

**Cabinet
22 October 2015**

Medium Term Financial Strategy

Cabinet Member Cllr Peter Hare- Scott
Responsible Officer Head of Finance

Reason for Report: To produce an updated Medium Term Financial Strategy (MTFS) which takes account of the Council's key strategies (i.e. Service 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. Included within this over- arching strategy is a Medium Term Financial Plan (MTFP) which models potential changes in funding levels, new initiatives, unavoidable costs and proposed service savings.

RECOMMENDATION: Members approve the updated MTFS and fully endorse the proposals outlined in paragraphs 6.2, 6.3, and 9.4

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).

1.0 Introduction & Purpose of a Medium Term Financial Strategy

- 1.1 The main purpose of the MTFS is to show how the Council will strategically manage its finances over the next 5 years, in order to support the delivery of the pledges/objectives detailed in the new Corporate Plan.
- 1.2 The MTFS 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 Service Plans) and ultimately the Corporate Plan.
- 1.3 The MTFS requires an annual update of the MTFP. This has been a key corporate requirement for a number of years and is an essential part of the budget setting process. The MTFP 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 resources.

- 1.4 Therefore, the MTFP helps strategically plan for next years annual 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 5 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 a MTFP for our Housing Revenue Account. This shows a five year programme, based on costs and income streams for our 3,065 properties as at 31/3/15. The plan will be tabled at the meeting of the Decent & Affordable Homes PDG on the 1 December 2015.

2.0 Framework for the Medium Term Financial Plan

- 2.1 The starting base for the MTFP is the 2015/16 approved budget, this 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, I have included Appendix 1, which attempts to shows 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 which clearly are more difficult to predict the further into the life of the plan they go. 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 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).
 - 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 2% for the 2015/16 financial year. 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 “pay back” 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 management 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 Strategy

- 3.1 The Medium Term Financial Strategy (MTFS) 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. The Housing Revenue Account (HRA) will be covered by a separate report to the December meeting of the Decent and Affordable Homes PDG.

- 3.2 The Government maintains its commitment to the existing deficit reduction programme and continues with its stance on making further reductions in Public Sector funding. Therefore, this MTFP has estimated further year on year reductions in Government funding, in fact incorporating the elimination of the Revenue Support Grant by 2019/20, a reduction of £1.7m.
- 3.3 The financial forecast is explored in detail in the MTFP, which forms part of this strategy. 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 £3,332k. Without any action the General Fund reserve of £2,380 would become overdrawn by £952k, a movement of £3,332k. The deficit in 2016/17 is £508k, which increases annually, peaking at £1,247k in 2019/20. These predictions have included amounts to fund our future capital programme and all of the proposed savings which total £1,811k, and cost pressures of £608K, associated with the detailed service savings review carried out by the Chief Executive, Finance and Service Managers over the summer months, which will be reported and reviewed at the November and December PDG and Cabinet meetings.
- 3.4 The detailed savings exercise referred to in paragraph 3.3 has been extremely helpful in shaping this MTFP and Service Managers should be commended on their continued pro-active role in this process. This is the fourth year of this process and it is acutely evident that some services are finding it very hard to find additional savings without compromising service delivery. However, Members must realise 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.
- 3.5 At this juncture it is extremely important for Members to focus on the summary of this year's savings exercise shown as Appendix 4. The 2016/17 savings total £1,066k (however offset by inescapable cost pressures of £458k) has made a significant inroad into balancing the 2016/17 budget, there are very little in the way of savings shown for future financial years. This fact clearly highlights the "tipping point" officers have been stressing for the last year or so that looking forward the Council has some very difficult decisions to make over what services and levels of service it will be able to afford. Once we have concluded the detailed budget setting process for 2016/17, Management Team and Members will need to start considering the shape of future service provision that is deliverable within a much reduced funding envelope. This exercise will need to provide a financial reality check and needs to be mapped against our new Corporate Plan's aspirations and goals.
- 3.6 At this point it is still worth stressing that against a backdrop of an aggregate cut in Central Government Formula Grant of approximately £2.5m since 2010/11 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 5 years (the details making up this summary are shown on Appendix 2, which includes information relating to in year cost pressures – Appendix 3 and savings – Appendix 4). This shows an overall deficit totalling £3,332k over the life of the plan. This is clearly a growing challenge based upon a number of assumptions, caveats and decisions and is now made even harder by the volume 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

