Public Document Pack

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All Members of Scrutiny Committee

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2nd November 2018

Dear Member

Scrutiny Committee – 5th November 2018

The following decisions of the Cabinet on 25th October 2018 have been called in by Cllr Mrs J Roach, Cllr D J Knowles, Cllr F W Letch, Cllr R M Deed and Cllr R Wright.

- Medium Term Financial Plan
- Modernisation of Council Homes 2018-2023

I attach the relevant paperwork for consideration.

Please note the appendix for the Modernisation of Council Homes is a restricted Part 2 document and should be treated as exempt information.

Yours sincerely

Carole Oliphant
Member Services Officer

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CABINET
25 OCTOBER 2018

MEDIUM TERM FINANCIAL PLAN – GENERAL FUND (GF) AND CAPITAL PROGRAMME

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Andrew Jarrett – Deputy Chief Executive (S151)

Reason for Report: To produce an updated Medium Term Financial Plan (MTFP) which takes account of the Council's key strategies (i.e. The Corporate Plan, Business Plans, Treasury Management Plan, Asset Management Plan, Work Force Plan and Capital Strategy) and demonstrates it has the financial resources to deliver the Corporate Plan. This models potential changes in funding levels, new initiatives, unavoidable costs and proposed service savings.

RECOMMENDATION: Members note the updated MTFP and fully endorse the proposals outlined in paragraph 8.2.

Relationship to Corporate Plan: The Medium Term Financial Plan (MTFP) sets out the financial resources available to deliver the Council's ongoing Corporate Plan pledges/objectives.

Financial Implications: By undertaking an annual review of the MTFP the Council can ensure that its Corporate Plan pledges/objectives are affordable.

Legal Implications: None.

Risk Assessment: The MTFP makes a number of financial assumptions based on a sensible/prudent approach, taking account of the most up to date professional advice that is available. However, many of these assumptions are open to challenge and due to this fact Appendix 1, included within this report, shows the financial effect on key items in the plan if assumptions were to change (this is referred to as sensitivity analysis).

Equality Impact Assessment: It is considered that the impact of this report on equality related issues will be nil.

1.0 Introduction & Purpose of the Medium Term Financial Plan

1.1 The main purpose of the MTFP is to show how the Council will strategically manage its finances over the next 4 financial years, in order to support the delivery of the pledges/objectives detailed in the new Corporate Plan.

1.2 The MTFP links the financial requirements, constraints and objectives included in all the key planning documents of the Council (i.e. Asset Management Plan, Treasury Management Strategy, Work Force Plan, and Business Plans) which culminate in the Corporate Plan.

1.3 The MTFP has been a key corporate requirement for a number of years and is an essential part of the budget setting process. It provides a financial model which forecasts the cost of providing Council services over a rolling 5 year period, together with an estimate of the financial resources that will be

available. This model provides an early warning mechanism if there is a significant budget gap between estimated costs and available resources.

1.4 Therefore, the MTFP helps strategically plan the budget setting process, but of equal importance, gives Management and Members an overview of future budget gaps so strategic decisions can be made over levels of future spending, Council Tax levels, policies for fees/charges, asset investment or disposal etc.

1.5 In addition to considering the General Fund financial position, the MTFP also reviews the affordability of the Council's capital programme over the same 4 year period. Again it predicts required capital projects (in the main focusing on essential asset replacement and health & safety items) matched against potential capital receipts and grant funding. This plan focuses on known capital commitments. However, at some point in the future we may well have to consider new items which will be subject to formal prioritisation (including spend to save capability).

1.6 In addition to these two key areas of Council expenditure we also prepare an MTFP for our Housing Revenue Account. This shows a four year programme, based on costs and income streams for our properties from April 2019 onwards.

2.0 Framework for the Medium Term Financial Plan

2.1 The starting base for the MTFP is the 2018/19 approved budget, which is then adjusted for any supplementary estimates approved by the Council or any significant budget variances identified in the monthly budget monitoring report to the Cabinet.

2.2 This base then has to be adjusted for unavoidable costs, such as, pay increases, inflation, service pressures associated with new legislation, a growing property base or improving performance etc. The MTFP will also consider forecasts for investment receipts and fee/charges levels.

2.3 Finally the MTFP considers and makes assumptions regarding future levels of Council Tax (including the potential growth in Tax base) and the likely level of future Central Government funding.

2.4 The MTFP models an overall aggregated position for the Council based on a range of assumptions. This then predicts an overall budget position, which can highlight a potential budget gap and then propose remedial action which can be taken to resolve it. Clearly, these assumptions can be challenged and will vary due to changes in the local, national and international economic position. As a consequence, Appendix 1 illustrates possible risks within the plan and the potential financial sensitivity to changes in the assumptions.

2.5 The development of a 5 year financial model is based on a number of assumptions and perceived risks. These become more difficult to predict the further into the future you consider. In general terms a prudent/reasonable approach has been taken regarding forecasts, professional accounting guidance has been followed and external technical opinion has been sought where necessary.

2.6 The following underlying caveats have been adopted as a base assumption during the life of the MTFP:

- Each year the Council will target a balanced revenue budget without the use of reserve balances.

- We will attempt to ensure that the General Fund Balance does not fall below our current minimum agreed level (25% of net expenditure = £2.2m in 2019/20).

- Resources will be directed to high priority services and hence away from low priority services. With the exception of spend to save projects on lower priority services that can either cut future costs or increase revenue to enable cross subsidisation of higher priority services.

