Report of the Director of
Governance and Partnerships

Agenda item No: Appx 1
Meeting: 1 March 2018

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

REVENUE BUDGET 2018/19 AND FINANCIAL PLAN 2018/23

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 The purpose of this paper is to consider budget proposals for the period 2018/23 and to provide Council with the information and analysis necessary to set a revenue budget and Council tax for the next financial year 2018/19.

1.2 The paper and its appendices identify options for continuing to deliver high quality Services while meeting the challenges of the current financial climate. A separate paper on this agenda provides details of a proposed capital programme for the same period.

1.3 It gives assurance on the Councils financial resilience, confirms that the estimates presented in the report are robust and that reserves are adequate. This meets the requirements of section 25 of the Local Government Act 2003 and provides a basis for Council to set a balanced budget.

1.4 The key decisions in this report are:

- To determine the Councils revenue budget for 2018/19
- To set the Council tax for 2018/19
- To approve the medium term financial plan for 2018/23

This meets the requirements of Sections 31 to 52 of the Local Government Finance Act 1992 as modified by subsequent legislation.

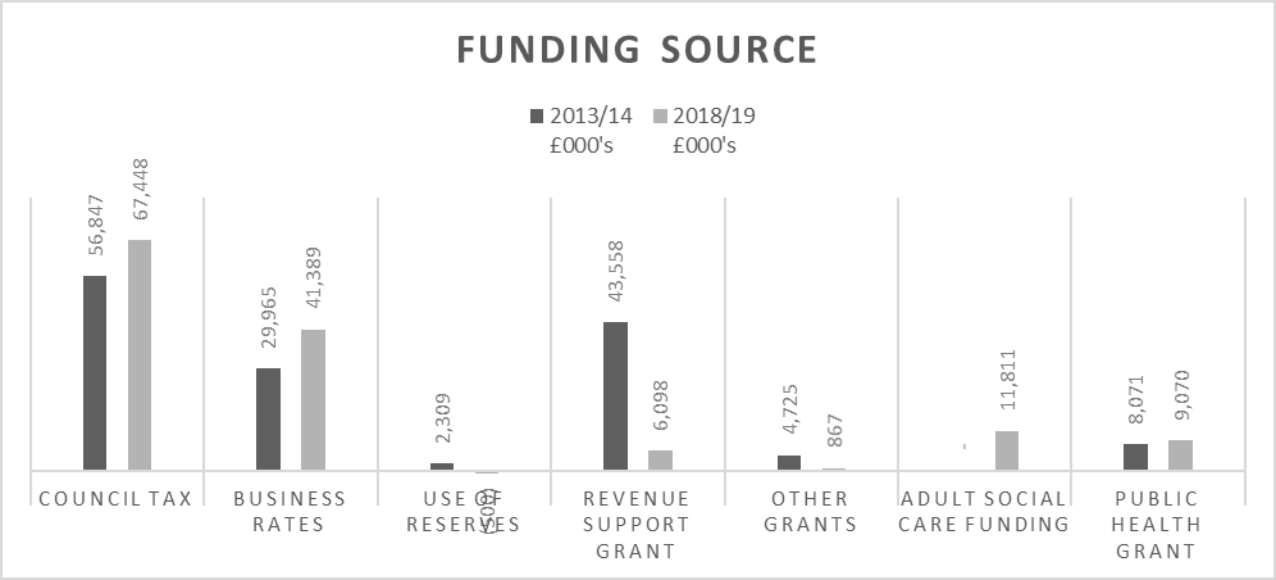
2. BACKGROUND INFORMATION

Local Government Financial Framework & Funding

2.1. The Council operates with legally defined powers to deliver a range of local services. These include powers to raise funding to meet the costs of delivery. The Council must decide on its spending power, taking into account how much government grant, business rates it will receive and the level of Council tax it wishes to set.

2.2. The Council has a legal requirement to set a balanced budget for the next financial year and a robust financial forecast for the medium term financial planning period. This year a five year plan has been produced, which will support the Council in linking its anticipated resources over the period to its strategic direction, although it is important to note that the numbers are less certain further into the plan due to the potential structural changes to local government finance discussed further on in this report.

2.3. The established principle that the costs of running local authority services being met partly from local taxation and partly from government grant has changed in recent years. The balance between local and central funding continues to shift to a greater emphasis on locally generated income. The recent Government consultation in respect of Fair Funding and move to 75% retention of business rates further consolidates this direction. The change in the balance of funding over recent years is illustrated below:



2.4. The annual budget and medium term financial plan is influenced by the Government's financial settlement to local government, which has now been published. The impacts on individual funding streams are described in the relevant section below, but the key points to note are:

- The Government has amended the referendum limits which allows the maximum level of general Council tax increases from 2% to 3%. This is separate from the 3% increase already allowed in respect of the Adult Social Care precept.

- The Government published a list of successful pilot applications for 100% business rates retention, which included the Lincolnshire submission of which North Lincolnshire is a member. It also confirmed the necessary adjustments to business rates baselines and tariffs to reflect 100% retention.

- It also confirmed that the NNDR multipliers would be indexed up by CPI from 2018/19, rather than the RPI which has been used up to 2018/19. Government will compensate Councils for the change via section 31 grant. For 2018/19, it means that the multipliers have been increased by 3%.

- In response to further calls for more funding for Adult Social Care, the Government announced that it would provide Councils with another one-off Adult Social Care Support grant.

- It increased the level of Rural Service Delivery grant to reflect the additional cost of providing local services in a rural area.

- It confirmed the New Homes Bonus methodology and allocations.

- A full review and revised model for fair funding in 2020/21 is out to consultation which will impact on the Council, as a proposed move to at least 75% Business Rate Retention is introduced and new criteria for needs assessment. However the new funding regime will retain some key features of the old: the redistribution of resources from higher resource to higher need Councils. This means the system of tariffs and top-ups which redistribute business rate income from North Lincolnshire are likely to continue. The full impact will not be known until more details of the preferred model are known. We will continue to contribute to consultations as they arise.

- Government has indicated that it wants to fund the following grants from 75% retention from 2020/21; revenue support grant, rural services delivery grant, GLA transport grant and the public health grant.

2.5. Each source of funding is explained below, including the primary assumptions and risks contained within each funding source.

2.6. In addition, as billing authority for the area, the Council is responsible for levying a Council tax not only to meet its own demands, but also to meet the precepts of lower and higher tier authorities in the area**,** and to collect that tax on their behalf. The precepting bodies are:

- Parish and Town Councils in North Lincolnshire
- Humberside Police and Crime Commissioner
- Humberside Fire and Rescue Authority

Scunthorpe Special Expenses (SSE), which are equivalent to the parish precept, are also set by the Council.

2.7. Each precepting body decides its own budget and Council tax requirement. The precept requirements are shown at **Appendix C**.

2.8. The Council has a separate capital programme for longer-term investment in services. This is spending on the construction and improvement of assets such as schools, roads and other Council-run facilities. It also includes grants for investment in community facilities and home improvements, and government funding allocated for economic regeneration and infrastructure development. It can fund this spending from grant, borrowing, capital receipts from asset sales, or direct from the revenue budget. The cost of borrowing to pay for capital investment is a call on the revenue budget, and the Council must ensure its level of borrowing is prudent and affordable.

Local Implications and Funding Assumptions

Council tax

2.9. At the Full Council meeting on 14th December 2017, Council set its Council tax base at **48,602.1** band D equivalents. This represents an increase of 0.9% when compared to 2017/18.

2.10. The majority of the band D growth is due to changes to Council tax discounts and exemptions. From 2018/19 the Council Tax Support Scheme (CTSS) for eligible households requires a contribution of 50% towards Council tax bills from working age recipients without a disability. The uninhabitable property discount is withdrawn to provide an incentive to bring properties

back into use and address public concern about the environmental impact. A surcharge of 50% will be levied on property empty for more than two years. These changes are expected to generate an additional £0.6m Council tax income for the Council, after an allowance for non-collection.

2.11. In line with prudent practice, the Council is required to make a collection rate estimate in respect of Council tax. In prior years, a collection rate of 98.5% has been applied and taking account of economic factors the collection rate has been adjusted accordingly. The performance of the collection rate will continue to be monitored, with further changes reported if necessary.

2.12. Forward base growth of 0.6% has been assumed beyond 2018/19, reflecting the underlying trend of housing growth over the past ten years. This equates to roughly 292 band D equivalent properties per annum.

2.13. The Council has an active housing agenda, with major developments planned across North Lincolnshire. It forms a key part of the Councils aim to be sustainable by 2020, by growing its local economy. Any growth achieved over and above the level of trend growth will result in a collection fund surplus, and will boost the opening position in the next medium term financial plan.

2.14. In the 2018/19 Local Government Finance Settlement, the Government altered the Council tax referendum limit for general increases. For several years up until 2018/19, Councils have only been able to increase Council tax by 2%. This was changed to 3% in the settlement, and reflected the additional cost pressures experienced by local government, particularly in relation to inflationary pressures. The plan contained in this report assumes that the Council will make full use of this additional flexibility.

2.15. The plan also assumes that the flexibility to increase general Council tax by 3% will continue throughout the life of the plan. As the Government only confirm the referendum limits on an annual basis, the Council may need to revise its assumptions in future iterations of its Medium Term Financial Plan.

2.16. In addition to general Council tax, Councils were given the flexibility to levy an Adult Social Care Precept in 2016/17, up to 2%. This flexibility was enhanced in 2017/18, as Councils were given the flexibility to levy an additional 6% by 2019/20, with the potential to front-load the precept increase up to a maximum increase of 3% per annum. The Council made full use of this levy increase in 2017/18, and planned to levy the remaining 3% in 2018/19. The plan presented here continues with this assumption.

2.17. In summary this Medium Term Financial Plan assumes increases in Council tax and the adult social care precept as follows:

Price Assumptions							
2016/17 Value	**2017/18 Value**		**2018/19 Value**	**2019/20 Forecast**	**2020/21 Forecast**	**2021/22 Forecast**	**2022/23 Forecast**
0.00%	0.99%	**General Rate**	2.99%	2.99%	2.99%	2.99%	2.99%
2.00%	3.00%	**ASC Precept**	3.00%	0.00%	0.00%	0.00%	0.00%

2.18. Growth in the tax base of 0.6% per annum and increases to Council tax will increase income from Council tax significantly over the period, with the forecast level of funding from Council tax in 2022/23 being £19.7m higher in 2022/23 than it was in 2016/17. This is in line with

Government planning assumptions that the Council will maximise its use of local resources, while accommodating reductions in grant funding over the same period.

Funding Assumptions							
2016/17 Value	**2017/18 Value**		**2018/19 Value**	**2019/20 Forecast**	**2020/21 Forecast**	**2021/22 Forecast**	**2022/23 Forecast**
59,232	61,952	**General Rate (£'000)**	64,501	66,895	69,374	72,013	74,747
1,185	3,104	**ASC Precept (£'000)**	5,103	5,127	5,151	5,181	5,211
482	509	**S.S.E. (£'000)**	533	552	572	593	614

2.19. The Council's funding base has already shifted significantly from national grant allocations to locally generated resources, and future changes to grant mean that this shift will continue. In terms of stability of funding sources, Council tax is far less volatile than NNDR, and is currently the Councils biggest funding source. This shift reflects national policy to make local authorities self-sufficient.