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Total Gross Expenditure	35,865	36,286	36,387	36,601	36,992
Total Income	(27,832)	(28,777)	(29,042)	(29,396)	(29,746)
Net Cost of Services	8,033	7,509	7,345	7,205	7,246
Interest Payable	68	147	146	144	143
Interest Receivable	(134)	(171)	(178)	(154)	(191)
Capital Financing	375	361	354	353	430
New Homes Bonus	0	(1,613)	(1,810)	(2,055)	(2,114)
Net transfers to Earmarked reserves	424	2,396	2,592	2,837	2,896
Loan principal adjustment	0	0	0	0	28
Total Budget Requirement	8,766	8,629	8,449	8,330	8,438
<i>Funded by:</i>					
Revenue Support Grant	(1,705)	(1,108)	(665)	(332)	0
Non Domestic Rates	(2,062)	(1,962)	(1,962)	(1,962)	(1,962)
Council Tax Freeze Grant	(50)	0	0	0	0
Collection Fund Surplus	(43)	(40)	(40)	(40)	(40)
Council Tax	(4,971)	(5,066)	(5,116)	(5,172)	(5,223)
Reduction in CTR grant to TC/PCs	65	55	47	40	34
Total Funding	(8,766)	(8,121)	(7,736)	(7,466)	(7,191)
Cumulative Surplus)/Deficit	0	508	713	864	1,247

- 4.4 The above plan shows a summarised position on the General Fund which predicts a growing general fund deficit peaking at £1,247k in the final year of the MTFP assuming no remedial action is taken year on year to set a balanced budget. 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 £508k in 2016/17 we will only need to find £207k in 2016/17 – e.g. £713 - £508 = £205k).
- 4.5 A key point shown at the bottom of Appendix 2 is that if no remedial action is taken to reduce our overall level of spend our General Fund Balance would be eliminated sometime during 2019/20. So clearly “business as usual” is an unsustainable option.

Capital Overview

- 4.6 There is no revenue contribution to the capital programme as the new Homes Bonus is earmarked for funding elements of the capital programme.
- 4.7 After excluding the HRA capital projects, 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 all of the projected capital programme. (Circa £2,356k over the next 4 years)
- 4.8 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 5.
- 4.9 The capital programme includes “rolling” items already highlighted in the current year capital programme (i.e. housing/DFG 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 factored into the model. If additional receipts are generated we could revisit our capital prioritisation list and bring forward new schemes into the programme.

Table 2 – MTFP Capital Programme

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Total Capital Requirement (A)	8,781	11,379	15,517	13,640
<i>Funded by:</i>				
Existing Funds				
Capital Grants Unapplied Reserve	533	533	533	533
Capital Receipts Reserve	715	714	1,714	714
Earmarked Reserves	2,284	1,658	6,036	1,982
Other	3,209	3,209	3,209	3,208
Total from Existing Funds (B)	6,741	6,114	11,492	6,437

New Funds				
Finance Lease loans				
Public Works Loan Board loans	2,000	5,000	4,000	4,000
Revenue Contributions	40	265	25	80
Total from New Funds (C)	2,040	5,265	4,025	4,080
Total Funding (B + C) (D)	8,781	11,379	15,517	10,517
(Surplus)/Deficit (A-D)	0	0	0	3,123

General notes:

- It should also be noted that previous discussions with Devon County Council regarding the funding of all of the infrastructure assets that will not be fully covered by estimated future receipts from the Community Infrastructure Levy (CIL) may need to be part funded from the District's NHB receipts.
- It is highly likely that we will have to reduce or rephrase our Council House building aspirations in light of the recent rent legislation cutting housing rent levels.
- The Capital Programme has only included known Housing projects that the HRA have planned to deliver. It is highly likely that other building schemes will come forward during the life of this MTFP cycle.
- Only a rough estimate has been provided for a consolidated depot site. At this point in time no detailed costs are available.

5.0 Balances and Reserves

5.1 The Council started 2015/16 with an available General Fund Balance (GFB) of £2,380k (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.

5.2 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 affect is unknown (i.e. changes in legislation or major funding changes). Obviously, when there are more of these events that are likely and there predictability is harder to estimate, then the higher the level of GFB is required.

