Introduction by the Leader of the Council

It is my pleasure to introduce our annual accounts for 2017/18 which reflects another successful budget outcome and maintains our strong financial position.

We have managed to deliver 2017/18 within a reduced budget and still seen improved services. Our Local Land Charges service and our Legal service won regional and national awards for performance and best practice. We also secured nearly £19million in Central Government funding to deliver important infrastructure projects in the district.

A number of exciting service delivery and property related improvements were delivered during 2017/18. In partnership with Devon County Council, our Waste service and Property service teams have installed a new Waste Transfer Station at Carlu Close; January saw the opening of a major new leisure extension at our Exe Valley site in Tiverton; we have increased our retail property holdings to generate commercial rental return; and very recently seen the start on site of the new Premier Inn development. All of these initiatives reflect the Council's efforts to continue to reduce cost and increase income earning opportunities.

Our continued efforts to work more closely with our neighbouring authorities continues apace. We now are members of the Devon Audit Partnership; deliver building control services in partnership with North Devon District Council; and are working to create a joint economic strategy with East Devon, Exeter and Teignbridge colleagues.

All of this jointly delivered service provision helps to not only reduce operational cost, it also creates greater capacity and brings a wider level of expertise as we work more collectively.

The Local Plan is now with the National Inspector and we await confirmation of a formal hearing date. Importantly this document will set the shape and context of future development across the district moving forward and will ensure the Council has more control over key areas of place shaping which I know is of fundamental importance to our residents.

We continue to be recognised, regionally and nationally, for setting high levels of financial stewardship and I am proud that we have finished 2017/18 within budget, whilst making increased provision for some of the challenges that lie ahead.

Clive Eginton
Leader of the Council

Views from the Chief Executive

It is a pleasure to provide a foreword to the Council's accounts. Accounts that have, for the last two years, been among the first in the country to be closed and published to a more ambitious (shorter) deadline, with an accompanying clean bill of health from our auditors. This year, as the shorter deadline becomes mandatory across the sector, we shall see how easy it is for everyone to match our pace…

As is so often the case with financial matters, the success of delivering council services effectively is also the financial success that sees efficiencies achieved, innovation in approach, or costs reduced. Rarely is a financial success celebrated in glorious isolation, in the same way that the Council's financial health is an imperative not only for accountants and auditors, but for the business and organisation as a whole - as it provides the context for all decision-making about the services we provide and the means and methods associated with those decisions.

Efficiencies, innovation, cost reduction; three strands providing the backdrop to the effective management of finances in the context of one of the most challenging periods in local government finance for a generation.

Our efficiencies this year have seen us deliver on partnership projects with the County Council on waste collection and disposal; maximising efficiency across the entire system of route scheduling and collection, waste transfer, and logistics on final disposal. As well as financial savings this has meant that no waste from Mid Devon now ends up in landfill.

We have also invested additional resources in bringing empty homes back into use, maximising the efficient use of the existing private sector housing stock across the district. The 128 homes we managed to bring back into use not only provide immediate extra housing, they also generate a financial return to the Council via the New Homes Bonus mechanism.

Our innovation in approach can be seen in the procurement methodology adopted to commission the provisioning of leisure equipment and technology. Rather than tender for a straightforward equipment supplier to fit out our (fantastic) new extension to the gym facilities at Eve Valley Leisure Centre, we approached the market seeking a strategic leisure partner. With a contract volume wrapping in supply across all our sites, and a dialogue process that allowed us to discuss with each supplier what they could add by way of value into the offering, we secured a vastly better deal for our users with a strategic partner that brings forward top-end kit and technological advancements in digital fitness tracking and analysis for users that our customers expect of any premium product.

Our cost reduction projects have, among many other improvements, seen us move to auto-renewal on various permit systems. On garden waste alone, this accounts for over 1000 customer contacts taken out of our call centre. Having spent some time with our outstanding call centre staff last year, I know first-hand how frustrating it was for our customers who had to call in to renew their garden waste permit, when they couldn't choose to auto-renew or agree to renew it online.

The financial landscape of local government continues to look challenging, with long-term certainty over how the sector is to be funded still notable for its absence. As we pilot the Government's (currently) intended approach of local retention of any growth in business rates in 2018/19, I am confident that our robust financial performance will stand us in good stead to deliver for Mid Devon's residents and businesses now and into the future.