Business Rates

2.20. Business rates, or national non-domestic rates (NNDR) as they are also known, are payable by each business property that has been assigned a rateable value by the independent Valuation Office Agency (VOA). The rateable value is then multiplied by a nationally set multiplier, which derives a gross bill per business property.

2.21. The multiplier is determined nationally by the Secretary of State, and until 2018/19 has been increased using the RPI rate of inflation. However, the Government confirmed in the 2018/19 Local Government Financial Settlement that CPI will now be used as the basis for all future increases for 2018/19 and beyond. Consequently, the multipliers have been increased by 3% for 2018/19.

2.22. Within the business rates scheme, a set of reliefs exist which may mean that some business properties do not pay the full amount of rates. This includes a series of mandatory reliefs that are determined nationally (e.g. empty property relief), and some for which the Council has local discretion.

2.23. The Council is responsible for collecting the business rates payable locally. It maintains a collection fund, and distributes resource to the relevant bodies. Currently that is the Fire Authority.

2.24. The government confirmed in the 2017/18 Local Government Finance Settlement that it would be seeking new applications to test elements of the 100% business rate retention schemes. The rationale for pilots is to encourage economic growth and use additional resources to promote further economic growth and test the financial sustainability of the 100% retention system. The Council together with the Lincolnshire authorities submitted a pilot application, and were notified of its success in December 2017. This means that for 2018/19, North Lincolnshire will be responsible for 100% of business rates paid locally. From 2019/20, the Medium Term Financial plan assumes that the Council reverts to the 50% business rates retention scheme.

2.25. Operating within the pilot will be supported by LG Futures, specialist advisors employed by the Lincolnshire Pool, with technical updates, support and guidance.

2.26. The intention from Government is to incentivise local authorities to grow their local economy. By enabling strong growth, local authorities could increase the level of business rates income in their area and consequently take a share of it.

2.27. Operating as a pilot brings a number of risks and opportunities to the Council. These include:

- As part of the application to become a 100% retention pilot, North Lincolnshire forgoes any revenue support grant (RSG) and rural service delivery grant (RSDG) that it would have received had it not been a pilot authority, as it will now receive this through generating business rates income. The total value of RSG and RSDG for 2018/19 was £10.420m.

- These changes have been reflected in the change to the tariff paid by the Council to the Government. The tariff for 2018/19 will be £29.421m.

- The retention gain from being part of the pilot, amounted to £4.4m. This is a one off benefit and has been factored into the MFTP assumptions

- Under the pilot the Council is responsible for 100% of the risks associated with business rates income generation, as opposed to 50% it was previously responsible for, it is increasingly important that all elements of in year collection are forecast accurately and regularly reviewed.

- In reflecting the additional risks taken on by pilot authorities, the Government has increased the level at which safety net payments would be received. This means the Council would receive a safety net payment if its business rates income fell below 97% of its baseline funding level. This means that the maximum in year drop in business rates which the Council would have to fund is £8.5m. Because the call on the Collection Fund is fixed at the start of each year, any such fall would impact the 2019/20 budget.

- As part of the pilot submission, North Lincolnshire's business rates income will be pooled with all of the Lincolnshire authorities, but North Lincolnshire will retain its own growth. The financial risk has been minimised with the inclusion of a no detriment clause for the pool.

2.28. North Lincolnshire is a fairly unique area in that its business rates base is heavily dominated by large industrial properties. As of 27th December 2017, the top ten businesses by rateable value within North Lincolnshire accounted for 32.3% of the total rateable value for the area, as can be seen in the table below. This means that even a small change in the value of these properties can have a significant impact on the level of business rates paid by these properties.

	Rateable Value		**No. of Businesses**	
2017 List Highlights	**£'000**	**%**	**No.**	**%**
Total RV	**195,206**	**100.0%**	**5,625**	**100.0%**
Top 10 RV Businesses	63,080	32.3%	10	0.2%
Top 50 RV Businesses	99,915	51.2%	50	0.9%
All Other Businesses	95,291	48.8%	5,575	99.1%

More than 50% of the total rateable value is held by just 50 businesses within North Lincolnshire, out of a total 5,625 business properties on the rating list. This means that a small change in the value of one of North Lincolnshire's biggest ratepayers can have a significant

impact on the level of business rates income that the Council relies on to fund public services. The Councils business rate base is heavily dependent on a small number of key economic sectors, specifically steel, oil refineries and power stations. This again makes NNDR funding sensitive to any changes due to national and international economic conditions that may affect businesses in the area. It is important that the Council factors this level of risk into its decision making, and takes steps to mitigate the risk through ongoing monitoring and ensuring that a prudent provision for appeals is maintained.

2.29. In April 2017, the Valuation Office completed a nationwide review of rateable values and produced a new rateable value (RV) list. Revaluations typically happen at least every five years, and take a variety of factors into account when setting a revised rateable value for property, including local property rents etc. The review was positive overall for North Lincolnshire, with the total rateable value of the area reducing from £208m to £195m. This resulted in reductions to ratepayers' bills locally and a reduction to the Councils tariff payment.

2.30. To ensure that the exercise remains cost neutral nationally for businesses overall, the Government amend the nationally set multiplier so the total quantum of business rates income remains unchanged. As the national rateable value increased, the multiplier was decreased.

2.31. When the 2017 list was established, a new process for business rate appeals was established, known as Check, Challenge and Appeal. There has been implementation difficulties nationally, which has prevented some businesses from submitting appeals. Consequently, the level of appeals currently in the system is not deemed to be reflective of the actual level of appeals we can expect to receive. As a result, the Council has made an assessment and deemed that a prudent level of provision to fund future appeals is 4.7% of net rates payable locally, which reflects the Governments estimate of the cost of refunding appeals over the life of the 2017 list, and is consistent with other local authorities regionally.

2.32. In addition to the above, the Valuation Office Agency (VOA) are currently processing over 500 appeals that are outstanding from the 2010 list. These have been provided for at what is deemed to be a prudent level, and will be monitored through regular meetings with the Valuation Office to ensure any additional financial risk can be identified and actioned.

2.33. The latest indications are that local government will be moving to 75% business rates retention in 2020/21. Given this has not yet been legislated, the medium term financial plan continues to reflect the 50% retention system from 2019/20 onwards.

Collection Fund

2.34. The Council maintains a separate collection fund for Council tax and business rates. The Council makes an estimate of the total level of income it expects to receive into the collection fund at the start of the financial year, and pays out the relative share to each precepting authority. It then reviews the actual performance of the collection fund in its January estimate, which is used to forecast whether a surplus or deficit is expected to arise at the year end. Any resultant surplus or deficit is shared amongst the major precepting authorities, according to the relative share for each.

2.35. The optimum position would be a nil collection fund surplus/deficit, as it means that the Council has forecast the level of locally generated correctly. An exact forecast is unlikely. Recent experience has seen modest surpluses in Council tax and deficits in business rates.

2.36. The performance of the collection fund is important from a medium term financial planning perspective, as any variance is recognised in future years. A deficit has arisen since the

Council set its NNDR tax take in January 2017. This is reflected in 2016/17 outturn position and the projected 2017/18 position. The Collection Fund regulations require the council to address this deficit when it sets its budget for 2018/19.

2.37. The Council estimate of the collection fund position in respect of the 2017/18 financial year, and the resultant net deficit needs to be funded through the medium term financial plan. A significant business rates deficit £9.7m is offset by a Council tax surplus of £0.417m.

2.38. The key factors contributing to the deficit are;

- A number of significant and large successful appeals that have resulted in large refunds, some dating back to April 2010, that were in excess of the provision that had been established. Many of these were for business properties contained within industries that were identified earlier in the report.

- As a result of the 2010 list closing and the Council now having increased intelligence with regards to successful appeals trend by industry, the Council has a more targeted approach in setting its appeals provision for the outstanding appeals on the 2010 list, and as a consequence this has resulted in an increased provision for appeals and therefore an increased charge to the collection fund. However, this provides appropriate mitigation of future appeals risk.

- An increase in the level of mandatory business rate reliefs awarded to business properties in the area. As a consequence, this reduced the level of business rates income to be paid, and was in excess of the level anticipated when the budget was set.

2.39. The level of complexity around business rates income has increased significantly, and is expected to increase further. It can be a volatile funding source, meaning the Council will always be exposed to a level of risk. This coupled with the Council becoming a pilot and foregoing grants means that medium term financial planning is more challenging, with less certainty from the Councils funding base.

Funding for Adult Social Care

2.40. Adult Social Care is a national policy issue, and is a priority for Government due to its close relationship with the National Health Service. In the 2016/17 Local Government Finance Settlement, the Government set out a funding package that would increase incrementally to £3.3 billion by 2019/20. Upper tier authorities were allocated an overall share of the resource based on their relative position within the 2013 Adult Social Care Needs Formula.

2.41. Each upper tier authority would be allowed to levy a 2% adult social care precept in each year from 2016/17 up to 2019/20, and the balance of the total funding envelope would be made up in the form of an Improved Better Care Fund (IBCF) grant.

2.42. North Lincolnshire's share of the national funding pot was £10.5m by 2019/20. The Government deemed that the Council would be able to raise £5.3m via the Adult Social Care precept, with the remaining £5.2m funded via the IBCF.

2.43. The Government has responded to further pressures within the Adult Social Care system, and enabled local authorities to front-load the precept increase in 2017/18 and 2018/19 (up to a maximum of 3%). It also provided a one-off adult social care grant in 2017/18, which has been repeated in the 2018/19 settlement at a reduced amount.

2.44. In the Government's 2017 spring budget, an additional £2 billion was announced for Adult Social Care, in the form of additional Improved Better Care Fund grant, front-loaded to ensure a flatter distribution over the period. There are conditions attached to the IBCF, including working with health to improve delayed transfers of care from hospital. When combined, the total funding package is as follows:

Specific Funding for Adult Social Care							
2016/17 Value	**2017/18 Value**		**2018/19 Value**	**2019/20 Forecast**	**2020/21 Forecast**	**2021/22 Forecast**	**2022/23 Forecast**
1,185	3,104	**ASC Precept**	5,103	5,127	5,151	5,181	5,211
-	3,703	**Improved BCF**	5,042	6,264	6,264	6,264	6,264
-	764	**ASC Support Grant**	476	-	-	-	-
1,185	**7,571**	**Total**	**10,621**	**11,391**	**11,415**	**11,445**	**11,475**

2.45. The Council first levied a 2% Adult Social Care precept in 2016/17, and made full use of the additional flexibility to levy an additional 3% in 2017/18. This plan assumes a further 3% increase in 2018/19, which will mean the Council will have maximised the locally generated funding that can directly contribute towards the delivery of local and effective Adult Social Care Services.

2.46. The Government has made clear that Councils will be required to demonstrate on an ongoing basis how the Adult Social Care precept is being used to support local Adult Social Care Services. There is an additional requirement for Councils that levied the additional 1% in 2017/18 to demonstrate how the flexibility to front load the increase improves the way social care services are delivered in its area.

2.47. The Council is clear that the Adult Social Care precept is being used to contribute to maintaining effective local services. Adult Social Care Services have been subject to significant inflationary pressures, including the increase in the National Living Wage, relatively high rates of general inflation and demographic changes. Without the Adult Social Care precept, the increasing cost of service delivery could not have been absorbed.

2.48. The Council will be required to submit a return to Government which will outline how the Council has used the additional funding generated from the precept and the Improved Better Care Fund to support Adult Social Care.

