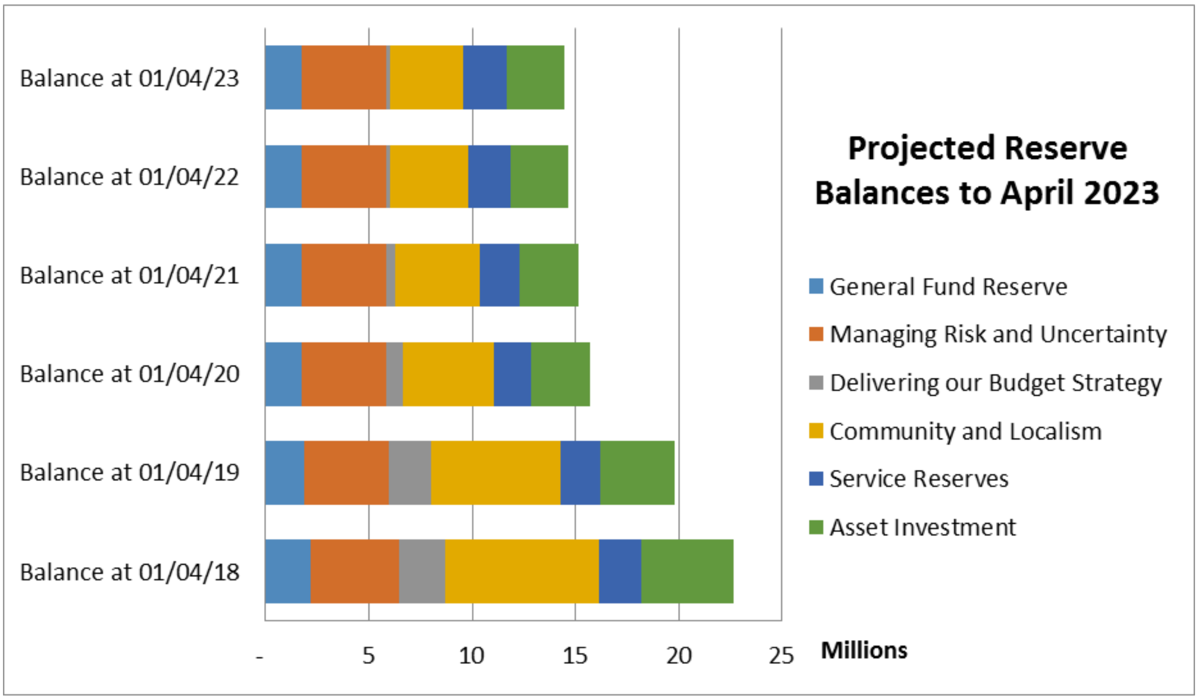
All reserves, general and earmarked, will be reviewed over the coming months as part of setting the budget for 2019/20, with a view that where commitments have not been identified and funds or reserve balances are no longer required these are re-allocated to specific reserves to address other requirements as applicable.

Use of reserves to balance a budget provides only a short term solution as the funds can only be used once. They can however be used to smooth the impact of funding gaps over the short to medium term and to allow for planning and implementing projects and work streams that will deliver a longer term financial benefit through reduced costs and/or additional income.



Similarly, reserves can be used to fund one-off costs for projects that will deliver a longer-term benefit. For example the use of the Restructuring and Invest to Save reserve to fund one-off restructuring costs, where a restructuring will deliver a longer term saving for a service and for some of the implementation and project costs for the Business Transformation programme that will deliver future savings. The use of reserves in this way will be considered as part of the full business case for individual project proposals, taking into account the payback period of the project along with indirect financial implications, for example, reduced balances available for investment and the associated loss of investment income.

The *Capital receipts Reserve* consists of capital receipts from the disposal of assets and land and is used to fund the capital programme. Capital receipts can not ordinarily be used to fund revenue expenditure.



