

---

# Medium Term Financial Strategy 2017-18 to 2019-20 – Supporting Information

---

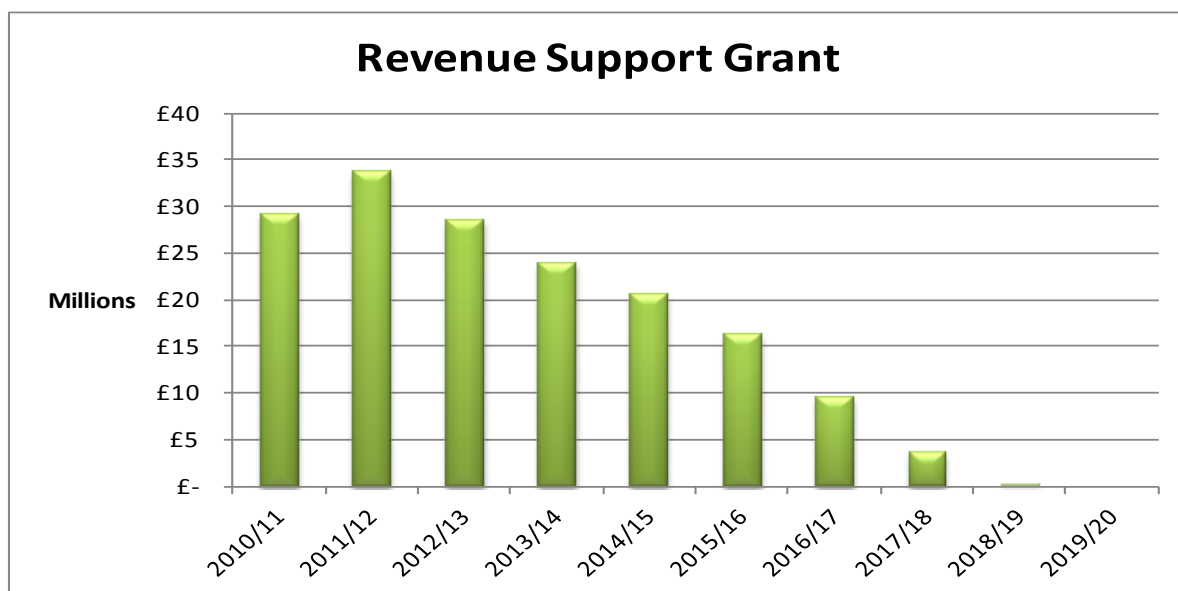
## 1. Introduction/Background

- 1.1 The Medium Term Financial Strategy (MTFS) is a rolling three year strategy which is built to ensure that the financial resources, both revenue and capital, are available to deliver the Council Strategy. The MTFS should be read in conjunction with the Revenue Budget 2017-18, Capital Strategy and Investment and Borrowing Strategy reports.
- 1.2 The aim of the MTFS is to:
- (1) Allocate our available resources focussing on those determined as most critical in supporting our priorities and statutory responsibilities
  - (2) Determine the level of service we will realistically be able to provide
  - (3) Ensure that capital investment is affordable; and
  - (4) Ensure that the Council has sufficient levels of reserves.
- 1.3 Over the last seven years, West Berkshire Council has had to find over £50m of revenue savings, which has been achieved through finding efficiencies, staff reductions and transforming services. This level of savings was required as a result of a number of factors:
- (1) Since 2010, Council funding from Central Government has significantly reduced as part of the deficit reduction programme.
  - (2) Since 2013-14, the Council has been exposed to the volatility of our local business rate generation. This represents both an opportunity to benefit from growth, but also a risk. Since the introduction of local business rate retention, growth has stagnated and a number of large appeals have reduced the Council's income.
  - (3) The Care Act 2014 came into force in April 2015, introducing the most significant changes to social care legislation for 60 years. Despite the Government stating they would meet the costs of the Care Act in full, the Council has been left to cover an annual funding gap of £3m.
  - (4) The Council's costs rise by about 2% each year to perform exactly the same functions with no new demands. There have also been new cost pressures such as increased demands on children's placements, social worker recruitment, demand for social care and demand for services such as waste management.
  - (5) Three quarters of the Council's income comes from Council Tax, which has seen no increases in four out of the last seven years.

- 1.4 The 2016-17 Local Government Settlement included proposals for major transformation of local government funding, confirming the move to the retention of 100% of business rates by 2020 and the phasing out of the Revenue Support Grant (RSG). In return, additional responsibilities will be devolved to local authorities.
- 1.5 Local authorities were given the opportunity to raise council tax by up to 2% above the existing threshold with funds ring-fenced to pay for adult social care. West Berkshire Council applied the 2% precept in 2016-17, raising £1.58m to support Adult Social Care needs in the district.
- 1.6 The 2016-17 settlement gave local authorities greater certainty over elements of their funding to the end of the Parliament, by announcing a multi-year settlement offer. The offer included Revenue Support Grant (RSG), Business Rates tariff and top up payments, Rural Services Delivery Grant and Transition Grant. Councils had to accept the offer in October 2016 and publish an Efficiency Plan. West Berkshire Council chose to accept this offer, allowing certainty over some of our funding streams until 2019-20. The Efficiency Plan is published on our website.

**2. The Provisional 2017-18 Local Government Finance Settlement: confirming the offer to councils**

- 2.1 The provisional settlement figures were issued on 15<sup>th</sup> December 2016 and the settlement for West Berkshire was as agreed in the four year funding offer. In 2017-18 we will receive 61% less in Revenue Support Grant (RSG) than in 2016-17, equating to a loss of £5.8m. By the end of this MTFs in 2019-20 we will no longer receive any RSG, and will also be charged an additional tariff on our business rates in order to meet the overall reductions to local government funding set in the Spending Review. The grant allocations are shown in the following chart.