2.49. Use of the Improved Better Care Fund is agreed collectively with the CCG, as its use is intended to benefit both Health and Social Care through more effective joint working as part of the Better Care Fund planning requirements. The Health & Wellbeing board approved the planned use of the funding as part of North Lincolnshire's plans for Health and Care Integration on 30th June 2017. The National Health Service England (NHSE) formally approved the joint Better Care Fund Plan 2017/19 for North Lincolnshire, which includes the additional allocation for Improved Better Care Fund.

2.50. The Adult Social Care Support grant is a one-off grant, and as such does not support a programme of long-term expenditure. Therefore, it has been used as part of the Council's overall funding and support for Adult Social Care activity.

2.51. It is important to note that the Government has provided resource direct to local government in respect of Adult Social Care, but that it comes at a time when other grant funding streams have been severely reduced. The Councils overall spending power has therefore continued to

decrease, which impacts upon the level of expenditure in all other Council services, many of which contribute positively to the care system and effective outcomes being achieved locally.

Revenue Support Grant

2.52. A long-standing feature of local government finance has been the revenue support grant, a general contribution from Government towards the cost of local services. It has been Government policy to reduce this grant year on year in line with the Treasury's plan to rebalance public finances. The allocation for North Lincolnshire reduces to £6.1m in 2019/20 from £43.6m in 2013/14, as shown in the table in 2.3. The reduction in grant is also an incentive for councils to maximise their own resources through growing the local economy and therefore the local tax base.

2.53. For 2018/19, as a business rates pilot authority, the revenue support grant allocation has been rolled into NNDR funding. As the pilot is agreed for one year only, the Council will revert to receiving a revenue support grant in 2019/20.

2.54. The Government is undertaking a wider review of local government finance, and has already signalled that it will move to 75% business rates retention by 2020/21. This is likely to mean that the Council no longer receives any revenue support grant, instead being funded primarily by locally generated resources.

Dedicated Schools Grant

2.55. Dedicated Schools Grant is the main source of funding for the schools sector. It includes four blocks: Schools Block; Early Years; High Needs; and a Central block. The first goes directly to schools and is distributed by formula; the others are managed by the Council, but includes funding for Special Educational Needs pupils. In total the grant for 2018/19 is £129.5m, an increase on previous plans as the government has injected a further £1.3bn nationally over the next two years to ensure that no school loses in cash terms as the new national funding formula is phased in. The DSG funding is for maintained schools and academies.

2.56. Funding for North Lincolnshire in 2018/19 is:

- Schools block - £103.363m
- Central school Services block - £1.101m
- High needs block - £15.249m
- Early years block - £9.746m (indicative)

2.57. In previous years, the Council received an Education Services Grant from the Department for Education to fund the support services it provides to schools. This grant ended in September 2017 and, while some funding is now in the new Central Block, some resource was transferred into the Schools Block. Local authorities are entitled to a core sum for statutory duties, but must agree with the Schools Forum any further funding for the support services it provides. For 2018/19 the Forum has agreed a figure of £0.420m to support the Councils statutory and regulatory duties.

Public Health Grant

2.58. The Council receives a Public Health grant from the Department of Health, which is ring-fenced to public health activities. The grant is expected to reduce to around £9m by 2019/20.

The ring-fence over public health expenditure remains for 2018/19, but will be absorbed into the NNDR retention scheme by 2020/21. For planning purposes and transition to the change in the future, the Medium Term Financial Plan treats this grant as part of the Councils core funding.

Change in Public Health Grant							
2016/17 Value	**2017/18 Value**		**2018/19 Value**	**2019/20 Forecast**	**2020/21 Forecast**	**2021/22 Forecast**	**2022/23 Forecast**
9,801	9,561	**Grant Amount (£'000)**	9,312	9,070	9,066	9,066	9,066
	-2.45%	**Annual Decrease (%)**	-2.60%	-2.60%	-0.04%	0.00%	0.00%

New Homes Bonus

2.59. In 2011/12, the Government introduced a reward based grant to local government to incentivise councils to accelerate house-building locally. For every new house built, Councils would receive the value of Council tax for each property in the form of a grant, for a period of 6 years. Reducing the number of empty properties would also be rewarded in the same way. Councils would also receive £350 for every affordable house built.

2.60. The New Homes Bonus incentive has reduced. For 2018/19, reward payments are only payable for four years, not six, and the first 0.4% of growth achieved locally attracts no grant. This means the Council anticipates a fall in this funding resource as the rewards secured earlier in the decade end.

Rural Services Delivery Grant (RSDG)

2.61. The Council also receives a Rural Services Delivery Grant (RSDG), an acknowledgement that the cost of providing some local government services rurally carries with it a greater cost. For 2018/19, the Council will receive £0.205m allocation in respect of RSDG, which will be funded via the 100% business rates retention pilot as per the agreement with Government.

3. OPTIONS FOR CONSIDERATION

Financial planning is, of its nature, a dynamic exercise and regular review is essential to ensure that changes of circumstance and changes of policy can be factored in. The aim is to provide members with a reliable and up-to-date basis for budget and Council tax decisions.

When formulating the financial strategy available resources need to be matched to the statutory and other spending priorities of the Council. There are a number of conditions to be met to ensure the Medium Term Financial Plan (MTFP) is viable:

a. Financial resilience

b. Robust spending plans

c. The management of risks and opportunities

d. The strategy for use of reserves

e. Governance arrangements

f. A balanced budget

a) FINANCIAL RESILIENCE

3.1 Before considering the medium term financial plan for 2018/23 it is important to review our current finances. The Council has been commended for its financial management over a number of years, with independent external auditors previously reporting an embedded financial management culture and a stable financial position.

3.2 Auditors gave a clean bill of health on the Councils accounts for 2016/17 as they have for every year since the inception of North Lincolnshire Council. The financial outturn for 2016/17 was positive, with net expenditure £1.7m (1.4%) below the cash limited budget, contributing to a higher than budgeted balance on the Revenue Support Reserve of £13.2m. This reflected:

a) Short-term savings including vacancy management
b) A technical adjustment to the way that pre-2008 minimum revenue provision is calculated, which released a significant and unbudgeted in year saving.
c) Some savings being realised before expected
d) £7.9m of reserve usage across the organisation, which was less than the £11.2m planned usage in the 2016/17 budget

3.3 The Quarter 3 review of the 2017/18 revenue budget shows net spending pressures of £1.32m. These include demand pressures in adults, children's services and waste management; a delay in plans to reduce transport costs, and shortfalls of planned income in sports, leisure and culture. These are partly offset by short-term savings in central budgets through lower costs of borrowing and by funding more transformation costs through the Capital Receipts Flexibility. Directors are working to contain the pressures by the end of the financial year, but the Council will be able to contain these short-term pressures through a reduction to the Minimum Revenue Provision (MRP), which spreads the cost of historic borrowing more evenly in line with statutory requirements.

3.4 Maintained schools are currently forecast to use £0.56m of their balances to meet expenditure challenges. Most schools continue to carry a surplus, but some are in deficit. Schools require permission to run a deficit, but they must have a credible recovery plan agreed by the Council. There is also a limit set in the Scheme of Finance for the size of combined deficits relative to combined schools and DSG balances. Plans are being considered from twelve schools in deficit to secure a balanced budget position in an agreed timescale.

b) ROBUST SPENDING PLANS

3.5 Under section 25 of the Local Government Finance Act 2003 it is a legal requirement for the Council to have assurance, in the form of a report, that service activity in the plan period is properly costed, that proposals for additional or reduced spending are quantified and deliverable, and that risks are properly evaluated. The Council is required to set a balanced budget; that is it may not budget for a deficit.

3.6 The analysis at Appendix A1 tests the assumptions made in putting the budget together to demonstrate its robustness.

a) Pay inflation is provided in line with the 2.0% offer made by local government employers for 2018/19; a further 2% is provided in each of the last two years, in addition to the impact on the Council of the increase in the National Living Wage, which will increase pay costs for lower level Council employees.

b) Contractual price inflation is provided where appropriate

c) Planned contingency is included to cover transformation costs and mitigate against identified risks

d) The MTFP includes the projected growth in Council tax from a range of developments. Additional NNDR income due to the Business Rates Pilot in 2018/19 and a modest ongoing growth in the local tax base are also assumed.

3.7 In addition the plan provides for specific additional spending pressures:

a) There are demographic pressures in adult social care with an increase in the number of older people needing care; and more people with a learning disability living into adulthood as their conditions are better managed. The inflationary costs associated with National Living Wage across the residential and home care services have also been factored in.

b) Children's Services face additional cost pressures in the care of looked after children driven by policy changes.

c) There are demand pressures across waste collection and disposal and transport costs

3.8 The Councils spending plans have been reviewed alongside its transformation programme, with a clear focus being placed upon the future sustainability. Transforming the council focuses on how we do business internally, with partners and the public and how we shape and design our service offer to residents whilst ensuring high quality, excellent outcomes and value for money all within the organisational model of enabling. A summary of the spending plans are shown in Appendix B2.

Organisational Development

3.9 To support the development of an enabling, empowered and commercially minded culture, Organisational Development (OD) is our approach to improving organisational effectiveness by targeting the organisation's culture. This will include redesigning systems and processes as well as shared assumptions, beliefs and behaviours. These are powerful influences on the way people think and act and by creating the right environment and equipping staff to be courageous, enabling and commercially minded, it will bring about positive and lasting change. This programme underpins the overall council transformation programme and is based on a strategy, people, process, structure and culture process, which has informed our OD focus and transformation plans to ensure the establishment of a healthy, successful council.

Commercial Approach

3.10 The Councils Commercial approach is a key feature in being a financially viable and sustainable council: to grow the area as a place to do business and increase revenues (NNDR) from new businesses, support existing businesses in the area to prosper, grow and diversify; to increase Council Tax by delivering housing growth in the area to meet the needs of existing communities and support population and economic growth and the council will explore opportunities for traded services through integration and the review of operating models, ensuring we are competitive within the market and achieve full cost recovery.

Demand Management

3.11 The Council has a good track record of effectively managing demand for services, by having a focus on managing needs and enabling people and communities to help themselves will further strengthen this. Ensuring that good practice is shared across all areas of the council, where specialist services and council intervention are minimised. The redesign of services

complements this approach to ensure a whole system approach to meeting need and managing risks.

Service Redesign

3.12 Services will be redesigned around people and need using the framework of the council's single organisational model creating integrated teams that are flexible, dynamic and enabled to work as part of a whole council approach. By redesigning services, the Council will adopt a more focussed portfolio approach to physical assets and to operate within a North Lincolnshire wide 'whole-place' framework. Appraisals of community assets will lead to community and locality level business plans for reorganising council assets.

Digital Solutions

3.13 The cross cutting transformation theme of digital solutions will ensure that the Council makes the best use of technology to enable efficient systems that improve productivity as well as enhancing the customer experience.

Delivering within Sustainable Budgets

3.14 The Council will therefore achieve a sustainable budget position by:

a) Targeting growth in the local economy which supports population and business development and benefits the local tax base

b) Maximising the council tax take, including the precept for adult social care pressures

c) Continuing its track record of managing need and therefore mitigating pressures in particular in adult and children's services and extending demand management principles across waste services

d) Delivering the Council's commercial income targets and implementing full cost recovery on chargeable services over the plan period.

e) Delivering substantial savings through the wide-scale and cross-council programme of transformation

f) Exploring alternative delivery models in order to maximise business productivity, where there is an opportunity to benefit the council and residents

g) Taking full advantage of opportunities to maximise local funding through the 100% NNDR Pilot and other local partnership working

h) Reviewing the inflation and pay assumptions to identify best practice opportunities to manage costs down

Impact on Workforce

3.15 Council services are staff intensive and approximately two thirds of Council spending is on employee related costs. This means that through service redesign a different configuration of the workforce will be required. The Council currently employs 3,250 staff (excluding maintained schools), with an average turnover of approximately 7%. It is anticipated that reconfiguration will be achieved within these parameters.