Stephen Walford
Chief Executive

Narrative Report
Financial Commentary by Director of Finance, Assets & Resources Andrew Jarrett

The Council continues to demonstrate a very strong culture of financial stewardship. 2017/18 has seen service performance delivered on budget which has enabled us to ensure we maintain resources at sound levels.

We again managed to close our accounts in advance of the soon to be implemented 30 June deadline and have delivered a whole range of revenue saving or income generating initiatives during 2017/18.

Exe Valley Leisure Centre extension was opened in January, two surplus depots were sold off, three additional retail units were acquired, and we have worked with a number of Town and Parish councils towards shared delivery of a number of essential public buildings and services. Our Waste service has seen a significant period of change, which is still ongoing. 2016/17 saw a fundamental remodelling of material collections, the introduction of a chargeable garden waste service and an agreed shared savings agreement with Devon County Council. 2017/18 has seen the creation of a Waste Transfer Station and the preparation work of assimilating the grounds maintenance services into the operation.

3 Rivers Developments Ltd has now been formally incorporated and is working on the delivery of a number of residential developments. Any future profits will then be recycled back into the overall Council coffers.

As I have alluded to previously, local government funding is experiencing a highly uncertain future. Changes to New Homes Bonus, the Fairer Funding Review, the elimination of Revenue Settlement Grant and the potential move to 100% business rates localisation, all make medium term financial planning a difficult challenge. On top of these funding initiatives, the Council is also having to plan for the introduction of two major legislative changes; the implementation of both the Homelessness Reduction Act and Universal Credit. It will be interesting to see whether the 'new burdens" funding passported from Central Government will mitigate all of these new costs.

During 2017/18 the Council has completed work on its Local Plan – a major piece of planning work that sets the context of where future residential and commercial growth is likely to place. In addition to this, significant work is ongoing to plan for and deliver the Eastern Urban Extension, Tiverton and the Garden Village at Cullompton. The Council has received an additional £400K of capacity funding from Central Government to offset some of these set-up costs and has recently secured circa £19 million for key infrastructure projects to unlock key housing delivery sites.

In summary, the Council finishes 2017/18 in a strong financial position. It has delivered services within a much reduced budget envelope and still maintained or added to its reserve in order to plan for an uncertain financial future. We are proud of our ability to continue to deliver a wide range of services whilst still demonstrating an affordable level of council tax at a time when central government funding continues to decline.

Andrew Jarrett
Director of Finance, Assets and Resources

NARRATIVE REPORT 2017/18

1.1 Introduction

The Council's Narrative Report sets out the overall financial position and details the financial transactions relating to the District Council's activities for the year ended 31 March 2018. The financial statements have been prepared in accordance with the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom for 2017/18.

1.2 The Core Financial Statements

Stated below is a list of the major areas of the Accounts with a brief description that outlines the purpose of each component.

1.3 Movement in Reserves Statement

This statement analyses the in-year changes in both usable and unusable reserves and clearly shows the real value of cash reserves held by the Council.

1.4 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) is a summary of the resources generated and consumed by the Council in the year. This year there are two new notes that accompany the CIES, as follows.

- The Expenditure and Funding Analysis
- Expenditure and Income Analysed by Nature

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Expenditure and Income Analysed by Nature note shows the amounts that make up the surplus or deficit on the provision of services on the CIES, but here they are categorised by nature instead of by service segment.

1.5 The Balance Sheet

This statement is fundamental to the understanding of the Council's financial position at the year-end. It shows all balances and reserves at the Council's disposal, its long-term indebtedness and the non-current assets and net current assets employed in its operation together with summarised information on the non-current assets held.

1.6 Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

1.7 The Housing Revenue Account (HRA) Income and Expenditure Account

This account reflects the statutory obligation to account separately for the Council's provision of housing. The HRA Income and Expenditure Account shows in more detail the income and expenditure on HRA services included in the whole authority Comprehensive Income and Expenditure Statement.

1.8 Collection Fund

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund which shows its transactions in relation to national non-domestic rates and council tax, and illustrates how these have been distributed to Devon County Council, Devon and Cornwall Police Authority, Devon and Somerset Fire Authority, central government and the Council itself. The Balance Sheet and the Cash Flow Statement only reflect Mid Devon's share of any Collection Fund surplus or deficit.

