MANSFIELD DISTRICT COUNCIL

LONG TERM FINANCIAL STRATEGY 2019/2020 – 2028/2029

CONTENTS

1. Executive Summary

The strategy identifies the increasingly difficult time facing Mansfield District Council and its financial position in the immediate, medium and longer term and areas where additional information and work is required. It sets out ten principles which should be used to guide future financial planning.

This is due to a combination of increasing and uncertain costs in supplies, employment, in the operation of key services and the high maintenance requirements for the Council's operational assets. At the same time severe reductions in funding from the UK government since 2010/2011, Council Tax and charges being held to help support the local economy following the financial crisis and austerity has contributed to the significant challenge facing the Council.

Despite the real term income reductions and cost increases, the Council has been able to manage it financial position and limit the impact on front-line services through the income generated from its commercial asset acquisition programme, targeted savings, increase commercial service income and the managed release of reserves.

The future position however requires the Council to transform the way in which its direct and supporting services are delivered and to make difficult decisions in the scope and scale of its services and ultimately the structure of the Council itself, working with other authorities facing similar challenges.

It is clear that Government funding will continue to reduce for lower tier authorities (district and borough councils) as greater financial pressure is felt at upper tier (unitary and county councils) as a result of increased demand on adult and children's social care. The current Fair Funding Review proposes the allocation of retained business rates on the basis of statutory need with this and locally generated business rates growth, council tax and charges being the way in which local authorities will finance expenditure and services in the future.

The range of services provided and the level of expenditure will be determined by the amount of income which can be generated locally. Local priorities therefore need to be identified and established.

The Council's future approach to locally generated income in the form of Council Tax through the rate of tax and housing growth, fees and charges, commercialism and business rates growth need to take account of the reducing resources from the government and the increasing costs of delivering its services.

This comes at a time of great economic uncertainty and potential disruption to the national economy which affects residents and businesses locally, potentially affecting the level of need for public sector intervention and support. The Council needs to be in a position to provide this as well as day to day service delivery whilst at the same time being affected itself by any further impact on Government funding as a result of the national economic position.

The Council's Transformation Plan is the means by which the Council will meet the current and ongoing financial challenges. Achieving this depends heavily on investment in new technology and systems; these will require ongoing maintenance, upgrade and support. Further work is needed to determine the extent and nature of this and the financial savings this will generate.

The dependency on technology requires that the IT infrastructure and equipment is sufficient and kept up to date to minimise service disruption, inefficiencies and to protect information and personal data held by the Council. The strategy identifies the level of this ongoing and vital investment.

The Council owns and provides services through a range of operational properties such as the Civic Centre, Vale Road and Hermitage Lane depots, parks, Palace Theatre, Museum and car parks. It has an external contract for the management of its leisure centres but retains responsibility for significant repairs to these.

These properties cost the Council money in terms of management, day to day repairs, energy, business rates and in some cases significant capital investment. The aging nature of many of these properties has now resulted in failures resulting in operational service disruption for residents and the council. This strategy identifies where this significant investment is known and required together with the need for further works in other operational properties. The expenditure required needs to be built into decisions regarding the future use, retention and charging policies associated with these properties to ensure that resources are available to minimise future disruptions.

The Transformation Plan and the decisions necessary to ensure that the Council is financially stable and is able to provide the range and level of service needed will impact on its employees in terms of the expectations for the way in which they work and in the overall size of the workforce.

Over the period of the strategy, the number of employees will need to reduce significantly simply to maintain the current level of expenditure and further reductions will be necessary to make any impact on the projected deficits. This will require detailed planning and will also incur costs in respect of redundancy and potential pension strain which will need to be taken into account when determining the level of reserves.

The development and production of this strategy is the first steps for the Council to look towards the future; its commitment, aspirations and its income streams. It identifies that there is still much that is unknown and will need to be investigated further and plans put in place to deal with the results.

The strategy should be used to inform decision making and as a basis for communication to stakeholders as many of the decisions and actions necessary should be understood in the context of the wider financial position of the Council.

2. Purpose

This Strategy deals with how the Council will manage its financial resources, however it must be seen in the context to delivering its wider aspirations for the district in terms of.

- Growth
- Aspiration
- Well-being and
- Place

In addition to transforming the services it provides and the way in which they are provided to ensure that the Council is fit for the 21st Century and beyond.

In order to do this, the Council needs to ensure that it has a sound financial base, good governance arrangements, efficient processes, strong ICT infrastructure and capabilities, well maintained operational premises and a well-trained and motivated workforce.

It aims to identify the financial impact of known, anticipated and potential events and requirements over a 10 year time-frame.

Any projections covering this length of time will naturally contain uncertainty and the strategy includes the assumptions made.

The level of uncertainty and risk increases as the amount of influence the Council has over events reduces and the timespan of the projection increases.

The Strategy has been used to provide more detail within the three year General Fund, Housing Revenue Account and Capital budgets.

The impact of BREXIT on the economy and therefore public finances are unclear both in timing and impact, the proposed changes to local authority financing and potentially structure will be felt within the next 2 to 3 years and so affect even short term assessments.

It is vital that the Council takes a long-term view despite pressures to reduce its planning horizons to deal with the immediate issues arising from reducing income and the range of uncertainties.

It is not enough to ‘put things off’ until we know more and the key to future sustainability is to develop a range of options and solutions which can be switched on and off quickly. Flexibility and agility are needed when conditions and outcomes are uncertain.

In order to do this, the Council must have clear priorities, policies and plans supported by robust information and evidence so that financial resources can be targeted in the most effective way.

3 Scope

Whilst this is a Council-wide strategy and covers General Fund, Housing Revenue Account and implications for capital expenditure and funding there is a greater focus on the General Fund revenue services; the Housing Revenue Account has a thirty (30) year Business Plan which is currently being updated. When complete this will feed into the wider strategy as will any implication for the Capital Programme.

It includes service and non-service income and expenditure – Government grant funding, Council Tax, Investment income and the costs associated with borrowing.

It does not include expenditure and income relating to Mansfield Homes, the Council's wholly owned housing development company; although the impact of economic and interest changes are highlighted as it affects assumptions on any surplus or loss associated with this company is included.

It does include the implications of any loans granted to the company or repaid and interest incurred or receivable as a result.

It does include the implications of services provided to the company by the Council.

It takes account of the expenditure and income on shared services and the net income or expenditure on the Mansfield and District Joint Crematorium.

It does not aim to deal with every element of expenditure and income but focusses on those which have the most impact on the Council's financial position.

4 Policy Drivers

The Council is clear that it wants to create a district where people can succeed in terms of their own aspirations, their families and their businesses.

To do this the Council must make the district a place where people want to live, want to visit, want to work and do business and where they want to make a better life for themselves and others.

This cannot be done by the Council alone and it must involve other public sector partners, businesses and the communities themselves.

The aim to deliver housing and economic growth is key to the generation of income locally and work done as part of the Local Plan has informed assumptions on this aspect.

5 Economic context

5.1 Over the period of the Strategy the local, regional, national and global economic situation will vary. The document does not aim to make predictions in respect of long term growth or the impact of major global events but uses the latest expert views to help inform general direction of the economy as far as possible and in particular those areas which have a greater potential direct impact on the Council.

5.2 Inflation currently stands at 2.4% (September 2018); this remains above the government’s target of 2%.

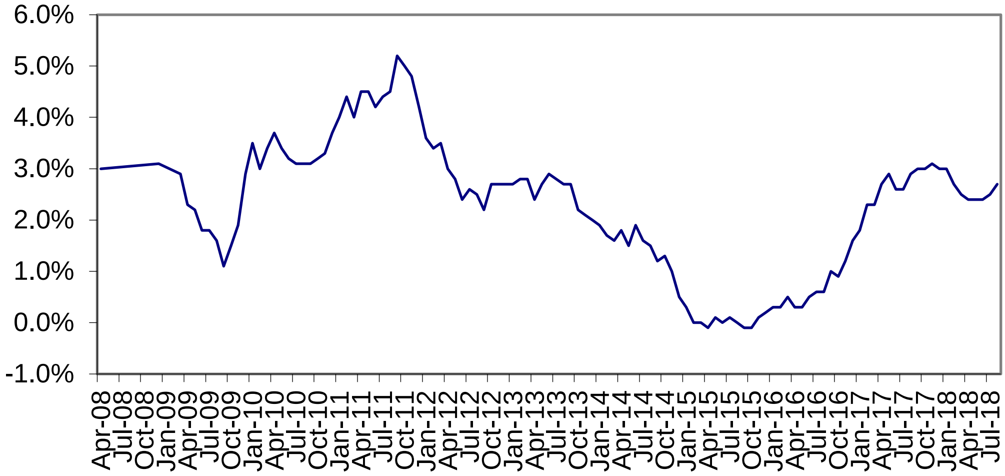
There are many factors which impact on the level of inflation and tracking these gives an indication of the future short term position.

The price of goods and services which the council purchases reflects the supply and demand of each element which suppliers and consumers incur throughout the supply chain from raw materials, labour, supporting costs such as fuel to delivery and final purchase.