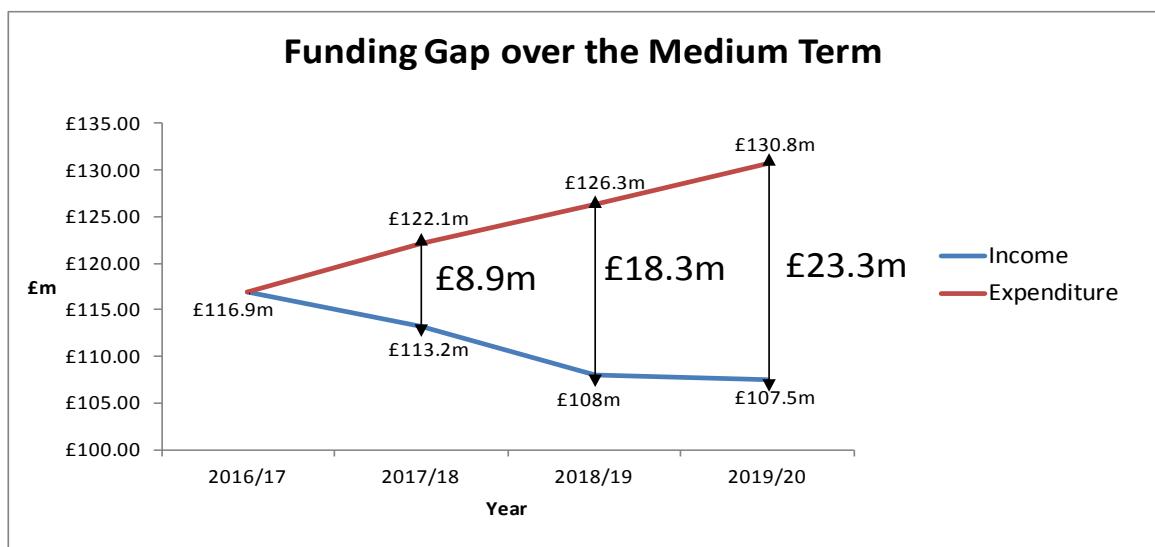
Note: RSG commenced in 2013/14, prior to this it was Formula Grant

- 2.2 Government has assumed that local authorities will increase their Band D council tax by 1.75% per year (CPI forecast) throughout the period to 2019-20. Government has also assumed that all eligible local authorities will take up the adult social care precept in each year to 2019-20. Government has therefore assumed that our income from council tax will increase as a result and has reduced our RSG grant funding accordingly.

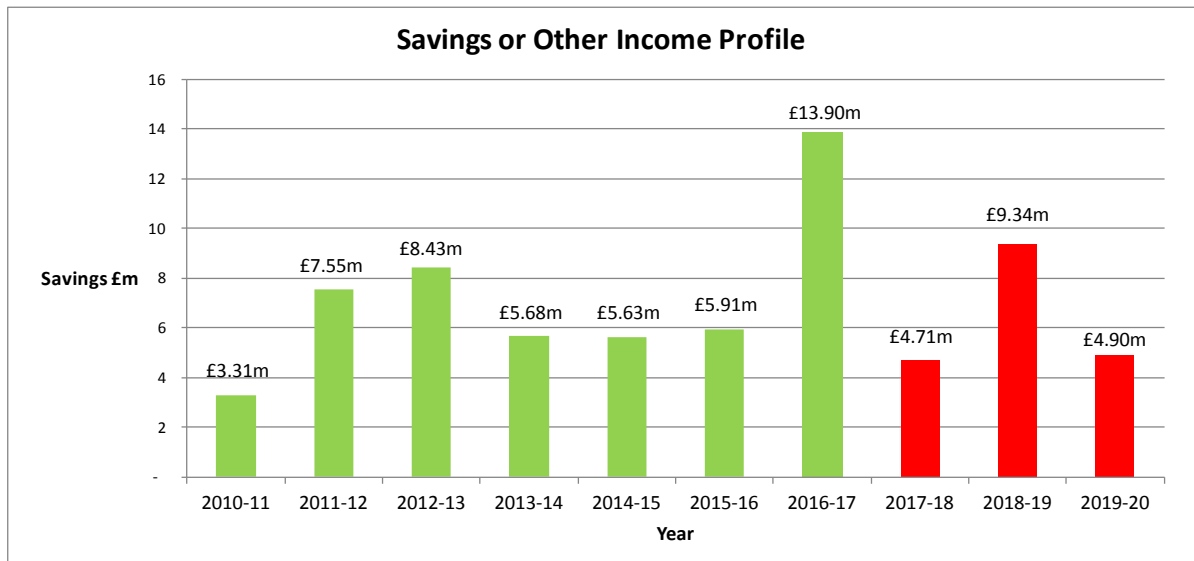
- 2.3 The New Homes Bonus funding for 2017-18 is £330k below our previous expectations as a result of Government reforms. The number of years for which payments are made has been reduced from six years to five years in 2017-18, and then to four years from 2018-19. The reform has also introduced a baseline for housing growth set at an initial level of 0.4% of the council tax base for 2017-18. Housing growth below this level will not receive a New Homes Bonus allocation. This NHB reset will be redirected into an Adult Social Care Support Grant giving each authority a share of which West Berkshire will receive £503k one off funding.
- 2.4 Our Education Services Grant (ESG) is being withdrawn as a result of Government reforms. The grant consisted of two elements: general funding (2016-17: £1,472k) and retained duties (2016-17: £382k). From 2017-18, local authorities will no longer receive the general funding rate grant (but will receive transitional protection to the end of August 2017). It is estimated that there will be a negative impact on our revenue budget in 2017-18 of £373k and the Education Service Review is looking at ways to mitigate the impact of this. Schools can choose to buy back the services that were previously funded from this grant from the local authority or to buy from private providers, but they will not receive additional funding to do so. The retained duties element will be added to the Dedicated Schools Grant (DSG). The transfer of Education Support Grant functions to schools and to the DSG was agreed at the Schools Forum meeting of 23<sup>rd</sup> January 2017.
- 2.5 West Berkshire received transitional grant funding from central government of £1.39m in 2016-17 and will receive £1.37m in 2017-18. It has been agreed that the transitional funding should be used in order to respond to the concerns of the residents of West Berkshire and that any funding allocated should be on the basis of that service transitioning to a new model of operation.