1.9 Group Accounts

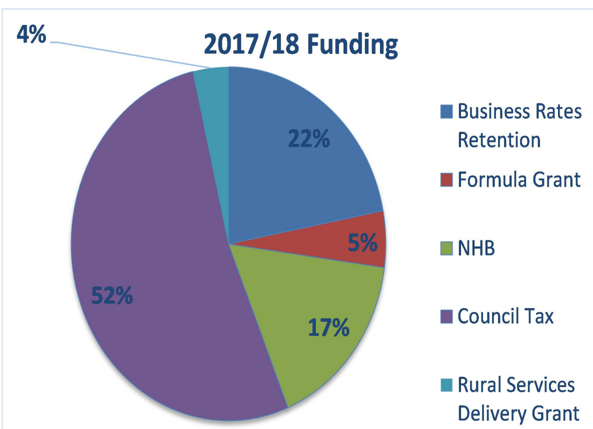
The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. This is the first year that the council's wholly owned subsidiary, 3 Rivers Ltd has been in operation. The first year accounts for the company have been consolidated into the 2017/18 accounts.

2.0 Review of the Year

The purpose of the narrative report to the Annual Report and Accounts is to provide a commentary on the main financial highlights contained within the Report and to identify any significant events that may affect the reader's interpretation of the Accounts.

FINANCIAL PERFORMANCE

The Council's Budgeted funding streams for 2017/18 are detailed below and contrasted with 2016/17. In setting the budget for 2017/18 the Council increased Council tax by £5 for a Band D property. This meant that the Band D Council Tax rate became £192.15.



	2016/17 £k	2017/18 £k
Business Rates Retention	1,956	2,265
Formula Grant	1,049	529
New Homes Bonus	1,831	1,722
Council Tax	5,156	5,409
Rural Services Delivery Grant	464	375
Total Funding	**10,456**	**10,300**

The table below shows that the Council received £11.108m of actual funding, the main increase relating to Retained Business Rates. The Council's actual expenditure in 2017/18 was £10.659m which results in a reported net underspend of £449k.

There were over/underspends in several areas and these are highlighted in the table below.

GENERAL FUND REVENUE ACCOUNT OUTTURN SUMMARY 2017/18	Budget 2017/18 £	Actual 2017/18 £	Variance £
Community Development	268,090	399,996	131,906
Corporate Management	1,428,300	1,499,055	70,755
Car Parks	(237,790)	(144,661)	93,129
Customer Services	37,300	(10,298)	(47,598)
Environmental Services	1,444,570	1,324,747	(119,823)
Finance & Performance	7,020	(18,378)	(25,398)
Grounds Maintenance	27,410	75,845	48,435
General Fund Housing	261,490	149,493	(111,997)
Human Resources	46,210	55,389	9,179
I.T.Services	47,820	76,961	29,141
Legal & Democratic Services	916,880	899,040	(17,840)
Planning & Regeneration	1,580,840	747,037	(833,803)
Property Services	10,250	387,344	377,094
Revenues & Benefits	667,940	583,086	(84,854)
Recreation and Sport	1,020,890	1,239,516	218,626
Waste Services	2,522,570	2,565,844	43,274
TOTAL COST OF SERVICES	**10,049,790**	**9,830,016**	**(219,774)**
OTHER INCOME & EXPENDITURE			
PWLB bank loan interest payable & finance lease interest	143,680	143,818	138
Interest from funding provided for HRA	(54,000)	(56,573)	(2,573)
Interest received on investments	(254,000)	(342,341)	(88,341)
Reversal of capital charges reflected in services	(1,675,800)	(1,724,596)	(48,796)
Capital grants unapplied	0	1,750,595	1,750,595
Capital financing of finance leases	84,790	85,205	415
MRP for capital funding and loan repayments	313,580	268,883	(44,697)
CTS Funding parishes	46,960	46,768	(192)
Transfers to & from earmarked reserves, including earmarked reserves used to fund capital programme 2017/18	1,645,010	618,959	(1,026,051)
Capital Grants & Cont'S Rec'D	0	(1,750,595)	(1,750,595)
Reclassification of CCLA fund	0	(360,529)	(360,529)
EMR used to fund 2017/18 capital programme	0	2,149,622	2,149,622
TOTAL OTHER INCOME & EXPENDITURE	**250,220**	**829,217**	**578,997**
TOTAL BUDGETED EXPENDITURE	**10,300,010**	**10,659,233**	**359,223**
FUNDED BY:-			
Revenue Support Grant	(497,550)	(497,553)	(3)
NNDR Revenue	(2,265,210)	(2,952,656)	(687,446)
Assumed NNDR Pooling Growth		(106,582)	(106,582)
New Homes Bonus	(1,721,980)	(1,726,976)	(4,996)
Collection Fund Surplus	(52,860)	(52,857)	3
Council Tax - (Band D at £182.15)	(5,356,390)	(5,356,390)	0
Other non-ringfenced gov grants	(31,510)	(40,381)	(8,871)
Rural Services Delivery Grant	(374,510)	(374,509)	1
TOTAL FUNDING	**(10,300,010)**	**(11,107,904)**	**(807,894)**
NET INCOME AND EXPENDITURE	**0**	**(448,672)**	**(448,672)**