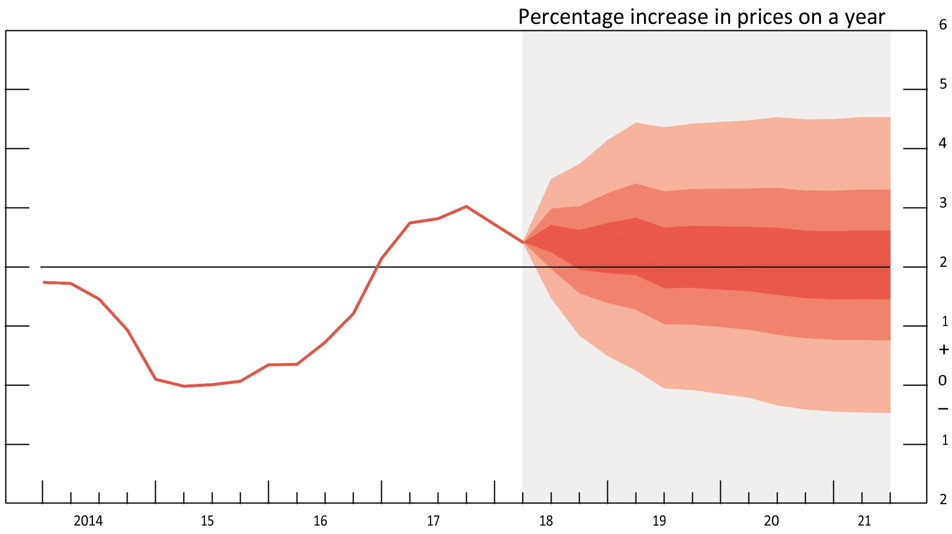
Within this strategy it is not possible to identify the individual elements but some are common to all products.

Graphs 1 and 2 below show the history of the Consolidated Price Index (CPI) measure of inflation and the projections used by the Bank of England for future years. As can be seen, over the longer term CPI can be highly variable which will impact on expenditure incurred by the council and on the income received from asset rents and charges for services. The forecast shows the range of value for CPI based on the information available to the Bank of England.

Graph 1 – CPI history



Graph 2 – CPI forecast



A major influence over the rate of inflation is Oil and its cost in relation to the strength of the GB£ relative to the US$.

5.2.1 Oil – this is the base commodity for most products and extends throughout the supply chain for extraction and transportation of raw materials and the manufacture and delivery of finished products.

Prior to the financial crisis in 2008, oil prices were relatively stable at $20 - $30 per barrel however during 2008 and the following years it has varied between $132 and $30 per barrel. It currently sits at $76.3 per barrel (October 2018).

It is very volatile and dependent on supplies from the Middle East, South and Central America, USA and Russia. The recent increase in oil and gas derived from fracking has steadied the volatility as these plants are relatively easy to close and re-open as the price fluctuates. Action by suppliers to limit or increase production which controls the supply and therefore price is also used to equalise variability.

The demand for oil and oil based products is heavily dependent on the global economy and uncertainty over trade particularly between USA and China and between USA and Europe has short term but potentially longer term effects.

Oil is typically purchased on US$; the relationship between GBP£ and US$ is therefore vital in determining the 'real' cost to UK organisations. Graphs 3 and 4 show the variability of these two significant factors over time.

Graph 3 - Price of Oil since 2008

Graph 4 – Value of GB£ to US$ since 2008

There is an impact across all organisations, businesses and individuals reflected either in the price of goods or at the pumps in the form of fuel.

The cost of operating the vehicle fleet, heating and lighting the Council's premises would be affected and therefore the cost of delivering services to residents and customers. These would mainly be statutory services such as waste collection or those directly affecting tenants and local communities, for instance, Community Safety, maintenance of parks and housing repairs.

5.2.2 Labour – Since 2016 until recently wage inflation has been below the Government's measure of inflation (CPI) and has therefore dampened overall inflationary pressures within the economy. This has been particularly so within the public sector where a pay cap of 1% was in place. This cap was breeched in 2017 and is anticipated not to be enforced for future years. Since 2017 wage growth has kept pace with and been slightly above CPI at around 2.5%. If this continues and the gap widens in favour of wage growth this will increase general inflationary pressures.

5.2.3 Taxes – Government decision on taxation will impact on inflation. Whilst no immediate increases in the rates of income tax are expected, increases in employers National Insurance rates and duties on fuel, alcohol and cigarettes etc. are to be expected when the Chancellor of the Exchequer delivers the annual budgets.

The Council is not directly affected by increases in VAT however changes will impact on the level of fees and charges made by the Council to service users and tenants. The impact on the Council comes from its closeness to the ‘Partial Exemption’ limit which if exceeded removes the ability to reclaim VAT on supplies.

5.2.4 Property Stamp Duty – this tax is payable on the acquisition of property and is not recoverable by the Council and affects the amount paid and therefore the amount to be funded through the council’s own resources or borrowing. It is also payable by those acquiring properties from the Council and therefore affects the selling price of those assets. The rules surrounding this area are complicated but are regularly updated and amended to help stimulate the property markets or raise additional tax revenue.

5.2.5 Business Rates – as with all organisations, the Council is required to pay business rates on its properties.

Revaluations are carried out at intervals and affect the Council but also affect businesses and organisations within the district. Significant changes can occur and whilst transitional arrangements are usually in place and specific reliefs can be applied these events can distort the local economy – e.g. high street retail properties.

The multiplier (rate in the pound of Rateable Value) is determined by CPI and is set by the Government.

The Council can gain from increased Business Rates income which it collects and retains a portion of.

5.2.6 Asset Rents - The rate of inflation is important in terms of both expenditure and income; commercial rents on a number of the assets acquired by the Council are increased in accordance with the Retail Price Index measure of inflation therefore whilst a high inflation figure increase costs it can also increase income.

5.2.7 Residents and Businesses - The rates of inflation also have a direct impact on residents and the level of disposable income available to be spent and therefore an impact on spending locally with the consequential effect on the local economy.

Where businesses try to absorb inflation by not passing this on to consumers, this also affects the net income and profit of the business. This places greater pressure on reducing costs elsewhere which could be local suppliers or the workforce, again impacting on the local economy.

Whilst inflation remains at the current low levels and wages keep pace the impact is small but does not give any leeway for consumers to increase spending and generate growth. This is particularly acute in respect of affordable housing.

5.3 Local Government pay and pensions – Local Government pay does not come under the same cap as has been the case for other areas of the public sector, however recent pay increases have mirrored the cap. Whilst resources within local government remain tight and central grant support reduces pressure will continue to limit significant increases, however pressure from unions will also be felt to increase at least in line with inflation.

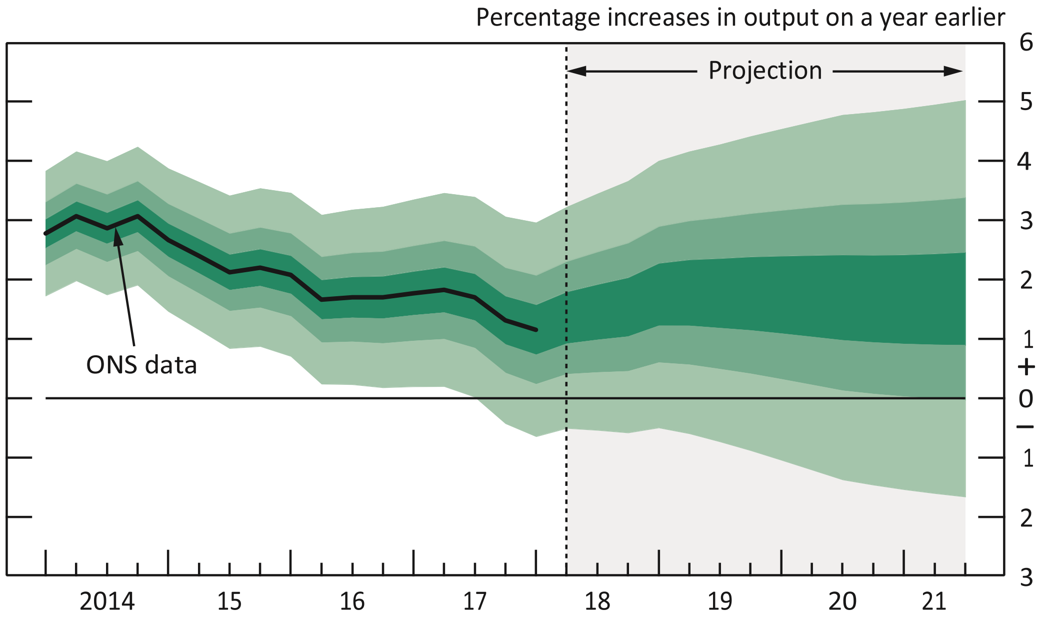
The majority of employees at Mansfield District Council are members of the Nottinghamshire Local Government Pension scheme. As with all pension schemes the liability for paying retired employees is growing as the numbers and their longevity increases. At the same time, reduced funding has resulted in a smaller workforce contributing to the scheme, this is set to continue.

There have been a number of changes to the benefits paid to retired employees and the level of contributions payable which goes some way to address this issue, however this has also meant that the contributions required by employers has also been affected.

A reassessment of the Pension Fund projected position and likely deficit is undertaken every three years, at this stage the employers' contributions are determined for the period in the form of a lump sum with reduced annual contributions or higher annual contributions. The next assessment is due for 2019/2020.

5.4 Economic Growth – Growing the local economy in terms of housing and business is vital to the generation of future income through Council Tax and Business Rates and is also needed to ensure the vibrancy and sustainability of the town centres, jobs and earnings. It also means that there is a resulting need for increased services provided by the Council in areas such as waste collection, provision of open space and the availability of education, health facilities and improved infrastructure which must be delivered with local partners. Graph 5 below shows the current projections used by the Bank of England; as with inflation projections there is a wide variation in the potential growth which is dependent on global, European and domestic issues.

Graph 5 – Projection for Growth



5.5 Britain's Exit from the EU – The impact of BREXIT is unknown, however the timescales are dependent on the 'No deal' or 'Deal' scenarios.

Under 'No deal' it is expected that Britain would leave the EU on 29 March 2019 or two years later in 2021 if a deal is reached (as at 23/10/18 options to extend this period are being discussed). In either scenario any impact for the local economy, residents, business and the Council will begin to be felt soon.

An understanding of the potential impact has been undertaken and actions are now being developed to address areas of potential high impact.

In terms of future planning; this is the most significant uncertainty at this time and will have a major impact on economic growth in the UK and therefore the availability of tax income to fund public services and the disposable income of individuals.