- Council Tax increases will be kept within Government set guidelines. In reality this now gives the Council very little scope to significantly increase Council Tax levels as the current nationally prescribed referendum rate is likely to be a maximum of 2% or £5 for the 2019/20 financial year (3% or £5 in 2018/19). This plan assumes that the current rate will remain unaltered throughout the five year cycle.

- Further efficiency/procurement savings will be secured and then factored into future spending plans.

- We will continue to explore new commercial opportunities (as a 'business as usual' model is clearly no longer deliverable).

- Prudential borrowing will only be made during the life of the MTFP after the production of a fully costed business case with a reasonable payback period.

2.7 With regard to the Capital Programme, the Council will continue to prioritise schemes. The draft capital programme will also be reviewed/challenged by the Capital Strategy Asset Group (CSAG). In addition we will also look to dispose of surplus assets in order to maximise capital receipts and reduce ongoing revenue maintenance costs associated with holding the asset. Careful consideration will also need to be used to ensure we achieve the maximum market value when disposing of assets.

3.0 Current status and strategy for the Medium Term Financial Plan

3.1 The Medium Term Financial Plan (MTFP) has been developed to provide a financial framework within which the Council can deliver the pledges/objectives in the Corporate Plan. This strategy focuses on the forward financial issues/pressures facing the General Fund and Capital Programme.

3.2 Due to the need to provide budget information to all of the PDG and Cabinet meetings during October and November there are still some issues that have not been resolved or are still to be fully evaluated. These issues may either improve or worsen the summary budget position currently reported and can be summarised as follows:

- Application by the Devon Pool to become 75% Business Rates Pilot
- Impact of new Homelessness legislation from 01/04/18
- Impact of full rollout of Universal Credit during 2018
- Autumn Statement announcement in November 2018
- Impact of the Provisional Settlement in December
- Ongoing service reviews (including changes to fees/charges)

3.3 This MTFP has estimated further year on year reductions in Government funding. We are currently forecasting a negative RSG position in 2019/20 (as are a number of councils). This is currently being challenged and we are hopeful that this will be eliminated in the Provisional Settlement for at least 1 year. The impact of changes to New Homes Bonus, as mentioned in 6.1, are pivotal to our funding arrangements and growth aspirations.

3.4 The financial forecast is explored in detail in the MTFP, which forms part of this plan. It also shows the strong inter-relation between the General Fund and delivering a sustainable capital programme. The MTFP model predicts an estimated cumulative shortfall on the General Fund budget of £1.368m (made up of the cumulative amounts required to balance the budget each year). Without any action the General Fund reserve of £2.241m would become unacceptably low at £873k. The deficit in 2019/20 is forecast to be £661k, which increases to £1.368m in 2022/23. These predictions have included amounts to fund our future capital programme and future proposed savings and cost movements.

3.5 Members will appreciate that some of the proposed savings will require political support and therefore if some suggestions are deemed to be unacceptable then other savings will need to be proposed.

3.6 At this point it is still worth stressing that against a backdrop of an aggregate cut in Central Government Grant of approximately £4.5m between 2010/11 and 2018/19, the Council continues to deliver a wide range of well performing services.

4.0 Summary of the Medium Term Financial Plan

4.1 Table 1, shown below, gives a summary position for the MTFP, over the next 4 years. This shows an overall deficit totalling £1.368m over the life of the plan. This is clearly a growing challenge based upon a number of assumptions, caveats, decisions and is now made even harder by the volume of related risks that the Government has transferred to Councils with the changes to Council Tax Benefit and Business Rate localisation. As well as cuts direct to the Council's budget from Central Government we have and will continue to suffer indirectly from cuts to Devon County Council's budget and from other public sector bodies such as the Department of Work and Pensions.

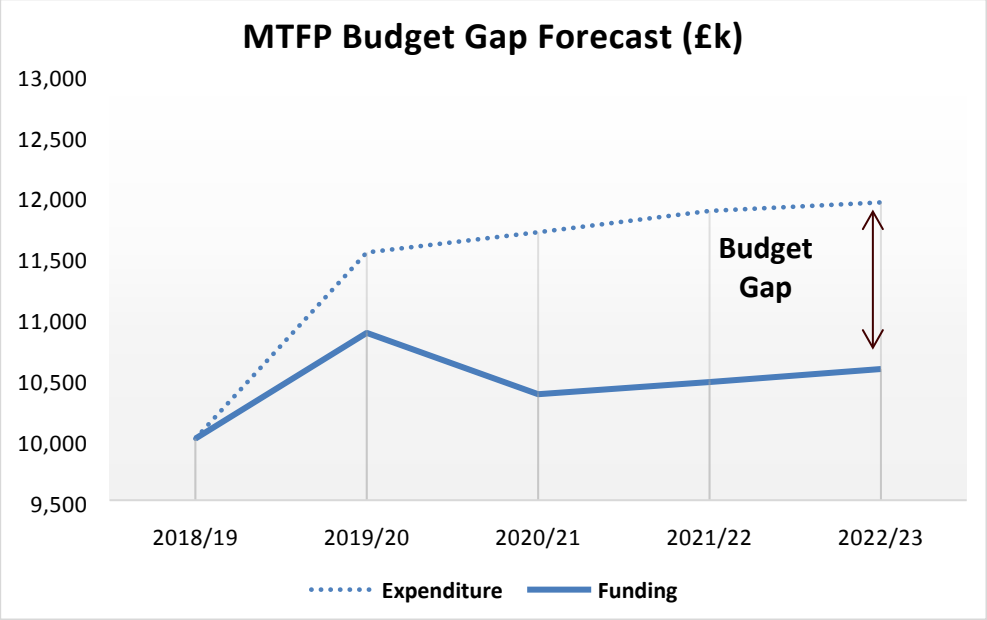
4.2 Clearly, any major variations in these assumptions would require a fundamental review of the Council's MTFP and would be reported back to Cabinet and the wider Membership as soon as practical, coupled with proposed courses of action that could be implemented.

