North West Leicestershire District Council

Medium Term Financial Strategy 2018 - 2023

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1. Introduction

This Medium Term Financial Strategy (MTFS) provides a high-level assessment of the financial resources required to deliver the council's strategic priorities and essential services over the next five years.

It sets out how we can generate and use these resources within the financial context and constraints we are likely to face and replaces the former three year Medium Term Financial Strategy 2017 – 2020, which was developed and approved in October 2016.

Like all local authorities, North West Leicestershire District Council (NWLDC) is influenced by national government policy, funding changes and Government spending announcements. This review of the MTFS builds on the existing strategy and updates our assumptions to reflect known funding announced as part of the local government financial settlement for 2018/19. It also used estimated settlement figures beyond this.

We will keep our financial planning assumptions under constant review. This is a prudent approach given the increased level of uncertainty which will continue until more detail is released on funding later in the year as implications from the Fair Funding Review are understood.

This MTFS introduces for the first time the principle of self-sufficiency to align our strategic aim of reducing our reliance on government grant to our medium term financial planning processes. This will support our transformation programme increasing the council's resilience to future changes.

The Medium Term Financial Plan sets self-sufficiency targets for future years, designed to safeguard the council's financial position against future central government funding changes whilst also maximising the use of government grant collected.

2. The role of the MTFS in delivering a vision for our district

The MTFS is a key enabler to deliver the council's priorities which are:

- **Building confidence in Coalville** - we aim to regenerate and build confidence in Coalville
- **Value for money** - we aim to provide council services that people feel give good value for money
- **Homes and communities** - we aim to improve the wellbeing of people living in North West Leicestershire
- **Business and jobs** - we aim to make the district a better place to invest, work and visit
- **Green Footprints** - we aim to make people feel proud to be part of a cleaner, greener district.

The MTFS helps us to:

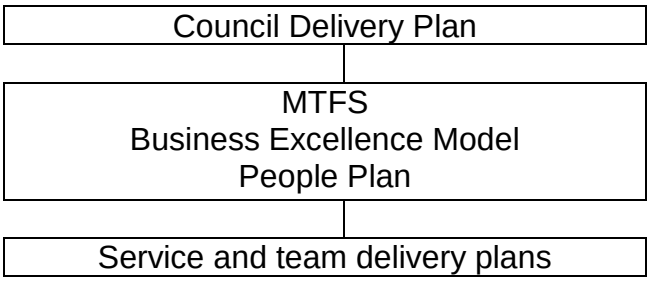
- Deliver on the council's vision and priorities
- Improve financial planning and the strategic financial management of the council's revenue and capital resources
- Consider future opportunities and investments
- Maximise the use of resources available to the council
- Provide value for money
- Review our reserves policy to make sure the council has protection against unforeseen events and takes a sensible approach to funding a sustainable financial position
- Respond to external pressures
- Develop a sustainable budget over the medium term
- Highlight any financial risks and put mitigating controls in place.

The Government's current arrangements for funding local government present local authorities with a higher degree of uncertainty and risk than the previous arrangements; and the uncertainty on the impact of exit from the EU continues to exacerbate this.

This presents NWLDC with both challenges and opportunities, and we need to continue to use our business planning to make sure that we have the right focus and aligned resources so that we achieve our outcomes with financial sustainability.

There are key links between the MTFS and other plans and strategies and a coherent joined up approach to each of these is essential:

Business Planning



Four key programmes will deliver the our corporate vision:

- **Customer First** – making sure we put customers at the heart of what we do, driving and improving services and increasing the choice customers have in where, when and how they engage with the council

- **Place** – co-ordinating projects that will develop and shape our environment, both built and natural, ensuring delivery of quality homes and facilities for our residents and business

- **People** – making sure we develop our staff to have the skills for a 21st century business, valuing our staff and transforming the organisation

- **Self sufficiency** – having effective financial management that increases our resilience and adaptability to changing financial pressures.

People strategy

NWLDC is committed to continuous improvement and achieving outcomes for our residents, businesses, service users, partners, employees and members.

To achieve this we recognise the critical role that a motivated, skilled and capable workforce plays in every aspect of service delivery.

Our People Strategy (which is in development at the time of publication) will help us achieve the corporate priorities outlined in our Council Delivery Plan.

An effective People Plan means we can plan for the future with a clear focus on improving services through partnership.

This plan and the associated Workforce Development Plan (WDP), is an integral part of our performance management framework. It provides the link between valuing and developing people, with improving and developing services and enabling effective dynamic leadership.

The People Plan provides a framework, along with the WDP, to ensure that we deploy the right number of trained and motivated people to provide high quality services within our communities.

Our business planning has a strong link to our People Plan. This helps us develop an organisation that has the right skills, capabilities and capacity in place to achieve our priorities and outcomes.

In practical terms, this means making sure our work is effective and has impact; that we manage demands on our services (including a commitment to channel shift) and spend only on things that achieve our strategic priorities and essential services.

- **Spend our money wisely** – our staff deliver value for money in everything they do
- **Support what is possible** – our staff identify, agree and provide the best possible outcomes for all customers
- **Be fair and proud** – our staff show pride in their work and take individual responsibility for doing what is agreed
- **Listen carefully** – our staff listen and respond to the needs of customers and colleagues – both internally and externally
- **Deliver agreed quality** – our staff ensure they deliver within agreed timescales and to the expected quality.

Our drive for continuous improvement will further enhance the People Plan to incorporate the core skills and competencies of the 21st century public servant, which will ensure that we build skills within the workforce to contribute to the council's journey to self-sufficiency.

3. Political, economic and regulatory and outlook

National context

Following the decision to leave the EU and with complex negotiations still underway, the long-term position of the UK economy remains uncertain and largely dependent on the agreements the Government is able to secure.

The UK economy has slowed in 2017 as households' real incomes and spending have been squeezed by higher inflation. However the UK economy has shown resilience, with solid growth throughout 2017 and further increases in the number of people with a job.

Gross domestic product (GDP) growth, (the main measure of UK economic growth based on the value of goods and services produced during a given period) was weaker than anticipated in 2017. However, employment has remained near the record high set earlier in the year, with unemployment is at its lowest rate since 1975.

The Office for Budget Responsibility (OBR) now expects to see slower GDP growth, mainly reflecting a change in its forecast for productivity growth. It has revised down its forecast for GDP growth by 0.5 percentage points to 1.5% in 2017, slowing in 2018 and 2019, before rising to 1.6% in 2022.

CPI inflation is expected to broadly remain within the Government's 2% target and interest rates are expected to rise slowly. Unemployment is expected to grow as the GDP growth slows and the National Living Wage prices some workers out of employment.

The combined effects of a better than expected fiscal position now, but weaker prospects looking forward have led the OBR to revise up forecasts for the budget deficit.

The Government announced in its Autumn 2017 Budget a commitment to (amongst others) raise housing supply, prepare for exiting the EU and invest over £6.3 billion of new funding into the NHS.

Local context

The council's role in raising housing supply is multi-faceted.

As a Local Authority with planning responsibilities, we have a role in determining planning applications whilst ensuring we continue to meet the required level of quality, design and tenure to meet local housing need.

We also have a retained council housing stock of approximately 4,200 homes, with 68 new homes due to be delivered by 2019.

The Government's intention to raise housing supply will no doubt impact favourably to the council's level of New Homes Bonus and council tax, but is also likely to place pressure on council's services and as a consequence its revenue budgets.

We are in a strong position in respect of planning. In October 2017 we received the Secretary of State's final report into our Local Plan, which the council formally adopted on 21 November 2017. The plan sets out how we will make sure our district has the homes, jobs, shopping, leisure and infrastructure development it needs until 2031.

We have also played an active role in the development of a draft Leicester and Leicestershire Strategic Growth Plan, working with the ten partner organisations in Leicester and Leicestershire including all local authorities and the local enterprise partnership.

The Strategic Growth Plan will seek to provide an agreed scale and direction for future growth, reflecting the evidence available and the will of the partners and create a single consistent strategic framework for Local Plans, economic investment plans, transport and other infrastructure plans.

The demand for our services and our income streams are both affected by the general economic health of the district, and the prevailing interest rate has a direct impact on interest receipts.

As a whole North West Leicestershire is a prosperous place but it does have pockets of deprivation within it. The district ranks of 214 out of 326 English local authorities[1] (where '1' is the most deprived and '326' the least deprived local authority respectively).

Unemployment within North West Leicestershire is low and below regional and national averages, at 0.8% as at March 2017.

[1] **Source: DCLG: English Indices of Deprivation September 2015**

4. The Local Government Financing Regime

The council's funding is derived from a mixture of council tax receipts, New Homes Bonus payments, a share of locally collected business rates and direct government grant funding.

A key continuing theme from the government is the drive towards financial independence for local authorities and the move towards localism. In practice this means a reduction in levels of direct (formula) grant funding, offset by retention of a share of local business rates and other grant funding relating to housing growth.