Members Allowances

3.16 Included within the budget is the cost of members' allowances. At the annual meeting of the Council on 21 May 2015 (minute 2372 refers) it was agreed that the Members' Allowance Scheme should be retained unchanged for the following four years: 2015/16 to 2018/19. This is estimated to save £26k over the period.

3.17 Under the Local Authorities (Members' Allowances) (England) Regulations 2003, it is necessary for Council to approve the scheme for 2018/19 as detailed in paragraph 1 of minute 2372 referred to above. In so doing it authorises the Chief Financial Officer to make such amendments to the scheme as are necessary as a consequence of minute 2477 of the Council.

c) THE MANAGEMENT OF RISKS AND OPPORTUNITIES

General approach

3.18 The Council has a duty to ensure it can deliver effective services in line with its statutory duties and its priorities. The Councils overall risk appetite can be described as open where there is a greater willingness to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money. How this is applied in practice will vary depending on the potential impact a risk could have on the organisation or service users.

3.19 Factors such as the external environment, people, business systems and policies, and how key stakeholders perceive potential impacts, all influence the risk appetite. There are a wide range of potential risks the council can face: safeguarding children and vulnerable adults, ensuring health and safety for its workforce and the general public, or being prepared for emergencies which affect local people and disrupt local services. The Council manages its risk through a Risk and Opportunity Protocol, ensuring appropriate controls are in place and responsibilities identified at all levels of the organisation.

3.20 After taking a balanced approach to manage and minimise risk there is always a possibility that adverse events arise, which have to be addressed. Many of these can bring a financial cost. The financial plan addresses the financial risk in several ways:

- Budget funding assumptions are tested to ensure forecasts are robust
- Sustainable budget limits have been agreed
- The Council buys insurance cover for its activities where available and cost effective
- It builds in a contingency each year for cost increases which can be foreseen, but not precisely estimated, such as pay and energy costs
- It keeps a General fund Balance in line with best practice.
- And earmarked reserves for some specific liabilities which will or may arise in the future.

3.21 The following paragraphs consider the risks and opportunities associated with council funding streams in the plan period**. Appendix A1** examines the budget assumptions and associated risks in more detail. It tests the degree of risk in the budget.

Funding Risks and Opportunities

3.22 Council resources are set out in section 2 of the report. This section considers the risks associated with that funding.

3.23 The Council has secured 100% Business Rate Pilot Status for 2018/19 and therefore does not now receive Revenue Support Grant and Rural Service Delivery Grant separately.

3.24 Other grant funding streams are subject to change and these are also crucial to the Councils financial health. The largest of these are Public Health Grant (£9.3m), New Homes Bonus (NHB) (£1m) and the Improved Better Care Fund (£6.3m by 19/20).

3.25 A full review and revised model for fair funding in 2020/21 is out to consultation which will impact on the Council, as a proposed move to 75% Business Rate Retention is introduced and new criteria for needs assessment. However the new funding regime will retain some key features of the old: the redistribution of resources from higher resource to higher need Councils. This means the system of tariffs and top-ups which redistribute business rate income from North Lincolnshire are likely to continue. The full impact will not be known until more details of the proposed model are known.

Funding Risk: Local Resources

Business Rates

3.26 All Business Rate risk for 2018/19 and into 2019/20 must be viewed in the context of the Council having 100% Business Rate Pilot status and now carry 100% of the risk of Business Rates as outlined in section 2. Business rates in North Lincolnshire are substantial and can be volatile:

a) Over half the tax base is concentrated in a small number of large-scale industrial enterprises which are exposed to national and international economic conditions over which the Council has little control. These are predominantly the steel, petro-chemical and power industries.

b) Large scale appeals against rateable values by large enterprises can be expensive, with back-dated refunds and a reduction in future collectable business rates. The Council has experienced significant deficits on the Collection fund since 2014. With a £9.7m deficit recognised in 2018/19 the Council will trigger the safety net protection for the first time.

c) The 100% pilot means the Council has full responsibility for any Collection Fund deficit albeit with an increase safety net protection. This means that the Council would have to lose in excess of £8.5m of Business Rates income before any safety net is triggered.

d) Future prospects for growth depend heavily on maintaining the current level of business in the area and achieving the stretch growth targets over the life of the MTFP for Business Rates of £6m will require positive conversion of the Business Enquiries that the Council is currently dealing with.

e) Business rate revaluations take place normally on a periodic cycle, and the latest took effect in 2017. The total rateable value of all the business properties in the Councils area reduced by around 6.7%, in contrast to the national position where rateable values increased by around 9.6%. The net effect has been to substantially reduce the amount of local NNDR income redistributed to other councils through the tariff.

f) A change to the appeals process means that very few appeals have entered the system the Valuation Office does not indicate this equates to a permanent reduction in appeals but rather a delay due to system changes. The plan provides for an estimated level of outstanding appeals by the end of 2018/19, based on the Government's estimated cost of appeals of 4.7% over the life of the list. This mitigates the risk of successful appeals.

g) There are in excess of 500 outstanding appeals remaining on the 2010 list. The risk of these have been mitigated as far as possible through a targeted calculation for the appeals provision based on the actual cost of appeals experienced in the list to date.

h) The pilot overall cannot lose resources, and the governance arrangements are designed that no authority can gain, if another has lost i.e. there is no financial risk of the level of resources being received being less. However, there is a risk that assumed pilot gains are not realised, but resources are committed. This can be mitigated by robust monitoring and communication across the pilot.

i) The pilot has been approved for one year, however, the Council will actively seek an extension to the pilot into 2019/20 through its correspondence with DCLG, in partnership with the Lincolnshire local authorities.

j) There could be a significant drop in authority resources after the reset and fair funding review in 2020/21. Pilot status may make this drop more pronounced; the authority has therefore ensured it only recognises the gain from pilot status as a one-off.

k) Business rate income has increased in complexity significantly in the past 12 months and as a consequence, there is a much higher risk of errors in forecasting. This coupled with the change in local share and loss of grants makes medium term financial planning more difficult, with the danger of missing or double counting income streams being increased.

Council tax

3.27 The Council tax base is subject to less volatility, but has its own set of risks and rewards:

a) Although a local tax, government sets the statutory framework and the secretary of state currently requires a referendum to be held where a local Council wishes to increase the tax by more than 3% a year. The plan assumes this flexibility will be available throughout the plan period, which at present is not confirmed government policy.

b) Its health depends on the local economy and in a downturn more households attract a tax discount funded locally. There is a positive trend in regard to the employment rates locally. Skills and employment remains a priority area of focus locally linked to growing the local economy.

c) The plan is formulated around an expectation of growth on historic trend. This is an important part of delivering the budget strategy, but is subject to decisions by developers and general economic conditions which affect market demand.

d) New Homes Bonus is linked to the successful growth of the local economy and is paid by Government for every house added to the tax base above a threshold level. The terms of the scheme are less generous going forward, and whilst making a contribution is not as significant a funding stream as in previous years.

e) The Council will continue to raise an Adult Social Care precept in 2018/19, which generates an extra £1.9m in 2018/19, and a cumulative amount of £5.1m. This additional income can only be spent on Adult Social Care and will have to be evidenced in a return to Government.

f) When the Council formally set its tax base in December, it also approved changes to the Council tax Support Scheme which will increase the contribution required from non-disabled working age recipients towards their Council tax bill to 50% from 2018/19. This has the effect of increasing the collectable Council tax base. A suitable provision has been made through the collection rate assumptions.

Capital Receipts Flexibility

3.28 The Government has continued to provide financial freedom for local Councils for capital receipt flexibility. This is in the form of an additional use for capital receipts to revenue fund transformation costs. These are receipts generated by the sale of property, plant and equipment. Previously they could only be used to finance capital expenditure or repay debt. They may be spent on any activity forecast to generate ongoing savings to an authority's net service expenditure. It is proposed to take advantage of the Councils ability to use this flexibility, more detail can be found in **Appendix A3**.

Capital investment risk

3.29 A separate paper on this agenda considers the Councils capital investment programme. This pays for the building or improvement of assets such as schools, roads, housing, flood defences and leisure facilities; as well as grants to community groups for community facilities.

3.30 It considers the sources of funding the Council can access; the need to ensure capital investment is prudent and affordable; the measures which help make that judgement; and the implications for the Councils revenue budget which picks up the cost of borrowing over typically 25 years or more. New facilities can also bring additional running costs which need to be funded.

3.31 The Council plans to generate capital receipts- £12m in 2017/22- to fund capital expenditure, if these are not realised there may be an increased need to borrow which incurs a cost in the revenue budget. An active disposal programme through the Property & Asset Team confirms the forecast level of receipts and robust monitoring will ensure early identification of any delays in disposals.

3.32 Our affordability measures for the capital programme are linked to the funding mix, and our ability to generate capital receipts ensures that the net financing costs are kept within the locally prescribed parameters of between 10%-12% ratio of financing costs to the net revenue stream. Any change to this mix may cause a breach of this prudential indicator.

3.33 The capital programme presented to Council is affordable, but there is a trade-off between spending on investment and on the resource requirements of running council services day by day.

Strategy for addressing significant in year pressures

3.34 It is important to have a strategy to deal with exceptional resource reductions or spending pressures which might arise during a year. It would be inappropriate to provide for these in the budget because of the degree of uncertainty and the distortion it could cause to the funding of Council priorities in a 'business as usual' scenario. The following bullet points outline the elements of a contingency plan should this situation arise:

a) It is proper practice for Councils to maintain general reserves of a prudent level to provide cover for significant risks which may emerge at short notice. These are currently set at £6.9m. These should not be used, but if an unforeseen instance requires their usage, they need to be replenished at the earliest opportunity.

b) In the case of business rate volatility there is also the government safety net scheme. The government will guarantee a minimum level of funding for each Council if actual receipts are lower than their Baseline Funding level. The Council under 100% pilot status is guaranteed to receive 97% of the baseline funding level, so for North Lincolnshire Council the maximum loss for 2018/19 is around £8.5m, which equates to a 13.2% increase in Council tax. If receipts fall by more than this amount, the Council will receive a payment from government under its Safety Net Scheme.

c) Much of the revenue budget is committed on an on-going basis to fund the day to day running costs of the Council and its services, the larger portion of which is staffing costs. There are some areas, however, where spending can be curtailed either at short notice or over a longer period, though not without consequences, this includes areas such as: highway and property maintenance programmes; subsidised public transport; public street scene services; and community grants.

d) All the options at a) to c) are short-term and not permanent solutions. Where the financial shock leads to a permanent loss of resource a fundamental service spending review would be necessary. This could involve the acceleration of planned savings, but would also need a more fundamental reassessment of the Councils service offer, to determine a sustainable level and standard of activity across services, including those which are statutory.

d) THE USE OF RESERVES

3.35 The Council is required under section 25 of The Local Government Act 2003 to report on the adequacy of the level of reserves proposed in its budget. The Government also has a reserve power to set a minimum level of reserves, under section 26 of the same act. It is not expected that this power will be used to set a nationwide level of reserves however it is best practice for each Council to carry out its own exercise to determine both the level of reserves it is prudent to carry and how far they can be deployed to support Council spending plans.