Further information on spending on services, and other operating costs and income is shown within the Comprehensive Income and Expenditure Statement and Notes.

Revenue Expenditure – General Fund Financial Performance

During the year regular monthly financial monitoring information has been produced and reported to senior management and members. This monitoring report declared forecasts of varying amounts dependent on the information known at each point in time during 2017/18. The month 9 monitoring report tabled at the 1 February 2018 Cabinet meeting declared an estimated outturn deficit of £182k on the General Fund (this detailed report can be found on the Council's website).

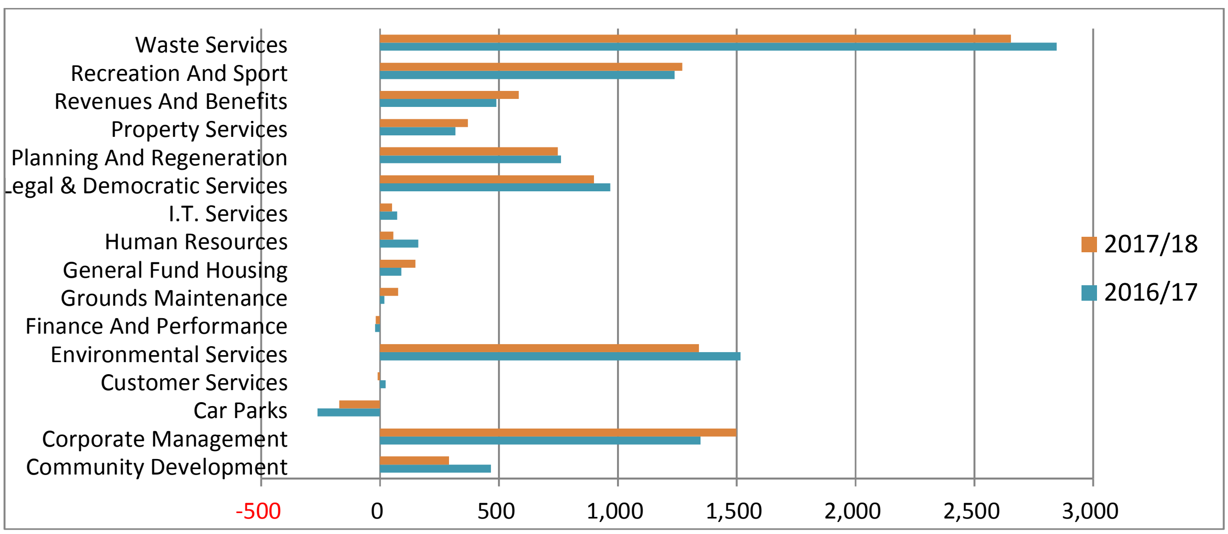
Since that time we have completed our Retained Business Rates computations and this has shown a significant surplus due to growth and a more favourable Pooling dividend. We have also reclassified our CCLA investment and this has led to a surplus in the outturn. This reclassification is explained in the note on Prior-Year Adjustments. We envisage that our Pool's approval from Central Government as a Pilot Scheme for 100% Rates Retention will see greater gains in 2018/19 across the area.

The General Fund Reserves have increased from £2.602m at the start of the year to £2.690m at 31 March 2018.