### 3. Funding Gap

- 3.1 The forecast levels of funding over the period of the MTFs, together with provision for budgetary increases, means that West Berkshire Council is facing a funding gap of £23.3m between 2017-18 and 2019-20. The following chart shows how the funding gap would grow if savings or other income were not identified to bring the budget back in balance.



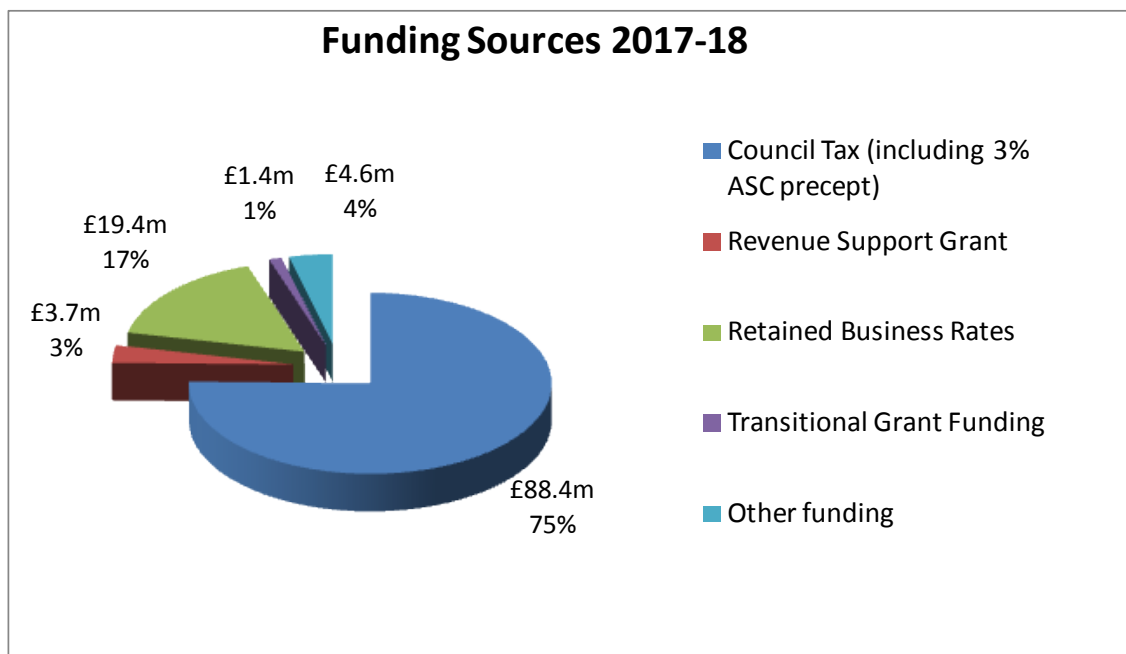
3.2 In order to close the £8.9m gap in 2017-18, it is proposed that Council Tax will be increased by 1.99% raising £1.7m, with an additional 3% precept ring-fenced for adult social care raising £2.5m. This leaves a gap of £4.7m to be met from savings or income generation in 2017-18. The savings profile over the previous seven years and for the next three years is shown in the following chart:



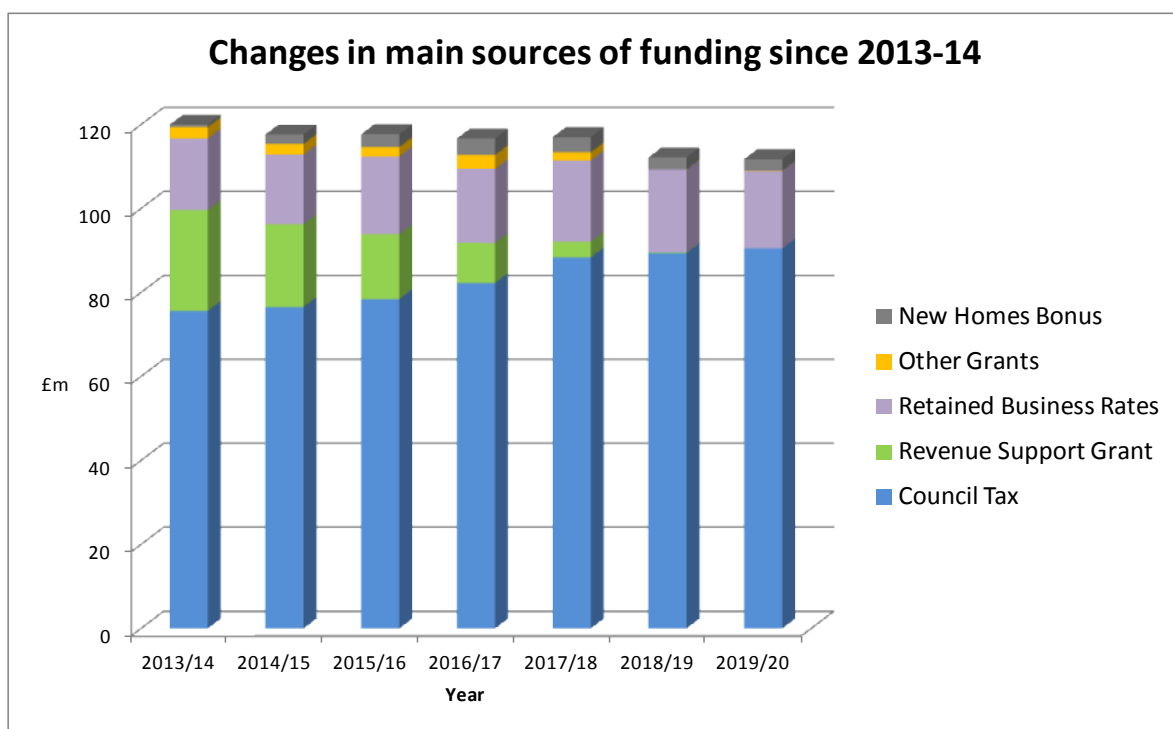
3.3 The 2018-19 target of £9.34m and the 2019-20 target of £4.9m are before any Council Tax increases. If Council Tax was increased by the maximum allowed and the full ASC precept taken, it would raise £4.46m in 2018-19 and £2m in 2019-20, reducing the savings target to £4.88m in 2018-19 and £2.9m in 2019-20. The Council is working on plans to close the funding gap by a combination of savings from service transformation and income generation

#### 4. Revenue Funding

4.1 The 2017-18 revenue budget is funded from a number of sources as shown in the following chart:



4.2 The following chart shows the changes in the Council’s main sources of funding between 2013-14 and our expected funding in 2019-20.



4.3 This MTFs is based on a 1.99% increase in Council Tax in 2017-18 with an additional 3% precept ring-fenced for adult social care. For 2018-19 and 2019-20, the Council will aim to close the funding gap by a combination of savings and income generation. Income from Council Tax is expected to increase over the period as a result of growth in the tax base and changes to the Council Tax Support Scheme. This increase is forecast to be 2.33% in 2017-18 and then an estimated 1.2% each year, or approximately 750 new Band D equivalent properties. This is based on a collection rate of 99.4%. Council Tax is our largest source of funding at 75% amounting to £88.4m in 2017-18.

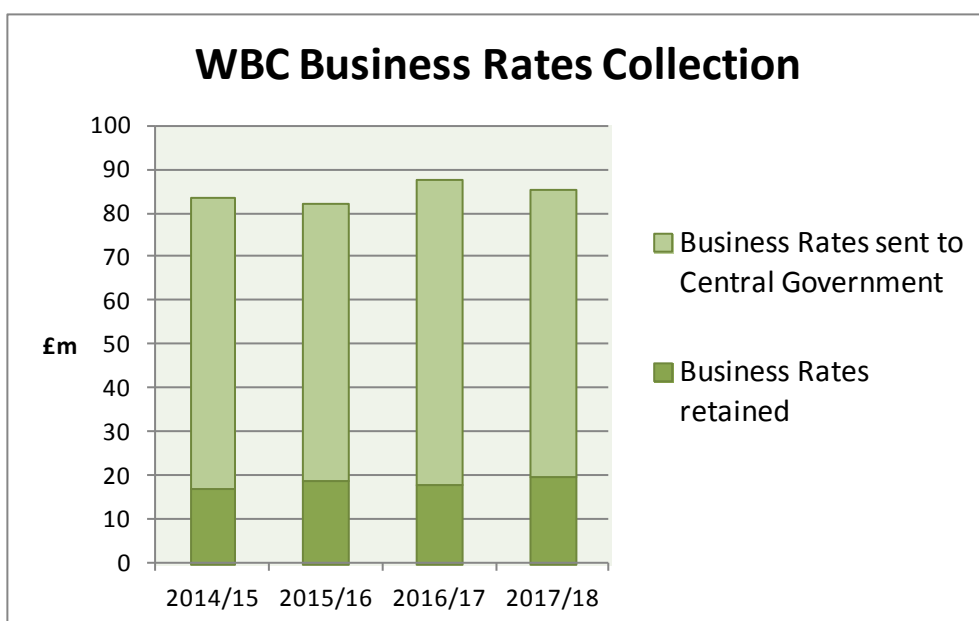
4.4 The Revenue Support Grant (RSG) will fall to zero over the period of this MTFs as per the four year settlement figures shown in the following table.

West Berkshire Council Revenue Support Grant	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m
RSG	17.11	9.53	3.70	0.12	0
Percentage reduction		44%	61%	97%	100%

4.5 Retained Business Rates represents our share of the actual business rate collected in West Berkshire. The introduction of business rate retention meant that from April 2013 a significant part of our budget became dependent on the amount of business rates collected in West Berkshire. The business rate retention reform created a need for councils to receive new, previously uncollected, information to enable sufficiently robust financial planning, such as data about upcoming appeal decisions, the value of business rate income and the impact of business rate avoidance. Most of this information had previously been collected by the Valuation Office (VO) and provided to Central Government, as councils had no direct stake in business rate collection.