5.3 Here is just a flavour of the operational, financial and legislative uncertainties facing the Council moving forward:

- A revenue funding deficit of circa £3,332k by the end of 2019/20 including and capital deficit of circa £3,123k by the end of 2019/20
- Volume risks of CTSS and Business Rates localisation

- Recent Appeal Tribunal case involving business rates on GP surgeries
- The Chancellor's announcement that local authorities will be able to retain non domestic rates and determine the NNDR charge
- Introduction of Universal Credit
- Growth of property and commercial base – stepped cost impact but additional revenue based on current government incentives (payment by results of delivery)
- Government funding reductions – how much and for how long? At least 4 years as a minimum, but 25-40% and what will be cut, formula grant, non domestic rates, New Homes Bonus, Housing Benefit Admin Grant etc.
- Further cuts to Welfare system
- Risk of spend to save projects – will projected savings materialise?
- Future tenure and location of depot site(s)
- 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). The removal of the 3.4% rebate on the employer's contracted out national insurance rate commencing in 2016/17
- Any upfront revenue costs associated with the Eastern Urban Extension / new properties in Cullompton
- Possible changes to the referendum limits, which could be reduced to 1.5%
- "Spend to save" costs associated with the digital transformation project and ongoing savings delivered in subsequent years
- Levels of Council Tax going forward
- Inflows and outflows of monies in respect of substantial property transactions including the provision of a new consolidated depot
- New commercial opportunities that may arise
- Potential future partnership working with other authorities
- The success of the new waste scheme including garden waste

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

6.0 How to Manage the Budget Deficit

- 6.1 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. Again this summer we repeated a detailed saving exercise which was chaired by the Chief Executive and the Head of Finance and has identified potential service savings of £1,811k which could be delivered over the next 4 financial years. This review process has gone a long way to balancing the 2016/17 budget but a more structured review will be required to shape budgets from 2017/18 onwards based upon the projections contained in this MTFP.

6.2 It is fair to say that the Council is currently in a relatively strong financial position (evidenced by a recent report by our external auditors) however, it is now at a funding tipping point – i.e. the previous methodology of salami slicing budgets by x% and expecting managers to continue to deliver the same level of service will not work any longer. The MTFP shows an overall funding gap of £3,332k (£3,332k revenue and a deficit on the capital programme of £3,123k) up to 2019/20. In order to reduce this deficit the Council will strive to constantly manage its costs and revenues by:

- A continued reduction of 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

6.3 Ultimately it remains unrealistic to assume that the suggestions listed in paragraph 6.2 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. Looking ahead we now need conceptual ideas to feed into the new Corporate Plan that will shape prioritised service delivery which is affordable.

6.4 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.

7.0 The Corporate Plan

7.1 The MTFS and MTFP will set the financial parameters within which the Council's Corporate Plan must operate and in turn any amendments to the Corporate Plan will drive future revenue and capital budgets and will also shape our Work Force Planning requirements. This shows how interlinked these three key Corporate documents are to the future provision and direction of all Council services.

8.0 On-going Delivery of a MTFP

8.1 Financial and service output/outcomes has been much improved and is now routinely reported to the Cabinet and PDGs, which includes staffing numbers and costs which evidence the continuing commitment to reduce this overhead.

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

- 8.2 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, and more importantly, what are not.

9.0 Conclusion

- 9.1 Like all Councils, Mid Devon is facing on 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.
- 9.2 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.
- 9.3 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 updated Corporate Plan setting out our goals/objectives over the next four years must clearly be matched by the financial resources that are available. Note that the Government has introduced a lot more uncertainty and volatility for the future of our funding streams, which make the medium term financial planning an even more challenging process.
- 9.4 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, 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 variations to what has been previously assumed.

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Background Papers:

File Reference:

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Key Assumptions used in Medium Term Financial Plan

As mentioned in the main body of the MTFS a number of assumptions have been made in formulating the MTFP. 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

The Chancellor continues to reiterate his pledge to carry forward austerity measures and that they will last well beyond the current spending review.

Therefore, Central Government funding will undoubtedly be reduced further during the life cycle of this MTFP.

We are estimating further cuts eliminating the revenue support grant received from the government by 2019/20.