4.3 Table 1 shown below gives an overall summary of the Council's General Fund MTFP position (which includes a wide range of assumptions that have been realistically decided upon based on external advice and the most up to date information available to us).

Table 1 – MTFP General Fund Summary

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Net Service Costs	8,679,560	10,202,623	9,436,814	9,334,035	9,499,330
Net Interest Costs	-166,170	-144,490	113,510	368,510	368,510
Provision for Repayment of Borrowing	395,570	362,624	538,157	711,120	711,120
CTRS Grants	16,920	0	0	0	0
Earmarked Reserves - New Homes Bonus	1,121,248	1,241,970	950,000	800,000	650,000
Earmarked Reserves - Other	-41,178	-126,370	663,630	663,630	717,550
General Reserves	0	0	0	0	0
Total Budget Requirement	**10,005,950**	**11,536,357**	**11,702,111**	**11,877,295**	**11,946,510**
Funded By:					
Retained Business Rates	-2,705,264	-3,278,115	-3,309,201	-3,352,976	-3,400,723
Business Rates prior year surplus/deficit	25,264	0	0	0	0
Pooling Dividend	0	-100,000	-100,000	-100,000	-100,000
Revenue Support Grant	-179,260	0	0	0	0
Rural Services Delivery Grant	-374,510	-374,510	0	0	0
Transitional Grant	0	0	0	0	0
New Homes Bonus	-1,121,250	-1,241,970	-950,000	-800,000	-650,000
Council Tax–MDDC	-5,600,410	-5,808,852	-6,011,510	-6,217,632	-6,427,277
Council Tax prior year surplus/deficit	-50,520	-71,330	0	0	0
Total Funding	**10,005,950**	**10,874,777**	**10,370,711**	**10,470,608**	**10,578,000**
Gap – Increase/In-year	0	661,580	669,820	75,287	-38,178
Gap – Cumulative	0	661,580	1,331,400	1,406,687	1,368,509

Budget Gap forecast 2019/20 to 2022/23



4.4 The table and graph above show that our projected Budget Gap is £661k in 2019/20 and rises to an estimated £1.368m by 2022/23. The future budget gap of £1.368m is equivalent to 11% of the projected budget requirement in 2022/23. Due to the cumulative nature of this plan, if we balance our revenue spend to our available funding, each subsequent year will only then need to find the difference (i.e. if we cut our level of spend by a further £661k in 2019/20 we will only need to find £670k in 2020/21 – e.g. £1.331m - £661k = £670k).

4.5 The Council has a legal requirement to set a balance budget and needs to ensure its overall costs are affordable i.e. they can be funded through income and planned use of reserves. Members therefore need to take the necessary decisions and actions to manage net spending within affordable limits.

4.6 A key point is that if no remedial action is taken to reduce our overall level of spend our General Fund Balance would be critically low during 2021/22. So clearly “business as usual” is an unsustainable option.

5.0 Capital Overview

5.1 There is no revenue contribution to the capital programme. As in previous years, the New Homes Bonus is earmarked for funding elements of the capital programme.

5.2 After excluding the HRA capital projects & SPV borrowing, the Council now has a much reduced capital programme, which in the main is due to a significant reduction in available funding. Indeed much of the predicted New Home Bonus monies has had to be utilised to fund the projected capital programme.

5.3 Table 2 below, shows the capital funding position during the life of the MTFP. A more detailed analysis of the overall schemes and potential funding is attached as Appendix 2.

5.4 The capital programme includes ‘rolling’ items already highlighted in the current year capital programme (i.e. Affordable Housing/Private Sector Housing Grants, the Major Repairs Account and the 30 year modernisation programme). The available receipts are based on a prudent basis, with no major asset sales (other than right to buy sales) factored into the model. If additional receipts are generated we could revisit our capital prioritisation list and bring forward new schemes into the programme or decrease the contribution from New Homes Bonus or begin to repay any outstanding borrowing.

Table 2 – MTFP Capital Programme

	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000
Total Capital Requirement (GF)	3,687	8,379	9,009	14,138
Total Capital Requirement (GF- SPV)	2,000	4,000	3,000	3,000
Total Capital Requirement (GF)	**5,687**	**12,379**	**12,009**	**17,138**
Total Capital Requirement (HRA)	6,925	7,900	4,900	4,900
Total Capital Requirement (HRA-SPV)	1,500	1,500	0	0
Total Capital Requirement (HRA)	**8,425**	**9,400**	**4,900**	**4,900**
Total Capital Requirement	**14,112**	**21,779**	**16,909**	**22,038**
Funded by:				
General Fund				
Existing Funds				
Capital Grants Unapplied Reserve	951	689	694	698
Capital Receipts Reserve	31	0	0	0
New Homes Bonus Reserve	417	1,586	427	547
Other Earmarked Reserves	188	204	188	193
Other Funding	600	400	200	200
Total from Existing Funds (GF)	**2,187**	**2,879**	**1,509**	**1,638**
New Funds				
PWLB Borrowing	1,500	5,500	7,500	12,500
PWLB Borrowing (SPV)	2,000	4,000	3,000	3,000
Total from New Funds (GF)	**3,500**	**9,500**	**10,500**	**15,500**
Total Funding (GF)	**5,687**	**12,379**	**12,009**	**17,138**
Housing Revenue Account				
Existing Funds				
Capital Receipts Reserve	1,065	1,365	1,064	1,064
New Homes Bonus Reserve	21	21	21	21
Housing Maintenance Fund EMR	2,000	2,000	1,143	1,143
Other Housing Reserves	2,697	2,672	2,672	2,672
Total from Existing Funds (HRA)	**5,783**	**6,058**	**4,900**	**4,900**
New Funds				
PWLB Borrowing	1,142	1,842	0	0
PWLB Borrowing (SPV)	1,500	1,500	0	0
Total from New Funds (HRA)	**2,642**	**3,342**	**0**	**0**
Total Capital Funding	**14,112**	**21,779**	**16,909**	**22,038**