4.6 Currently councils have limited ability to counteract risk in relation to appeals and avoidance, and this is especially the case for councils dependent on a small number of large businesses. Whilst councils did not previously bear any risk from successful appeals, they are now liable for half of the cost, including any backdating liability. Appeals have had a significant impact on West Berkshire which has resulted in a loss of nearly £3m from back dated appeals and an ongoing loss of circa £850k per year.

4.7 The risks outlined above create a challenge to medium term financial planning with regards to growth forecasts and levels of appeals. The total Business Rates collection in West Berkshire for 2017-18 is forecast to be £85m, of which we retain £42m, after payments to Central Government known as the ‘central share’ (50%) and the Royal Berkshire Fire Authority (1%). Out of this £42m we pay a tariff to Central Government of £21m and after levies and recovery of any deficit, West Berkshire Council is expected to retain £19.4m. The central share is used by Government to fund the needs-based Revenue Support Grant.



4.8 Business rates collected are forecast to increase by £2m over the next three years, however, our retained business rates will decrease by nearly £1m over the same period as a result of increased tariffs. In effect, our retained business rates will reduce from 22.7% retention to 21.1% over the period.

	2017/18	2018/19	2019/20
Business Rates Collected	85.41	86.44	87.47
Business Rates sent to Central Government	66.03	66.74	69.03
Business Rates retained	19.38	19.70	18.44
Retention Rate	22.7%	22.8%	21.1%

4.9 The Local Government Settlement announced the move to 100% retention of business rates by local authorities by 2019-20 but it is not yet clear how this will benefit local authorities. It is expected that any increase in the proportion we retain will come with additional responsibilities.

- 4.10 Other non-ringfenced funding consists of New Homes Bonus grant, Education Services grant, Transitional Grant and other grants. These funding streams are forecast to fall from £7.3m in 2016-17 to £2.8m by 2019-20.
- 4.11 The Council also receives ring-fenced funding which must be spent on specific areas. The largest of these are detailed below.
- (1) The Dedicated Schools Grant (DSG) does not form part of the Revenue budget as it is received by government and then passed straight out to schools.
  - (2) Department of Health funding via the Better Care Fund is to be spent locally on health and care with the aim of achieving closer integration and improve outcomes for patients and service users and carers. The fund is allocated to local areas where it is put into pooled budgets under Section 75 joint governance arrangements between CCGs and councils. A condition of accessing the money is that the CCGs and councils must jointly agree plans for how the money will be spent, and these plans must meet certain requirements. In addition to this the Department of Health is providing grants to meet some of the new burdens arising from the Care Act but this does not include the additional eligibility cost of £3m the Council is currently having to accommodate despite previous reassurances from the Department of Health that these additional costs would be funded and discussions on this matter are still continuing.
  - (3) The Government has announced savings in public health spending averaging annual real terms savings of 3.9% per annum to 2020. The grant is to remain ring-fenced for 2017-18.

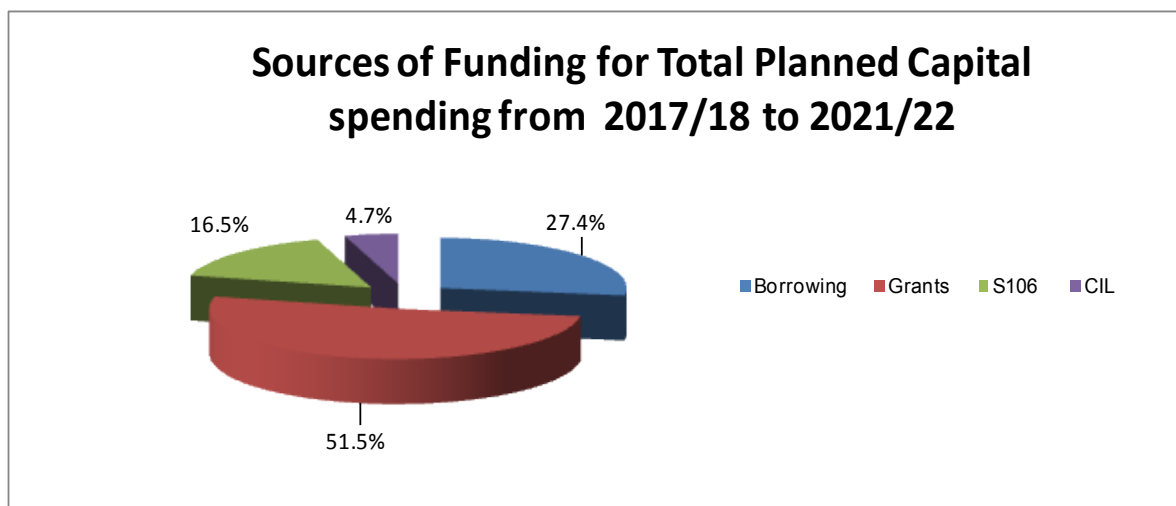
## 5. Revenue Expenditure

- 5.1 The Revenue funding outlined above, funds the following year on year changes to our base budget.
- 5.2 **Base Budget Growth:** This is the annual budget increase required for the Council to perform exactly the same functions year on year. As part of the budget setting process, the Council provides for general inflationary pressures such as salary increases (1% assumption) based on the established number of posts, together with salary increments and increases to National Insurance and pension contributions.
- 5.3 **Contract Inflation:** Budgets are inflated where a contract is in place and is subject to annual inflationary increases. The main amount of contract inflation the Council faces is from the waste PFI contract. This contract increase is based on the RPIx measure in January of each year.
- 5.4 **Service Pressures:** Each year new pressures arise from demand or new service provision. These need to be built into the MTFS. The 2016-17 budget is forecasting an over spend of £765k at Quarter Three and any ongoing pressures arising from this need to be built into future budgets. The pressures have largely arisen in adult social care and include provision for the transition of learning disability clients from children to adult placements together with increased demand, staffing shortages and cost increases.