This strategy predicts a fall in the levels of Reserves held from £22.6m to £14.5m by April 2023

Capital

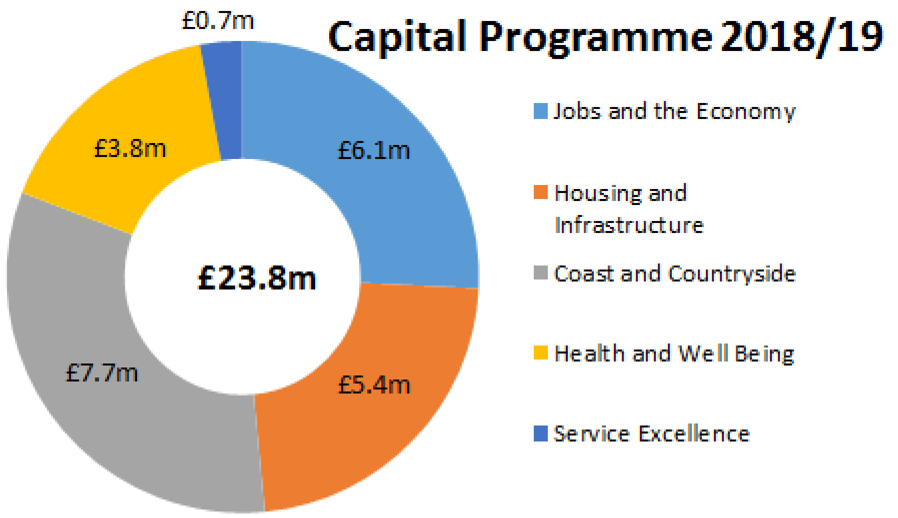
The capital programme shows what the Council intends to spend on purchasing new assets and improving its existing ones over the next three years.

As capital expenditure is incurred, a source of finance must be identified. This can be done through capital receipts, grants and other revenue resources or alternatively through borrowing.

Any expenditure that is financed through borrowing increases the Council's 'Capital Financing Requirement' (CFR). Each year a revenue charge called the Minimum Revenue Provision (MRP) is made to reflect the funding of the CFR by the taxpayer, it is required to be set aside to cover the repayment of debt caused by the need to borrow for capital purposes. As the need to borrow increases, the CFR and MRP also increase. If the Council has sufficient cash resources to meet the expenditure, it will not be necessary to borrow externally and cash balances can be used to cover the expenditure. This is referred to as 'internal borrowing' and attracts an MRP charge in the same way that external borrowing does.