The impact is unknown at this stage; but forecasts by the Bank of England, International Monetary Fund, Office for Budget Responsibility and a number of 'think-tanks' have predicted an overall reduction in growth, particularly in the short term and particularly if the UK leaves without a deal.

5.6 Interest rates – Base interest rates remain low at 0.75% despite a rate increase during August 2018 from 0.5%

The Governor of the Bank of England has indicated that any further rate increase will be done steadily and in small steps; likely to be one increase per year. The recent increase also provides some leeway to reduce the rate again should it be necessary to support the economy.

This provides a level of certainty for the Council's investment income levels and to some extent borrowing costs for capital expenditure going forward. This is particularly important should the Council continue acquiring properties to support its services.

Certainty over interest rates also helps businesses with their investment plans and the low rates mean that borrowing to invest is affordable in the medium term.

This is true also for those buying homes; this is an issue where first time buyers are unable to afford the initial deposit or the house is only affordable at the current low rates of interest where any upward shift tips the balance into the purchase being unaffordable.

There is a potential impact resulting from changes in interest rates in other housing related areas as the current low rates have been in place for 10 years and those buying a house within that period did so at low rates.

Should these increase this could impact on their ability to afford their existing mortgages and possibly impact on homelessness, the need for further public sector housing or making housing within the district less affordable affecting housing development and growth.

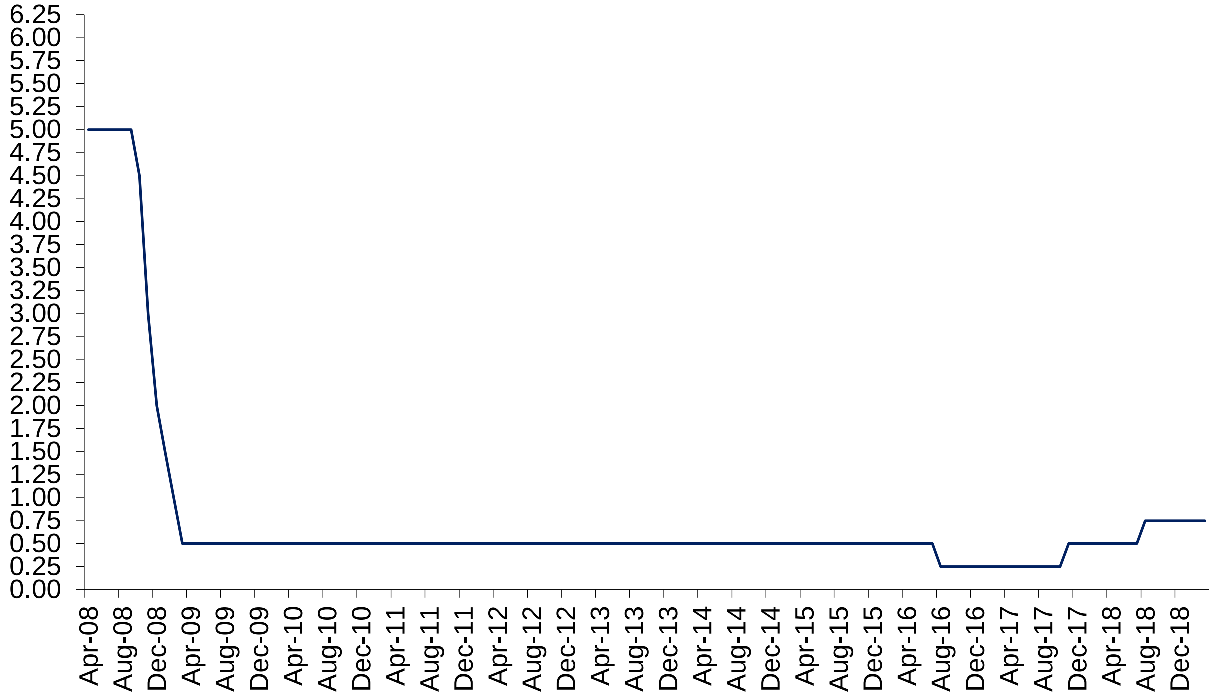
Low interest rates are good for borrowing but those with savings gain little.

This has been the case for several years and the proportion of disposable income saved continues to fall as a result.

The Council's cash investments have been reduced over a number of years and the income now received is not a significant amount compared with the past.

Graph 6 below shows the recent interest rate history.

Graph 6 – Bank of England Base Interest Rate since 2008



5.7 Property markets – The national and local property markets are important to the Council, its finances and the impact on the regeneration and growth of the district.

The national market is important as a significant part of the property rent income is dependent on existing and future property holdings. The growth or reduction in property values will affect acquisition costs and rates of return on new assets but also affect rent reviews on existing properties.

The local property market is also important from an income generation perspective but also in respect of local development and investment by the Council and others.

5.8 Public sector finances – The funding of local government is dependent upon the amount of money the government is able or willing to distribute which in turn is dependent on the growth of the economy which impacts on the income from taxation and the level of need for support and benefits.

Predictions continue to be made on the strength of the economy and future growth but many organisations are concerned about the uncertain effect of BREXIT on the economy and whether there is a hit and whether it is short term or longer term.

The possible effect and timing can also be determined by the particular 'deal' or indeed 'no deal' reached.

This uncertainty therefore has implications for the availability of resources and the level of need within the economy for support. The government is now making preparations for 'no deal' and is incurring expenditure in readiness.

The government has made recent announcements regarding the future distribution of any resources and it is clear that the NHS, education and possibly defence will be prioritised and the recent release of the public sector pay cap for non-local government employees will put further pressure on resources.

In 2019/20, the Government will undertake a full public sector spending review; this will align spending to the priorities identified by the government, the period this will cover is uncertain as is the impact on specific parts of the sector. A general election must be held in 2022, which may determine the period covered.

At a more immediate level, the government is undertaking a review of local government finance and the move towards greater retention (75%) of business rates growth income by local authorities alongside a review of re-distribution through its' Fair Funding Review'.

Within local government, the main funding issue and one which will remain for the foreseeable future is Adult Social Care and to a growing extent Children's Services and it is widely expected that the funding review will allocate a higher proportion of resources to unitary and upper tier authorities which have statutory responsibility for these services.

This strategy therefore needs to be based on a continued reduction in central government support and a re-distribution of resources away from district councils.

This places greater reliance by the Council on resources it can generate independently through Council Tax, Business Rates Growth, asset rents and customer receipts if it to be in a position to resource service provision for the district.

The ability of the Council to achieve this is dependent on many factors but its approach to growing the local housing and business economies is vital to this as is the Council's approach to the rate of Council Tax, investment in assets and the charges it makes for services.

5.9 Local Government Re-organisation – Many areas across England are considering the future structure of local government as a means to making savings and efficiencies and still delivering services at a local level.

With the increase in Combined Authorities and bodies such as the Local Enterprise Partnerships, together with the Midlands Engine and Northern Powerhouse there has been a move to wider regional structures to support and generate economic growth.

Nottinghamshire County Council has recently passed a motion to produce a business case for a unitary authority which replaces the existing two tier system.

The districts within the county have dismissed this and stated that any change must be discussed within the Economic Partnership Committee which includes all Nottinghamshire Authorities. Nottingham City Council, which is currently a unitary authority, has identified a potential alternative approach.

Mansfield District Council will need to determine its approach to future structures, during the period of this strategy it is likely that this will be necessary and initial resources may be required and any implications addressed.

6 National, Regional and Local policy

The Council works within a wider framework of public and quasi-public services which are overseen by the UK national government and each area has its particular policy areas. Often however, the policies of one organisation impacts on other bodies. Similarly polices developed and implemented at a local level by the Council will in-turn have an impact on services or the plans of other organisations.

This strategy does not try to identify all the potential connections and implications, the following are examples of where these can or will have an impact on the policies, finances or services provided by the Council.

6.1 National policies

National polices will generally impact on regional and local organisations as the actions they take will then affect other bodies.

Universal Credit – the roll out of the policy and new approach, bring a range of benefits together. This affects the Council as a deliverer of Housing Benefit which is being replaced for working age claimants.

Fixing our Broken Housing Market – White Paper. This aims to address the national shortage of housing including affordable housing across the country.

National Planning Policy Framework – This aims to set out ways in which growth and housing can be encouraged and driven to meet both economic and housing growth needs

Industrial Strategy – This sets out the government's approach and principles to increasing the country's productivity and economic growth.

National Waste Strategy – reuse and recycling to meet EU targets

Focus on Renewables – Energy generation from renewable a nd sustainable sources

Public Health England – Health in all policies approach

6.2 Regional policies

Local Enterprise Partnership (LEP) – Derbyshire and Nottinghamshire area partnership for growth representing business, education and local authorities (D2N2)

Economic Prosperity Committee (EPC) – Nottinghamshire local authorities co-ordinating growth and linked with LEP

Nottinghamshire County Council Growth Strategy

Nottinghamshire County Council Health and Well-being Strategy

6.3 Local policies

Local Plan – setting out the dwelling and business growth requirements and the sites for development; currently in consultation.

Mansfield District Council health and well-being aspirations – reducing obesity, inactivity, smoking, drug and alcohol abuse, teenage pregnancies, mortality rates.

Parks and Open Space Strategy

Mansfield District Council / Ashfield District Council Joint Economic Strategy

7 Government Funding – Mansfield District Council

This has decreased significantly since 2010/2011; affecting general funding such as Revenues Support Grant and Business rates and specific grants such Council Tax and Housing benefit Administration Grant.