6.0 Balances and Reserves

6.1 The Council started 2018/19 with an available General Fund Balance (GFB) of £2.241m (i.e. just over the minimum agreed level) and on that basis it is imperative that we look to match on-going spending plans to our available in-year resources.

6.2 A Council holds a GFB for a number of reasons, firstly to deal with any short term cash flow or funding issues, secondly to provide a contingency for exceptional one-off acts (i.e. flooding, fire, terrorism, business rate failure etc.) and thirdly to provide a buffer for known circumstances whose final effect is unknown (i.e. changes in legislation or major funding changes). Clearly, the more uncertainty that exists, the higher the balance required to mitigate this risk. This level of minimum reserves is assessed annually to ensure it is adequate.

7.0 Risk, Opportunities and Uncertainty

7.1 Ongoing risks and uncertainty for the budget at this stage include:

7.1.1 **Local Government Finance Settlement (LGFS)** – following the Autumn Statement in November, we await the Provisional Settlement in December. 2019/20 will be the final year of the 4-year settlement. This 4-year offer gave us some certainty over the level of grants and we are mindful that with this arrangement ending next year, there will be further risks. We are also aware that the Settlement may bring further changes which will affect 2019/20 budget setting.

7.1.2 **New Homes Bonus (NHB)** – The calculation of NHB was changed in the 2017/18 Finance Settlement and a “top-slice” of 0.4% of growth was introduced alongside the reduction from 6 years to 5 years. The allocation was reduced to 4 years in 2018/19 and we anticipate further changes. These may be to the number of years’ allocations, the percentage growth “top-slice”, the percentage split between the upper and lower tier authority or a combination of these variables. This creates significant risk to the projects and capital spend that we support through this funding.

7.1.3 **Council Tax** – The MTFP is based on the assumption of a £5 increase on a Band D property each year. This may of course not be possible due to Central Government restrictions or palatable at a local level and we are only likely to know this on an annual basis as the Settlement is announced.

7.1.4 **Council Tax Base** – The provisional estimates will be completed at the end of October and these will be added to the forecast as soon as they can be verified.

7.1.5 **Capital Programme** – options for the Capital Programme are being compiled. Any spending proposals could contain further revenue budget implications such as borrowing costs.

7.1.6 **100% Business Rates Retention** – In the Autumn Statement 2015 the Government confirmed its intention to allow local authorities to keep 100% of business rates income by 2020. Since that time, we have made a successful bid alongside our Pool authorities to be a 100% Pilot Authority for 2018/19. We are anticipating significant benefits from this in-year and had hoped that this arrangement would be extended for at least a further year. Unfortunately, Central Government have requested that authorities put in a new bid for 2019/20 and there is only 75% retention on offer. We are also aware that with the automatic acceptance of the Greater London Authorities to continue to retain 75%/100%, the pot available is smaller and a bid is less likely to be successful.

7.2 With this in mind we have been prudent in our MTFP/Budget work and assumed our Plan B position of remaining in the Business Rates Pool but having to revert to 50% retention. We have however, made a bid with our Pool neighbours and are still hopeful.

7.3 Other Uncertainties:

7.3.1 Growth of property and commercial base – stepped cost impact but additional revenue based on current Government incentives (payment by results of delivery).

7.3.1 Government funding – RSDG removal, Possible negative RSG, Fairer Funding Review, Business Rates uncertainty (including rebasing).

7.3.2 Changes to Housing Benefit Admin Grant etc.

7.3.4 Further cuts to Welfare system and impact of the roll-out of Universal Credit Scheme

7.3.5 Risk of spend to save projects and commercial investments – will projected savings and incomes materialise?

7.3.6 Changes to DCC funding provision of specific services that could have a knock-on effect to Mid Devon (e.g. Grounds Maintenance contributions, support for recycling activities and changes to municipal tips).

7.3.7 Any upfront revenue costs associated with the Eastern Urban Extension / new properties in Cullompton/Garden Village

7.3.8 Changes to the referendum limits

7.3.9 “Spend to save” costs associated with the business and digital transformation project and ongoing savings delivered in subsequent years

7.3.10 Inflows and outflows of monies in respect of substantial property transactions

7.3.11 New commercial opportunities and regeneration programmes

7.3.12 Potential future partnership working with other authorities

7.3.13 Possible impact of BREXIT on the economy including changes in interest rates

7.4 All of the above items highlight once again just how difficult it is to forecast ahead with any degree of accuracy. Nevertheless the MTFP helps us examine the likely trends to assist in setting realistic capital and revenue budgets going forward.