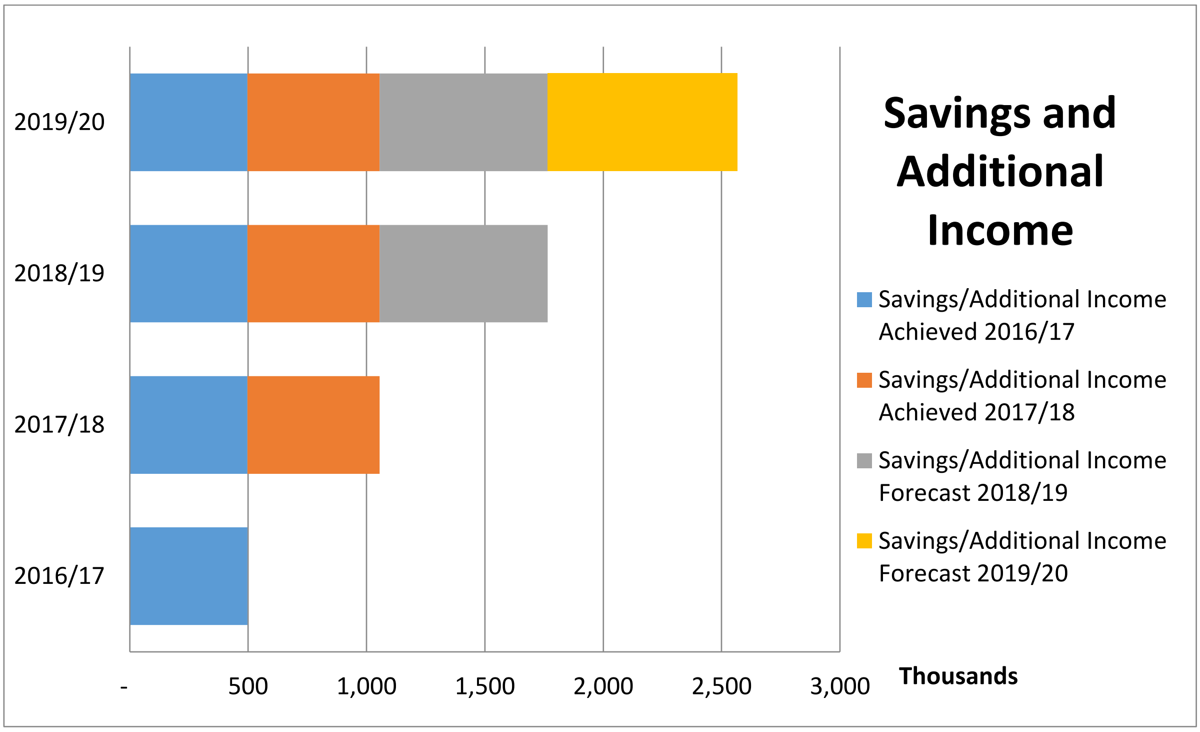
New projects, which are included in the programme in the future, will need to be financed by MRP if no capital resources such as capital grants or capital receipts from future asset sales are available. Alternatively existing revenue reserves could be used to finance these projects through a revenue contribution to capital (RCCO) which would avoid the need to make an MRP charge.

Future external borrowing is assumed to finance a portion of the Sheringham Leisure Centre replacement project and could also be used to finance future capital projects. Short-term borrowing rates are currently very low, meaning it may be preferable to undertaking long-term borrowing at the current time.



8. Closing the Budget gap

The Council's strategy for reducing the budget gap covers several work streams as outlined below.



<u>Property Investment and Asset Commercialisation</u>

Opportunities for investment in property, whether direct or indirect, are being considered to achieve either a direct income stream from the asset or improved returns on investment. Following the initial work with the Council's property advisor Gleeds, which identified four potential projects to consider, it has been challenging trying to deliver any of these projects with only one of them (Grove Lane, Holt) progressing, albeit in a different format from that originally anticipated.

Opportunities for the most efficient utilisation of the Council's assets and maximising returns where appropriate are vital. Indirect property investments via treasury instruments, such as the purchase of pooled property funds, can potentially provide a return in terms of a regular income and growth in the value of the investment. Under the Treasury Management Strategy, the Council has made investments in a number of pooled funds which invest in property. One of these funds, the LAMIT Pooled Property Fund, invests exclusively in various property assets with the aim of achieving a regular income and growth in the value of the investment. In addition to these investments, the Council has agreed to provide capital expenditure loans to registered providers of social housing to facilitate the delivery of housing in the district, along with achieving an income return on its investment. The Council can choose to use its capital resources to finance a programme of asset commercialisation which aims to deliver long-term revenue streams for the Council and work on an ongoing basis is required to identify the most appropriate projects. This strategy of direct property investment can ensure a secondary benefit to the district as it is possible to generate an economic growth benefit when the investment is located in North Norfolk. This is, however, more resource intensive to manage than externalising these investments.