3.36 There is always a judgement to be made about what constitutes an adequate level of reserves and this depends significantly on the scale and range of risks the Council faces; and the application of reserves must always take account of the fact that they can only be spent once and may need to be replenished. The general principle followed by this Council is that reserves are used for one- off and short term purposes and are not used to support on-going service delivery, which would undermine the robustness and sustainability of the financial plan.

Reserves should be set at a prudent level to meet potential demands not covered in the budget, but should not be at a level which unnecessarily ties up resources. This is a matter of judgement, but given the scale of reduction in public sector finances, the potential impact of low economic growth and the additional risks associated with the localisation of business rates, the need to sustain general reserves has been paramount.

3.37 **General Fund Reserves (£6.9m)**

These are the Councils safety net for unforeseen or other circumstances that cannot be addressed by management or policy action during the year and are not covered by earmarked reserves. This level of general reserves represents the best practice benchmark of 5% of current net spending which has served well in less challenging times. A review of the level of balances has taken place and it is recommended that the level of general reserves is maintained and represents the minimum level of reserves for this Council.

However, the risks grow in the forward years of the plan, particularly those associated with NNDR and the safety net mechanism. The Council has a good track record of implementing the national policy for economic growth locally and generating additional business rates since 2013/14. Combined with opportunity through securing a place in the 100% NNDR Pilot, more resource is at risk. The 2020 reset of the existing retention scheme and the fair funding review add further uncertainties. Consideration should therefore be given to setting aside additional funds to mitigate some of this risk. It is proposed that any in year underspend of the contingency fund be added to general reserves. A sum of £300k per annum would be realistic estimate.

It should be noted that, if adverse circumstances arise which require the Council to call on general fund reserves these would need to be replenished in full.

3.38 **Revenue Support Reserve and Public Health Reserve (£11m)**

These reserves have a key role in supporting the Council's transformation programme and in facilitating a smooth transition to a future with a lower level of government grant. The MTFP envisages that the Public Health reserve will be fully applied in the plan period. The Revenue Support Reserve will be used to; provide a phased path to a long-term sustainable cost base and in mitigation to the impact of the collection fund deficit for NNDR; to support transformation and to support the capital programme. A balance of £1.6m remains unallocated.

3.39 **Earmarked and Revenue grant carry forward reserves (£6.5m)**

There are a range of specific earmarked reserves for use by services to fund planned activity over the period of the financial plan. By 2022/23 it is anticipated that there will be balances remaining amounting to £1.1m.

The grants reserve holds revenue grants received that have yet to be applied and which have no unfulfilled conditions that would require repayment of the grant, such as not meeting the terms on which the grant was awarded. Most of this grant funding is earmarked for particular purposes and will be applied in 2017/18 or over the plan period, leaving £1.3m unused by 2022/23.

3.40 **School Reserves (£1.7m)**

The Council holds two reserves that may only be used to support spending on schools. The first holds the combined balances for all maintained schools in North Lincolnshire. How they are applied is a matter for individual schools according to their individual circumstances. There are a number of drivers affecting these balances over the period of the plan. It is currently forecast that due a small number of schools in deficit that this reserve will reduce to £0.5m during 2017-18 and remain at this level during the term of this plan.

3.41 **Conclusion**

Following the strategy outlined above total reserves fall from £34.7m at 31 March 2017 to £13.8m at 31 March 2023. Within this figure general reserves of £8m which reflects the growth in net spend and risks identified. On the basis of this strategy I consider that at this point Council reserves are at the minimum level necessary to provide adequate cover for current and projected risks, although the Council should look to rebuild these at the earliest opportunity. It is important that Council finances are robust in times of uncertainty and achieve long term sustainability.

e) THE GOVERNANCE ARRANGEMENTS

3.42 The purpose of the medium term financial plan is to allocate Council resources in the way that will best deliver the Councils ambitions and high-level outcomes. The ambitions are for North Lincolnshire to be the best place, to live, work, visit and invest and for the Council to be the best it can be.

3.43 Outcomes are the measurable benefit to local residents who will be prosperous, safe, well and connected. This translates into priorities to:

- Enable resilient communities
- Grow the local economy
- Protect vulnerable people
- Enable people to stay healthy

3.44 For the Council it means transforming how we do business with each other, with partners and the public and how we shape and design our service offer to residents whilst ensuring high quality, excellent outcomes and value for money. It requires a transformational approach to service delivery and the way the Council operates, and a re-contracting with the public, which involves building greater individual and community resilience.

3.45 Additionally, the Council has adopted a new approach to financial resource planning, moving away from previous models of incremental budgeting towards an outcomes based approach and developing sustainable budget limits for service spend. This approach requires new thinking about how the Council can act as a coherent whole, delivering solutions through cross-Council working, while also working with wider partnerships in the public, business and voluntary sectors to fulfil its pre-eminent place -shaping role for North Lincolnshire. This requires a radical change of culture and a move away from a simple focus on discrete service areas.

3.46 The new approach to financial planning will ensure that the strategic outcomes and priorities drive budget allocation, rather than operating within the rigidities of historical patterns of resource distribution. In practical terms this involves the redirection of spending within the total resource available and the maximisation of income to maintain and grow that resource.

Governance Framework: Sustainable Budgets

3.47 With this in mind, Cabinet in December 2017 agreed a set of strategic principles to underpin its financial strategy. These are:

- To Make Informed Spending Decisions
    - Spending decisions are aligned to agreed ambitions, goals and sustainability.

    - Revenue and capital investments are based on needs analysis and risk assessments; informed by research; demonstrate a tangible benefit to communities and mitigate against legacy costs.
    - The Council will spend within the resource that growth allows in order to provide services.

- To Manage Risks
    - Commercial operations are full cost recovery.
    - Risk management principles are applied to financial decisions.
    - Keep those functions with high risks under more direct control.
    - This Council promotes community empowerment - and communities determining local solutions on low risk activities.

- To Invest in Success
    - Invest in things that can demonstrate quality, outcomes and value for money.
    - Integrate and share services with partners where it better achieves the Councils ambitions, goals and outcomes for North Lincolnshire residents.
    - The Council will enable community initiatives which support the social and economic wellbeing of its residents.

3.48 **Phase 1: Setting the Baseline**

A five-year timeframe was set for MTFP planning purposes. The intention was to provide a realistic time horizon for Council transformation, to shift the budget planning focus towards long-term solutions, and to ensure that the future shape of the Council is sustainable. The Council also had to address an immediate, temporary reduction in funding in 2018/19 caused by a deficit in NNDR receipts to the Collection Fund.

The sustainable budget limits were set to be challenging. These applied significantly tighter budget limits to reflect the Councils forecast future funding position. They were related to current service scale and resource, and the comparative cost effectiveness compared to the family of unitary authorities. This approach provided a benchmark for assessing the scope for transformation across the Council; the impact on the scale of Council activity; and a starting point for determining how the Council should prioritise resources to deliver its overall ambitions and outcomes.

The budget challenge process had several outcomes:

- It highlighted the on-going impact of pressures in the current budget
- It moved budget planning from an incremental to an outcomes perspective
- It generated cross-cutting savings proposals through a one team approach, focussing on people and outcomes.
- It confirmed that transformation needs a longer time-frame than one year, and that making permanent reductions in 2018/19 to meet the temporary NNDR reduction would compromise the delivery of that transformation

This has allowed a more realistic baseline position to be set for 2018/19 relative to the initial indicative sustainable budget. The budget proposal in this paper therefore recommends the use of reserves to smooth the pace of budget reductions to avoid a cliff-edge in 2018/19. It also factors in the additional resource the Council will secure through being part of a 100% NNDR pilot in 2018/19.

3.49 **Phase 2: Delivering Council Priorities and Public Outcomes**

It is essential that the next phase of the MTFP planning process delivers a sustainable budget, in line with the Councils ambition to be sustainable by 2020/21 reflecting the Councils outcomes and priorities. That means bringing budgeted spending in line with the long-term resource base; without the need for support from reserves which are already substantially committed. The Council needs to demonstrate a clear route to a balanced budget.

The remaining reserves are needed to deal with unforeseen events, including the risks which come with a greater share of the NNDR tax base; and with the challenge of delivering large-scale transformational savings at a time when service demand is rising.

The next phase of resource planning will start immediately. The Council has set out its ambition, outcomes and priorities and the transformation journey has been on-going over the past 18 months. This is being translated into a Council Plan which will focus on embedding the priorities and outcomes. The planning framework has been set to enable the relentless focus on improving outcomes for residents.

The strategic principles outlined earlier are at the core of the Councils financial strategy, and will provide the methodology to further translate Council ambitions and outcomes into fully evidenced and costed proposals for resource allocation, both operational costs and capital investment. This will be further developed to maximise business intelligence and unit cost information to inform service redesign.

The framework of sustainable budget limits will be retained as an essential financial discipline, and be recalibrated to ensure resources continue to align to outcomes and priorities. It will ensure accountability for the deliverables is clear at an operational level (including where the lead officer responsible is cross Council at a strategic level).

Governance Framework: Performance and Delivery Accountability

3.50 The spending plans are based upon achieving a range of targets in respect of generating funding and managing costs within sustainable budget limits. The performance framework is being realigned to the delivery targets. Directors are clear on their responsibilities in respect of funding growth and demand management. In addition to the monitoring through transformation programme delivery, specific reporting will be presented to the Executive Leadership in respect of the sustainable council measures and commercial targets.

Governance Framework: Financial Accountability

3.51 All budgets are strictly cash-limited to the figures set by Council, and require services to ensure tight control of expenditure during the year and to take immediate action to contain cost pressures. Budget holders/service managers are accountable for managing and reporting the performance of services, and for ensuring that mechanisms are in place to give assurance that the data used for reporting is robust. The Director of Governance and Partnerships determines the form and frequency of budget reporting within the framework set by Financial Regulations.

3.52 Directors are responsible for operating within the sustainable budgets allocated to deliver services and are expected to report action being taken to address emerging issues throughout the year. Additionally, a whole council approach will provide strategic oversight

to ensure effective management of resources in line with approved plans. Monthly reporting by Directors, to the Senior Leadership and Cabinet Members will maintain the strong discipline of good financial management. This will fit with the redesign of the performance reporting. The formal monitoring which is supported by Finance Business Partners will continue to be reported quarterly to Cabinet.

f) BALANCED BUDGET

3.53 **I consider the proposed budget for 2018/19 to be based upon robust estimates and supported by an adequate level of reserves. Whilst the budget contains challenging targets, these are clearly identified and will be subject to specific monitoring by the Council's leadership. The plans also take account of identified risks and the future medium term financial plans identifies further opportunities to replenish reserves in anticipation of the impending changes to the local government funding framework.**

3.54 **In summary, there is a clear understanding of the duties of the Council's statutory Financial Officer and the implications of them being exercised are fully understood by members and senior management alike.**

4. ANALYSIS OF OPTIONS

4.1 It is for the Council to decide its spending priorities within the resources it has available. The investment it allocates to its strategic priorities and outcomes is at its own discretion, except where funding is ring-fenced grant such as Dedicated Schools Grant. The issues to be considered when determining the budget are discussed in Section 3.

4.2 The Council is invited to consider the proposals in this report and in the capital programme and strategy. It is important to keep in mind the legal requirement to set a balanced budget so that in each year spending does not exceed the resources available. Reserves can be used to facilitate change or bridge gaps in funding, but unless earmarked for a one-off purpose, these need to be replenished at a later date.