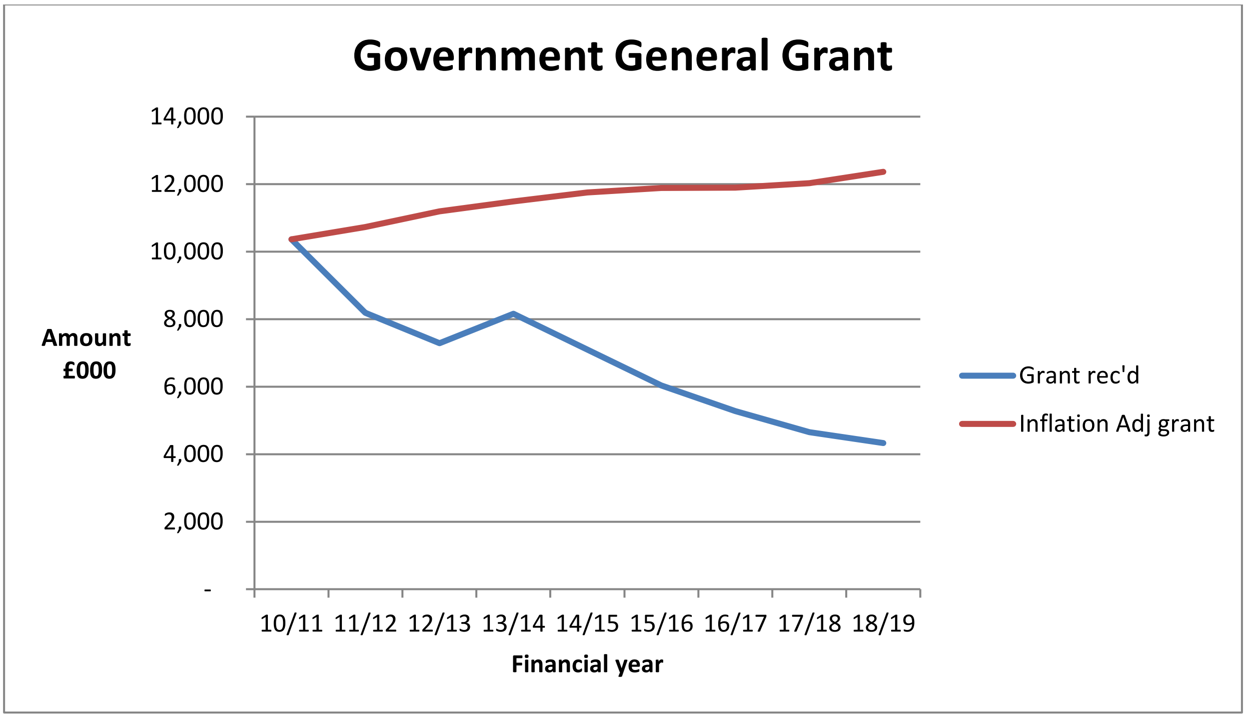
This has impacted not only in individual years but has had a significant cumulative impact on the funding received over the period in comparison to a no increase and more so when taking account of general inflation (CPI)

Table 1

Year	General Funding allocation	Cash Reduction £000	Cash reduction %	Annual CPI	Inflation adjusted allocation	Inflation adjusted loss £000	Amount received as a % of inflation adjusted allocation %
2010/11	10,366	0	0	-	10,366	0	100
2011/12	8,185	-2,181	-21	3.5	10,729	-2,544	76
2012/13	7,289	-896	-11	4.3	11,190	-3,901	65
2013/14*	8,161	+872	+12	2.7	11,492	-3,331	71
2014/15	7,101	-1,060	-13	2.3	11,757	-4,656	60
2015/16	6,039	-1,062	-15	1.1	11,886	-5,847	51
2016/17	5,274	-765	-13	0.1	11,898	-6,624	44
2017/18	4,654	-620	-12	1.1	12,029	-7,375	39
2018/19	4,329	-325	-7	2.8	12,365	-8,036	35
Total	61,398				103,712	-42,314	59

*Includes Council Tax Reduction Scheme grant and Council Tax Freeze Grant

Graph 7 – General Government Grant

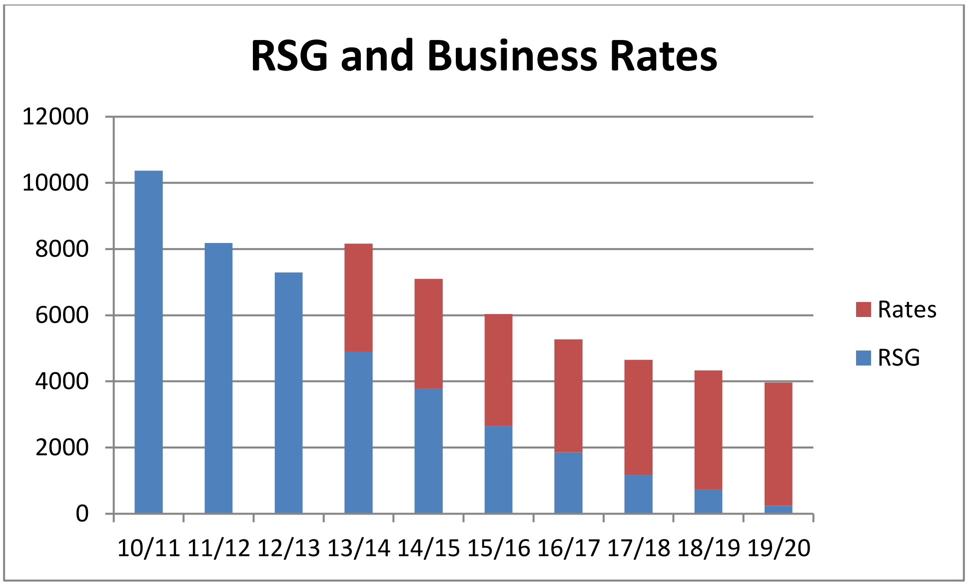


7.1 Revenue Support Grant (RSG) – This is the grant received from government which has previously been based on the relative needs of each local authority. The government signalled its intent to remove this and replace with Business Rates retention and a fair Funding Formula by 2020. Continuation of the formula approach for RSG will result in the Council being in a negative position as are some authorities. The government is looking to resolve this as part of the future funding proposals and therefore for the purposes of this strategy it is assumed that the Council will no longer receive RSG from 2020/2021 but will not be in a negative position.

Table 2

Year	Amount £
2019/2020	244
2020/2021	0

Graph 8 Government General Fund – RSG and Business rates split



7.2 Retained Business rates – For second tier (district councils), this will become the main source of central funding distributed by the Government from 2020/2021. Decisions are required by the Government regarding the amount and mechanism for future distribution.

The amount generated; the amount available for distribution and the amount distributed to individual authorities are dependent on a range of factors which are outside the direct control or influence of the Council. These factors will change throughout the period of the Strategy and it therefore needs to reflect this and provide an approach to resolve this.

Overall Business Rates collectable and collected – assumptions regarding economic growth and how this is translated into tangible increase business rates collection will determine the amount of money available for distribution to local government.

This is a property based tax and it is therefore relatively stable and will increase as more buildings are built. However, there is growing pressure from businesses to reform this tax as they see it as a growing and unfair tax on business. As pressure increases the likelihood of future reform also increases. The risk to the Council of the future un-sustainability of income grows.

In the short term, a change in this regime is not seen as a priority for the Government as Brexit continues to be the major focus.

The amount payable is determined by the Rateable Value (RV) and the multiplier (rate in £). The RV is affected by any revaluations carried out and the multiplier is increased annually by CPI measure of inflation. The Government has indicated the next revaluation will be 2021 and every three years thereafter.

Whilst local authorities will retain a higher proportion of growth, the proposed system of re-distribution includes provision for re-setting baseline funding levels which ultimately takes away growth from individual councils and transfers this to others on the basis of need and ability to generate income.

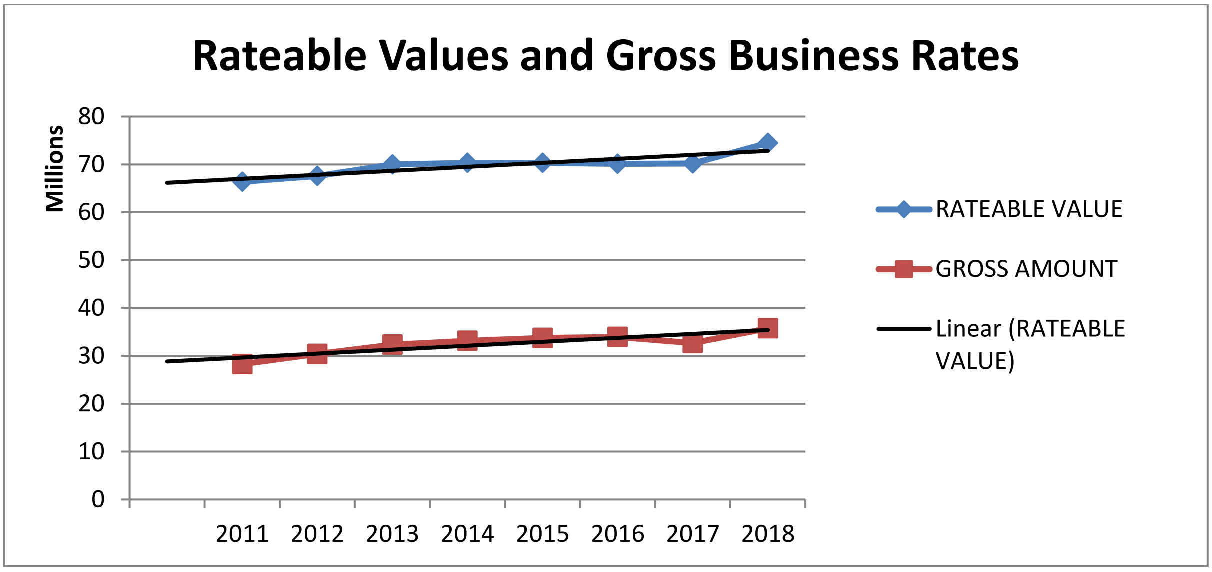
The district’s rateable value base for 2018/2019 was £74.5m and billed £35.7m. The increase in this base will be affected by future re-valuations. The amount billed will be affected by any changes to the multi-plier which will be assumed at CPI and any transitional arrangements put in place or further discounts. Further deductions are made for provisions for appeals and revaluations.