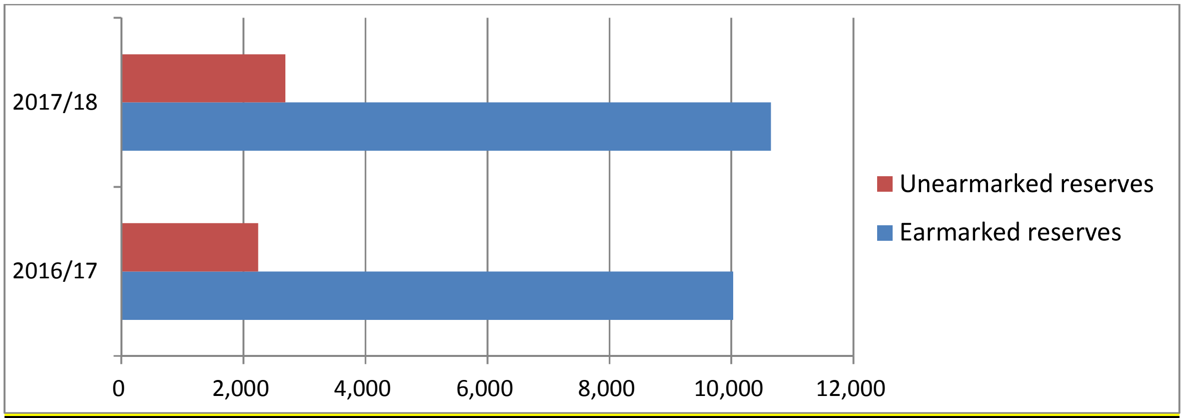
The overall General Fund position delivered in 2017/18 reflects the continued efforts of both officers and members to provide high quality services at an affordable cost and demonstrates the Council's ongoing commitment to reducing operational cost to mitigate against further cuts in Central Government funding.

Note – Minimum GFB agreed at 25% of net expenditure = £2.2m.

General Fund Net Service Expenditure £k



General Fund Account Reserves £k



2.2 Revenue Expenditure - Housing Revenue Account (HRA)

The Council is a major provider of social housing, working closely with housing associations and other social landlords to provide affordable housing for tenants in the District. The Housing Revenue Account (HRA) only accounts for the costs and income related to provision of council-owned accommodation. The Local Government Act 1989 requires this expenditure is ring-fenced and cannot be subsidised by the General Fund.

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £12.369m for the year. The HRA has reported a net surplus of £256k for 2017/18, which is 2% of gross income. The surplus is retained within the HRA and relates mainly to savings made within Planned Maintenance and Tenancy. The following table provides a summary of performance against budget for the year.

HRA Outturn 2017/18	Budget £k	Outturn £k	Variance £k	Variance %
Gross Income	(12,369)	(12,387)	(19)	0.1
Service Expenditure	5,668	5,631	(37)	0.6
Other Operating Costs and Income	(749)	(753)	(3)	0.4
Earmarked Reserve Transfers	2,953	2,518	(435)	14.7
Capital Financing and Debt Repayment	4,472	4,682	210	4.7
Technical Accounting Adjustments	25	53	28	112
Net Variance	**0**	**(256)**	**(256)**	

The surplus will increase the contribution to the Housing Maintenance Fund earmarked reserve and so the HRA reserve balance will remain at £2m. The HRA earmarked reserves will then total £15,227k. These reserves are committed in a number of areas including long term major works to dwellings, new house building, the HRA's debt premium deficit, renewable energy projects and sewage treatment plant upgrades.

2.3 Revenue Expenditure – Non Financial Performance And Risk

When reviewing the performance of the Council in 2017/18, we need not only to see how we perform against budget, we must also assess how we performed against the operational/strategic targets set within the context of the Corporate Plan during the year. The final performance and Risk Report for 2017/18 was presented to Audit Committee on 29 May 2018, alongside the draft accounts. The details are available on our website.

In addition the Council pro-actively reports any major risk to its Cabinet, Policy Development Groups and Scrutiny meetings at regular intervals throughout the year.

2.4 Capital Expenditure

In addition to our spending on day-to-day provision, the Council spends money on assets such as buildings, major improvements to parks, and contributions to jointly-financed schemes. Capital expenditure in the year totalled £8.523m (£5.293m 2016/17). Capital expenditure comprises £4.534m in General Fund schemes and £3.989m on HRA capital works, as summarised in the table below.