5.5 **Provision for Other Risks:** The Council is facing a number of risk items that will arise but cannot yet be quantified. These include increase in demand for services over and above budget assumptions, inflation and income from business rates and any changes as a result of the final settlement. There is a risk to delivering some savings plans in full, and this risk increases in line with the size of the savings programme. We have allocated some funding in the revenue budget for the next two years to help fund these items.

## 6. Capital Programme

6.1 Capital funding is covered in detail in the Capital Strategy 2017 to 2022. The size of the Capital Programme is determined by the amount which the Council can afford to borrow together with other sources of capital funding including capital receipts, government grants and developers’ contributions. A breakdown of the expected sources of funding for the Capital Programme 2017-18 to 2021-22 is shown in the following chart:



6.2 Annual increases of £500k have been built into the Council’s revenue budget to accommodate borrowing to fund the Capital Programme. The estimated cost of borrowing is based on the assumption that the Bank of England base rate will increase by 0.5% each year from 2017-18 to a peak of 2.5% in 2020-21.

6.3 The level of the Council funded programme is planned to average £12m in 2017-18 and 2018-19, to support investment in Superfast Broadband, Council ICT, provision of additional temporary accommodation and to help meet the pressure on primary school pupil numbers. From 2019-20 onwards the ongoing level of new Council funded capital is expected to continue at approximately £5.8m per year.

## 7. Reserves

7.1 Reserves are categorised into usable and unusable reserves. Usable Reserves consist of the General Reserve and Earmarked Reserves. The General Reserve is comprised of the ‘General Fund’ and the ‘Risk Fund’ and exists to cover a number of non-specific items and risks. Earmarked Reserves are held for specific future projects or service risks and include schools balances, schools in financial difficulty, self insurance, waste management and service specific risk funds. The service specific risk funds were created to meet known risks within Adult Social Care,



Children and Family Services and Legal Services, and these may be called upon to support the 2016-17 over spend, subject to Executive approval.

- 7.2 The level of usable reserves the Council holds is reviewed as part of the medium term financial planning. Consideration is given to the current financial standing of the Council, the funding outlook into the medium term and the financial risk environment we are operating in. The s151 officer (Head of Finance) recommends that the General Reserve totals, as a minimum, 5% of the Council’s net revenue expenditure, which for 2017-18 would be £5.8m.
- 7.3 During 2016-17, usable reserves are expected to reduce by £2.75m to fund the forecast revenue over spend, fund exit costs arising from savings plans and to facilitate the transfer of John O’Gaunt School to an Academy. The use of reserves is a one off solution and must be used prudently to ensure it does not undermine longer term budget sustainability.
- 7.4 The Council is proposing in the 2017-18 budget to put £1.98m back into reserves. The Adult Social Care Risk Fund will be topped up by £0.98m to mitigate against risks in this area. If the Executive are minded to approve the use of Transition Grant after considering the consultation responses, then £1m will be allocated to a Transformation Fund, in order to ensure that the Council has the resources to pursue transformation plans outlined in the MTFs and to invest in strategies that will bring future benefits to the organisation.
- 7.5 Usable reserves are shown in the following table:

<b>Usable Reserves Summary</b>	<b>Actual</b>	<b>Use of</b>	<b>Increase in</b>	<b>Estimate</b>
	<b>1.4.2016</b>	<b>Reserves</b>	<b>Reserves</b>	<b>1.4.2017</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	5.32	-	-	5.32
Risk Fund	1.03	-	-	1.03
<b>Total General Reserve</b>	<b>6.35</b>	<b>0.00</b>	<b>0.00</b>	<b>6.35</b>
Earmarked Reserves	12.09	-2.75	1.98	11.32
<b>Total Usable Reserves</b>	<b>18.44</b>	<b>-2.75</b>	<b>1.98</b>	<b>17.67</b>

## 8. Medium Term Financial Strategy

- 8.1 Over the past few years, the Council’s savings programmes have focussed largely on becoming more efficient at what we do and reducing the Council’s administrative functions. Over the last seven years these efficiencies have contributed almost half of the £50m savings taken out of our budgets so far.
- 8.2 Whilst the Council will continue to maximise efficiencies from across its service areas, the key financial strategy to close the funding gap over the medium term will focus on innovation around service transformation and income generation. To drive this change, the Council has created a Corporate Programme which contains some 44 areas of activity. It contains a number of projects that aim to support the Council’s financial strategy through identifying opportunities to transform services and through implementing changes that will deliver new income streams. These areas of activity are being progressed using the council’s project management

methodology and therefore have their own time lines and governance structures. Alongside this, Directors are looking at a range of solutions which will be presented to a Budget Board every six weeks.