It should also be noted at this stage that we are unclear with regard to how Central Government will deal with previous and future Council tax Freeze grant funding.

Inflation

In the revised format of the medium term financial plan the inflationary rates used in the model are shown on the face of the summary sheet. Forecasts by the Bank of England and others that inflation is not expected to rise substantially in the near future have been reflected within the model

General comment – RPI stood at 1.0% at July 2015.

The Pay inflation also includes an increase to National Insurance and Pensions. 2015/16 will be the second year a triennial pension fund valuation which set new pension contribution rates fixed at 24.2%. The Fund Manager at DCC has not only advised of % rates for superannuation, they have also given us guidance over how much cash will need to be raised by these new contribution rates. So we will need to ensure that the rates we are applying are generating the target levels of contribution into the pension fund. A small increase in contribution rates has been estimated from 2016/17 onwards.

Investment Return

The model assumes that interest rates will remain low but gradually increase to 2.0% by 2019/20. This has been confirmed by looking at a broad spectrum of advice from a number of treasury specialists.

Council Tax Income

The Coalition Government set the Referendum level for District Councils at 2% for 2014/15 and for 2015/16 there has been speculation that they may be further reduced to 1.5%. It has also suggested that there may well be another Council Tax freeze grant on offer – but this is yet to be confirmed. For illustrative purposes only, an increase of 1.0% has been included for Council Tax on a rolling year on year basis. 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 over the next 2-3 years they will then be factored into future MTFPs (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 2015/16 £'000	Change by 1.0% £'000	Change by 5.0% £'000
Employee costs	11,341	113.41	567.05
Premises	1,711	17.11	85.55
Transport	979	9.79	48.95
Income ⁽¹⁾	(8,157)	(81.57)	(407.85)
Supplies & Services ⁽¹⁾	3,245	32.45	162.25
Council Tax Income	(4,971)	(49.71)	(248.55)
Revenue Support Grant	(1,705)	(17.05)	(85.25)
Non Domestic Rates	(2,009)	(20.09)	(100.45)

Note (1) – income and supplies & services both exclude housing benefit payments and subsidy of £20m.

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.