Over the last few years, the nature of local government funding has changed from a central to local focus. Government has introduced:

- Incentivised funding - New Homes Bonus (NHB) introduced in 2011 and modified in 2016 and 2017
- The Business Rates Retention Scheme and Local Council Tax Reduction Scheme in April 2013
- Council tax thresholds – Introduction of a 2% or £5 threshold
- Council housing – the HRA self-financing regime, ending the housing subsidy system and giving councils more freedom and flexibility
- Devolution deals that result in additional responsibilities and funding from Government
- Business rates 100% retention pilots in several areas nationally.

Fair Funding Review

The Government's Fair Funding Review will address concerns about the fairness of current funding distributions to local authorities.

Implementation was previously linked with the 100% business rate retention system with a 2019/20 implementation date. However, the target date for implementation of both Business Rate Retention system reforms and the Fair Funding review has been rescheduled to 2020/21.

The Fair Funding Review will set new baseline funding allocations, deliver an up to date assessment of relative needs and examine the relative resources of local authorities. The review will also determine transitional arrangements in implementing the new system from 2020/21.

The Government intends to develop the review through close collaboration with local government, seeking views through periodic consultations along the way.

NWLDC will monitor the review as it progresses and respond to all consultations.

With the review in its early stages and currently focusing on relative need, there is very little by way of assumptions in respect of the impact of the review from 2020/21.

Currently, our MTFS projects that Revenue Support Grant will be phased out following the last year of grant (confirmed through the four year settlement) in 2018/19.

Similarly, we know that a business rate baseline reset is likely to be implemented with the outcome of the review in 2020/21. This reset could reduce our retained business rate income by an estimated £1 million from 2020/21.

Within the MTFS we have assumed that this full baseline reset is implemented in full, in 2020/21, but at the level of business rate income received in 2018/19.

The Fair Funding Review has not yet shared any detail about potential transitional arrangements during the reduction in business rate income due to the baseline reset, so we have not included any assumptions within the MTFS. The reduction in our business rate income is therefore assumed in the MTFS to be implemented in full from 2020/21. Whilst we understand that this is likely the worst case scenario, we believe it prudent and in line with our ambitions around self-sufficiency.

5. Council funding

Council funding

We are required to account for the council's spending and income in a way that satisfies Government regulations and we include most day-today spending and income within an account called the General Fund.

The General Fund includes spending and income from a range of services including refuse collection, leisure facilities and community development work. Some housing-related elements are also included within the General Fund, such as homelessness and maintaining the housing register.

As we own our council housing stock, we must also maintain an additional account called the Housing Revenue Account (HRA), where income and expenditure relating to providing council housing is maintained separately from other functions.

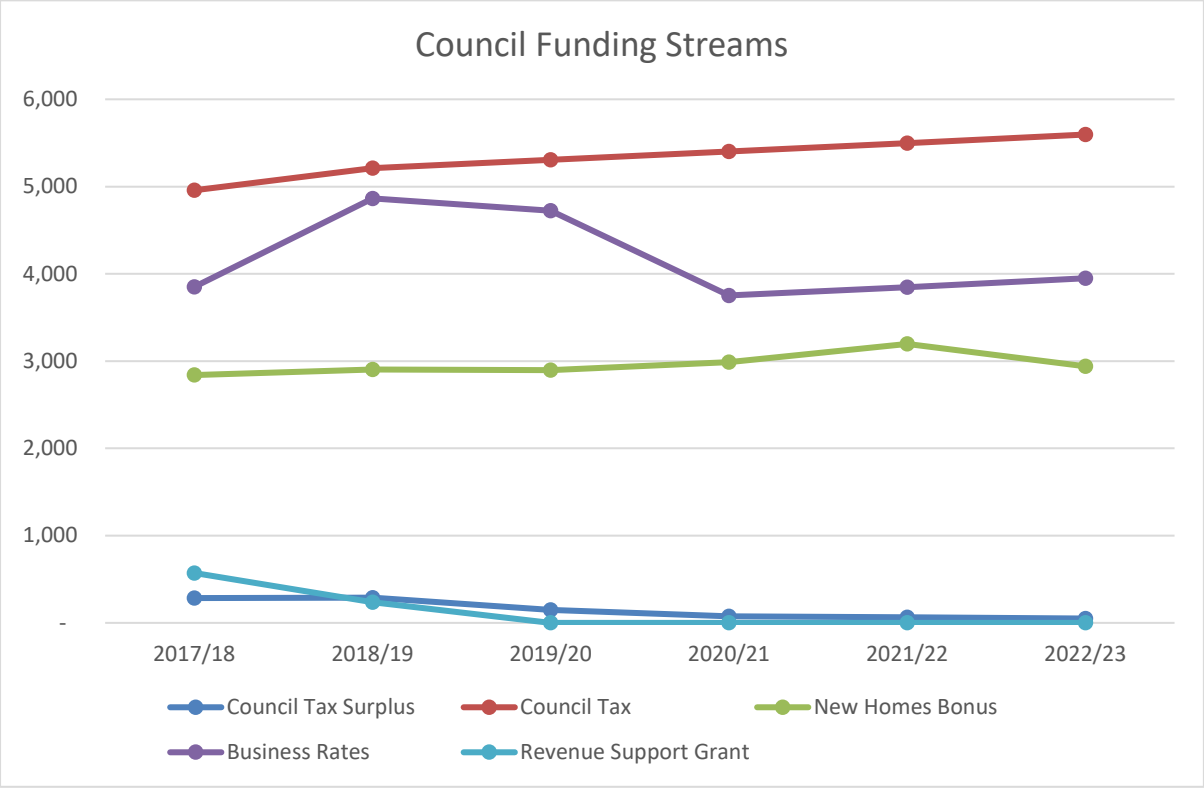
The main sources of funding available to finance revenue expenditure for the General Fund and Housing Revenue Account are shown below.

General Fund

The main sources of funding available to finance revenue expenditure are locally retained business rates, council tax and government grants.

The chart below plots the budgeted funding levels for the General Fund to 2022/23.

Chart 1 – Council funding streams (General Fund) 2017/18 – 2022/23



Revenue Support Grant

Funding from Revenue Support Grant (RSG) has been reducing year on year and the Government announced in the Autumn Statement 2015 that it will disappear by 2019/20.

NWLDC is set to receive its final payment of RSG in 2018/19 of £235,000, before it reduces to nil in 2019/20.

Business Rates Retention Income

The level of business rates yield has a direct impact on the council's funding, with both the risks and rewards of business rate growth and contraction currently being shared between central Government and local authorities, with 40% being retained by NWLDC.

To manage this risk and maximise the potential amount of business rates that are retained within Leicestershire, all of its councils have entered into a business rates pooling arrangement where a percentage of business rates collected by each council goes into a pool. The financial surplus or deficit is shared between the councils and a proportion of the surplus is distributed to the Leicester and Leicestershire Enterprise Partnership (LLEP).

There are more than 3,200 business units in North West Leicestershire, including some big international distribution units and East Midlands Airport. Seventeen of these units currently have a rateable value of over £1 million.

The budgeted income figure of £4.9 million for 2018/19 is based on the growth levels set out in planning documents and by the Revenues and Benefits Partnership, and an announcement made by the Government in mid-January that reduced the tariff that we are required to pay against business rates meaning that we retain more in 2018/19.

North West Leicestershire has seen significant increases in retained business rates income, increasing by £2 million over the last five years.

Business rates income will represent 35% of our total core funding in 2018/19.

Although we now know (following the Government's announcement in mid-January) that we will pay less in tariff in 2018/19, we do not know whether our tariff will reduce in future years. Our MTFS therefore assumes that we will pay the level of tariff from 2019/20 and beyond, that we expected to before the Government announced the amendment to the 2018/19 tariff. We will revise this assumption when more information is made available. Chart 2 below shows a slight drop in business rate income in 2019/20 as a result of this. We will update our assumptions once we have more detail surrounding these future projections.

If a full baseline reset from 2020/21 is implemented in full without any transitionary arrangements as part of the Fair Funding Review, there is a real threat to ongoing