The General Fund capital spending related to a wide range of projects which included costs of the impressive new extension and gym equipment at Exe Valley Leisure Centre; acquisition of additional properties in Fore Street Tiverton; new Refuse vehicles; and Disabled Facilities Grants. HRA capital works are largely related to maintaining housing standards, including replacing kitchens, bathrooms, windows, doors, heating systems and other related works. In addition, HRA expenditure this year also includes the development at Palmerston Park which will create 26 affordable dwellings.

General Fund Capital Schemes	£k
Grants to Housing Associations	16
ICT – Equipment; Mobile working etc.	52
Replacement Car park Machines	64
Pannier Market improvements	72
Acquisition of Coggans Well building	268
Acquisition of 30 Fore Street Tiverton	386
Acquisition of 36 & 38 Fore Street Tiverton	777
Shop front refit of unit 10 Market Walk	72
Lords Meadow Leisure Centre car park resurfacing	46
Exe Valley Leisure Centre Fitness extension and equipment	1,046
Refuse Vehicles	994
Disabled Facilities Grants - Council Houses	300
Disabled Facilities Grants–Private Sector	441
General Fund Capital Schemes - Total	**4,534**
HRA Capital Schemes	£k
Major repairs to Housing Stock	2,273
Renewable Energy Fund Spend	100
Birchen Lane - re development of unit for housing conversion (4 units)	168
Palmerston Park Tiverton - affordable dwellings (26 units)	1,334
Burlescombe (6 units)	62
Iveco Tipper 3.5t (or equivalent)	21
Queensway (Beech Road) Tiverton (3 units)	5
Repairs mobile replacement	26
HRA Capital Schemes - Total	**3,989**
General Fund and HRA Capital Schemes - Total	**8,523**

Capital expenditure is funded from a variety of sources as shown in the table below.

Sources of Capital Funding	£k
Revenue funding	2,655
Capital Grants and Contributions	1,195
Capital Receipts	2,400
Major Repairs Reserve (HRA)	2,273
Total	**8,523**

2.5 The Movement in Reserves Statement

This statement is the key to establishing the aggregate financial position of the Council, as it produces a summary of all the “cash backed” Reserves that the Council holds. It shows that the Council’s usable reserves have increased by £5.671m to £36.994m during 2017/18.

2.6 The Comprehensive Income and Expenditure Statement

The financial highlights for the Comprehensive Income and Expenditure Statement are given below:

The Comprehensive Income and Expenditure Statement (CIES) shows an overall surplus of £17.718m. However, this position also includes the consolidation of the Council’s HRA. In addition, there are a number of technical accounting adjustments made to the final accounts which need to be “reversed out” in order to reflect the final cash position. These entries are included in the Adjustments between Accounting Basis and Funding Basis under Regulations. Once all of these adjustments are accounted for, the overall outturn is a £449k surplus on the General Fund and a zero variance on the HRA.

For information purposes, in addition to the various fees and charges levied by services, the General Fund was funded by £913k from Central Government Formula Grant (RSG, Rural Services Delivery Grant and Transition Grant), £3.059m from Business Rates, and Council Tax of £5.356m (excluding Parish Precepts). In addition we received £1.727m of New Homes Bonus.

2.7 Balance Sheet

The financial highlights for the Balance Sheet are shown below:

- The Property, Plant and Equipment valuation, after adjustment for additions, disposals, and finance leases increased by £7.647m during 2017/18.

- The overall Pension Scheme deficit decreased by £3.525m.

2.8 Cash Flow Statement

The Council had a net cash inflow during 2017/18 of £3.149m.

2.9 Housing Revenue Account (HRA) Income and Expenditure Account

The financial highlights for the HRA Income and Expenditure Account are given below:

- The HRA achieved a £256k surplus in 2017/18 and this has been added to the HRA Earmarked Reserves.

3.0 Major Repairs Reserve (MRR)

The Housing Revenue Account also holds a MRR, which is ring fenced for capital expenditure on HRA properties. This reserve effectively carries forward any unspent major repairs allowance. During 2017/18, the Council credited £2,273k to the MRR, which was fully utilised. As a result, there was no carrying balance on the MRR as at the 31/3/2018.