Digital Transformation

Building upon the Business Transformation project that commenced in 2014 savings continue to be identified from changes to service delivery from the implementation of new technology and changes to business processes. The overall programme was delivered over a number of years and as projects have been rolled out there have been changes to working practices which have helped to deliver efficiencies. Phase 1 of the Digital Transformation programme is currently being closed down, having achieved annual savings of £427,000 by the end of 2018/19. Phase 2 of the project is in the planning and early delivery stages, and is being funded by a £940,000 contribution from the Invest to Save reserve. Over the next 3 to 4 years, it is anticipated that Phase 2 will result in net savings of approximately £216,000. Our current forecasts assume this will be delivered in the following profile:

	2019/20	**2020/21**	**2021/22**	**2022/23**
Savings delivered (£)	83,750	167,500	335,000	335,000

Shared Services, collaboration and selling services

Creating efficiencies through shared services continues to be a priority for central government. Identifying such opportunities must therefore continue at a local level, ensuring that realistic and deliverable benefits can be achieved. This could include joint procurement opportunities such as the new waste contract, shared service delivery where appropriate and selling services via arrangements such as East Law.

Identifying opportunities to work alongside other public sector partners and organisations to deliver services, such as our successful partnerships with NCC Children's Services, the Early Help Hub and the DWP in terms of shared office space and the One Public Estate agenda.

Growing Business Rates and NHB

Under the current allocation method of New Homes Bonus (NHB) there is a direct financial benefit to the Council from growth in homes through the NHB funding and through increasing the council tax base and additional income generated from council tax. Whilst new housing growth will have an impact on the demand for local services, there will still be a net gain in terms of overall income for delivery while the NHB remains and subject to potential changes to the baseline. For similar reasons growing the business rates base will have a direct impact on the level of business rates income retained locally. Equally, maintaining existing business rates remains a priority in that decline in business rates will reduce the amount of income retained.

Council Tax

The increased flexibilities around council tax discounts and increases following the removal of the tax freeze grant in 2016/17 provides a further potential income stream. Further review of the current level of discounts can also provide additional income, recommendations on the level of council tax discounts will be reported for approval as part of the budget reports for 2019/20.

New opportunities

Given the current uncertainties around issues such as Brexit and changes to the Local Government funding mechanisms it will be essential to identify new opportunities to either increase income, increase efficiency through the redesign of services, explore new partnership models for service delivery etc and this will be one of the main challenges over the medium term.

While the Council's reserves do provide some level of comfort over the short term and could be used to address budget deficits this is not a sustainable financial strategy for the medium to long term.

Appendix 1 – General Fund Summary

General Fund Summary					
Service Area	**2018/19 Base Budget**	**2019/20 Projection**	**2020/21 Projection**	**2021/22 Projection**	**2022/23 Projection**
	£	**£**	**£**	**£**	**£**
Corporate Leadership Team/Corporate	316,213	480,797	321,425	325,581	328,837
Community & Economic Development	2,648,580	2,596,492	2,474,432	2,488,908	2,513,797
Customer Services & ICT	2,143,311	2,384,163	2,468,617	2,545,093	2,570,544
Environmental Health	3,761,582	3,785,342	3,823,943	3,864,987	3,903,637
Finance and Assets	2,429,642	3,400,350	2,343,098	2,358,782	2,382,370
Legal and Democratic Services	591,003	541,247	547,687	556,702	562,269
Planning	2,061,807	2,156,748	2,096,707	2,145,457	2,166,912
National Joint Council (NJC) Pay Review	0	250,000	250,000	250,000	250,000
Waste Contract Extension/Reprovision	0	700,000	700,000	700,000	700,000
Service Savings to be identified (DT)	0	(83,750)	(167,500)	(335,000)	(335,000)
Net Cost of Services	**13,952,138**	**16,211,389**	**14,858,409**	**14,900,510**	**15,043,365**
Parish Precepts (Estimate from 2019/20 onwards)	2,210,812	2,408,410	2,633,115	2,633,115	2,633,115
Capital Charges and REFCUS	(1,344,248)	(2,308,288)	(1,125,478)	(1,049,430)	(1,049,430)
Interest Receivable	(1,147,384)	(1,100,110)	(1,109,440)	(1,000,110)	(900,110)
External Interest Paid	3,500	30,991	225,395	219,631	219,631
Revenue Financing for Capital:	751,407	1,000,000	0	0	0
Minimum Revenue Provision	0	0	266,300	273,064	273,064
IAS 19 Pension Adjustment	251,249	253,762	256,300	258,863	258,863
Net Operating Expenditure	**14,677,474**	**16,496,154**	**16,004,601**	**16,235,643**	**16,478,498**
Contributions to/(from) Earmarked Reserves:	**(1,040,693)**	**(1,889,133)**	**(585,248)**	**(462,808)**	**(462,808)**
Amount to be met from Government Grant and Local Taxpayers	**13,636,781**	**14,607,021**	**15,419,353**	**15,772,835**	**16,015,690**
Collection Fund – Parishes	(2,210,812)	(2,408,410)	(2,633,115)	(2,633,115)	(2,633,115)
Collection Fund – District	(5,909,655)	(5,983,555)	(6,279,530)	(6,593,868)	(6,923,249)
Retained Business Rates	(4,190,773)	(4,601,726)	(4,428,231)	(4,231,047)	(4,038,138)
Revenue Support Grant	(535,619)	(88,359)	0	0	0
New Homes bonus	(1,149,592)	(817,427)	(482,932)	(345,384)	(304,370)
Rural Services Delivery Grant	(483,771)	(388,212)	0	0	0
Income from Government Grant and Taxpayers	**(14,480,222)**	**(14,287,689)**	**(13,823,808)**	**(13,803,414)**	**(13,898,873)**
(Surplus)/Deficit	**(843,441)**	**319,332**	**1,595,545**	**1,969,421**	**2,116,818**