Mansfield District Council currently receives 40% of the remaining sum which is then pooled within the county and tariffs applied.

Out of the £74.5 RV, MDC’s actual business rates income will be its baseline funding and its projected share of the Nottinghamshire Business Rates Pool totalling £3.5m (4.7%).

The table below shows the change in Rateable Value (RV) within the district and the gross amount receivable using the small business rate multiplier. Changes in RV tend to increase following revaluations; the impact on the gross amount is smoothed by the Government adjusting the multiplier after taking account of the annual inflationary increase.

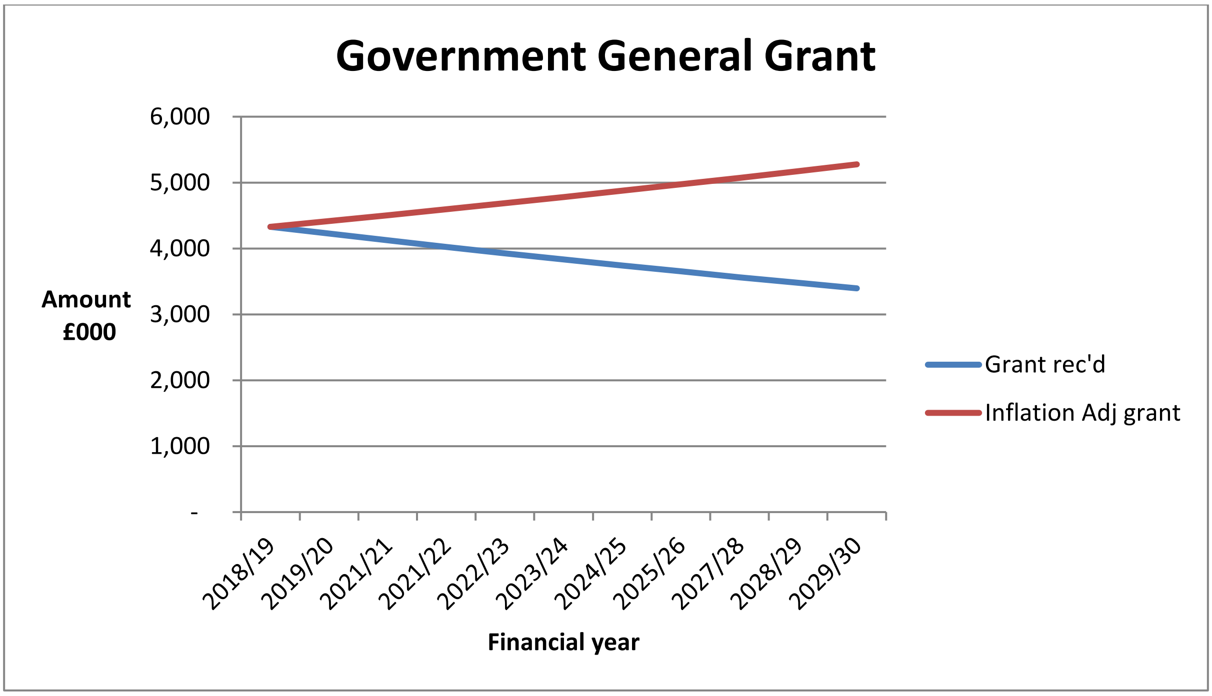
Graph 9



The Government is also to undertake a spending review. The amount available for other public services will be dependent on economic growth and tax income. Allocations have already been identified in advance of this review to Health and increases are expected for Defence.

There is no certainty regarding future baseline funding allocations and therefore it will be assumed that reductions in funding will be to the same extent as previously. This would result in addition reduction in grant of £10.3m in real terms or £5.3m in cash terms up to 2029/30. This would bring the annual funding from the current £4.3m to £3.4m by 2029/30.

Graph 10



7.3 Council Tax – dwellings within the district are placed into one of eight bands; A/A* to H, based on a value at 1st April 1990. This value is determined by the Valuation Agency; the value of new properties is converted back to this date. Band A is the lowest value and H is the highest.

(A* reflect dwellings occupied by those in need of significant adaptations due to disability).

The numbers of properties within each band is adjusted to take account of statutory discounts such as a 25% reduction for properties with a single adult in occupation and discretionary premiums such as an additional 50% for properties which remain unoccupied after 2 years.

The council also has a local Council Tax Reduction Scheme; this replaced the previously national Council Tax Benefit Scheme in 2014/2015. This scheme reduces the liability for individuals based on their financial circumstances.

Once the property number, bandings, premiums and discounts have been determined this forms the calculation of the Council Tax Base which converts the total figure into Band D equivalents. A Collection Rate of 98.5% is then applied to reflect the probability that not all the Council Tax billed will be due to properties becoming empty during the year, amounts collected in later years or written off for instance due to the death of the occupier.

The base is an indicator of the growth in housing provision; in number and value and the financial health of residents.

The Table below shows both the total properties for the period 2011/2012 to 2018/2019 by Band and the overall Council Tax Base before Collection Rate adjustment for the same period.

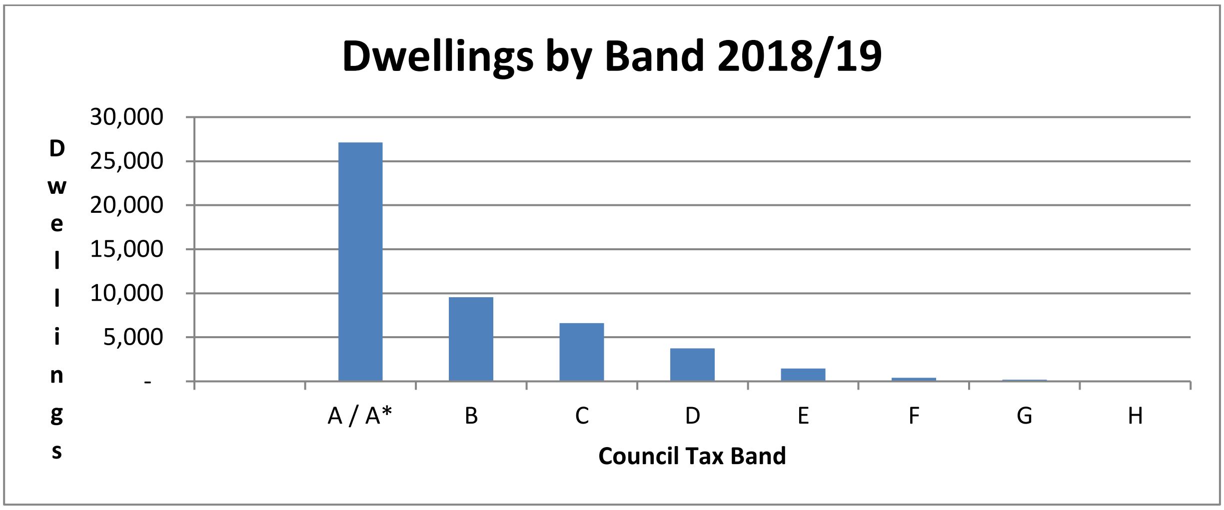
Table 3 – Council Tax adjusted base

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
A/A*	26,347	26,412	26,450	26,540	26,679	26,819	26,983	27,107
B	9,291	9,279	9,327	9,325	9,388	9,462	9,508	9,551
C	6,256	6,266	6,338	6,392	6,469	6,519	6,581	6,614
D	3,517	3,542	3,544	3,564	3,622	3,687	3,711	3,735
E	1,367	1,365	1,364	1,363	1,380	1,411	1,437	1,445
F	353	354	357	362	373	383	394	401
G	178	178	178	176	178	179	182	184
H	19	19	19	20	22	25	26	26
Total	47,328	47,415	47,577	47,742	48,111	48,485	48,822	49,063
Base	32,019.2	32,130.6	32,299.7	26,672.9*	27,904.3	28,702.6	29,335.0	29,345.7
	67.65%	67.76%	67.89%	55.87%	60.00%	59.19%	60.01%	59.81%

*Introduction of local Council Tax Reduction Scheme

The chart below shows the current position graphically.

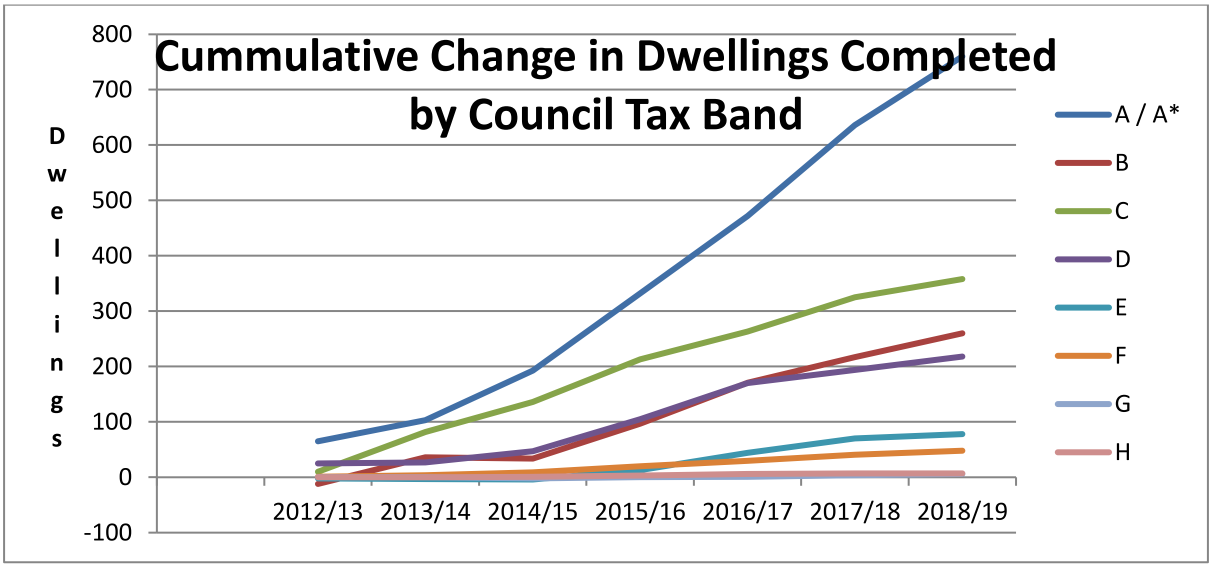
Graph 11



An additional 1,735 additional dwellings completed during this period.