8.0 Approach to closing the Budget Gap

8.1 Many of the issues, assumptions and sensitivity of items included within the MTFP are complex, often inter-related and will undoubtedly be subject to variation and ultimately fundamental review depending on the levels of future Formula Grant reductions. However, strategic decisions have been ongoing to reduce our current and future operational costs.

8.2 It is fair to say that the Council is currently in a relatively robust financial position with the external auditors giving an unqualified Value for Money assessment. We are mindful, however, that the level of uncertainty in funding and external pressures e.g. from Homelessness legislation and the introduction of Universal Credit as just two examples, makes forecasting difficult and with it a need to highlight risks and the need to push for further efficiencies within services. The MTFP shows an overall funding gap of £1.4m up to 2022/23. In order to reduce this deficit the Council will strive to constantly manage its costs and revenues by:

- A continued reduction of service and employee costs – which may incur short term upfront costs
- Ensure fees/charges are revisited regularly and that we are charging for all items possible – are there areas of service provision that we could charge for?
- Continue and expand partnership working where practical
- Investigation of a number of spend to save projects
- Review our current and future property asset requirements
- Maximise procurement efficiencies
- Explore new commercial opportunities
- Examine different ways of delivering services to reduce costs
- Continued benchmarking and learning from best practice
- Consideration of growing the commercial property base to align delivery with government funding priorities

8.3 Ultimately it remains unrealistic to assume that the suggestions listed in paragraph 8.2 will enable the Council to balance its service delivery aspirations against the backdrop of the very substantial cuts in both current and future sources of local government funding.

8.4 The above plans will require all service areas to play an active role in securing future savings and we will also continue to consult with all of our major stakeholders, especially the tax payers, to ensure all future budgetary decisions accord with their priorities.

9.0 The Corporate Plan

9.1 Clearly there is a very strong link between finance and corporate/service performance. By integrating the MTFP, the Work Force Plan and the Corporate Plan the Council can demonstrate how it will afford to deliver its key objectives. This will also shape the ongoing priorities of the Council, as with finite resources it will need to decide on what its key priorities are.

10.0 On-going Delivery of a MTFP

10.1 The MTFP will continue to be updated on an annual basis. This will ensure that it will be a live document, subject to amendment and review by Leadership Team and Members and will provide a clear guide prior to commencing the annual budget setting process in future years.

11.0 Conclusion

11.1 Like all Councils, Mid Devon is facing an ongoing and very challenging financial future, but with a clearly shaped Corporate Plan which will need to be aligned to available financial resources (which will include a regularly updated Work Force Plan) the District will be well placed to continue delivering a wide spectrum of cost effective services that are valued by its residents.

11.2 It should also be noted that Management will continue to play a pro-active role in both reducing ongoing service costs and exploring new possibilities to raise additional income.

11.3 Having a realistic financial plan for the next 4 years will enable the Council to ensure it is allocating its limited financial resources to its key priorities. Our current Corporate Plan sets out our goals/objectives over a four year period and must clearly be matched by the financial resources that are available. The Government's move from a relatively fixed core funding system to more of a '*payment by results'* process has introduced a lot more uncertainty and volatility for the future of our funding streams, which makes medium term financial planning an even more challenging process.

11.4 Like any strategic plan, the MTFP has been compiled based upon all available information at a fixed point in time. Clearly, as time moves on assumptions will change, Central Government will set new targets, bring in new legislation and adjust funding levels. We are aware that the Fair funding Review may bring significant changes in our core funding including a Baseline reset or partial reset in Business Rates. Residents expectations will change, Member priorities will alter and therefore any plans must be flexible enough to cope with major changes. As we are still in a period of major financial uncertainty it is imperative that reserve levels are held at a prudent level (£2.2m in the short to medium term) and that Members are provided with regular updates on the financial impact of any variation to what has been previously assumed.

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Circulation of the Report: Leadership Team
Elected Members
Group Managers

Appendix 1

Key Assumptions used in Medium Term Financial Plan

A number of assumptions have been made in formulating the strategy. Clearly some of these are harder to predict than others and in addition the magnitude of the "error" of prediction may be greater in certain specific areas. Detailed below are the main assumptions made and importantly an analysis of the sensitivity to variance.

Formula Grant

We have used the indicative forecast figures provided each year by the Ministry of Housing, Communities and Local Government. We await the Provisional Settlement in December and the Final Settlement in the following February for the definitive figures to use in our final budget calculations. These invariably change from the previous year's future forecasts.

The 2016/17 settlement showed the elimination of the Revenue Support Grant received from Central Government by 2019/20. We are currently anticipating "negative" RSG which is a further pressure to our budget.

Inflation

Future inflation is of course an unknown quantity. The level of inflation assumed in this plan is moderate and it could come to pass that the actual inflation figures are higher, having a significant impact on our medium terms projections.

The Pay inflation also includes an increase in respect of the Apprenticeship Levy and pension contributions. We are setting budgets for the third year of the triennial pension fund valuation which sets new pension contribution rates and will next be updated in 2019.

Investment Return

The model assumes that interest rates will initially remain static and then gradually increase although rates are expected to remain low. This has been confirmed by looking at a broad spectrum of advice from a number of treasury specialists.

Council Tax Income

We have also assumed a relatively small growth in properties throughout the life of the MTFP. Clearly if any major residential building projects are agreed/advanced over the next 2-3 years they will then be factored into future MTFP (but it should be noted that extra housing also affects the Council's cost base too).