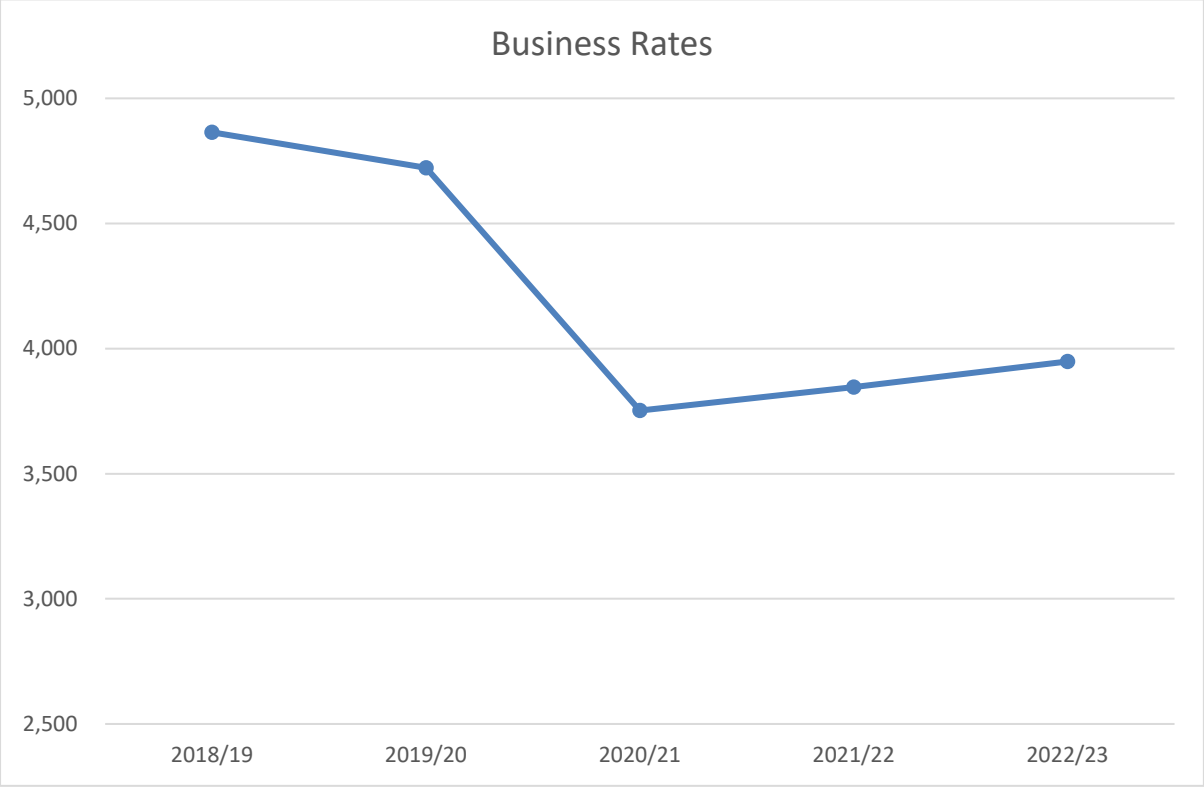
and uninterrupted delivery of services. We do acknowledge, that transitionary arrangements are likely to be agreed, but at this stage of the Fair Funding Review we have no details of the likely value or time period in which they might be available.

From 2020/21 there will be a move towards business rate retention, with the local share moving from 50% to 75%. The Government is yet to determine when the full 100% business rate retention system will be implemented, with this being announced along with the baseline setting in late 2019 as part of the conclusion of the Fair Funding Review.

The chart below illustrates the potential impact of the business rate baseline reset, assuming that the baseline is implemented in 2020/21 at the 2018/19 level of income, and that there are no transitionary arrangements associated with the implementation of the review.

As detailed above in section 4, we understand that this cliff edge drop in our business rate retained income is unlikely, but in the absence of any further detail of transitionary arrangements we believe it is prudent to plan on the basis of this forecast decrease.

Chart 2 - Business rates forecasts



New Homes Bonus (NHB)

The NHB scheme provides local councils with funding that can be used to support any council activity or service.

The amount received is based on the average council tax band on each additional property built in the council's area; or on each long term void property that is brought back into use. It is paid for the following four years as a legacy payment. The funding is shared between district and county councils on an 80/20 ratio respectively.

The Government has previously consulted on changes to the NHB scheme, and implemented a reduction in legacy payments from six years to four years from April 2017, alongside a delivery baseline of 0.4%, which councils need to exceed before bonus payments are triggered.

In autumn 2017, the Government consulted again on further reforms to NHB with a view to increasing the baseline from 0.4% and reducing bonus payments for homes built on appeal. In the Autumn 2017 Budget, the Secretary of State for the Department of Communities and Local Government confirmed that these changes would not go ahead, but also stated clearly that the Government reserved the right to adjust the baseline in the future.

The threat of a future adjustment to the baseline above its current 0.4% level continues to present a financial risk to NWLDC since the required level of investment in the local economy and infrastructure would not be achieved and this in turn will not support further housing growth potential.

The assumption in the MTFS is that NHB is maintained on four year legacy payments for housing delivery above the 0.4% baseline, in line with our housing growth assumptions for council tax purposes. No allowance has been made for changes through reform at this stage, pending further confirmation of the Government's intentions.

Council tax

The council levies council tax on all properties in the district. AS our largest funding stream, council tax will only increase in importance following the removal of the RSG and if further changes to the NHB and business rates funding streams go ahead. Currently council tax accounts for approximately 40% of the council's funding.

The council has maintained its policy to freeze council tax since 2010. The benefit to a Band D household to the 2017/18 financial year is a saving of £119.67. The income foregone by the council over this period (based on the council tax base for each year and the compound impact of the freeze year on year, net of council tax freeze grant paid by the Government between 2010 and 2015) is £3.16 million.

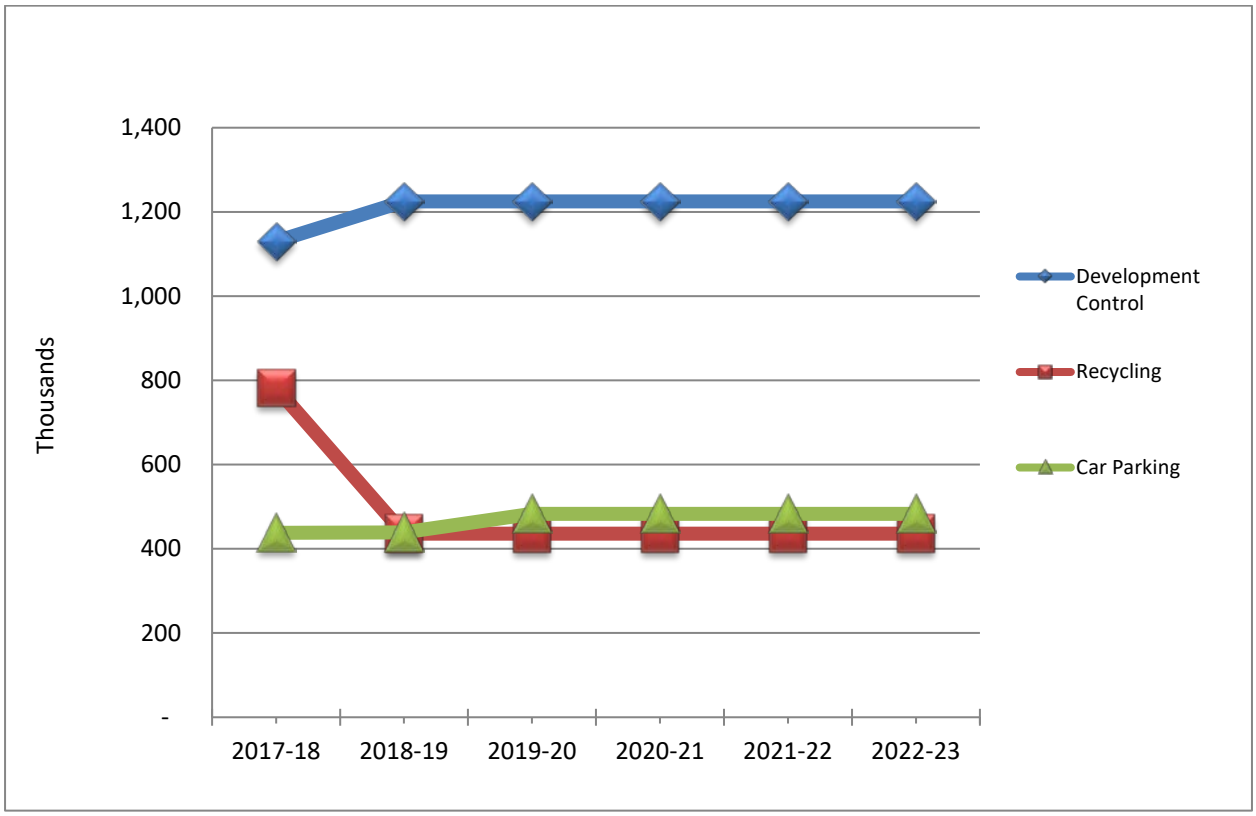
The assumption within the MTFS is that the council will maintain its policy to freeze council tax.

The current growth in council tax income is purely based on the number of new homes being built into the base each year.

The MTFS is based on an increase of around 600 homes per annum which gives us a cumulative increase of approximately £82,000 on our council tax every year. This is a prudent assumption, as growth has typically averaged 700 properties per year since 2014 and our housing trajectory forecasts are strong in respect of growth in the future.

Major income streams

Chart 3 –major income streams (General Fund)



Wherever possible and acceptable, we look to generate additional income to boost our funding levels and help us achieve our strategic priorities and provide essential services.

Our major income streams are planning fees, recycling and car parking.

The MTFS assumes a plateau in planning fees from 2018/19, with £1.2 million budget reflecting an increase of 20% on our planning fees.

Recycling income stands at £436,000 per year and is based on the council collecting and selling 6,570 tonnes of recyclable materials.

Car parking income stands at approximately £440,000 per year. Charges have not been increased for the last six years. Car parking is a non-profit making service and any surpluses income is invested back into the service. This strategy assumes that car parking income will increase to £483,000 in 2019/20 and remain stable over the remaining period of this MTFS.

A key element of the self-sufficiency programme will be to diversify our income streams by identifying commercial opportunities. This could be through offering existing services to businesses and other public sector organisations, like grounds maintenance for example.