Appendix 2 – Projected Reserve Movements

Reserve	**Balance 01/04/18**	Updated Budgeted Movement 2018/19	**Balance 01/04/19**	Budgeted Movement 2019/20	**Balance 01/04/20**	Budgeted Movement 2020/21	**Balance 01/04/21**	Budgeted Movement 2021/22	**Balance 01/04/22**	Budgeted Movement 2022/23	**Balance 01/04/23**	Report Classification
	£	£	**£**	£	**£**	£	**£**	£	**£**	£	**£**	
General Fund - General Reserve	**2,196,488**	(345,370)	**1,851,118**	(80,000)	1,771,118	0	1,771,118	0	1,771,118	0	1,771,118	GENERAL
Earmarked Reserves:										0		
Capital Projects	**3,449,782**	(747,964)	**2,701,818**	(700,000)	2,001,818	0	2,001,818	0	2,001,818	0	2,001,818	ASSET INVESTMENT
Asset Management	**858,440**	(149,750)	**708,690**	(10,000)	698,690	0	698,690	0	698,690	0	698,690	ASSET INVESTMENT
Benefits	**1,295,357**	(31,588)	**1,263,769**	(12,838)	1,250,931	0	1,250,931	0	1,250,931	0	1,250,931	MANAGING RISK AND UNCERTAINTY
Broadband	**1,000,000**	0	**1,000,000**	(1,000,000)	0	0	0	0	0	0	0	COMMUNITY AND LOCALISM

Building Control	**159,783**	0	**159,783**	0	159,783	0	159,783	0	159,783	0	159,783	SERVICE RESERVES
Business Rates	**2,506,669**	(61,843)	**2,444,826**	(37,290)	2,407,536	(18,000)	2,389,536	(18,000)	2,371,536	(18,000)	2,353,536	MANAGING RISK AND UNCERTAINTY
Coast Protection	**202,516**	(20,000)	**182,516**	(20,000)	162,516	(20,000)	142,516	(20,000)	122,516	(20,000)	102,516	ASSET INVESTMENT
Communities	**1,594,135**	90,533	**1,684,668**	(242,000)	1,442,668	(242,000)	1,200,668	(242,000)	958,668	(242,000)	716,668	COMMUNITY AND LOCALISM
Economic Development and Regeneration	**120,621**	(20,000)	**100,621**	0	100,621	0	100,621	0	100,621	0	100,621	SERVICE RESERVES
Election Reserve	**83,000**	40,000	**123,000**	(120,000)	3,000	40,000	43,000	40,000	83,000	40,000	123,000	SERVICE RESERVES
Enforcement Works	**197,113**	0	**197,113**	(10,000)	187,113	0	187,113	0	187,113	0	187,113	COMMUNITY AND LOCALISM
Environmental Health	**294,389**	0	**294,389**	0	294,389	0	294,389	0	294,389	0	294,389	SERVICE RESERVES
Grants	**534,788**	(120,805)	**413,983**	(20,000)	393,983	0	393,983	0	393,983	0	393,983	SERVICE RESERVES