4.3 The legal requirement to set a balanced budget and council tax applies to 2018/19. The regulatory framework for proper financial management expects to see robust long-term financial planning. The proposals in this paper therefore cover the five years 2018/23.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 These are covered in the body of the report and in the appendices.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 Council protocols require an integrated impact assessment to be made for all key decisions. A key decision is one taken by the executive which is likely –

(a) To result in the Council incurring expenditure which is, or the making of savings (including the receipt or loss of income) over £350,000 in any one financial year; or

(b) To be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral decisions in the area of the Council

6.2 It is a method for screening or checking policies, plans and projects to determine how any negative impact or risk can be removed or mitigated, and positive impact enhanced. It covers a number of dimensions: how the decision would impact, if at all, on individuals, families, communities and the workforce; on the local environment and economy; and on the Councils responsible delivery of its statutory duties including equality, social responsibility and reputation. Integrated impact assessments will be carried out as necessary at the point that detailed proposals for implementation are considered.

6.3 The budget and Council tax decision itself must meet a number of statutory requirements. These are summarized here and provide the basis for the report's recommendations.

6.4 When setting the budget for 2018/19 the Council has the power to decide the level of the revenue budget and the necessary Council tax to support it. Under the Local Government Act, 1988 this must be a **balanced budget**. That is the Council must not run a deficit.

6.5 Additionally, under the Local government Act 2003, the Chief Financial Officer must report to the Council when it is considering its budget and Council tax on

- The **robustness of the budget estimates** being considered (Part 2 Section 25 (1)(a) of the Act);and
- The **adequacy of reserves** allowed for in the budget proposals. The Council has to ensure that its budget makes allowances for reserves at least equal to the statutory minimum (Part 2 Section 25 (1) (b) of the Act).

6.6 The Director of Governance and Partnerships is the Council's Chief Financial Officer under Section 151 of the Local Government Act, 1972. Her advice is contained in **Section 3f and Appendix A1**. The Act at Part 1, Section 25 (2) requires that members of the Council take account of these factors in making their decisions.

6.7 Sections 31 to 52 of the Local Government Finance Act 1992 define what the Council needs to determine as part of its budget and Council tax decision, as modified by the Local Government Finance Act 2012 and the Localism Act 2011.

6.8 As the billing authority for the North Lincolnshire area the Council incorporates in its resolution the precept requirements of the Police and Crime Commissioner for Humberside, the Humberside Fire Authority and local town and parish Councils. It also includes the Scunthorpe Special Expense, which forms part of the Councils own Council tax allocation.

6.9 Precepts which have been set are shown at **Appendix C;** any outstanding precepts will be available on the day of Council.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 The Council carried out an extensive public consultation on its budget plans for the four years 2016/20 in late 2015. This was an on-line consultation which attracted 520 responses from a good cross section of residents; businesses; town and parish Councils; and charities.

7.2 It consulted with business in 2017 through established business networks. The response was strongly supportive of the Council Strategy for securing its finances, growing the economy, infrastructure investment, reducing dependency and transforming service delivery.

8. RECOMMENDATIONS

8.1 To set a revenue budget for **2018/19**

8.2 To confirm that all budgets are strictly cash limited to the figures set by the Council, and to require services to ensure tight control of expenditure during the year and to take immediate action to contain cost pressures

8.3 To note that at its meeting held on 14 December 2017 the Council calculated the following amounts for the year **2018/19**. These are as required by regulations made under Section 33(5) of the Local Government Finance Act 1992:-

(a) **48,602.1** as its Council tax Base for the year [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act") (regulation 3)

(b) the Council tax Base for each part of the area as shown in **Appendix C**, column 2 (regulation 6).

8.4 To calculate the following amounts for **2018/19**, as required by Sections 31 to 52 of the Local Government Finance Act 1992 as amended.

(i) The **relevant basic amount of Council tax** for 2018/19 (Council tax requirement for the Councils own purposes excluding Parish precepts)

(ii) The following amounts for the year 2018/19:

(a) £X being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by Parish Councils. (**gross expenditure including parish precepts and special expenses**)

(b) £X being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act (**gross income**)

(c) £X being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its **Council tax Requirement** for the year. (Item R in the formula in Section 31B of the Act).

(d) £X being the amount at (c) above Item R, divided by Item T (8.3(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council tax for

the year (including Parish precepts). (**Band D Council tax including parish precepts and special expenses**)

(e) £X being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix C). **(Total of all Parish Precepts and Special Expenses)**

8.5 To note that for the year 2018/19 the major precepting authorities have stated the amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act, 1992 (police and fire precepts)

8.6 To set the amounts of Council tax for the year 2018/19 for each of the categories of dwellings. Having calculated the aggregate in each case of the amounts at 8.4 and 8.5 above in accordance with Section 31B of the Local Government Finance Act, 1992 as amended **(Council tax including police, fire and parish precept for each band and each parish)**

8.7 To confirm the robustness of the estimates used in setting the level of Council tax in accordance with the Local Government Act, 2003 requirements (Part 2 Section 25 (1)(a) of the Act)

8.8 To confirm the adequacy of reserves included in the budget in accordance with the Local Government Act, 2003 requirements (Part 2 Section 25 (1) (b) of the Act), and the policy for use of reserves as set out in Section 3 of the report and at **Appendix A2.**

8.9 To approve the use of the capital receipts flexibility enabling spending charged to the revenue budget on service transformation to be capitalised as set out at **Appendix A3**

8.10 The Director of Governance and Partnerships be authorised to amend the Constitution (and Scheme of Delegation to Officers) to authorise Executive Directors and Directors to approve, in accordance with Human Resources policy, changes in the staffing establishment.

8.11 To approve the Members Allowance Scheme for 2018/19 as detailed in Council minute 2372, subject to any amendments made pursuant to paragraph 3.17 of this report.

8.12 To approve the Medium Term Financial Plan for 2018/23

8.13 To authorise the Councils Chief Financial Officer to allocate to service budgets in 2018/19 the contingency provision for pay and inflation and cross council initiatives

8.14 To authorise the Councils Chief Financial Officer to produce the necessary taxpayer information.

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

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Date: 16 February 2018

Background Papers used in the preparation of this report

The Local government Settlement at https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2018-to-2019

Local Government Act 2003:Treatment of Costs as Capital Expenditure, letter from MHCLG 06/02/18

Robustness of Estimates **Appendix A1**

Under section 25 of the Local Government Act 2003 the Chief Financial Officer must report to members on the robustness of estimates used in the annual budget setting process and the adequacy of reserves. This appendix sets out in more detail the assumptions made in the budget and the way the risks involved are managed.

Budget Area	Risk Area	Detail and Mitigation
1. Funding	**Business Rates**	This funding stream is discussed in the body of the report.
	Council tax	This funding stream is discussed in the body of the report.
2. Inflation	**Contract Inflation**	A provision has been made in the contingency for future inflation on specific types of contracted expenditure including energy. The size of the provision is as follows:- 2018/19 £1.150m 2019/20 £1.150m 2020/21 £1.200m 2021/22 £1.200m 2022/23 £1.200m This reflects current expectations of inflation, the Consumer Price Index (CPI) and the Retail Price Index (RPI) as appropriate
	Pay Inflation	A provision has been made in the contingency for future inflation. The size of the provision is as follows:- 2018/19 £2.800m 2019/20 £2.800m 2020/21 £2.000m 2021/22 £2.000m 2022/23 £2.000m This reflects the current pay offer and allows for increases at the lower end of the pay scale necessitated by increases to the National Living Wage.
3. Treasury	**Security, Liquidity and Yield**	The Authority has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each

		financial year. In addition, the Council has invested in a treasury system and advisors to provide additional intelligence and governance around treasury activity. The authority resumed borrowing to fund the capital programme in 2015/16, and continues to have an underlying need to borrow to replace previous internal borrowing and to fund the capital investment programme. The estimated cost of this borrowing has been factored into the Medium Term Financial Plan taking account of projected annuity loan rates from the PWLB. The UK bank rate is expected to increase Borrowing rates but the rate of increase is unclear and will depend on a number of macro-economic factors.
4. Capital	**Delivery, Phasing and Cost**	The budget papers propose a capital programme of £158.5m over the current plan, with an internal funding requirement of £78.4m. The Council funds part of its capital programme through the generation of capital receipts. This would require the property disposal programme to generate £11.9m over the plan period. Potential sales have been identified which exceed this value. Should insufficient capital receipts be generated to finance both the capital receipt flexibility and the assumed level in the capital programme there will be a requirement to undertake additional borrowing with an impact on the revenue budget and on prudential indicators.
5. Adult Social Care	**Demand and cost pressures**	The provision of Adult Services within the public sector is one of increasing demand against a backdrop of financial constraint. Delivering safe and effective Adult Social Care Services within this context presents an ongoing challenge in maintaining service quality and also sustainable care markets to meet need. The Council has a good track record of providing effective social care within the budget allocated. Pressures in the social care system have been

		provided for in budget and the government has introduced increased flexibility to levy up to a 3% Adult Social Care precept on Council tax in 2018/19. The budget proposes to use this flexibility in full in 2018/19. Spending plans in the budget meet the criteria for demonstrating this supports additional spending on adult social care, whilst continuing to manage demand through effective and efficient delivery.
6. Children's Services	**Demand and cost pressures**	Some budget pressures have been encountered within Children's service during 2017/18 relating to policy implication and increased demand in looked after children. This is consistent with the national position. Children's services will continue to focus on managing need, through targeted intervention and enabling families. These pressures have been recognised through additional resources being allocated to the service area as part of the Medium Term Financial Plan.
7. Savings	**Not Achieved**	The MTFP prioritises savings of £9.1m in 2018/19. There are further planned savings of £7.1m to be secured through the sustainable budget targets for 2019/23. The Council has a good track record on delivery. The Governance Framework will ensure close monitoring of delivery and timely action to rectify savings going off track. This includes monthly monitoring through the year by Directors to Senior Leadership Team and Cabinet Members. Where savings proposals are identified as undeliverable in the required time-frame, alternative proposals must be identified to maintain the current net position in the financial plan. Reserves are substantially committed to support the council's phased reduction to a lower cost base so there is limited flexibility to accommodate non achievement.
8. Income Generation	**Not Achieved**	The council expects all its commercial services to operate at full cost recovery. That means the charges set cover delivery costs. There are a range of services that levy a charge to the public, fees are determined based upon

		business need, public outcome or statutory guidance. For services which are means-tested, including adult social care, income recovery will be prioritised. The council has a good track record of income collection through council tax, business rates and sundry debtors. There are potential risks to grant funding from the health sector, specifically BCF. The risk is mitigated by effective partnership working, and by plans to drive service efficiencies through service investment funded by the social care precept and iBCF.
9. Maintenance Spending	**There is a risk that insufficient maintenance spending causes assets to deteriorate**	The Council continues to proactively manage its operational portfolio of properties. This is increasingly in conjunction with other public sector organisations. As part of this better management of assets the Council is increasingly addressing potential repair and maintenance issues.
10. Financial Management and Reporting Arrangements	**That the financial position of the Council is not understood and reported appropriately**	The Council has a well-established financial reporting framework covering both revenue and capital at both service and corporate level. These are set out in the Council's Constitution and Finance Manual and provide significant assurance as to the strength of financial management and control arrangements throughout the Council. The Councils budget monitoring arrangements require services to prepare budget action plans to deal with spending variations on budgets. Each reporting period Senior Leadership Team and the Cabinet receive a report covering each service setting out spending to date and projected to the year-end. Action plans are utilised to manage and minimise any significant variations to approved budgets.
11. Reasonableness of the underlying budget assumptions	**That the underlying assumptions are not reasonable**	As part of budget setting and monitoring, services undertake a thorough review of their budgets. The reasonableness of the underlying budget assumptions is challenged by service management teams and the accountancy team. Specific considerations when testing the

		reasonableness of budget assumptions include: • Financial pressures experienced in the previous financial year • Provisions for inflationary pressures; • Extent to which known trends and pressures have been provided for; • Achievability of changes built into the budget; • Realism of income targets; and • Alignment of resources with the Council's outcomes and priorities. The overall level of risk in the 2018/19 budget is considered to be high in relative terms. This level of risk is considered manageable, if all proposed initiatives are effectively implemented; and where delayed, compensating savings are found.