Council tax surplus

All council tax due in the North West Leicestershire area is collected by NWLDC and paid into a Collection Fund. From here the shares due are paid to Leicestershire County Council, Leicestershire Police, Leicestershire Fire and Rescue Service, and town and parish councils. These are known as ‘precepting’ authorities. The NWLDC share is transferred from the Collection Fund to our General Fund.

The Collection Fund account makes sure that surpluses or deficits are taken into account when setting future council tax rates, and are proportionately shared amongst the precepting authorities.

Housing Revenue Account

Rental income

The major source of income for the Housing Revenue Account is rental income in respect of council housing.

Our housing stock includes around 4,200 tenants’ homes, with associated garages and hardstanding, and a limited number of commercial shop premises. The number of properties fluctuates annually as we build and acquire new homes, and dispose of properties either through the Right To Buy scheme or asset management decisions.

Rental income is budgeted at £17 million for 2018/19, with council home rents being set in line with the Governments ’social rents’ policy.

The annual rent increase / decrease process is also controlled through Government policy using the Housing Benefit subsidy system to ensure it is followed. The current rent increase / decrease policy covers the period from April 2016/17 to April 2019/20 and requires a decrease of 1% every year. The Government has announced that

the subsequent five year period will see rents increase by CPI + 1% from April 2020/21 onwards.

With the development of new housing by the council and the acquisition of gifted homes through section 106 planning agreements, the council has started making use of the facility to charge 'affordable rents,' which are higher than social rents and are set at 80% of market rent levels.

Service charges

In addition to the rent, some tenants pay an additional charge for services only they receive, such as communal area grounds maintenance and lighting / heating in communal areas.

Service charge levels are adjusted annually and are set to make sure we recover our full costs plus a management fee (currently 15%). We collect in excess of £500,000 every year from service charges to more than 1,200 tenants.

Other income

As well as rent and service charges, we provide a number of additional services tenants can choose to receive, such as contents insurance and lifeline support.

These charges are not part of the tenancy agreement and are therefore not eligible for Housing Benefit payments. Income from these additional sources is used to pay for providing them and any surplus is available for reinvestment within the HRA.

Reserves

We are required to maintain adequate financial reserves to meet the needs of the authority.

The reserves we hold can be classified as either working balances – known as the 'general reserves' - or as specific reserves that are earmarked for a particular purpose – known as 'earmarked reserves'. We can also name reserves that are kept for a specific purpose.

General Fund and Housing Revenue Account reserves must be maintained and held separately, in line with Government legislation.

Reserves are predominantly categorised as follows (with balances shown as at 31 March 2017):

- **General Fund Reserve (£2.4 million) -** The General Fund Reserve is not held for a specific reason or committed to any specific project.

  It is generally recommended to hold a balance which is equivalent to 10% of the council's net budget. For NWLDC, this is approximately £1.5 million (if we

used the maximum forecast budget position to 2023).

From April 2018 we will transfer the excess reserve balance that is £1.5m (or 10% of the net revenue budget forecast to 2023 if it is higher than £15m) to a new Self Sufficiency Reserve. We will pay any future surpluses generated on the General Fund into this reserve.

- **Special Expenses Reserve – (£60,000) –** The Special Expenses Reserve is held as the working balance on Special Expense areas..

- **Housing Revenue Account (HRA) Reserve (£1 million) -** This i reserve is an agreed minimum working balance for the HRA.

- **HRA Loan Redemption Reserve (£8.6 million) -** This reserve balance is gradually being increased to pay off loans which were taken out in relation to HRA self-financing settlement in 2012.
- **Earmarked Reserves – General Fund and HRA (£10.5 million) -** The council holds reserves that are earmarked for a particular purpose and are set aside to meet known or predicted future expenditure in relation to that purpose.

- **Capital Receipts Reserve (£5.2 million) -** This reserve holds the proceeds from sales of our assets - mainly council housing stock sold under the Right to Buy regulation. Part of the funding arrangements for the capital programme is the disposal of surplus assets to generate capital receipts.

  The Asset Management Strategy review assets before they are sold to assess whether there are alternative uses that could generate additional income for the council e.g. whether there is a development opportunity instead.

  The council revises its Asset Management Strategy to make sure all its assets are used effectively and efficiently and where opportunities arise to take advantage of market conditions to dispose surplus assets

- **Major Repairs Reserve (£600,000) -** The Major Repairs Allowance (MRA) represents the estimated long-term average amount of capital spending required to maintain housing stock in its current condition. It is calculated according to the profile of the housing stock. The Major Repairs Reserve is the accumulation of this allowance and is held specifically to be spent on the housing stock.

- **Capital Grants/S106 Funds (£1 million) -** These are S106 grants that have been received by the council and have conditions attached to them. They normally stipulate the projects / areas where the grant should be spent.

The table below summarises the council's reserves position as at 31 March 2017.

Table 1 – Council reserves (at March 2017)

	£'m
General Fund Reserve	2.4
Special Expenses Reserve	0.06
HRA Reserve	1
HRA Loa Redemption Reserve	8.6
Earmarked Reserves (General Fund and HRA)	10.5
Capital Receipts Reserve	5.2
Major Repairs Reserve	0.6
Capital Grants / s106	1.0
Total reserves	**29.36**

As detailed above, we will create a new 'Self-Sufficiency' reserve at the end of April 2018 using the surplus reserves above the minimum balance of £1.5 million (or 10% of net budget to 2023, whichever is highest). This currently equates to £900,000. We will also transfer the forecast surplus arising on the 2017/18 year (estimated to be £1.86 million at period 9, 2017/18) into this reserve, taking the total anticipated level of Self-Sufficiency reserve to £2.76 million in April 2018.

We will transfer any future surpluses generated from 2018/19 and beyond into the Self-Sufficiency reserve. Given the projected surpluses in 2018/19 and 2019/20, this will take the projected Self-Sufficiency reserve to £3.1 million at April 2020 (see section 7 below).

This reserve will be used to fund commercial initiatives to generate future revenue returns and minimise the forecast deficits arising in future years. If necessary, the reserve can also be used to balance forecast deficit years.

Capital

Capital expenditure involves acquiring, creating or enhancing fixed assets with a long term value to the council, like buildings and land.

Our Capital Programme is resourced through a combination of Government grants, third party funding, developer contributions (section 106), unsupported borrowing, capital receipts from the disposal of assets, and contributions from revenue and reserves.

More detail on our Capital expenditure plans can be found in Section 7.

6. Long term planning and self sufficiency

The actual amount of funding that will be received over the period of this MTFS is subject to estimates both in terms of the growth in housing and also the future of business rates payments that will be retained by the council.

Securing the best value for money for the council tax payer is a key objective of the MTFS and has been a major factor in managing the reducing resources available.

Our overall strategy makes use of any method to identify ways that we can meet the projected budget deficits in 2020/2021. This will form our journey to self-sufficiency programme. In general this will incorporate a combination of:

- Reducing our overall expenditure
- Increasing opportunities to increase income through a more commercial approach
- Reviewing contracts and making better use of procurement
- Identifying opportunities to collaborate and share services with partners
- Using reserves and 'one off' funding to lessen the impact on services or to front load the development of new business models.

Self Sufficiency

This MTFS sets self-sufficiency targets for future years. These targets are designed to safeguard our financial position against future central Government funding changes whilst also maximising the use of Government grant collected.

We currently set our budgets to receive Government grants to fund the running of its cost of services. Given the changing nature of local government finance, the uncertainty regarding Government funding and the Government's policy intentions regarding devolution, it is recommended that the council seeks to reduce its reliance on Government grants in the future.

The two grant areas of focus for this target are RSG and NHB.

- From 2019/20, NWLDC will receive nil RSG. We are waiting for further detail of the outcome of the Fair Funding Review, which will determine any future RSG payments for the council.

- As detailed in section 5 above, we anticipate that there may be future reforms to the New Homes Bonus that will reduce the amount we receive.

Whilst incorporating the NHB within the baseline budget, we have used this funding to incentivise growth through our regeneration and economic development activities. We will continue to identify specifically how the fund contributes to growth within the district.

From 2018/19, we will operate a reserve that will contribute to our journey to self-sufficiency. As detailed above in section 5, the projected forecast surplus arising on

the 2017/18 outturn and future years will be added to the General Fund Reserve balance in excess of the minimum working balance to create the Self Sufficiency reserve. It is anticipated that the balance of this reserve will be £2.76 million in April 2018 following confirmation of the outturn of the 2017/18 year.

This Self Sufficiency reserve will support a change programme that will aim to meet the projected deficits and will contain a number of work streams managed using Prince 2 project management methodology.

The development of new ways of working and review of services to reduce expenditure will take time, but a well-planned programme of change will ensure we are able to manage the reductions in 2020/2021 whilst minimising the impact on services and our customers.

The reserve may also be used to counteract future deficit years, thereby ensuring financial resilience and enabling us to continue to meet our obligation to deliver a balanced budget. However the reserve must be used to instigate change in either the way services are provided or the way income is generated to ensure the transformation is sustainable.