Sensitivity Analysis

As previously mentioned, many of the assumptions could be subject to challenge and may well alter during the life of the MTFP. Therefore, it is important to show the magnitude (or sensitivity) in financial terms of minor alterations to assumptions made. A change in the inflation factors causes the following movements:

	Budget in 2018/19 £'000	Change by 1.0% £'000	Change by 5.0% £'000
Staffing	12,390	123.90	619.5
NDR on Council Properties	673	6.73	33.65
Gas	78	0.78	3.90
Electricity	269	2.69	13.45
Water	122	1.22	6.10
Members Allowances	296	2.96	14.8
Insurance	176	1.76	8.8
Fuel	343	3.43	17.15

Risk

All of the assumptions made in the MTFP have been examined for risk and estimates of expenditure and income have been made on a prudent/most likely occurrence. This has been based on previous experience, evidence in the current financial year, consultation with specialist advisers and taking account of all known market factors at the time of finalising the plan.

Medium Term Financial Plan 2019/20 - 2022/23 - Capital

Appendix 2

	Estimated Capital Programme 2019/20 £k	Estimated Capital Programme 2020/21 £k	Estimated Capital Programme 2021/22 £k	Estimated Capital Programme 2022/23 £k	Total £k
Estates Management					
Leisure - Site Specific					
Lords Meadow Leisure Centre					
Pool Covers & Motors	0	30			30
Pool Circulation Pumps - Replace or refit	0	20			20
Wetside Changing Rooms				100	100
Squash Court Climate Control		50			50
Exe Valley Leisure Centre					
Pool tiling and balance tank repairs	0		150		150
Wetside Changing Rooms				100	100
Pool hall high level works (steel work etc)	0		60		60
Spinning Room - New window - improve light	20				20
Leisure Spinning Bike Replacement - **all sites**	60				60
Replace isolated CHP for Bio Mass Boiler (spend to save)		150			150
Plant Room/s flooring for flood prevention	0	25			25
Culm Valley sports centre					
Main Hall (Ceiling & Floor)	0	75			75
Squash court conversion to Fitness		150			150
ATP Replacement			0	200	200
Fitness Gym Kit Replacement	185				185
Leisure - Other					
ATP Rejuvenation (EVLC & LMLC)		50			50
Leisure management system review/replacement - cashless excess etc		150			150
Leisure 'Reception' infrastructure review		100			100
Total	**265**	**800**	**210**	**400**	**1,675**
					0
Other MDDC Buildings					
Pannier Market					
Paving replacement		150			150
Phoenix House					
Replacement BMS software				20	20
AHU changes to allow cooling		100			100
Carpet replace incl tiles	0	25			25
Boiler replacement		100			100
General Car parks					
P&D resurfacing and lining - Becks Square Tiverton		50			50
MSCP Improvements					
MSCP-Top Deck surfacing	70				70
MDDC Depot sites					
Old Road yard resurfacing		35			35
Old Road Depot - Asbestos panel replacement		50			50
Carlu Close - Potential Air Conditioning units	25				25
Carlu Close - Interceptor upgrade (correct class)	30				30
Carlu Close - Solar PV options	20				20
Land Purchase for combined depot				1,000	1,000
Play Areas					
Play area refurbishment District wide	0	50	50	50	150
Cemeteries					
Tiverton and Crediton Cemetery Chapel maintenance	0	50			50
Tiverton Cemetery - Infrastructure extension	80				80
Other Projects					
Land drainage flood defence schemes	25	25	50	50	150
MDDC CCTV Review & replacement		50			50
*** General Fund Development Schemes**					
Commercial property/Land Acquisition		2,500	2,500	2,500	7,500
Tiverton redevelopment project	1,500	3,000	5,000	5,000	14,500
Asset acquisition budget				4,000	4,000
Total	**1,750**	**6,185**	**7,600**	**12,620**	**28,155**
					0

*** All developments schemes are subject to acceptable Business Case**

	Estimated Capital Programme 2019/20	Estimated Capital Programme 2020/21	Estimated Capital Programme 2021/22	Estimated Capital Programme 2022/23	Total
Economic Development Schemes					
* Cullompton Townscape Heritage Initiative		300	300	300	900
* Hydro Mills Electricity Project	680	220			900
Total	**680**	**520**	**300**	**300**	**1,800**
*** All Economic Development schemes are subject to acceptable Business Case**					0
ICT Projects					
Desktop estate replacement/refresh		50			50
Dual Factor Authentication System for remote connections		25			25
UPS Power supplies refresh	25				25
Continuous replacement/Upgrade of WAN/LAN (networking hardware switches)	100				100
Replacement of servers and storage hardware that provide the VMWare Virtual Server environment and associated systems.			90		90
Lalpac Licensing System replacement (SN)	80				80
Total	**205**	**75**	**90**	**0**	**370**
					0
Affordable Housing Projects					
Grants to housing associations to provide houses (covered by Commuted Sums)	117	117	117	117	468
Total	**117**	**117**	**117**	**117**	**468**
					0
Private Sector Housing Grants					
Empty homes and enforcement	108	110	115	120	453
Disabled Facilities Grants–P/Sector	562	572	577	581	2,292
Total	**670**	**682**	**692**	**701**	**2,745**
					0
TOTAL GF PROJECTS	**3,687**	**8,379**	**9,009**	**14,138**	**35,213**
	0	**0**	**0**	**0**	**0**
General Fund SPV Projects					**0**
Commercial Development Schemes					
* Shapland Place Tiverton garage conversion (2-3 Units - Subject to design)		1,000			1,000
Housing Schemes					
Waddeton Park - 75 Affordable Homes - SPV	2,000	3,000	3,000	3000	11,000
TOTAL GF SPV PROJECTS	**2,000**	**4,000**	**3,000**	**3,000**	**12,000**
TOTAL GF PROJECTS (Including SPV Schemes)	**5,687**	**12,379**	**12,009**	**17,138**	**47,213**
					0