**MID DEVON DISTRICT COUNCIL GENERAL FUND
MEDIUM TERM FINANCIAL PLAN 2015-16 TO 2019-20**

	Current Base 2015-16 £	Infl %	2016-17 £	Infl %	2017-18 £	Infl %	2018-19 £	Infl %	2019-20 £
Employee costs									
Cost pressures	0		261,000		45,000		50,000		55,000
Savings	0		(2,000)		(25,000)		(50,000)		0
Base budget	11,340,560		11,453,966		11,830,095		12,027,847		12,268,404
<i>Inflation base</i>	11,340,560	1.0%	11,712,966	1.0%	11,850,095	1.5%	12,027,847	2.0%	12,323,404
One off initiatives	0		0		0		0		0
Total in year cost	11,340,560		11,712,966		11,850,095		12,027,847		12,323,404
Premises costs									
Cost pressures	0		20,000		0		0		0
Savings	0		(70,000)		0		0		0
Base budget	1,711,040		1,723,873		1,693,959		1,721,063		1,755,484
<i>Inflation base</i>	1,711,040	0.75%	1,673,873	1.2%	1,693,959	1.6%	1,721,063	2.0%	1,755,484
One off initiatives	0		0		0		0		0
Total in year cost	1,711,040		1,673,873		1,693,959		1,721,063		1,755,484
Transport related costs									
Cost pressures	0		0		0		0		0
Savings	0		0		0		0		0
Base budget	979,250		986,594		998,434		1,014,408		1,034,697
<i>Inflation base</i>	979,250	0.75%	986,594	1.2%	998,434	1.6%	1,014,408	2.0%	1,034,697
One off initiatives	0		0		0		0		0
Total in year cost	979,250		986,594		998,434		1,014,408		1,034,697
Supplies and services									
Cost pressures	0		120,000		0		0		0
Savings	0		(53,000)		(90,000)		(40,000)		0
Base budget	3,244,520		3,268,854		3,375,884		3,338,458		3,364,427
<i>Inflation base</i>	3,244,520	0.75%	3,335,854	1.2%	3,285,884	1.6%	3,298,458	2.0%	3,364,427
One off initiatives	0		0		0		0		0
Total in year cost	3,244,520		3,335,854		3,285,884		3,298,458		3,364,427
Housing Benefit payments	19,812,630	0%	19,812,630	0%	19,812,630	0%	19,812,630	0%	19,812,630
Sub total	37,088,000		37,521,917		37,641,002		37,874,406		38,290,642
Support services	(1,223,440)	1%	(1,235,674)	1.5%	(1,254,210)	1.5%	(1,273,023)	2.0%	(1,298,483)
Recharge adjustments									
Total gross expenditure	35,864,560		36,286,242		36,386,793		36,601,383		36,992,158
Fees, charges and grants									
Cost pressures	0		57,000		0		0		0
Savings			(940,700)		(155,500)		(204,500)		(155,500)
Base budget	(8,157,150)		(8,218,329)		(9,211,253)		(9,516,621)		(9,915,543)
<i>Inflation base</i>	(8,157,150)	0.75%	(9,102,029)	1.2%	(9,366,753)	1.6%	(9,721,121)	2.0%	(10,071,043)
One off initiatives	0				0		0		0
Total in year cost	(8,157,150)		(9,102,029)		(9,366,753)		(9,721,121)		(10,071,043)
Housing benefit subsidy	(19,675,020)	0%	(19,675,020)	0%	(19,675,020)	0%	(19,675,020)	0%	(19,675,020)
Total income	(27,832,170)		(28,777,049)		(29,041,773)		(29,396,141)		(29,746,063)
NET COST OF SERVICES	8,032,390		7,509,194		7,345,020		7,205,242		7,246,095
Interest Payable	68,390		147,000		146,000		144,000		143,000
Capital Financing	375,490		361,134		353,668		351,905		429,268
Interest Receivable	(134,090)		(170,865)		(177,719)		(153,613)		(191,124)
Contribution to Capital	0		0		0		0		0
New Homes Bonus	0		(1,612,725)		(1,810,000)		(2,055,000)		(2,114,000)
Net transfers to / (from) earmarked reserves	424,170		2,395,415		2,592,690		2,837,690		2,896,690
Principal Adjustment			0		0		0		28,000

**MID DEVON DISTRICT COUNCIL GENERAL FUND
MEDIUM TERM FINANCIAL PLAN 2015-16 TO 2019-20**

	Current Base 2015-16 £	Infl %	2016-17 £	Infl %	2017-18 £	Infl %	2018-19 £	Infl %	2019-20 £
TOTAL BUDGET EXPENDITURE	8,766,350		8,629,152		8,449,659		8,330,225		8,437,929
Funded by:									
Revenue Support Grant	(1,704,850)	-35%	(1,108,153)	-40%	(664,892)	-50%	(332,446)	-100%	0
Non NDR	(2,062,630)		(2,062,630)		(2,062,630)		(2,062,630)		(2,062,630)
NNDR movement (NNDR Appeals)			100,000		100,000		100,000		100,000
Council Tax Freeze Grant - 15/16	(49,710)		0		0		0		0
Collection fund surplus	(43,330)		(40,000)		(40,000)		(40,000)		(40,000)
Council tax	(4,970,830)	1.0%	(5,020,538)	1.0%	(5,070,744)	1.0%	(5,121,451)	1.0%	(5,172,666)
Average property growth			(45,000)		(45,000)		(50,000)		(50,000)
Reduction in CTR grant to TC/PCs	65,000	-15%	55,250	-15%	46,963	-15%	39,918	-15%	33,930
TOTAL FUNDING	(8,766,350)		(8,121,071)		(7,736,303)		(7,466,609)		(7,191,365)
Budget (Surplus) / Deficit	0		508,082		713,356		863,616		1,246,564
Opening balance 01 April	(2,380,180)		(2,380,180)		(1,872,098)		(1,158,742)		(295,126)
(Add to) / take from balances	0		508,082		713,356		863,616		1,246,564
Closing balance 31 March	(2,380,180)		(1,872,098)		(1,158,742)		(295,126)		951,438
Savings to be found	0		508,082		713,356		863,616		1,246,564
Deficit year 1			508,082	1.2%	514,179	1.6%	522,405	2.0%	532,854
Deficit year 2					199,177	1.6%	202,364	2.0%	206,411
Deficit year 3							138,846	2.0%	141,623
Deficit year 4									365,676
IN YEAR SAVINGS TO BE MADE			508,082		199,177		138,846		365,676