In addition, we will aim to reduce our reliance on NHB by 25% by 2023, with a phased in savings target of 6.25% per year from 2019/20. In reality, the council will still receive this funding (should it be paid as projected in this MTFS), but will have greater autonomy in deciding how it is spent, rather than budgeting to receive the NHB in full to fund its core expenditure.

The programme of change to support the journey to self-sufficiency will include a number of value for money measures to promote and provide value for money, and reduce the projected deficit in later years. These include:

- Identifying service improvement and efficiency savings
- Effective corporate procurement mechanisms
- Performance management – reporting to Cabinet quarterly
- An organisational structure that is kept under review to ensure it meets the needs of the organisation
- Scrutiny by the Policy Development Group
- Internal audit
- Capturing efficiency gains in-year.

Our Self-Sufficiency programme is currently in development and will identify and work towards a number of initiatives and actions that will result in savings. The actions within the Self-Sufficiency programme will include:

- Review our services and partnerships through a transformation programme to identify new ways of working and reduce our expenditure
- Review how we use our assets and rationalise our asset base to maximise our revenue position. This will include managing assets differently, disposing of assets that do not provide value for money and acquiring new assets that will give us an ongoing revenue return

- Review all our contracts and our approach to procurement to ensure that our contracts are agreed and managed in a way that maximises efficiencies and reduces our expenditure
- Consider the best use of our accommodation and other work spaces
- Maximising the return on our investments
- Review our current level of fees and charges with a view to maximise income
- Develop a commercial mind-set and strategy to ensure we behave more commercially and seize opportunities that present themselves to reduce costs and increase income
- Improve the way we align resources to our priorities held within the Council Delivery Plan using the Business Excellence Model and service / team planning
- Continue to maximise opportunities for new ways of working collaboratively which could reduce expenditure and increase income, for example by working with different service delivery models such as shared services, to reduce our expenditure
- Continue to develop our organisation through our People Plan, which will enable us to grow the skills of our staff in line with the 21 century public servant
- Put Customers at the heart of our Council - encourage the use of digital interaction and transform our approach to customer service

Developing a commercial mind-set

A key theme running through the work needed to deliver our outcomes is behaving more commercially. We need to be able to identify areas where there may be commercial opportunities to generate additional income or contribute towards our priorities.

A move towards a more commercial approach to income generation has been included within the redesign of the council's senior management structure agreed on 23 January 2018, which established a strategic lead for developing and championing our commercial approach.

The new approach will include a review of our investments, contracts and procurement and risk appetite. The focus will enable us to:

- **Increase understanding of the commercial world**
  In order to operate in a more commercial environment, it is necessary to understand the culture, language, techniques and approach which exists and how opportunities can be optimised.

- **Understand potential market opportunities**
  Legislation provides a wide set of options to enable opportunities to be optimised, however, these opportunities need to be identified and the market and competitors understood in order to put the necessary actions in place.

- **Understand regulatory framework**
  The opportunities available and constraints imposed need to be better understood to ensure that the council does not exceed its powers whilst understanding the structures necessary to optimise the range of opportunities.

Our People Plan will support the development of commercial skills within the organisation to enable staff to identify and develop business cases and opportunities to reduce expenditure and increase income.

Align resources to our priorities

So far we have addressed the need for financial savings by reducing staffing levels and hence reducing budgets. Over this MTFS period, we need to continue to align and allocate resources with the priorities and outcomes set out in the Council Delivery Plan and to essential services to ensure we are entirely focussed on those things that are most important to us.

Collaborative working

Leicestershire's local authorities are working together on a number of key areas which will deliver benefits from strategic planning, infrastructure development and the local economy.

As finances shrink within organisations there is a driver to work collaboratively to share costs and manage the reductions in expenditure with the minimum impact on the community. Identifying opportunities to share resources, maximise the use of our assets or deliver services jointly will be a key thread of our journey to self-sufficiency.

Put customers at the heart of what we do

The transformation of our approach to customer service is an important part of our next phase of development and is inextricably linked to the need to ensure that our resources are being used to their best effect.

Customers need to be at the heart of our organisation. Customer Services, and the way that other services interact with it, must have a clear approach to managing demand and reducing our overheads by encouraging people to self-serve and to do business with us online. This means our staff will be able to support the more vulnerable and needy in our communities.

An ICT strategy has been developed that sets out a long term vision of how ICT will support our business requirements, future vision, customers and members. The strategy outcomes include:

- A fully-funded ICT plan that supports new, more efficient, sustainable, flexible, and customer-focused ways of working
- An organisation with the right ICT infrastructure and level of resilience

- A workforce with the right ICT tools and skills required to provide services effectively and efficiently.

We know that there will always be some customers who need to speak to us because of the nature of their needs, so they will always be able to reach us in the traditional ways. Our goal is to design our services for those people who wish to and can do their business with us digitally.

Redesigning our services and customer access is a significant and ambitious programme of work that needs to receive a new focus and serve as a catalyst to drive wider organisational change.

7. The Medium Term Financial Plan 2018 - 2023

General Fund

The Medium Term Financial Plan for the General Fund projects our financial position to 2023, including a forecast deficit over this period of £5.3 million.

The projections are based on a set of assumptions. A number of scenarios could be modelled, based on different assumptions of growth and funding streams.

The assumptions included within this MTFS are prudent and do not currently reflect any potential actions to address the future funding position.

The most significant movement is the reduction in retained business rates income as a result of the business rate baseline reset in 2020/21 (see section 5). The assumptions regarding business rates are prudent and will be reviewed once more detail is understood regarding the implications of the Fair Funding Review, including any transitionary measures to ease in the re-set. The full set of assumptions can be found in Appendix 1.

The information below details the forecast deficits to 2023 and also demonstrates the impact of the inclusion of additional self-sufficiency targets (as detailed in Section 6), of 25% of the value of NHB currently used to provide core services.

Five year forecasts

A forecast surplus of £300k is anticipated for 2018/19.

A surplus of £79k is projected for 2019/20 and future deficit years are forecast from 2020/21 as a result of increasing cost pressures and the significant forecast reduction in retained business rate income (arising as a result of the resetting of the business rate baseline as detailed in Section 5).

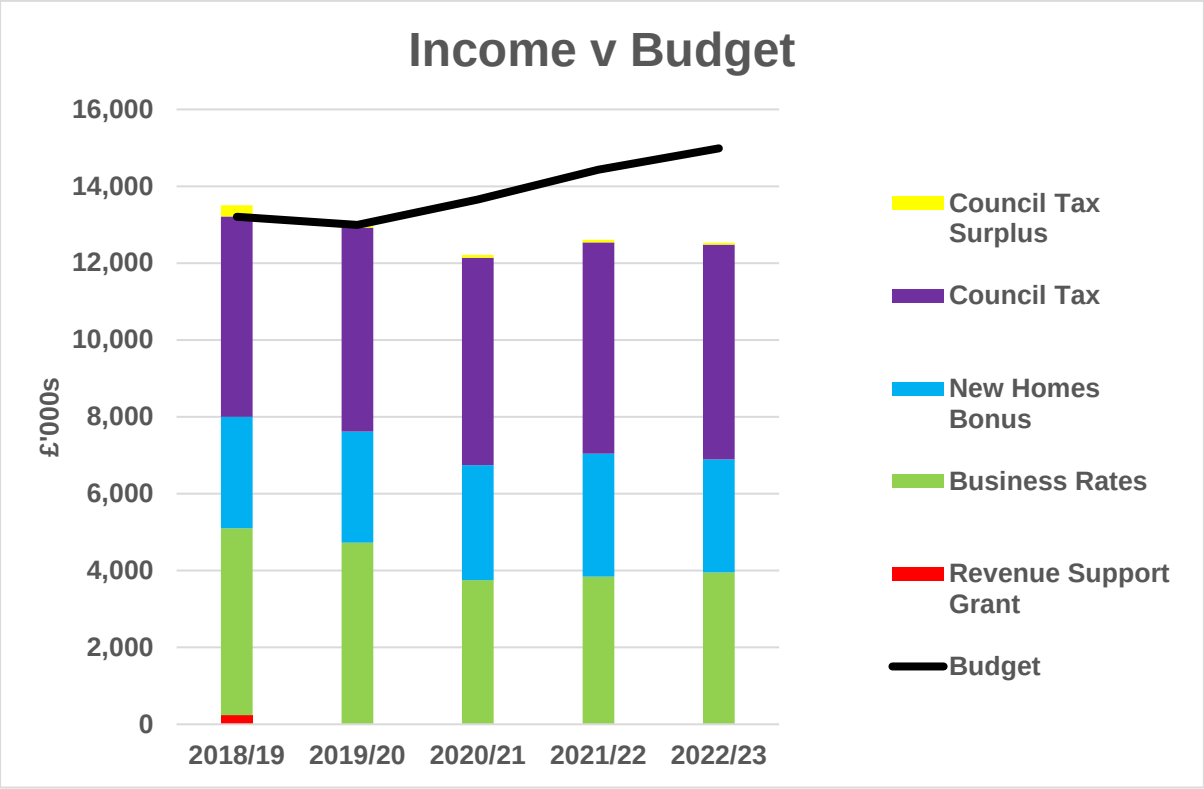
It is important to bear in mind that the assumptions regarding this reduction in business rate income do not currently include any transitionary measures to phase in the reduction, which are likely to be developed through the Fair Funding Review.