	Estimated Capital Programme 2019/20	Estimated Capital Programme 2020/21	Estimated Capital Programme 2021/22	Estimated Capital Programme 2022/23	Total
HRA Projects					
Existing Housing Stock					
Major repairs to Housing Stock	2,325	2,300	2,300	2,300	9,225
Renewable Energy Fund	300	300	300	300	1,200
Disabled Facilities Grants - Council Houses	300	300	300	300	1,200
*** Housing Development Schemes**					
Watery Lane - Garage conversion	0	1,000			1,000
Replace end of life HRA Assets	2,000	2,000	0	0	4,000
Council Housing building schemes to be identified	2,000	2,000	2,000	2000	8,000
*** Proposed Council House Building / industrial units schemes subject to full appraisal**					
Other HRA Projects					
* Ivor Macey House					0
Officer to investigate & Business Case required					
Total	**6,925**	**7,900**	**4,900**	**4,900**	**24,625**
					0
*** Proposed Council House Building / industrial units schemes subject to full appraisal**					
					0
TOTAL HRA PROJECTS	**6,925**	**7,900**	**4,900**	**4,900**	**24,625**
	0	0	0	0	0
HRA SPV Projects					0
Housing Schemes					
Round Hill Tiverton- Site	1,500	1,500			3,000
TOTAL HRA SPV PROJECTS	**1,500**	**1,500**	**0**	**0**	**3,000**
TOTAL HRA PROJECTS (Including SPV Schemes)	**8,425**	**9,400**	**4,900**	**4,900**	**27,625**
					0
GRAND TOTAL GF + HRA	**10,612**	**16,279**	**13,909**	**19,038**	**59,838**
	0	0	0	0	0
GRAND TOTAL GF + HRA SPV Schemes	**3,500**	**5,500**	**3,000**	**3,000**	**15,000**
GRAND TOTAL GF + HRA (Including SPV Schemes)	**14,112**	**21,779**	**16,909**	**22,038**	**74,838**

MDDC Funding Summary

General Fund

EXISTING FUNDS	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	Total £k
Capital Grants Unapplied Reserve	951	689	694	698	**3,032**
Capital Receipts Reserve	31	0	0	0	**31**
NHB Funding	417	1,586	427	547	**2,977**
Other Earmarked Reserves	188	204	188	193	**773**
Other Funding	600	400	200	200	**1,400**
Subtotal	**2,187**	**2,879**	**1,509**	**1,638**	**8,213**
NEW FUNDS					
PWLB Borrowing	1,500	5,500	7,500	12,500	**27,000**
PWLB Borrowing (SPV)	2,000	4,000	3,000	3,000	**12,000**
Revenue Contributions	0	0	0	0	**0**
Subtotal	**3,500**	**9,500**	**10,500**	**15,500**	**39,000**
Total General Fund Funding	**5,687**	**12,379**	**12,009**	**17,138**	**47,213**

Housing Revenue Account

EXISTING FUNDS	0 £k	0 £k	0 £k	0 £k	Total £k
Capital Receipts Reserve	1,065	1,365	1,064	1,064	**4,558**
NHB Funding	21	21	21	21	**84**
HRA Housing Maintenance Fund	2,000	2,000	1,143	1,143	**6,286**
Other Housing Earmarked Reserves	2,697	2,672	2,672	2,672	**10,713**
Subtotal	**5,783**	**6,058**	**4,900**	**4,900**	**21,641**
NEW FUNDS					
PWLB Borrowing	1,142	1,842	0	0	**2,984**
PWLB Borrowing (SPV)	1,500	1,500	0	0	**3,000**
Revenue Contributions	0	0	0	0	**0**
Subtotal	**2,642**	**3,342**	**0**	**0**	**5,984**
Total Housing Revenue Account Funding	**8,425**	**9,400**	**4,900**	**4,900**	**27,625**
TOTAL FUNDING	**14,112**	**21,779**	**16,909**	**22,038**	**74,838**

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CABINET
26TH OCTOBER 2018

MODERNISATION OF COUNCIL HOMES 2018 - 2023

Cabinet Member: Cllr Ray Stanley
Responsible Officer: Andrew Pritchard, Director of Operations

Reason for Report: To advise Members on the results of the procurement of the contract for the Modernisation of Council Homes 2018 -2023

RECOMMENDATION: It is recommended that a contract be awarded to Supplier 3 for a period of 3 years with the option to extend for a further 1 + 1 years.

Relationship to Corporate Plan: To contribute towards meeting the Decent and Affordable Homes target by making best use of the existing stock.

Financial Implications: An HRA budgetary provision has been made to undertake this work to the sum of £100,000 for the first year (2018/19) and £400,000 per year for the next 4 years. Although the successful tender exceeds this by £120,000 over the five years, it is based on a Schedule of Rates that can be managed to ensure the budget is not exceeded.

Legal Implications: We have a legal duty to maintain the stock and meet the Decent Homes Standard. The conditions of engagement are based on a JCT Intermediate Building Contract with Contractors Design 2011, combined with the contractual requirements. This provides a robust framework for managing and controlling the performance of the contractor to meet our legal obligations.