3.1 The Collection Fund

The financial highlights for the Collection Fund are given below:

- There was a £135k surplus on the Council Tax Collection Fund in 2017/18. This results in an overall surplus on the fund of £438k at 31/3/2018, of which 13.72% is due to MDDC, amounting to £60k.
- The Council Tax collection rate achieved in the year was 98.0% (98.1% in 2016/17).
- The Council set a Band D equivalent council tax rate of £192.15 in 2017/18.
- There was a £413k deficit on the Business Rates Collection Fund in 2017/18. This results in an overall deficit on the fund of £769k at 31/3/2018, of which 40% is due to MDDC, amounting to £308k.
- The Business Rates collection rate achieved in the year was 99.2% (99.2% in 2016/17).

3.2 Pension Fund

The financial highlights of the pension fund are:

- Pension assets have increased to £62,161k (£59,578k in 16/17)
- Pension liabilities have decreased to £122,170k (£123,112k in 16/17)
- Unfunded liabilities have decreased to £1,148k (£1,226k in 16/17)
- The net deficit on the fund is £60,009k (£63,534k in 16/17)

The requirement to recognise the net pension liability on the Balance Sheet arises from Financial Reporting Standard 17 “Retirement Benefits” and IAS19. IAS19 requires all councils and other businesses to disclose pension assets and liabilities within the Balance Sheet. Further analysis of the pension movements can be found in the notes following the core financial statements.

3.3 Valuation of Property Portfolio

The Council instructed the District Valuer to undertake a full valuation of 1/5th of its asset portfolio and review the remaining assets in order to establish a “true and fair” view for the 31 March 2018 Balance Sheet.

3.4 Treasury Activities

The table below gives an overview of the Council’s treasury activities during 2017/18:

31/03/17 £k	**Investment Categories**	**31/03/18 £k**
3	Cash floats	3
3,743	Bank deposits	4,889
0	Short term deposits	2,000
3,746	**Total**	**6,892**

In addition to above cash equivalents, the Council also held £19m of short term investments as at the 31 March 2018.

The Council generated investment interest of £158k (excluding CCLA dividends), which gave an average rate of return of 0.58%.

3.5 Borrowing

At the end of 2017/18, the Council had five Public Works Loan Board loans outstanding with a principal of £42.45m, including a new loan for £207k taken to improve the fitness facilities at Exe Valley Leisure Centre. The Council has paid off £1.731m of the outstanding balances during the year and interest of £1.3m. The interest rates on these loans range from 1.7% to 2.94% pa.

3.6 Principal Risks and Uncertainties

A risk and opportunity management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.

Risks are managed at all levels within the Council. The most serious and/or cross-cutting risks are escalated to the Corporate Risk Register. The Corporate Risk Register is subject to regular review by the Leadership Team and the risks regularly reported to all Policy Development Groups (PDGs); Audit Committee; Cabinet; and Scrutiny. Each risk has an owner and is supported by actions designed to reduce uncertainty and the Council's exposure to risk.

The key areas of corporate risk at March 2018 centred on:

- Financial uncertainty / budgetary pressures
- Asset Management – regulatory compliance
- Impact of welfare reform – impact on our residents and our rental income
- Local Plan Review
- Pressures on the Housing Service
- General Data Protection Regulation (GDPR) compliance

3.7 The Financial Future of Mid Devon

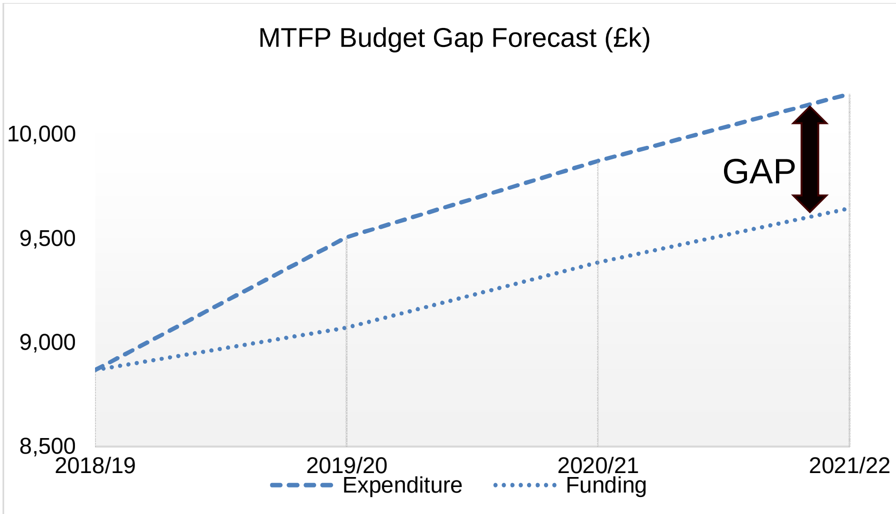
2017/18 was another successful year for the Council; our core services were delivered within budget set against a funding backdrop which has seen circa £3.5 million of Central Government funding cuts since 2010/11.