In the absence of such assumptions, the reduction is therefore felt in full in 2020/21 in this MTFS. We anticipate that the Government will introduce such mitigation measures and once we understand some detail regarding this, will revise this MTFS and the future financial projections.

We have also assumed that the level of tariff paid against business rates in 2019/20 remains at the level in which we had estimated before the Government announced that our tariff would be reduced for 2018/19. This is because we do not yet have any information regarding tariffs for 2019/20 and beyond.

The chart below illustrates the anticipated funding and expenditure position, clearly showing how our anticipated expenditure is expected to increase alongside reducing funding.

Chart 4 – Funding vs budgeted expenditure



The resultant surplus / (Deficit) position for 2018/19 to 2022/23 (assuming that no actions are undertaken to address the projected position) is detailed below in Table 2.

In fulfilling our statutory requirement to deliver a balanced budget, these deficit years represent the value of savings or income generation that must be identified.

Table 2 – Forecast General Fund in-year position *

	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
Surplus/(Deficit)	**299**	**79**	**(1,444)**	**(1,828)**	**(2,451)**	**(5,346)**

** Subject to rounding*

As detailed above, we will create a new Self-Sufficiency reserve to invest in initiatives that will transform the organisation and create new revenue income streams. Surpluses projected in 2018/19 and 2019/20 will be transferred into the Self-Sufficiency reserve.

The reserve could also be used to balance future deficit years.

Table 2 below shows the exhaustion of the Self Sufficiency reserve by mid-2021/22, where the remaining £1.694 million self-sufficiency reserve is used to counteract the in year deficit in 2021/22 of £1.828 million.

Despite use of the reserve, an anticipated £2.5 million of savings would still need to be made once the Self-Sufficiency reserve (forecast £2.76 million at April 2018) is offset against predicted balance of surplus and deficits to 2023 of £5.3 million.

This shows the importance of maximising our income generating opportunities for ongoing self-sufficiency using this self-sufficiency reserve, rather using it to balance a future deficit year only.

Table 3 – Illustration of use of Self-Sufficiency Reserve to fund General Fund in-year future deficits *

	2018/19	2019/20	2020/21	2021/22	2022/23
Balance of Self Sufficiency Reserve brought forward	**2,760**	**3,059**	**3,138**	**1,694**	**0**
Surplus/(Deficit)	**299**	**79**	**(1,444)**	**(1,828)**	**(2,451)**
(Contribution to)/Use of Self Sufficiency Reserve	**(299)**	**(79)**	**1,444**	**1,694**	**0**
Balance of Self Sufficiency Reserve carried forward	**3,059**	**3,138**	**1,694**	**0**	**0**

** Subject to rounding*

Five year forecasts – including self-sufficiency targets

As detailed in Section 5, we aim to reduce our reliance on Government grant.

We already know that we will not receive any Revenue Support Grant from 2019/20. Although we will continue to receive New Homes Bonus payments, we are aware that the Government may change the structure of the scheme and our grant could therefore reduce in the future.

The inclusion of Self-Sufficiency targets therefore introduce a value-driven target based on 6.25% of the value of NHB currently used to provide core services each year from 2019/20 – 2022/23.

These targets, added to the predicted deficits as detailed in table 1, increase the savings targets, as detailed in the table below.

Table 4 – Forecast General Fund in-year position and self-sufficiency targets *

	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
Deficit	**299**	**79**	**(1,444)**	**(1,828)**	**(2,451)**	**(5,346)**
Self Sufficiency Target	**0**	**(137)**	**(287)**	**(469)**	**(558)**	**(1,451)**
Total	**299**	**(58)**	**(1,731)**	**(2,298)**	**(3,009)**	**(6,797)**

** Subject to rounding*

A robust assessment of how the self-sufficiency reserve will contribute to the potential deficit will be developed and presented for members consideration during the early part of the 2018/19 year.

As detailed in Section 6 of this strategy, our Self-Sufficiency programme will develop a programme of actions to respond to the financial challenges we face and address the projected deficit position and additional self-sufficiency targets as detailed in table 4.

To illustrate our anticipated level of savings to be achieved by our Self-Sufficiency programme, the table below details the savings that we are aiming for over this period alongside the anticipated use of part of the Self-Sufficiency reserve to balance any further deficits.

This table is for illustrative purposes only and is subject to the development of a formal Self-Sufficiency programme which will be considered by members in early 2018/19. The Self-Sufficiency programme will include full equality impact assessments of all proposals and be subject to public consultation as part of 2019/2020 budget proposals.

Table 5 – Illustration of savings to be achieved to 2023 *

	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
Total Savings Required	299	(58)	(1,731)	(2,298)	(3,009)	(6,797)
Self-Sufficiency Programme Savings			731	1499	3009	5,239
Use of Self-Sufficiency Reserve to balance budget		58	1,000	500		1,558
Total Savings made/use of reserve	**0**	**58**	**1,731**	**1,999**	**3,009**	**6,797**

** Subject to rounding*

As detailed above, the financial projections and resultant savings targets do not currently take account of any transitionary measures that the Government is expected to introduce in order to phase in the reduction of business rate income. We anticipate therefore that the level of self-sufficiency savings required by 2023 will be lower than presented in this MTFS.

Housing Revenue Account (HRA)

This MTFS uses information from the Housing Revenue Account Business Plan cash flow model to forecast both revenue and capital income and expenditure projections in relation to the council's landlord activity over a 30 year planning period.

As part of the introduction of HRA self-financing in 2012, the council borrowed a portfolio of fixed rate repayment and annuity loans from the Public Works Loan Board (PWLB) to fund a £77 million one off payment to Government. Details of this loan portfolio are shown in Table 5 below.

This loan allowed the council to leave the national housing subsidy system and retain all rental income from tenants' rents in the future. This retained rental income is used to provide housing services and repay debts. The HRA operates with a minimum working balance of £1 million, which is considered an appropriate level of contingent revenue reserve.

Part of the HRA self-financing regime was the introduction of a 'debt cap', which specified the maximum level of debt each council could incur against their HRA activities. The debt cap for NWLDC remains set at £90.3 million, and with current debt levels of circa £74 million we have 'headroom' or borrowing capacity of up to £16.3 million available.

Despite adhering to the Government's revised 1% rent decrease policy, there are no funding shortfalls predicted by the HRA Business Plan cash flow model over the initial five year detailed planning period. During this period provision will be built up in the loan repayment reserve to ensure we have adequate capacity to repay loans of £13 million, which are due to mature in 2022, and transfer revenue to capital to ensure our new build and home improvement programme can be fully funded.

The HRA business plan cash flow model is driven by a series of assumptions made on future expenditure and income trends. These assumptions are regularly reviewed and updated to ensure they reflect current market forecasts. The list of key assumptions can be found in Appendix 2.

Subsequent charts illustrate the forward forecast revenue cash flow position (Chart 5) and level of debt (Chart 6) for the HRA over the next 30 years.