8.3 The areas of focus include the following:

- Investing in digitisation to both improve services and reduce costs
- Reviewing our services where benchmarking against other councils suggest they may be above average cost
- Reviewing our staffing costs and looking at workforce redesign
- Demand management
- Exploring a range of alternative models for delivering services
- Looking at statutory provision and working with partners and other providers to minimise the impact of disinvestment
- Working with communities to deliver services in a different way
- Working with Town and Parish Councils to identify opportunities for devolving services to them
- Looking to grow the number of services we share with other councils, where it makes business sense to do so
- Taking advantage of the relaxation of rules around the use of capital receipts to fund service transformation that reduces ongoing revenue costs
- Investing in commercial property with the aim of generating a significant new income stream
- Investing in residential property with the aim of meeting our statutory housing duties in a more cost effective way and generating a new income stream
- Reviewing income generating sources and fees and charges as part of our benchmarking work, comparing ourselves nationally and with similar authorities
- Applying a more commercial approach to the way in which goods and services are procured.

8.4 Resources and staffing have been allocated to the Corporate Programme in order to move this forward, and £1m will be put into a Transformation Reserve, subject to approval, in order to facilitate the delivery of the financial strategy.

## 9. Supporting Information

9.1 The three year Medium Term Financial Plan (MTFP) is shown in the following table, with further explanation behind each item in Appendix C.

2016/17	Line ref	Medium Term Financial Plan	2017/18	2018/19	2019/20
£m			£m	£m	£m
		<b>Council Tax/ASC Precept Increase</b>	<b>4.99%</b>	<b>0%</b>	<b>0%</b>
82.28	1	Council Tax income	88.40	89.46	90.53
9.53	2a	Revenue Support Grant	3.70	0.12	0.00
1.39	2b	Transitional Grant Funding	1.37	0.00	0.00
0.00	2c	Adult Social Care Support Grant	0.50	0.00	0.00
0.07	2d	Other Non-Ringfenced Grants	0.06	0.05	0.04
87.41	3a	<i>Business Rates Collected</i>	85.41	86.44	87.47
-69.76	3b	<i>Business Rates sent to Central Government</i>	-66.03	-66.74	-69.03
17.65	3c	Retained Business Rates	19.38	19.69	18.44
1.84	4	Education Services Grant (ESG)	0.51	0.00	0.00
3.95	5	New Homes Bonus	3.63	2.88	2.78
-1.01	6	Council Tax Collection Fund deficit (-)/ surplus	-0.11	0.00	0.00
1.17	7	Use of Capital Receipt	0.00	0.00	0.00
<b>116.88</b>	<b>8</b>	<b>Funds available</b>	<b>117.44</b>	<b>112.20</b>	<b>111.79</b>
111.96	9a	Opening Directorate Budget	105.78	105.23	101.85
-0.01	9b	Opening budget adjustments*	-2.10	0.00	-0.44
2.30	10	Base budget growth	1.67	1.51	1.49
0.38	11	Contract inflation	0.61	0.53	0.50
3.89	12	Service pressures	3.70	3.48	2.44
1.17	13	Provision for other risks	0.28	0.44	0.00
-13.90	14	Requirement for savings or other income	-4.71	-9.34	-4.90
105.78	15	Directorate budget requirement	105.23	101.85	100.94
9.16	16	Capital Financing	9.86	10.35	10.85
1.39	17	Transitional funding	1.37	0.00	0.00
0.50	18	Increase in Service Specific Reserves	0.98	0.00	0.00
0.05	19	CTSS support for Parishes	0.00	0.00	0.00
<b>116.88</b>	<b>20</b>	<b>Budget requirement</b>	<b>117.44</b>	<b>112.20</b>	<b>111.79</b>
	*	<b>Opening Budget Adjustments</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
		One off funding	-1.17		-0.44
		One off savings	0.40		
		ESG services removed	-0.96		
		Capital financing adjustments	-0.24		
		Other	-0.14		
			<b>-2.10</b>	<b>0</b>	<b>-0.44</b>

## 10. Proposals

10.1 To approve the MTFs, subject to final changes.

## 11. Conclusion

11.1 The forecast levels of funding available over the medium term, together with provision for budgetary increases and growing pressures, mean that over the next three years we are faced with funding gap of £23.3m. We have accepted the offer of a multi year financial settlement to provide financial stability on which the Council can plan ahead. In 2017-18, a 1.99% Council Tax increase generates £1.7m, a 3% adult social care precept generates £2.5m and our savings and income generation plans save £4.7m. For the following two years, the Council will focus on innovation around service transformation and income generation in order to bring financial

stability for the future. Capital investment will continue to ensure that core assets are maintained and protected. Reserves have been reviewed to ensure they are for the Council to deliver services and take appropriate risks in amending service delivery models without impacting on the financial viability of the organisation.

- 11.2 The Council has a track record of strong financial management. Historically budgets have been delivered without significant over or under spends. The Council's ability to manage within significant financial challenge is vital to its continuing success in delivering the Council Strategy.

## 12. Consultation and Engagement

- 12.1 Consultation has taken place where appropriate on the individual savings proposals for future years.

---

### Background Papers:

Capital Strategy 2017-2022, Council Strategy 2016-2019, Investment and Borrowing Strategy, Revenue Budget 2017-18.

### Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim:

- MEC – Become an even more effective Council**

The proposals contained in this report will help to achieve the following Council Strategy priority:

- MEC1 – Become an even more effective Council**

---

### Officer details:

Name: Andy Walker  
Job Title: Head of Finance  
Tel No: 01635 519433  
E-mail Address: andy.walker@westberks.gov.uk

---

## Appendix B

### Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity.

Please complete the following questions to determine whether a Stage Two, Equality Impact Assessment is required.