The Chart below shows the cumulative increase by Council Tax band. As can be seen there is a significant increase in the completion of Band A dwellings over the period which has an impact on the amount of Council Tax received.

Graph 12



The Council has been allocated targets of 325 for housing development within the district, should this not be achieved the Council may incur penalties.

Each Council Tax Band attracts a different rate of Council Tax due. The rates approved for 2018/2019 for each band are:

Table 4

Council Tax Band	Council Tax (£p)
A	123.15
B	143.67
C	164.20
D	184.72
E	225.77
F	266.82
G	307.87
H	369.44

The amount budgeted to be raised from Council Tax for 2018/2019 is £5.34m.

Without taking into account the impact on the Council tax Reduction Scheme and discounts for every 1% of increase in Council Tax equates £53,400. The table below shows the cumulative amount of Council Tax raised for every 1% increase over the 10 year period of the Strategy.

Table 5

Year	In year increase at 1% £	Cumulative amount raised at 1% increase £
1	53,400	53,400
2	53,934	107,334
3	54,473	161,807
4	55,018	216,825
5	55,568	272,393
6	56,124	328,517
7	56,685	385,202
8	57,252	442,454
9	57,824	500,278
10	58,402	558,680

Table 6 Council Tax Generated from growth and Council Tax Increase

Year	No increase	1%	2%	3%
	£	£	£	£
1 – 2019/20	21,977	66,932	111,715	156,326
2 – 2020/21	61,179	152,053	243,123	334,368
3 – 2021/22	100,382	238,145	377,021	516,939
4 – 2022/23	139,584	325,214	513,430	704,072
5 – 2023/24	178,786	413,266	652,370	895,793
6 – 2024/25	217,988	502,309	793,861	1,092,119
7 – 2025/26	257,191	592,348	937,918	1,293,060
8 – 2026/27	296,393	683,390	1,084,557	1,498,614
9 – 2027/28	335,596	775,441	1,233,793	1,708,770
10 – 2028/29	374,798	868,506	1,385,636	1,923,504
Cumulative received	1,983,874	4,617,604	7,333,424	10,123,565

The growth is calculated on the basis of the target required and existing trend in terms of the banding of additional properties. 2019/2020 is based on a projection based on the position as at 31/05/18.

The amount charged also has an impact on the amount required for the Council Tax Reduction Scheme (formerly Council Tax benefits). The figures above include this impact based on the current scheme and current levels of need.

In 2018/2019 the Government set a cap of 3% above this level a local referendum would be required. On this basis £10.1m additional Council Tax would be raised over this period based on achieving the house building target of 325 additional properties.

Housing Benefits, Universal Credit and Council Tax Reduction Scheme

The introduction of Universal Credit will have a number of impacts on the Council and the residents of the district. Operationally, the change will mean that Housing Benefits claims and payments currently administered by the Council will be reduced only to classed as ‘Pensioners’.

This means that the current caseload of approximately 7900 reduce to 2,300. This will move over time, with the transfer planned to begin in March 2019.

This will impact on the amount of Housing Benefit Administration grant received and also on the number of employees required to process the reduced claims.

Universal Credit is also expected to impact on the level of council housing rent arrears for which a financial allowance will need to be made.

In areas where the policy has begun to be rolled out, there has been an increased time delay between applying for the benefit and receiving the money resulting in increased hardship for individuals and families. The impact of this for the district is unknown but would need to be monitored and addressed where required.

7.5 Council Tax Reduction Scheme

From 2013, the national Council Tax Benefits were replaced with local Council Tax Reduction Schemes (CTRS) and Council Tax collection authorities (Districts, Boroughs and Unitary councils) were required to devise a scheme accordingly.

Mansfield District Council did this and is now in place. It has largely continued with the methodology and processes used for the former national scheme for annual upgrades for other benefit and pension increases continue.

The scheme is approved annually by the Council before each financial year.

The significant change to the system is that the council no longer receives grant from the Government to cover the benefits paid; this is now included in the Council Tax Base calculation and an amount is included within the general grant received from the government.

Costs associated with this are now borne in effect by those authorities raising income from Council Tax – Mansfield District Council, Nottinghamshire County Council, Nottinghamshire Fire and Rescue Service, Police and in Warsop Parish Council; increases in Council Tax therefore increase the level of CTRS. CTRS is directly affected by the level of deprivation, employment and wage levels within the local economy. As can be seen, the caseload continues to reduce, however the cost of the scheme increases as a result of upgrades to thresholds and increases in Council Tax by authorities. Of this amount Mansfield District Council pays approximately 10%. This proportion has reduced as Mansfield as held it Council Tax levels whilst others have increased.

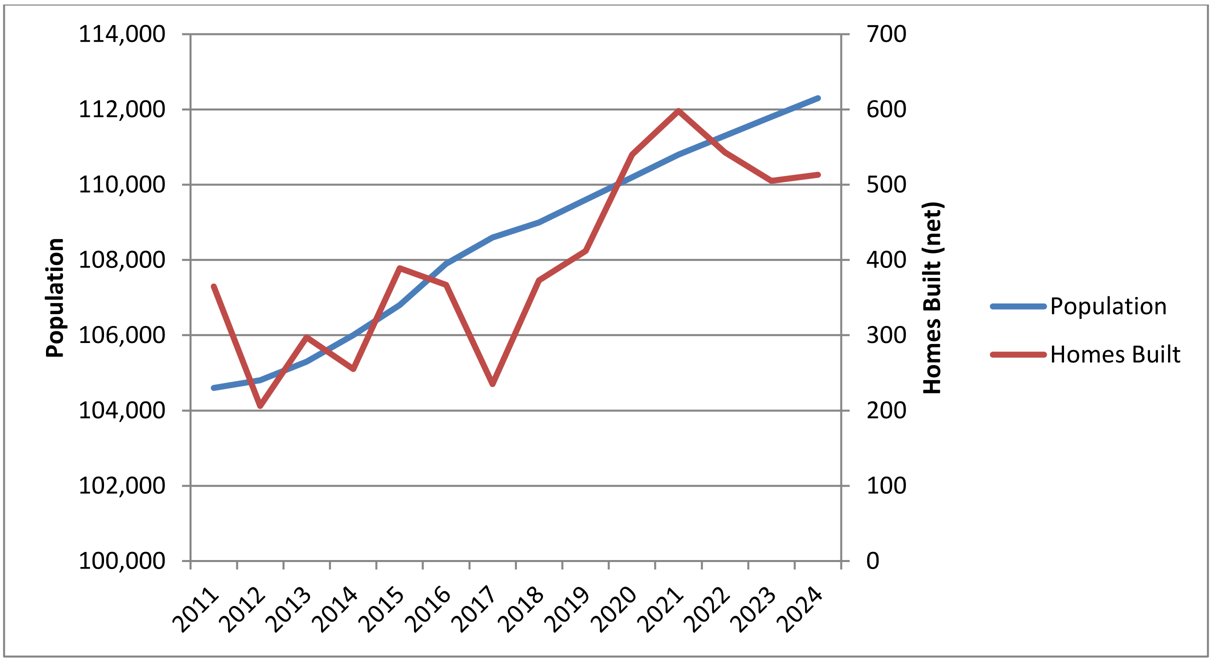
Table 7

	CTRS £	Caseload
2013/14	8,761,525	11,237
2014/15	8,442,986	10,826
2015/16	8,231,119	10,412
2016/17	8,218,565	9,922
2017/18	8,379,210	9,806
2018/19 (est)	8,618,474	9,535

8. Population and housing growth

The table below shows the recent and projected population growth for the district set against the number of homes built and projected. As can be seen, there was a significant drop in homes built whilst population continued to grow requiring a sharp increase in future years to make up the lost ground. This accords with the target of at least 325 homes per year being delivered from 2019/20.

Graph 11 – Projected Population and Housing Growth



Growth in population provides additional strain on public services and infrastructure but also increased spending power within the local economy.

The particular issues relating to the district from housing growth are increased council tax income but also specifically an increase in domestic refuse collection.

At present the council operates 11 rounds to collect and empty 48,000 bins per week. This averages 4,363 collections per round and 872 collections per round per day. The average cost of a round is approximately £100,000 per year plus a vehicle costing £160,000.

Based on an annual growth of 325 dwellings and weekly collections, this would add 30 properties per round or 6 properties per round per day. Therefore, based on current levels of collection; an additional round would become fully utilised once 4,300 additional collections are required or 13 years at the targeted level of growth. In the early years, changes to working arrangements would enable the additional collections, however there will become a point where an additional round will be needed which would provide capacity for a number of years.

9. Fees and charges

The Council generates income from its services through ‘Fees and Charges’. Excluding rents from its assets (see 6.5) this totalled £7.8 (£6.5m General Fund, £1.3m Housing Revenue Account).

The table below shows the significant sources of income.