Housing	**2,500,602**	(14,247)	**2,486,355**	(72,624)	2,413,731	(70,248)	2,343,483	(32,808)	2,310,675	(32,808)	2,277,867	COMMUNITY AND LOCALISM
Land Charges	**273,950**	0	**273,950**	0	273,950	0	273,950	0	273,950	0	273,950	SERVICE RESERVES
Legal	**128,389**	(933)	**127,456**	0	127,456	0	127,456	0	127,456	0	127,456	SERVICE RESERVES
Local Strategic Partnership	**0**	0	**0**	0	0	0	0	0	0	0	0	COMMUNITY AND LOCALISM
LSVT Reserve	**435,000**	0	**435,000**	0	435,000	0	435,000	0	435,000	0	435,000	MANAGING RISK AND UNCERTAINTY
New Homes Bonus (NHB)	**2,006,417**	(1,280,944)	**725,473**	(514,747)	210,726	0	210,726	0	210,726	0	210,726	COMMUNITY AND LOCALISM
Organisational Development	**340,847**	(4,649)	**336,198**	0	336,198	0	336,198	0	336,198	0	336,198	SERVICE RESERVES
Pathfinder	**143,168**	0	**143,168**	0	143,168	0	143,168	0	143,168	0	143,168	COMMUNITY AND LOCALISM
Planning	**56,354**	18,330	**74,684**	50,000	124,684	50,000	174,684	50,000	224,684	50,000	274,684	SERVICE RESERVES

Restructuring & Invest to Save Proposals	**2,290,514**	(242,939)	**2,047,575**	(1,278,924)	768,651	(325,000)	443,651	(240,000)	203,651	0	203,651	DELIVERING OUR BUDGET STRATEGY
Sports Hall Equipment & Sports Facilities	**12,193**	0	**12,193**	0	12,193	0	12,193	0	12,193	0	12,193	SERVICE RESERVES
Total Reserves	**22,680,514**	**(2,892,169)**	**19,788,345**	**(4,068,423)**	**15,719,922**	**(585,248)**	**15,134,674**	**(462,808)**	**14,671,866**	**(222,808)**	**14,449,058**	

Appendix 3 – Capital Programme 2018/19 and beyond

Corporate Priority	Scheme Total Current Estimate £	Pre 31/3/18 Actual Expenditure £	Current Budget 2018/19 £	Actual Expenditure 2018/19	Updated Budget 2019/20 £	Updated Budget 2020/21 £	Updated Budget 2021/22 £
Jobs and the Economy	7,556,361	422,424	6,133,937	103,776	1,000,000	-	-
Housing and Infrastructure	4,128,262	265,889	5,413,905	493,647	-	-	-
Coast and Countryside	17,860,492	10,167,705	7,692,787	288,422	-	-	-
Health and Well Being	13,801,120	23,210	3,880,436	559,727	5,799,000	4,333,500	-
Service Excellence	1,843,910	957,142	691,768	321,378	95,000	55,000	55,000
Total Expenditure	**45,190,145**	**11,836,370**	**23,812,833**	**1,766,950**	**6,894,000**	**4,388,500**	**55,000**
Grants and Contributions			9,213,891		2,465,500	-	-
Reserves			4,123,917		1,000,000	-	-
Capital Receipts			10,475,025		3,428,500	55,000	55,000
Internal / External Borrowing			-		-	4,333,500	-
Total Funding			**23,812,833**		**6,894,000**	**4,388,500**	**55,000**