Chart 5 – HRA revenue 2017 - 2047

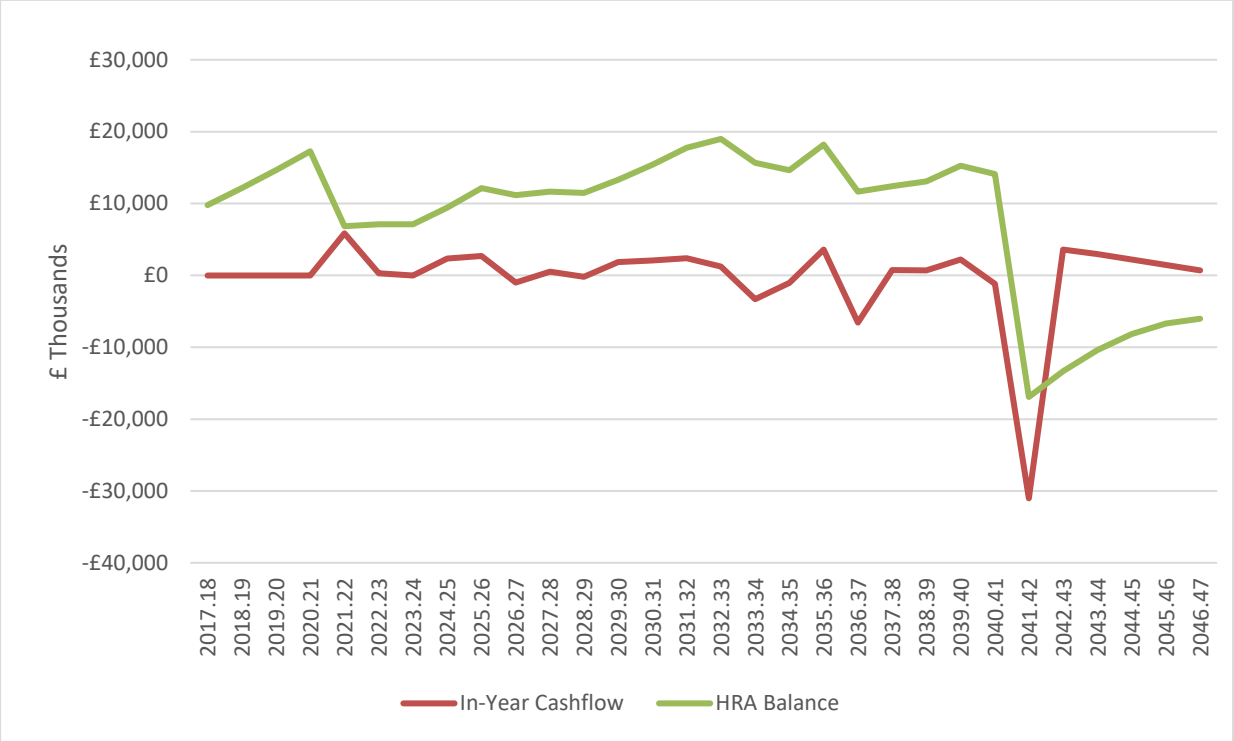


Chart 6 – HRA capital financing requirement vs debt cap 2017 - 2047

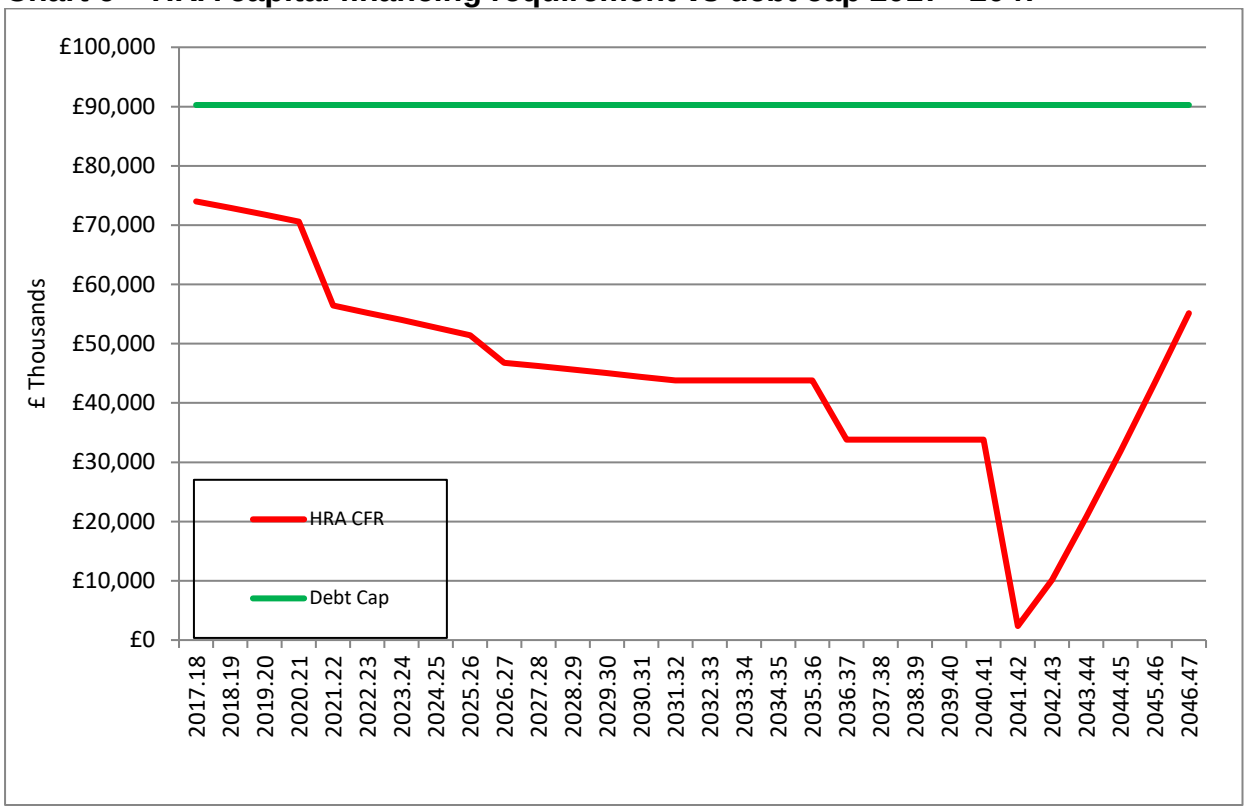


Table 5 – HRA debt portfolio

Loan type	Principal	Loan period (years)	Interest rate
Maturity (2022)	10,000,000	10	2.4
Maturity (2022)	3,000,000	10	2.4
Annuity	10,000,000	15	2.02
Annuity	10,000,000	20	2.57
Maturity (2037)	10,000,000	25	3.44
Maturity (2042)	13,785,000	30	3.5
Maturity (2042)	10,000,000	30	3.5
Maturity (2042)	10,000,000	30	3.5
	76,785,000		

The repayment of maturity loans of £33.8 million in 2042 is currently projected to generate a negative balance situation on the forward forecast, with further negative balances in subsequent years. The projected shortfall in 2041/42 is £2.36 million followed by a further £59.36 million by the end of the 30 year period in 2047/48. The total of these sums is £62 million between 2041 and 2048.

Given that this projected issue is 25 years from being realised, careful financial forward planning in the intervening years will be required to ensure this is addressed. Options to address this include:

- Annual revenue savings
- Revised market conditions generate additional income / lower cost forecasts
- Disposal of assets to generate additional income
- Refinancing debt through borrowing.

Given the length of time before this situation is realised, detailed planning is not considered necessary, although the issue will be reviewed annually to reassess the scale of the challenge.

Capital strategy and planned programme

The Capital Strategy is being presented alongside the Capital Budget on 6 February 2018. The strategy sets out the council's priorities and approach to capital investment and the framework within which capital investment is planned, procured, prioritised, managed and funded.

The table below shows the five year planned capital programme for 2018/19 to 2022/23, together with information on the funding of that expenditure (i.e. borrowing, grants and contributions, use of earmarked revenue reserves and usable capital receipts reserve).

Table 6 – Capital Programme 2018 – 2023 *

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	TOTAL £'000
General Fund and Special Expenses	3,187	14,280	9,612	1,761	908	**29,748**
HRA	10,085	7,268	4,909	5,142	7,959	**35,363**
TOTAL BUDGET	**13,272**	**21,548**	**14,521**	**6,903**	8,867	**65,111**
Funded by:						
Revenue	50	50	50	50	2,999	**3,199**
Reserves	5,548	2,309	43	369	387	**8,656**
S106's	0	381	200	200	200	**981**
Disabled Facilities Grant	573	573	573	573	573	**2,865**
Capital receipts	1,684	4,369	1,534	1,471	1,346	**10,404**
MRA	3,127	3,164	3,132	3,102	3,077	**15,602**
Unsupported borrowing	2,290	10,702	8,989	1,138	285	**23,404**
TOTAL FUNDING	**13,272**	**21,548**	**14,521**	**6,903**	8,867	**65,111**

** Subject to rounding*

Treasury Management Strategy

The capital and revenue budget plans inform the development of our Treasury Management and Investment strategies and performance indicators, which are agreed annually as part of the budget setting report.

The Treasury Management Strategy sets out borrowing forecasts, investment strategies and counterparties and limits to minimise the risk that is inherent in treasury management activities.

The strategies contained within the Treasury Management Strategy Statement are reviewed annually to ensure alignment to the council's priorities and the MTFS.

Unsupported (self-financing) borrowing

Councils can borrow to provide new assets, invest in community facilities and services, and maintain assets. They can also borrow to invest in new funding models that will both provide new assets and deliver a rate of return.

Borrowing will only be taken where it achieves the council's priorities and outcomes, such as the sport and leisure project.

8. Risk

There are limitations to the degree to which we can produce medium term financial projections as there are always uncertainties. It is important to remember that these financial forecasts have been produced within a dynamic financial environment based on ever changing assumptions; and that they will be subject to change over time.

In setting the revenue and capital budgets, we take account of the key financial risks that may affect our plans and these are included in the council's Corporate Risk Register, which is regularly monitored by Cabinet. An awareness of the potential risks and the robustness of the budget estimates also inform decisions about the level of working balances needed to provide assurance that we have sufficient contingency reserves to meet unforeseen fluctuations and changes.

There are a number of key risks associated with the assumptions within the MTFS including delivery of economic growth, the potential wider implications of the Government's welfare reform agenda, NHB reform and most importantly the wide-ranging changes to the business rate funding.

Revenue Budget Strategy

The approach taken to financial management over the period of the MTFS seeks to achieve the following objectives:

- Keep council tax as low as possible
- Deliver budgets necessary to continue to live within our means
- Continuously improve efficiency by transforming the ways of working
- Continue to ensure that the financial strategy is not reliant on contributions from minimum working balances
- Maximise revenue from our assets and investments.

9. Monitoring, delivery and review

Financial planning is a continuous process and the need for constant monitoring of our current and future financial position is heightened now more than ever before as a result of the risks associated with the Government's Fair Funding review and future potential for reforms of New Homes Bonus.