	Budget 2018/2019 £000
General Fund	
Car Park	1,658
Trade Waste	910
Domestic and Garden Waste	805
Planning and Building Control	592
Theatre	555
Crematorium (MDC element)	384
Cemeteries	342
Court Legal Fees	315
Market	252
Licencing and Taxis	173
Leisure and Parks	143
Land Charges	92
Other General Fund	277
	6,498

Housing Revenue Account (HRA)	
District Heating	706
Poppyfields	278
Assisted Living	115
Repairs	100
Other HRA	145
	1,344
Total	7,842

In determining future levels of charges a specific plan is required for each area which takes account of the cost of the service, future and ongoing investment needs, market position and impacts on other service areas, support services and non-service accounts such as borrowing.

10. Asset rents

The Council has embarked on a programme of property acquisition in order to safeguard services, release resources for investment and to drive forward its transformation work.

It has a wide portfolio of assets within the district and externally; the 2018/19 budget income from this source is shown below.

Table 9

Property Type	Annual Budgeted Income £
Commercial	249,749
Retail	2,295,265
Industrial	435,923
NBIU	22,278
Community Centres	5,152
TOTAL	**3,008,367**

The largest and most valuable single property and the major source of rental income within the district is the Four Season's Shopping Centre where the Council owns the ground lease; the income from this has remained at £2m and whilst this is a stable source of income, further growth is dependent on the success of the shopping centre and future occupancy and rental income.

This is therefore related to the level of economic growth and footfall in Mansfield town centre and the continued attraction of the Four Season and the shops within.

The building itself opened in 1974 and whilst previous and current operators have invested in the Centre, an agreed programme of work will be needed to ensure its long term viability at a time when shopping patterns are changing significantly.

In relation to its asset acquisition programme; as at 30 September 2018 the Council had acquired five properties for £24m. These acquisitions are forecasted to generate £1.6m (18/19) which will increase in line with the review dates within each lease as follows:

Table 10

Year	Gross forecasted income £000
2018/19	1,592
2019/20	1,635
2020/21	1,659
2021/22	1,684
2022/23	1,719
2023/24	1,798
2024/25	1,848

11. Commercial activities

In a number of areas, the Council aims to reduce the overall cost of services by making charges to those using the service or facility. These include CCTV, Trade Waste, Car parks and Garden Waste collection.

If the Council wishes to generate additional income through this route it needs to adopt a method of identifying which services it wishes to make a surplus and trade commercially, which it provides on the basis of ‘no cost to the Council Tax payer’ and which is accepts will require subsidy identifying the level of subsidy it feels is acceptable.

There are a number of statutory constraints and requirements which must be followed, however this approach has been adopted by other local authorities and different structures have been set up to enable this approach.

The Council has set up Mansfield Homes as a housing company which is able to make a profit which is returned to the Council in the form of a share-holders dividend. The Council is the sole shareholder.

The company's cash flow is funded by a loan from the Council not exceeding £8.3 million. The Council receives interest on this at a commercial rate and will receive the loan principal repaid when income from the sale of houses is received. The company is anticipated to make a significant contribution in the region of £900,000 in 2019/2020. In order for future dividends to be generated, the company will identify further projects and funding will be considered by the Council.

12. Financial Investments

As at the 31 March 2018, the council held financial investments in a range of institutions totalling £24.8m which generated £97,000 income during 2017/2018. Prior to the financial crash and credit crunch in 2008, income from this sources exceeded £2m.

The primary requirement of managing investments is to ensure security of the funds and ability to generate income from this source is limited.

Interest rates on investments are greatly affected by the Bank of England's Base Rate which was increased from 0.5% to 0.75% in August 2018.

Investments are also spread across a number of financial institutions to spread risk which also impacts on the ability to maximise interest income

The Council is intending to reduce its overall cash investment by £14m to approximately £10m which gives the ability to fund capital expenditure without the need for external borrowing in the short term but reducing the amount of interest earned as a result.

Whilst this reduces interest payments in the short term; it gives the Council a greater exposure to future interest rate increases at the point it needs to borrow. As rates are expected to rise only gradually, it is possible to manage this risk.

13 New Homes Bonus

New Homes Bonus is a grant awarded to local authorities in response to increases in dwellings. This is awarded once an authority exceeds a threshold and is based on the average national Band D Council Tax amount.

In order to attract additional New Homes Bonus, the net increase in dwelling within Mansfield District must exceed 149 Band D equivalents in the previous 12 months. This is based on the Council Tax Base calculation between November and October. As at 31 August 2018; there had been an increase of 132 dwellings equating to 112 Band D equivalent dwellings. It is unlikely that the threshold will be achieved.

Any grant received will be received for four years; the achievement of this threshold each year therefore impacts on future years' allocations and resources.

As a further incentive for house building, the Government is to set targets for each local authority; for Mansfield District Council this is 325 properties per year.

The following table shows the amount of New Homes Bonus which could be generated based on this target, the current Council Tax banding profile of dwellings within the district, the current threshold and years for which the grant is allocated.

Table11

Year	New Homes Bonus Annual Growth £000	New Homes Bonus in year payment £000
2019/20	0	0
2020/21	149	149
2021/22	148	297
2022/23	146	443
2023/24	145	588
2024/25	144	582
2025/26	142	577
2026/27	141	572
2027/28	140	566
2028/29	138	561
Total		4,335

As can be seen from the above, achievement of the targets would make a significant financial impact to support the Council's services.

14. Capital receipts

Capital receipts are generated through the disposal of a capital asset – land, buildings, vehicles and equipment. In general, these can only be used to meet the costs associated with acquiring, building or improving similar assets.

As part of the Transformation plan, a number sites and properties are being identified for disposal to generate additional capital receipts.

This approach will provide funding towards the works required to safeguard the Council's operation properties, to reduce the reliance on external borrowing.

A direction from the Minister for Housing, Communities and Local Government has also enable councils to use capital receipts for the purpose of generating future savings and efficiencies. These can also be used to support the Transformation Plan for example investing in ICT or meeting the costs associated with reducing the Council's overall workforce as explained in 15 below.

15. Employees

Whilst it is a moving figure, the Council has 770 employees, as a number of these do not work the standard 37 hours per week this equates to 685 full time equivalent posts.

The 2018/2019 projected cost including Employers National Insurance and Superannuation is:

Table 12

	Total £000
General Fund (including Crematorium)	15,021
Housing Revenue Account	6,227
Pension Lump Sum	2,232
Total employed cost	23,480
Vacancies	786
Total establishment cost	24,266

The mean average employed cost per employee therefore stands at approximately £34,277. This will fluctuate dependent on the scale and number of employees, the rate of vacancies and the impact of any changes to the NI and Superannuation contribution rates.

In order to calculate the impact of changes to the number of employees, the variable average cost (excluding the fixed Pension lump sum payment) is used - £31,019.

The table below sets out the position with no change in employee numbers taking account of the increased cost of basic pay, National Insurance and Superannuation rate. In addition it includes the estimated change in the Pension Lump Sum payments and rates as a result of the three yearly actuarial valuations.

The table also shows the reduction in employee numbers required to maintain the overall costs at current levels. This does not take account of reductions to meet the current projected deficits.

Table 13

Year	Overall employee costs £000	Employee reduction to maintain current cost FTE	FTE Employed
2018/19	23,480	-	685
2019/20	23,905	-13.43	672
2020/21	24,606	-21.31	650
2021/22	25,048	-12.75	638
2022/23	25,500	-12.50	625
2023/24	26,210	-18.92	606
2024/25	26,679	-11.88	594
2025/26	27,157	-11.65	583
2026/27	27,895	-17.27	565
2027/28	28,393	-11.08	554
2028/29	28,901	-10.87	543
Total		-141.67	

The Transformation Plan identifies areas where changing the way in which services are provided would result in the need for fewer employees with no impact on the service. In addition, a planned reduction through managing vacancies, retirements and voluntary redundancies is in place.

All service areas will be reviewed with savings from employees being expected.

This will lead to compulsory redundancies which will be dealt with under the Council's policies. The scale of this is not known however these will be minimised where possible.

Reducing the Council's workforce will generate necessary savings and the impact on service provision will be minimised; however as the cost of services increase and government grant continues to fall this becomes more difficult and the Council will need to prioritise the services it wishes to continue to deliver in line with the income it has available.

Whilst an ongoing saving will be made from reducing the workforce, there are one off and continuing costs associated with this in the form of redundancy payments and pension strain. In identifying the level of reduction necessary resources need to be set aside to meet these costs.

16. Premises

The Council owns the following assets; as can be seen in Table X these represent a high level of investment by the Council over many years, generate significant income and enable the delivery of operational services. However the continued use of these assets is dependent on ensuring that they remain in good operational condition.

Table 14

Asset Category	Number	Gross Book Value as at 31/03/18 £000
Car Parks	15	5,083
Commercial offices	30	2,559
Civic Centre	1	12,009
Community Centres	17	3,434
Depots/Store	5	2,515
Leisure Facilities	5	28,002
Shopping Centre	1	42,350
Public Conveniences	7	739
Retail Units	4	1,313
Workshops	44	1,642
Housing Revenue Account non-dwelling properties	239	14,725
	368	114,371

Business rates – for 2018/2019 the Council is expected to be charged £998,000 in business rates for its buildings per year; after taking account adjustments for transitional relief and refunds the amount expected to be paid is £425,000. This reduction is mainly the result of closing district heating boiler-houses and includes one of refunds.

The current rateable value of its premises stands at £3,226,000.

Revaluation of premises is planned to be undertaken every 3 years; the impact of this is difficult to assess and some areas may increase in value, others may reduce.

In addition to the Rateable Value of premises; the multiplier also increases annually on the CPI measure of inflation. The Government's target CPI is 2%.

The current multiplier used for the majority of MDC assets is 49.3p.

Taking the current RV and current multiplier a 2% increase would equate to the council paying an additional £32,000 in business rates per year.

Following the Business rates re-valuation in 2017 properties owned by the council are being identified and where necessary an appeal will be made. The appeals from the 2010 re-valuation continue to be processed; the majority of these are now complete and the Council has been successful in a number of cases, reducing the annual charge and receiving a refund.