Reserves

Appendix A2

2016/17 £000's Actual	2017/18 £000's Estimate	REVENUE RESERVES	2018/19 £000's Estimate	2019/20 £000's Estimate	2020/21 £000's Estimate	2021/22 £000's Estimate	2022/23 £000's Estimate
		Corporate Reserves					
6,858	6,858	General Fund	6,858	7,158	7,458	7,758	8,058
13,195	9,198	Revenue Support Account	1,631	1,631	1,631	1,631	1,631
2,236	1,832	Public Health	-	-	-	-	-
22,289	**17,888**	***Total Corporate Reserves***	**8,489**	**8,789**	**9,089**	**9,389**	**9,689**
		Earmarked Reserves					
1,257	270	Safety Camera Partnership	190	110	30	30	30
206	190	Scunthorpe Special Expenses	190	190	190	190	190
284	284	Insurance Fund Profit/Loss	284	284	284	284	284
75	38	Shared Service Development	-	-	-	-	-
257	257	PTA Revenue Reserve	257	257	257	257	257
182	182	DSG-Delegated	182	182	182	182	182
7	7	Crematorium enhancement	7	7	7	7	7
286	160	Developers Contributions	158	158	135	135	135
100	-	Organisational Development	-	-	-	-	-
50	50	Financial Systems	-	-	-	-	-
53	53	Taxi Licensing	33	-	-	-	-
2,756	**1,491**	***Total Earmarked Reserves***	**1,301**	**1,188**	**1,085**	**1,085**	**1,085**
		Grant Reserves					
6,251	5,058	Grant Balances	1,992	1,405	1,282	1,282	1,282
6,251	**5,058**	***Total Grant Reserves***	**1,992**	**1,405**	**1,282**	**1,282**	**1,282**
		School Reserves					
1,074	512	Schools Balances	512	512	512	512	512
2,366	1,237	Dedicated Schools Grant	1,237	1,237	1,237	1,237	1,237
3,440	**1,749**	***Total School Reserves***	**1,749**	**1,749**	**1,749**	**1,749**	**1,749**
34,736	**26,185**	**TOTAL RESERVES**	**13,531**	**13,131**	**13,205**	**13,505**	**13,805**

Capital Receipt Flexibility **Appendix A3**

The Government's 2016/20 financial settlement to Local Government provided local authorities with the opportunity to use capital receipts to fund the revenue costs of transformation, which ultimately result in a lower cost base for the organisation. Initially this was for a period of three years, now extended to 2022.

Statutory Guidance
"Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."

The Council's Strategy
The Council committed to make use of this flexibility for the three years to 2018/19 at its budget-setting meeting in February 2017. This statement revises those plans and proposes to extend its use for a further two years. It also contains details of the outturn position for 2016/17.

Local authorities can only use capital receipts from the disposal of property, plant and equipment received in the year in which this flexibility is offered. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform.

They are required to prepare a strategy prior to the start of the financial year (the "initial strategy") listing as a minimum the projects which plan to make use of the capital receipt flexibility and that details of the expected savings/service transformation are provided on a scheme by scheme basis. The "initial strategy" can be replaced at any point during the financial year with a "revised strategy", which should reflect an up to date position.

This appendix sets out the outturn position for 2016/17, a "revised strategy" for 2017/18, and the "initial strategy" for 2018/19. The 2016/17 outturn makes maximum use of capital receipts flexibility in that year. There is also a statement of intent to make modest use of the flexibility in 2019/20 and 2020/21. Each financial year requires Council approval, the plans are to be published on the Council's website, and notification of planned use sent to MHCLG.

Summary of Planned Use

	Actual 2016/17	Planned 2017/18	Planned 2018/19	Planned 2019/20	Planned 2020/21	Total
Planned Use of Capital Receipt Flexibility	1,782	2,070	1,284	-	-	5,136
Anticipated Use of Capital Receipt Flexibility	-	-	-	500	500	1,000
Total	**1,782**	**2,070**	**1,284**	**500**	**500**	**6,136**

Impact on Prudential Indicators

There is no expected impact on Prudential Indicators.

2016/17 Outturn		
Theme	**Activity**	**Amount (£)**
Funding the cost of service reconfiguration, restructuring or rationalisation	Service Changes and Reductions	910,000
	Transformation Team	144,000
	Strategic Transformation	363,000
	Shared Service Project Management	0
	Organisational Development	77,000
Setting up commercial or alternative delivery models	Property development company	18,000
Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities	Transforming Customer Access	179,000
	New Planning System	49,000
Transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners	Action Station Transformation	42,000
	Total	**1,782,000**

2017/18 Revised Strategy			
Theme	**Activity**	**Amount (£)**	**Notes**
Funding the cost of service reconfiguration, restructuring or rationalisation	Strategic Transformation	726,000	During 2016/17 the Council designed and started to implement a new organisational structure. This released significant cost savings. A key focus has been to build one council team to transform council operations as a whole, building a common shared culture, working beyond traditional service boundaries. The transformational work is on-going and members of the Senior Leadership Team take responsibility for different transformation themes under a programme and project management approach led by a Transformation Board chaired by the Head of Paid Service. This investment in transformational work is reflected here and will enable the council to deliver ongoing savings of £16.5m by 2022/23.
	Service changes and reductions	565,000	As services are redesigned and reviewed, there have been opportunities for staff to take voluntary redundancy, the initial cost can be funded through the capital receipts flexibility. This will facilitate services moving to a lower cost base, and achieving savings targets. Voluntary redundancies are only permitted where the financial costs can be repaid within two years.
	Organisational Development	147,000	In order to support the Council's goals and ambition, investment has been made in organisational change support, which is designed to improve management capabilities and enable managers to deliver council transformation. Programme costs for 2017/18 are included here. The OD programme intends to achieve efficiencies by improving processes, systems and orientate staff to being enabling, commercial and progressive.
	Transformation Support	327,000	The council has a specific team that support and deliver a number of cross cutting transformation schemes. This includes; ensuring better utilisation of council assets, work well, fewest best assets and business process improvement. This is a time specific resource responsible for delivering significant ongoing savings, which are estimated to be £830k by 2020/21.
	Costs to Achieve Transformation Savings	305,000	The Council is investing in IT support and equipment to support transformation, including agile working as part of the Wellbeing transformation theme.
	Total	**2,070,000**	

2018/19 Initial Strategy			
Theme	**Activity**	**Amount (£)**	**Notes**
Funding the cost of service reconfiguration, restructuring or rationalisation	Service changes and reductions	500,000	The redesign of services, service level reviews may provide the opportunity for staff to be voluntarily redundant. The initial cost can be funded through the capital receipts flexibility. This will facilitate services moving to a lower cost base, and achieving savings targets. Voluntary redundancies are only permitted where the financial costs of doing so can be repaid within two years.
	Organisational Development	83,000	In order to support the Council's goals and ambition, investment has been made in organisational change support, which is designed to improve management capabilities and enable managers to deliver council transformation. Programme costs for 2018/19 are included here. The OD programme intends to achieve efficiencies by improving processes, systems and orientate staff to being enabling, commercial and progressive.
	Transformation Support	300,000	The council has a specific team that support and deliver a number of cross cutting transformation schemes. This includes; ensuring better utilisation of council assets, work well, fewest best assets and business process improvement. This is a time specific resource responsible for delivering significant ongoing savings, which are estimated to be £830k by 2020/21.
	Strategic Transformation	300,000	A key focus has been to build one council team to transform council operations as a whole, building a common shared culture, working beyond traditional service boundaries. The transformational work is on-going and members of the Senior Leadership Team take responsibility for different transformation themes under a programme and project management approach led by a Transformation Board chaired by the Executive Director Commercial. This investment in transformational work is reflected here and will enable the council to deliver ongoing savings of £16.5m by 2022/23.
	Integrated HR/Payroll and Finance System Implementation	101,000	The council plans to invest in its Human Resources, Payroll and Financial Management Systems. It is envisaged that the improved system will lead to a reduced cost of administration, and also improve the quality of information used for costing transformational activities.
	Total	**1,284,000**	