Risk Assessment: The principal risk is failing to limit costs due to additional works and delivery of the programme. The performance of the contract will be monitored monthly and corrective action will be taken where performance falls below Key Performance Indicator Targets. These include:

1) Variations and extras
2) Delivery of programme
3) Cost
4) Number of defects
5) Managing Health & Safety

If the contractor fails to meet the performance targets the contract can be determined, and the two additional one year extensions are not a contractual right.

Equality Impact: No equality issues identified for this report.

1.0 INTRODUCTION

1.1 MDDC is committed to providing a modernisation programme to the Council's homes with the aim of meeting the Decent Homes Standard.

2.0 BACKGROUND

2.1 MDDC has a requirement for the replacement of kitchens and bathrooms, including the upgrading of the electrical circuits to its homes, throughout the district.

3.0 THE PROCUREMENT PROCESS

3.1 The procurement was conducted using an Open Procedure under the Public Contract Regulations 2015.

3.2 The Council's intention is to let a contract for 3 years with the option to extend for a further 1 + 1 years.

4.0 TENDER STAGE

4.1 The opportunity was advertised in Contracts Finder on 3rd August 2018.

4.2 Tender documents were made available immediately via the e-tendering portal 'Supplying the South West' and interested suppliers were required to express their interest and submit initial bids by Midday 22nd August 2018.

4.3 A total of 4 submissions were received within the required timescale. 1 supplier failed to submit by the deadline. 9 suppliers opted out and 10 did not respond.

5.0 SUMMARY OF TENDER EVALUATION

5.1 Evaluation Criteria and Weightings

5.2 The award criteria contained a mix of quality and commercial considerations. Any contract will be awarded on the basis of the most economically advantageous tender.

5.3 The high level award criteria and weightings used for this procurement are set out below:

- Quality 60%
  - Process Plan / Method Statement 15%
  - Resident Liaison 15%
  - Mobilisation Plans 10%
  - Risk Management 10%
  - Customer Satisfaction 10%
- Price 40%

5.2 **Scoring Methodology**

5.2.1 The scoring methodology used to evaluate the quality criteria was:

Score 0	No response	No response	
Score 1	Extremely Weak	Very poor proposal/ response; does not cover the associated requirements, major deficiencies in thinking or detail, significant detail missing, unrealistic or impossible to implement and manage	**Weak**
Score 2	Very Weak	Poor proposals/ response; only partially covers the requirements, deficiencies in thinking or detail apparent, difficult to implement and manage	
Score 3	Weak	Mediocre proposal/ response, moderate coverage of the requirements, minor deficiencies in either thinking or detail, problematic to implement and manage	
Score 4	Fair- Below Average	Proposal/ response partially satisfies the requirements, with small deficiencies apparent, needs some work to fully understand it	**Fair - Good**
Score 5	Fair – Average	Satisfactory proposal/ response, would work to deliver all of the Authority's requirements to the minimum level	
Score 6	Fair – Above Average	Satisfactory proposal/ response, would work to deliver all of the Authority's requirements to the minimum level with some evidence of where the Applicant could exceed the minimum requirements	
Score 7	Good	Good proposal/ responses that convinces the Authority of its suitability, response slightly exceeds the minimum requirements with a reasonable level of detail	
Score 8	Strong	Robust proposal/ response, exceeds minimum requirements, including a level of detail or evidence of original thinking which adds value to the bid and provides a great deal of detail	**Strong - Excellent**
Score 9	Very Strong	Proposal/ response well in excess of expectations, with a comprehensive level of detail given including a full description of techniques and measurements employed	
Score 10	Outstanding/ Excellent	Fully thought through proposal/ response, which is innovative and provides the reader with confidence of the suitability of the approach to be adopted due to the complete level of detail provided	

5.2.2 The scoring methodology used to evaluate price was:

Lowest price submitted from all Quotes receives maximum % score. Other Applicants prices are scored in accordance with the following equation: % Score = Lowest Tendered price x weighting (40%) Tenderer's price

5.3 **Pricing**

5.3.1 A breakdown of the pricing has been set out in the confidential Part II report which accompanies this report.

5.4 **Scores and ranking**

5.4.1 Evaluation was conducted by members of Planned Maintenance and Procurement

5.4.2 The summary scores have been set out below:

List of Tenderers		Supplier 1	Supplier 2	Supplier 3	Supplier 4
Deliverables	**Weighting**	**Weighted Score**	**Weighted Score**	**Weighted Score**	**Weighted Score**
Total Price	**40%**	**29%**	**27%**	**40%**	**39%**
Total Quality	**60%**	**42%**	**18%**	**48%**	**40%**
Grand Total	**100%**	**71%**	**45%**	**88%**	**79%**
Rank		**3**	**4**	**1**	**2**

5.4.3 A detailed breakdown of the scoring has been set out in the confidential Part 2 report which accompanies this report.

6.0 CONCLUSION

The outcome of the tender process shows **Supplier 3** as the winning bidder. Approval is required from Cabinet for this contract to be formally awarded. Following the decision, there will be a compulsory 10 day standstill period after which the contract will be awarded (subject to legal due diligence). It is envisaged that the contract will start on 10th November 2018, 1 month from Contract Award.

Contact for more Information:	Alex Rampe - Surveyor Rebecca Addis - Procurement & Contracts Officer
Background papers:	None
File reference:	None
Circulation of the Report:	Cabinet

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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