Planned Preventative Works – In order to ensure that the assets used by the Council to deliver its services are fit for purpose it is necessary to identify the level of investment required to maintain or improve the asset.

Based on the results of a programme of asset condition surveys the estimated amount required is set out in the table below.

Table 15

Asset	18/19 £000	19/20 £000	20/21 £000	21/22 £000	Total £000
Walkden St Car Park	300	2,350	250	450	3,350
Four Seasons Car Park	30	450	418	270	1,168
Civic Centre	274	484	184	86	1,028
Palace Theatre		250			250
Mansfield Museum		150			150
Old Town Hall*	750				750
Community Centres	40	30			70
Hermitage Lane depot	18	100			118

Various works by priority**		350	400	400	1,150
Ongoing condition surveys	24		24		48
Statutory compliance risk assessments	40	40	40	40	160
Asset Management system administrator post	18	18	18	18	72
Total planned expenditure	1,494	4,222	1,334	1,264	8,314
Existing budgets	1,494	1,773	463	463	4,193
Additional requirement	**0**	**2,449**	**871**	**801**	**4,121**
Mansfield and District Joint Crematorium***	35	768	11	20	834
Leisure Centres****					

* Dependent on grant of further £750,000

** Further breakdown over 105 properties available

*** Further requirements of totalling: £1.5m 22/23 to 26/27. Funding will be through JCC but impact will be on MDC's VAT and Partial Exemption position.

**** Leisure Management contract – MDC retains responsibility for buildings and major equipment whilst the contractor is responsible for day to day repairs. The current works which have been identified are set out below. A detailed programme now needs to be developed along the same lines as for other operational assets:

Water Meadows

Roof replacement

Pool plant/ leak flume resolution

Air handling unit

Window replacement

Pool plant refurbishment

Rebecca Adlington SC

Wet-side Flooring

Pool swimming pool tank refurbishment

Boiler replacement

Air handling units replacement

Oak Tree Leisure Centre

Roof replacement

Boiler replacement

The method of funding this investment is dependent upon the nature and the scale of the work, whether it merely maintains the asset or whether it enhances and lengthens its useful life.

17. ICT Renewal

The operation of the Council and its services is heavily dependent on its ICT infrastructure. The following table identifies the basic operational requirements for this. In addition, as the Council increases its digital transformation there is a need for developments and maintenance of its existing core sytems.

Table 16

Network Infrastructure Hardware		
Renewal Fund Item	**Replacement Time Span**	**Yearly Fund**
Servers	Every 5 years	63,450
Switches	Every 5 years	17,490
Firewalls	Every 5 years	3,540
Routers	Every 5 years	2,140
Backup	Every 5 years	3,170
Storage	Every 5 years	18,050
Wireless	Every 5 years	2,490
UPS	Every 5 years	550
Sub Total		**110,880**
Network Infrastructure Software		
Windows server	Every 3 years	22,064
Exchange (e-mail) server	Every 3 years	1,770
SQL server	Every 3 years	9,144

Sub Total		**32,978**
User Hardware and Software		
Kiosks	Every 5 years	2,350
Smart Phones	Every 4 years	4,460
Mobile phones	Every 4 years	1,800
Desk Phones	Every 10 years	7,220
Monitors	Every 5 years	11,900
PC's - Expected to decrease	Every 5 years	11,070
Laptops - Expected to increase	Every 5 years	10,790
Thin Clients - Expected to decrease	Every 10 years	10,290
Tablets	Every 4 years	10,660
Mice/Keyboards/Cases/Cables etc.	Yearly	2,500
Sub Total		**73,040**
TOTAL YEARLY FUND REQUIRED		**216,898**

In order to meet these requirements in line with the life expectancy of the items an annual contribution of £216,898 is needed; this will also need to be inflated annually; increasing the contribution by 2% year on year or approximately £5,000 per year. An ICT Renewal Fund is in place with the following contributions being within the base budget.

2019/20 - £106,000

2020/21 - £81,000

2021/22 - £200,000

The Council's Transformation Plan includes a significant proposed investment in ICT; systems software, equipment training and continued development. Whilst a Transformation Reserve of £500,000 was set up in 2018/2019. £128,000 remains uncommitted at this stage.

A programme of corporate hardware and software developments needs to be produced and core service requirements for the following systems:

Digital platform

HR and payroll

Financial Management

Council Tax and Housing Benefits

Payments

Housing Management

18. Reserves

The Council maintains a range of reserves to meet identified commitments and to meet unforeseen expenditure or loss of income and to ensure resources are available to meet its statutory role in the event of a major emergency.

As part of the post-holder's role, the statutory Chief Financial Officer must be satisfied with and comment upon the adequacy of these reserves. In order to meet this requirement an annual review and risk assessment is undertaken to determine any reserves no longer required, any additional reserves or increase required.

Reserves should only be used to finance 'one-off' or time constrained expenditure and not to support ongoing commitments which should be identified and included in the Council's revenue budgets. They should only be used for the purpose for which they have been identified.

The strategy identifies the need for specific reserves to be set up or added to Council's assets, ICT infrastructure and Transformation work can be safeguarded, developed and progressed. These amounts need to be included within the base budgets.

19. Three Year Financial Projections

Details are contained within the budget report submitted alongside this strategy together with proposals as to how this is to be addressed.

Table 17

	2019/20 £000	2020/21 £000	2021/22 £000
General Fund Base - Deficit	2,497	5,040	5,919
Additional for Local Plan	100	0	0
Additional Planned Preventative Works (known)	2,449	871	801
Additional ICT Renewal (known)	111	136	17
Additional ICT development and upgrade	Unquantified	Unquantified	Unquantified
Additional Planned Preventative Works (leisure)	Unquantified	Unquantified	Unquantified
Minimum General Fund Deficit	5,157	6,047	6,737
HRA Deficit	359	1,137	1,859

20. Conclusion and actions.

The 2019/20, 2020/21 and 2021/22 budgets, which have been based on the strategy identify the following deficits together with other required expenditure. Whilst work is continuing on these budgets to deliver a balanced budget; the Long Term Strategy identifies that the short and medium term issues will continue and will result in even higher deficits in future unless significant changes to the way in which the Council delivers its services. It is vital that the Transformation Plan and its consequences are properly resourced and that the savings and benefits to be delivered are clearly identified and defined.

21. Principles of financial planning.

This is not an exhaustive list of things which need to be considered, however if these are followed and refined in the future, this will provide the Council with a robust approach to ensuring that it meets its statutory obligations, its organisational requirements and its policy aspirations for the district.

Principles 1 to 5 relate primarily to understanding the size and timescales of the likely commitment; 6 to10 relate to what needs to be considered when identifying solutions.

1. Identify and quantify the Council's future statutory, organisational and operational requirements; where these are unknown or uncertain – investigate and develop mitigation.

2. Identify and quantify the Council's policy and developmental aspirations and requirements in light of local, regional and national policies and the economic landscape.

3. Prioritise statutory, organisational, developmental and policy requirements on the basis of risk, opportunity and impact. Gather information and evidence in order to support this prioritisation.

4. Put timescales on when these requirements will impact on resources. This enables planning of internal resources, communication and enables work to commence on identifying the resulting financial resources.

5. Identify existing and potential income sources and aim to maximise these to meet requirements.

6. Assess the risks associated with existing and potential income streams and be prudent when determining the amount and timing of income expected.

7. Base expenditure, savings and income proposals on a robust understanding of the financial and budget position; the costs, benefits, risks, opportunities and impacts associated with the proposal.

8. Look at the short, medium and long term position. ALL are important.

9. Having identified the need and determined the timing and size of the financial impact; where possible allocate resources in advance over a planned period.

10. Plan for uncertainty. The Council will need to find money for unplanned expenditure or loss of income. The budgets and financial plans are estimates and based on assumptions over which the Council has no control. Reserves must be at a level which will allow immediate emergency and urgent expenditure and flexibility must be built in to service revenue and capital budgets. Aim to only use reserves to meet one off events and not to meet ongoing commitments.

22. Areas to consider

The following provides a number of areas of work which will be required to ensure the financial sustainability of the Council.

1. Transformation Plan:

Digital Transformation - The work already underway on using technology to deliver services and communicate with customers is vital. The Council will need to provide initial and ongoing support to get the benefiys of this work.

Core Service Review – The Council will be unable to provide the range of services in now provides and to the same level. The benchmarking work done as part of the Transformation Plan has identified that the Council has continued to provide services that other authorities do not and it has continued to deliver its range of services predominantly itself when others do not. A clear understanding of the priority services the Council need to deliver must be developed and openness to exploring other ways of delivery.

Continuous Improvement – All services and managers are expected to continually look to find more efficient and better ways of delivering the services under their remit. This must continue faster and to a greater extent than in previous years.

Physical Assets – The Council's operational assets require significant investment; all opportunities for reducing this liability should be explored including reducing the range and number of assets. Where it is possible, joint use and commercial letting of surplus space needs to be driven in line with the Government's One Public Estate policy.

Procurement – The Council must use its significant buying power itself and with others to secure the best price for the goods and services it procures. This includes the way in which it delivers services and the way in which packages of work and goods are designed will be crucial. Working with Nottingham City Council Procurement Team will release savings.

Agile and Home-working – The changing patterns of work, changing and reducing workforce all require new ways of thinking and working about the place and hours of work. Traditional 'office hours' are no longer acceptable to customers and employees too require greater flexibility. This approach results in higher productivity; potentially releasing capacity and reduces the size of operational space required and therefore free to sell or let out commercially.

Commercialism – The Council’s approach to its Commercial Asset portfolio has demonstrated that significant sums can be generated; its wholly owned housing company too is expected to generate a significant dividend. Opportunities exist for a focussed commercial approach both through income generation and also the approach to expectations for service areas to break-even, make a surplus or reduce the subsidy.