In order to reduce our operational costs, the Council has looked to rationalise its surplus property assets and acquire more income generating ones. Major changes to our waste collection service are now paying dividends and more enhanced shared working with our near neighbours in areas such as Building Control, Audit and Spatial Planning are helping to further reduce costs and, importantly, build greater capacity.

The future of local government funding remains a very uncertain one. Major changes to New Homes Bonus, the elimination of RSG, the Fairer Funding review and the ongoing discussions regarding the move to 100% business rate localisation, all make any attempt at structured medium term financial planning an increasingly difficult challenge. To this end, the Council has managed to deliver some surpluses across a number of services which we have been able to earmark to provide some contingency, whilst further savings are required in order to plan for balanced budgets in the future.

The recently restructured Leadership Team is already considering a number of options in order to ensure that the Council remains in a strong financial position moving forward. And continuing the journey with healthy financial balances gives the Council a degree of flexibility in decision making, which enables us to continue to provide excellent services at an affordable cost.

Medium Term Forecast Expenditure and Funding £k

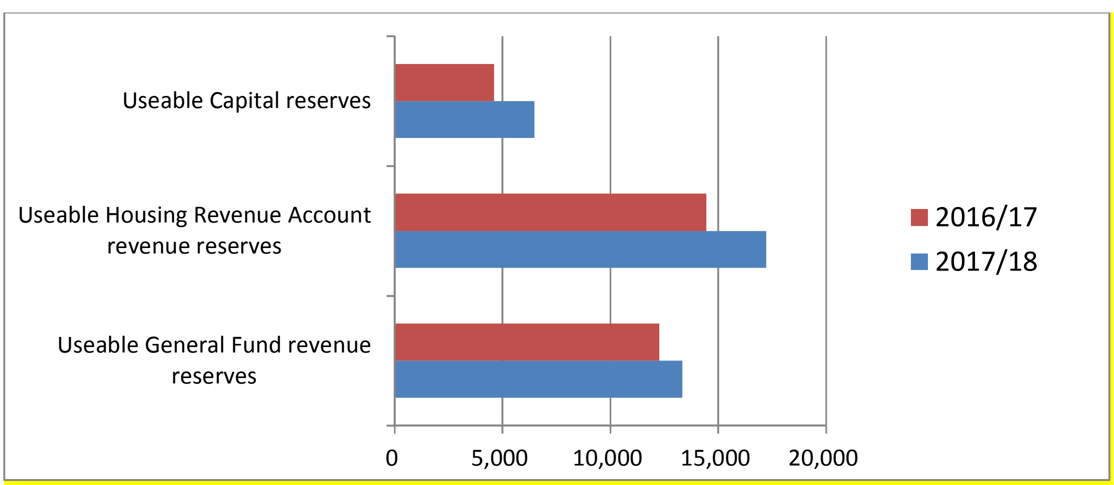


<u>Notes</u>

1. This diagram shows that delivering our existing range and level of services, without any remedial action, would result in the Council's expenditure exceeding the available resources by approximately £550k in 2021/22, meaning a cumulative shortfall of £1.4m over the next four years.

2. Central Government will reduce Revenue Support Grant (RSG) to nil in 2019/20 from £6.2m in 2010/11. This has only been partly offset with increased Retained Business Rates which have seen growth in 2017/18 and the prospect of the 100% Business Rates Pilot Scheme in 2018/19. With increasing demands on services the removal of RSG puts increased pressure on our ability to generate Business Rates as one of the few remaining funding streams.

Total Usable Reserves £k



Andrew Jarrett
Director of Finance, Assets and Resources