* **Approved Council policy is maintain General Fund balance at 25% of the net budget requirement (i.e. total funding) which equates to £2.2m. The above table indicates that the Council's General Fund balance would be fully utilised during 2019/20 if no additional remedial budget action was taken during the 5 year life of this MTFP. Total in year savings of £3,332k need to be made to retain the current level of reserves. (£508K+£713k+£864k+£1,247k)**

Notes:

I have included a 1.0% increase in Council Tax year on year purely for illustrative purposes - please note a 1% increase in Council Tax generates circa £50k per annum.

There has been talk of another Council Tax freeze payment for 2016/17 - but no confirmation yet (regarding the % to be paid)

Property growth based on figures quoted in Forward Planning's housing supply data - obviously if achieve higher level we receive more Council Tax income but some of our costs will increase and some on a stepped basis (e.g. refuse/recycling, etc.).

Most of the New Homes Bonus, i.e. £2,356k, is used to support current and future Capital Programmes - mainly this money is earmarked towards Private Sector Housing.

The Council Tax reduction grant passed to Town and Parish Council's will be reduced in line with the level of central government grant cuts received by Mid Devon.

Too early to model impact of new NNDR announcements - need to see what detailed legislation comes forward.

**MID DEVON DISTRICT COUNCIL GENERAL FUND
MEDIUM TERM FINANCIAL PLAN 2015-16 TO 2019-20
COST PRESSURES SUMMARY**

	2016-17 £		2017-18 £		2018-19 £		2019-20 £
Employee costs							
Service cost pressures (JE/restructures new pension contributions)	81,000						
Additional employers NIC re contacted out pensions	140,000						
Pension backfunding	40,000		45,000		50,000		55,000
Employees total to summary	261,000		45,000		50,000		55,000
Premises costs							
Service cost pressures (New recycling costs)							
Future car park maintenance	20,000						
Premises total to summary	20,000		0		0		0
Service cost pressures							
Transport total to summary	0		0		0		0
Supplies and services							
Service cost pressures							
Extra provision for local plan	20,000						
Economic development initiatives	100,000						
Supplies and Services total to summary	120,000		0		0		0
Fees, charges and grants							
Service cost pressures	2,000						
Reduction in Admin grant	30,000						
DCC cut in grass cutting	25,000						
Fees, charges and grants summary	57,000		0		0		0
Other cost variances highlighted in the 15/16 budget monitoring process							
Other income to summary	0		0		0		0
Net Total	458,000		45,000		50,000		55,000

**MID DEVON DISTRICT COUNCIL GENERAL FUND
MEDIUM TERM FINANCIAL PLAN 2015-16 TO 2019-20
SAVINGS SUMMARY**

	2016-17 £	2017-18 £	2018-19 £	2019-20 £
Employee costs	(2,000)			
Establishment reductions				
Digital strategy		(25,000)	(50,000)	(25,000)
Employees total to summary	(2,000)	(25,000)	(50,000)	(25,000)
Premises costs				
Lower premises spend on maintenance	(70,000)			
Premises total to summary	(70,000)	0	0	0
Transport related costs				
Transport total to summary	0	0	0	0
Supplies and services				
Reduced grants	(20,000)			
Reduced postage & overheads	(16,000)			
Reduced audit fee	(17,000)			
North Devon DC ICT Partnership (Software/servers etc)		(90,000)	(40,000)	
Supplies and Services total to summary	(53,000)	(90,000)	(40,000)	0
Fees, charges and grants				
Service increases	(74,200)			
Pre application fee income	(30,000)			
Parking increases	(58,000)		(49,000)	
New waste scheme	(250,000)			
Lowman Green Unit	(10,000)			
Leisure centre income	(155,500)	(155,500)	(155,500)	(155,500)
Fees, charges and grants summary	(577,700)	(155,500)	(204,500)	(155,500)
Other income				
Other income variances highlighted in the 15/16 budget monitoring process			0	0
Market Walk income	(363,000)			
Other income to summary	(363,000)	0	0	0
Total Initiatives	(1,065,700)	(270,500)	(294,500)	(180,500)