Appendix B1

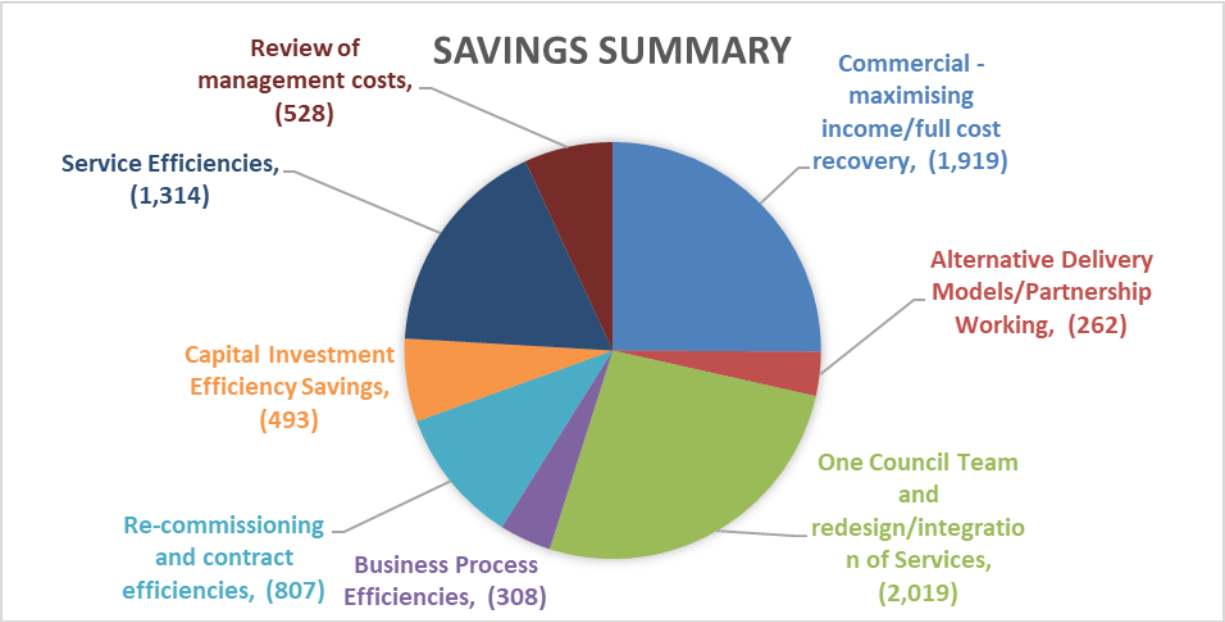
2017/18 £000's Approved Budget	MEDIUM TERM FINANCIAL PLAN	2018/19 £000's Proposed Budget	2019/20 £000's Sustainable Budget	2020/21 £000's Sustainable Budget	2021/22 £000's Sustainable Budget	2022/23 £000's Sustainable Budget
3,853	Business Development	2,956	2,112	2,109	2,109	2,109
6,222	Governance & Partnerships	6,153	5,741	5,531	5,484	5,542
29,678	Operations	29,654	27,415	26,424	26,200	26,474
9,082	Learning, Skills & Culture	8,222	8,331	8,002	7,928	8,019
15,217	Children & Community Resilience	15,583	14,206	13,763	13,664	13,786
37,114	Adults & Community Wellbeing	37,285	38,332	37,492	37,302	37,535
12,263	Public Health	12,000	11,573	11,270	11,202	11,286
113,429	**SERVICE TOTAL**	**111,853**	**107,710**	**104,591**	**103,889**	**104,751**
22,286	Central & Technical Budgets	23,582	23,942	23,982	24,540	24,572
-	Inflationary Provisions	3,500	7,000	9,700	12,400	15,100
-	Cross Council Initiatives	(1,697)	(1,969)	(1,969)	(1,969)	(1,969)
22,286	**OTHER BUDGETS**	**25,385**	**28,973**	**31,713**	**34,971**	**37,703**
135,715	**TOTAL NET BUDGET**	**137,238**	**136,683**	**136,304**	**138,860**	**142,454**
(3,997)	**Use of Reserves**	(4,399)	-	-	-	-
	SETTLEMENT FUNDING					
(14,291)	Revenue Support Grant	-	(6,098)	(4,296)	(3,027)	(2,132)
(30,977)	NNDR Baseline Funding	(42,328)	(32,616)	(33,268)	(33,933)	(34,612)
(45,268)	**Total Settlement Funding**	**(42,328)**	**(38,714)**	**(37,564)**	**(36,960)**	**(36,744)**
	OTHER GENERAL FUNDING					
(62,461)	Council Tax: 2.99% p.a.	(65,034)	(67,448)	(69,946)	(72,605)	(75,361)
(3,104)	Social Care Precept: 3%, 0%, 0%, 0%, 0%	(5,103)	(5,127)	(5,151)	(5,181)	(5,211)
(233)	Collection Fund Surplus (-) / Deficit (+)	-	-	-	-	-
-	Collection Fund Surplus: Council Tax	(417)	-	-	-	-
-	Collection Fund Deficit: NNDR	9,664	-	-	-	-
(7,068)	NNDR Rate Retention Income	(13,415)	(8,773)	(7,431)	(7,844)	(8,777)
(2,009)	New Homes Bonus	(956)	(702)	(297)	(355)	(446)
(330)	Improved Better Care Fund	(5,042)	(6,264)	(6,264)	(6,264)	(6,264)
(165)	Rural Services Delivery Grant	-	(165)	(165)	(165)	(165)
(755)	DSG Central School Services	(420)	(420)	(420)	(420)	(420)
(764)	Adult Social Care Support Grant	(476)	-	-	-	-
(9,561)	Public Health Grant	(9,312)	(9,070)	(9,066)	(9,066)	(9,066)
(86,450)	**Total Base Funding**	**(90,511)**	**(97,969)**	**(98,740)**	**(101,900)**	**(105,710)**
(135,715)	**TOTAL FUNDING**	**(137,238)**	**(136,683)**	**(136,304)**	**(138,860)**	**(142,454)**
-	**Funding Gap (+) / Savings (-)**	**-**	**-**	**-**	**-**	**-**

Change in spending plans

	2017/18 £000	2018/19 £000	Net change £000
Net Spend	***135,715***	***137,238***	***1,523***
Inflation Adjustment		3,500	3,500
Service Pressures		7,116	7,116
Service Savings*		(9,093)	(9,093)
			1,523

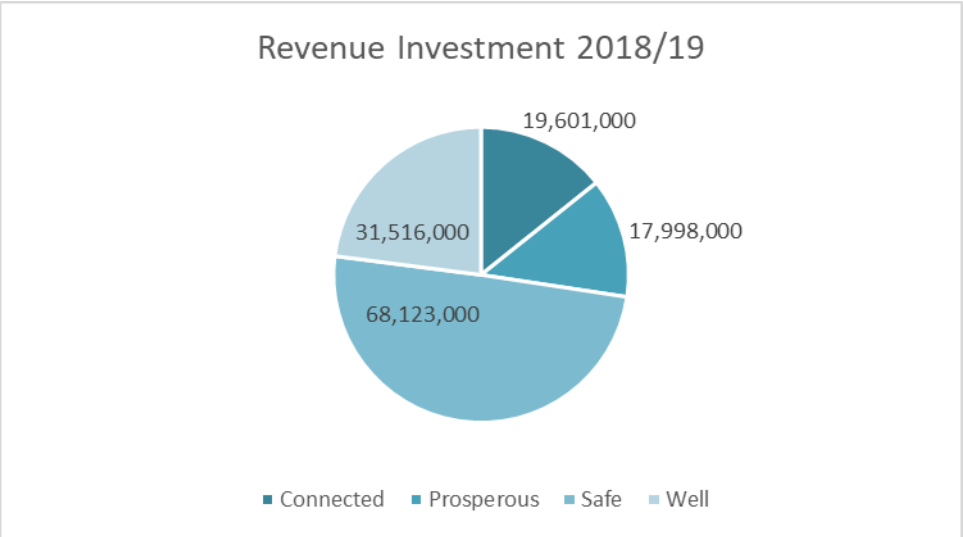
*includes MRP adjustment (£1,443k)

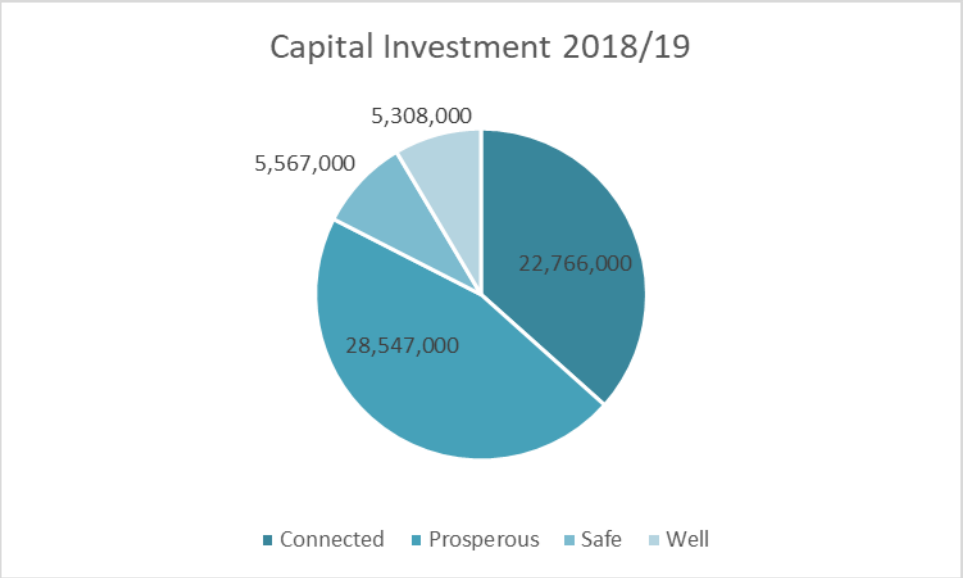
The chart below summarises the savings strategies which have been included within the spending plans for 2018/19.



Investment Summary by Outcome

Outcome	Description & Priority	Total Investment 2018/19 £000
Safe	Investing in protection for vulnerable children and adults, safe roads and communities and safe, well governed and accountable council. Priority focus: Protect vulnerable children and adults	73,690
Well	Clean, greener environment and open space; public health and wellbeing. Healthy workforce Priority focus: Enable people to stay healthy	36,824
Connected	Connected people and communities: excellent accessibility by rail, roads, transport, digital means, vibrant community assets Priority focus: Enable resilient communities	42,367
Prosperous	Education, skills and employment opportunities, economic and housing growth, viable and sustainable council Priority focus: Grow the local economy	46,545
TOTAL		**199,426**





Precepts 2018/19

Appendix C

Parish or Area		Local Tax Base	Precept	Band D
Alkborough		158.5	4,299.00	27.12
Amcotts		78.4	2,810.00	35.84
Appleby		232.1	8,750.00	37.70
Ashby Parkland		192.7	3,500.00	18.16
Barnetby le Wold		518.2	23,000.00	44.38
Barrow on Humber		1,015.5	50,000.00	49.24
Barton on Humber		3,485.3	154,503.00	44.33
Belton		1,130.0	14,509.00	12.84
Bonby		191.2	12,021.00	62.87
Bottesford		3,576.5	89,950.00	25.15
Brigg		1,685.6	117,351.00	69.62
Broughton		1,671.5	117,750.00	70.45
Burringham		210.0	11,620.00	55.33
Burton Stather		954.2	58,716.00	61.53
Cadney cum Howsham		152.3	8,500.00	55.81
Crowle		1,537.3	58,002.00	37.73
East Butterwick		46.5	0.00	0.00
East Halton		207.9	5,376.00	25.86
Eastoft		142.2	4,200.00	29.54
Elsham		164.2	7,806.00	47.54
Epworth		1,549.1	57,618.35	37.19
Flixborough		523.4	12,213.00	23.33
Garthorpe & Fockerby		136.5	7,200.00	52.75
Goxhill		781.5	54,500.00	69.74
Gunness		626.4	28,564.00	45.60
Haxey		1,666.2	40,639.00	24.39
Hibaldstow		767.6	14,000.00	18.24
Horkstow		56.1	1,400.00	24.96
Keadby with Althorpe		479.2	31,201.00	65.11
Kirmington & Croxton		125.6	7,379.00	58.75
Kirton Lindsey		1,041.0	90,000.00	86.46
Luddington & Haldenby		117.8	6,500.00	55.18
Manton		43.2	0.00	0.00
Melton Ross		72.5	3,300.00	45.52
Messingham		1,315.9	57,000.00	43.32
New Holland		246.1	19,000.00	77.20
North Killingholme		86.9	6,000.00	69.04
Owston Ferry		446.5	23,545.00	52.73
Redbourne		156.9	12,000.00	76.48
Roxby cum Risby		150.8	6,000.00	39.79
Saxby all Saints		88.7	4,620.00	52.09
Scawby cum Sturton		795.8	37,000.00	46.49
Scunthorpe	*	15,652.6		
South Ferriby		210.7	12,473.00	59.20
South Killingholme		287.1	11,745.00	40.91
Thornton Curtis		96.7	2,476.00	25.60
Ulceby		532.6	15,000.00	28.16
West Butterwick		245.9	0.00	0.00
West Halton		115.3	4,895.25	42.46
Whitton		87.9	2,567.00	29.20
Winteringham		334.2	17,032.00	50.96
Winterton		1,353.8	112,825.69	83.34
Wootton		175.2	6,500.00	37.10
Worlaby		199.7	13,817.00	69.19
Wrawby		509.3	13,000.00	25.53
Wroot		177.3	9,874.00	55.69
		48,602.1	1,494,547.29	
Other Precepting Authority				
Humberside Police		48,602.1	9,687,370.57	199.32
Humberside Fire and Rescue		48,602.1	4,010,159.27	82.51

* To be set at Council