<b>Name of policy, strategy or function:</b>	Medium Term Financial Strategy 2017/18 to 2019/20
<b>Version and release date of item (if applicable):</b>	19.12.2016
<b>Owner of item being assessed:</b>	Andy Walker
<b>Name of assessor:</b>	Andy Walker
<b>Date of assessment:</b>	19.12.2016

Is this a:		Is this:	
Policy	No	New or proposed	Yes
Strategy	Yes	Already exists and is being reviewed	No
Function	No	Is changing	No
Service	No		

1. What are the main aims, objectives and intended outcomes of the policy, strategy function or service and who is likely to benefit from it?	
<b>Aims:</b>	To ensure that the Council has a financial strategy for the next three years.
<b>Objectives:</b>	
<b>Outcomes:</b>	
<b>Benefits:</b>	

2. Note which groups may be affected by the policy, strategy, function or service. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this.  (Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)		
Group Affected	What might be the effect?	Information to support this

<b>Further Comments relating to the item:</b>

<b>3. Result</b>	
<b>Are there any aspects of the policy, strategy, function or service, including how it is delivered or accessed, that could contribute to inequality?</b>	<b>No</b>
<b>Please provide an explanation for your answer:</b>	
<b>Will the policy, strategy, function or service have an adverse impact upon the lives of people, including employees and service users?</b>	<b>No</b>
<b>Please provide an explanation for your answer:</b>	

If your answers to question 2 have identified potential adverse impacts and you have answered ‘yes’ to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage 2 Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the Equality Impact Assessment guidance and Stage Two template.

<b>4. Identify next steps as appropriate:</b>	
<b>Stage Two required</b>	
<b>Owner of Stage Two assessment:</b>	
<b>Timescale for Stage Two assessment:</b>	
<b>Stage Two not required:</b>	Not required

**Name: Andy Walker**

**Date: 19.12.2016**

Please now forward this completed form to Rachel Craggs, the Principal Policy Officer (Equality and Diversity) for publication on the WBC website.

## Appendix C

### Medium Term Financial Plan – Assumptions

#### 1) Council Tax

The MTFFS assumes a Council Tax increase of 1.99% in 2017-18 with a ring-fenced 3% precept for adult social care. After this the working assumption is no Council Tax increases. Taxbase growth assumptions are 2.33% in 2017-18 and 1.2% per annum for the remaining years of the MTFFS.

2) a) Revenue Support Grant (RSG) figures have been received for a four year settlement from 2016-17 to 2019-20.

b) Transitional grant funding has been awarded in 2016-17 and 2017-18.

c) Adult Social Care Support Grant is a one off grant that has been funded by a reduction in the New Homes Bonus funding.

d) Other Non-Ringfenced Grants are expected to be received during the financial year and will be used to support the Council budget.

#### 3) Retained Business Rates

The performance of the national and local economy in maintaining and growing the number and size of businesses in the local area will be important. For 2017-18 onwards, any increases have been assumed to be in line with Consumer Price Index (CPI) estimates.

#### 4) Education Services Grant (ESG)

This figure represents a transitional Government Grant in respect of Local Education Authority (LEA) support service functions to schools up to August 2017. After this there will be no ESG.

#### 5) New Homes Bonus

This is monies received from Central Government (equivalent to the Council Tax received on a band D property) for every net new additional property in the district. The Government created this scheme to incentivise planning authorities to help promote new properties being built. The

payments have been reduced in 2017-18 from six years to five and are expected to reduce to a four year payment from 2018-19.

#### 6) Council Tax Collection Fund

This is the surplus or deficit from the previous year's Collection Fund. The Collection Fund is a ring-fenced account for Council Tax collected. Any variation compared to the expected Council Tax collected is pass-ported into the next financial year.

#### 7) Use of Capital Receipt

As part of the Local Government Spending Review, the Government has provided councils with the flexibility to use capital receipts to fund transformation and restructuring of services in order to achieve efficiencies and revenue cost savings.

#### 8) Funds Available

The total non-ringfenced funds available for setting the Council's budget.

#### 9) Opening Directorate Budget

This is the opening budget before new costs are built in and savings taken out.

#### 10) Base Budget Growth

This is the adjustments to the Council's core costs; primarily pay inflation 1% and incremental pay awards (approx £510k pa). Pension provision is assumed to increase by 1.7% per annum from 2017-18 in order to fund the actuarial valuation.

#### 11) Contract Inflation

This line represents all inflation on Council contracts that are inflation linked.

#### 12) Service pressures

Any additional investments required for new costs; for example due to additional demand in social care.



### 13) Provision for Other Risks

The Council is facing a number of risk items that will arise but cannot yet be quantified including increases in demand for services, inflation and risk of delivering savings plans.

### 14) Requirement for savings or other income

This is the total savings or additional income that will have to be found in order to ensure a balanced budget.

### 15) Directorate Budget Requirement

The base budget for the Directorates.

### 16) Capital financing costs

Budget for payments to the Environment Agency, Magistrates courts, interest paid and received on Treasury Management (Investment) activity and, primarily, the revenue costs of paying for long term capital borrowing to fund the Council's Capital Programme.

### 17) Transitional funding

This has been made available by Government as part of the Local Government Settlement. It is available for 2016-17 and 2017-18.

### 18) Increase/Use of reserves

This is any planned use of reserves to support the revenue budget or increase in reserves to support future plans.

### 19) CTSS support for Parishes

This is reducing transitional funding to assist Parish Councils in dealing with the impact of the Council Tax Support Scheme (CTSS) on their local precepts.

### 20) Budget requirement

The total budget for the year.