There are already well established processes monitoring budgets which include regular monitoring and outturn reports to Cabinet.

This MTFS covers the five year period from 2018/19 to 2022/23. An updated rolling five year MTFS is presented to members annually alongside the forthcoming years' draft budget for approval. The MTFS presents refined future years savings targets, in line with the Government's annual finance settlement and budget announcement.

In Quarter 1 of each year (following the Government's Spring Statement), the MTFS is reviewed and updated as necessary. Members are presented with the impact of any significant assumptions changes for future projections.

Throughout the year, members are also be updated with progress made on measures to meet our savings targets.

In early 2018/19 we will undertake an assessment of how the Self-Sufficiency Reserve will contribute to the potential deficit. This will be presented to members.

The diagram below illustrates the fiscal cycle for the MTFS.

Diagram 1 – MTFS planning cycle

MTFS planning cycle

Q1

The Government issues its Spring Statement.

We review the MTFS with this in mind and make any changes to our forecasts and assumed changes.

Q2

In quarter two, we focus on addressing any savings targets (current and future).

Q3

The Government announces its Budget in September each year.

This announcement starts the process for developing our budget for the next financial year.

Q4

We update the MTFS with our draft budget and present this to members.

We review our financial performance against our previous predictions and feed this back to members.

Members also receive an update on our financial progress against any savings targets.

Members formally approve the MTFS and we adopt it.

Members also make decisions about how to mitigate any funding gaps in the coming year.

Our financial planning is a continuous process.

The two main Government budget announcements – the Spring Statement and the Budget – lead our financial planning process.

We keep members updated throughout the year on the council's financial position.

At key points in the year, members are asked to make important budgetary decisions – the main ones being approval of the MTFS and deciding on how we will make any savings that are needed.

APPENDIX 1

GENERAL FUND REVENUE PROJECTIONS 2018 – 2023
KEY ASSUMPTIONS

1. Council tax assumed at 0% increase to the council tax base per annum
2. Estimates of council tax base increase of 1.8% every year (broadly 600 homes each year) which impacts on council tax base and NHB. Note that the average increase since 2014 has been in the region of 700 new homes per year
3. Stabilisation of planning fees from 2018/19 at £1.2 million per annum
4. Stable car parking charges and income
5. Local Council Tax Reduction / Support Scheme grant to town and parish councils reducing by £25,000 (approximately 25%) each year over four years, and maintain Special Expenses at their current levels
6. Pay award in line with Local Government Pay Offer, with 3% built in for 2019/20 and 2% each year thereafter, pending a detailed redesign of the council's existing pay structure
7. Pensions and national insurance costs inflated at anticipated levels to 2023.
8. Non pay costs inflated from 2018/19 levels at 2.8% to 2023
9. Base budget inflated for 2023 to 2028 at 5% each year to encapsulate all budget pressures
10. General Fund Reserve balance maintained at a targeted level of £1.5 million to broadly reflect 10% of net expenditure to 2023
11. Collection fund surplus reduced from £289,000 in 2018/19 with incremental decreases year on year until 2022/23 where an assumption of £50,000 surplus is assumed
12. Return on investments at previously achieved performance level of 0.44%, with no additional targets included for commercial activity such as a Local Housing Company or investment into property funds
13. Apprenticeship levy of 0.5%
14. Full business rate baseline reset in 2020/21 at the 2018/19 level of business rates collected, with no transitionary measures upon implementation of the Fair Funding Review
15. That we will create a Self Sufficiency Reserve of £2.76 million from £900,000 of existing general fund reserves and the forecast 2017/18 surplus of £1.86 million and that surpluses generated in future years (as projected in section 7) will be paid into this reserve.
16. That we will maintain a minimum General Fund working balance will be maintained at the higher of £1.5 million or 10% of net expenditure to 2023
17. That our reliance on New Homes Bonus as part of our core budget will be reduced by 25% by 2023 after it has funded regeneration activities and services, phased in incrementally at 6.25% per year over four years from 2019/20
18. That the council saves £200,000 every year in corporate overheads from 2019/20 and receives £250,000 income each year in a management fee on outsourcing it's leisure centres in March 2019. Additional interest and minimum revenue provision (repayment of internal debt) is also factored in from 2020/21
19. RSG is phased out in 2018/19
20. 75% Business Rate Retention system implemented in 2020/21
21. Tariff on business rates income in line with Government announcement in respect of 2018/19. 2019/20 and beyond assumed at anticipated level before the announcement in respect of 2018/19. These projections will be updated once firmer detail is understood.
22. The General Fund Capital Programme is fully funded

APPENDIX 2

HOUSING REVENUE ACCOUNT PROJECTIONS 2018 – 2023
KEY ASSUMPTIONS

Key operational assumptions:

1. Rents to follow Government rent policy (1% reduction till 2019/120 then CPI + 1% increases)
2. Surplus balances on the HRA to be transferred to the loan repayment reserve to repay loans
3. HRA revenue budget to increase by RPI (currently forecast at 2.5% every year).
4. The rent loss performance on empty homes to be sustained at 1% for the life of the plan
5. The level of sales through the Right to Buy scheme projected to be between 43 and 30 every year
6. 68 new homes will be added to the housing stock during 2018/19, at affordable rent levels.
7. The HRA Capital Programme is full funded.

GENERAL FUND MEDIUM TERM FINANCIAL PLAN

APPENDIX 3

	2018/19 Budget £000	**2019/20 Budget** £000	**2020/21 Budget** £000	**2021/22 Budget** £000	**2022/23 Budget** £000
Expenditure					
Base Budget	12,466				
Indicative Base Budget (based on services assessment)		12,289	12,965	13,738	14,277
Assumed Base Budget (5% increase year on year)					
Regeneration activities funded via NHB	738	705	693	693	709
Total Budget before Savings/Surplus	**13,204**	**12,995**	**13,658**	**14,432**	**14,987**
Savings					
(Deficit)/Surplus	299	79	(1,444)	(1,828)	(2,451)
Self Sufficiency Target		(137)	(287)	(469)	(558)
Total Savings Target	299	(58)	(1,731)	(2,298)	(3,009)
Total Final Expenditure Budget	13,503	12,936	11,928	12,134	11,977
Funding					
Revenue Support Grant	235	0	0	0	0
Business Rates	4,864	4,722	3,752	3,847	3,948
New Homes Bonus	2,905	2,896	2,987	3,197	2,941
Council Tax	5,210	5,305	5,400	5,497	5,596
Council Tax Surplus	**289**	**150**	**75**	**63**	**50**
Total Funding	13,503	13,073	12,214	12,603	12,535

HRA BUSINESS PLAN MODEL PROJECTIONS APPENDIX 4

Year £ Thousands	2018.19 2	2019.20 3	2020.21 4	2021.22 5	2022.23 6
INCOME:					
Rental income	17,153	16,997	17,174	17,358	17,568
Void losses	(136)	(172)	(173)	(175)	(177)
Service charges	523	536	550	563	577
Non-dwelling income	93	42	21	22	22
Grants and other income	285	301	308	316	324
Total income	**17,918**	**17,704**	**17,879**	**18,084**	**18,314**
EXPENDITURE:					
General management	(2,284)	(2,343)	(2,401)	(2,461)	(2,523)
Special management	(649)	(665)	(682)	(699)	(716)
Other management	0	0	0	0	0
Rent rebates	0	0	0	0	0
Bad debt provision	(98)	(100)	(101)	(102)	(104)
Responsive and cyclical repairs	(5,573)	(5,702)	(5,833)	(5,968)	(6,114)
Total revenue expenditure	**(8,604)**	**(8,810)**	**(9,018)**	**(9,231)**	**(9,457)**
Interest paid	(2,277)	(2,252)	(2,226)	(2,198)	(1,862)
Finance administration	(8)	(9)	(9)	(9)	(9)
Interest received	84	141	252	204	116
Depreciation	(3,103)	(3,146)	(3,116)	(3,088)	(3,065)
Net operating income	**4,009**	**3,628**	**3,762**	**3,763**	**4,039**
APPROPRIATIONS:					
FRS 17 / other HRA reserve adjustments	(2,906)	(2,500)	(2,608)	16,266	0
Revenue provision (HRACFR)	(1,103)	(1,128)	(1,154)	(14,180)	(1,206)
Revenue contribution to capital	0	0	0	0	(2,557)
Total appropriations	**(4,009)**	**(3,628)**	**(3,762)**	**2,086**	**(3,763)**
ANNUAL CASHFLOW	**0**	**(0)**	**0**	**5,849**	**275**
Opening balance	1,000	1,000	1,000	1,000	6,849
Closing balance	**1,000**	**1,000**	**1,000**	**6,849**	**7,125**
Other HRA reserve balance	0	0	0	0	0
HRA debt repayment reserve	11,158	13,658	16,266	0	0
HRA new build reserve	0	0	0	0	0

COUNCIL'S VISION

North West Leicestershire will be a place where people and businesses feel they belong and are proud to call home

North West Leicestershire District Council,
Council Offices, Whitwick Road, Coalville,
Leicestershire, LE67 3FJ.

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