

Report of:	Meeting	Date	Item No.
Cllr Alan Vincent, Resources Portfolio Holder and Clare James, Head of Finance	Cabinet	17 October 2018	7

Medium Term Financial Plan 2018/19 to 2022/23

1. Purpose of report

- 1.1 To consider the Council's Medium Term Financial Plan for the financial years 2018/19 to 2022/23.

2. Outcomes

- 2.1 The ability to demonstrate good financial management by ensuring that the Council's Medium Term Financial Plan, budgets and capital programme are soundly based and designed to deliver its strategic priorities.

3. Recommendations

- 3.1 Members are requested to:
- a. Consider the attached Medium Term Financial Plan and the consequential action required in order to address the issues resulting from the five year Financial Forecast (current year plus four years);
 - b. Note the revised expenditure projections incorporating the slippage from 2017/18, and the resulting impact on the level of the Council's Reserves and Balances at 31st March 2018; and,
 - c. Agree the top-up and use of all Reserves and Balances as indicated in Appendix 3 to the Medium Term Financial Plan.

4. Background

- 4.1 The Council's comprehensive, Medium Term Financial Plan, essentially a five year financial forecast, complements the Annual Revenue Budget process and should be considered in conjunction with the Council's Business Plan, its capital investment plans and the Asset Management Plan. It provides detailed proposals for corporately managing the Council's resources in the years ahead.
- 4.2 The Council's financial plans support the delivery of strategic plans for assets either through investment, disposals, rationalisation or more efficient asset use. Financial plans show how the financial gap between the need to invest in assets and the budget available will be filled over the long term (for example through prudential borrowing, rationalisation of assets, capital receipts, etc.).

5. Key issues and proposals

5.1 The last Plan was based on the Revenue Budget for 2017/18 and it was recognised that it would be subject to continuous monitoring to ensure its effectiveness. Since the Plan was last considered there have been regular monitoring reports to Members on both the Revenue and Capital Budgets and the 2018/19 Budgets for both of these have been approved. The Outturn figures for 2017/18 (post audit), were presented to the Audit Committee on 24 July 2018. Attached, at Appendix A, is a copy of the updated Plan, which includes the latest five year financial forecast.

5.2 Based on the detailed appendices to this report, over the forthcoming MTFP period, savings would be required of:

- £580,898 for 2019/20
- £1,857,767 for 2020/21
- £2,145,852 for 2021/22
- £2,691,913 for 2022/23

These are expressed on an assumption that any savings in each year are one-off and non-recurring. Therefore, as an example, should recurring savings be found in 2019/20 of £500,000 then the required savings to be found in each subsequent year would be reduced initially by that same £500,000 (being recurring in nature).

Financial and legal implications	
Finance	Considered in detail in the appendices attached.
Legal	None arising directly from the report.

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

implications	✓ / x
community safety	x
equality and diversity	x
sustainability	✓
health and safety	x

risks/implications	✓ / x
asset management	✓
climate change	x
data protection	x

report author	telephone no.	email	date
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List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix A – Medium Term Financial Plan 2018/19 to 2022/23

dems/cab/cr/18/1710cj1



Medium Term Financial Plan 2018/19 to 2022/23

Wyre Council
Civic Centre
Breck Road
Poulton-le-Fylde

October 2018

The Medium Term Financial Plan for Wyre Council

1. Strategic Objectives

- 1.1 The Council's Business Plan sets out its vision, objectives and actions for a five year period, highlighting the issues upon which we have decided to focus in order to ensure that our vision is realised. Our vision is 'Together we make a difference'.

Enterprising Wyre

Key Programmes and Projects
Facilitate a programme of work to deliver economic growth and prosperity
Adopt a new Local Plan to manage and deliver development through to 2031
Develop the Wyre Beach Management Scheme
Develop a programme of commercial initiatives as part of the Council's Commercial Strategy
Deliver the Asset Management programme of works to maximise the return from our assets

Healthier Wyre

Key Programmes and Projects
Deliver a programme of work to promote healthy choices and healthier lifestyles to keep people well through better use of our leisure centres, recreational facilities, parks and open spaces
Support neighbourhood health initiatives for Garstang and Over Wyre to address social isolation and loneliness
Explore opportunities offered by the Better Care Fund to better support older people and people with disabilities to stay in their own homes
Support the delivery of the Wyre Early Action project to include a focus on vulnerable children and young people
Develop a programme of work to target environmental crime and stimulate community pride

Engaging Wyre

Key Programmes and Projects
Facilitate the delivery of community priority projects through the Together We Make a Difference Network
Progress our programme of efficiency savings and income generation projects to ensure a balanced budget
Deliver our #DigitalWyre Strategy
Collaborate with our partners to apply for Heritage Action Zone status for Fleetwood conservation area
Ensure the council meets the requirements of the new General Data Protection Regulations (GDPR)

2. Background

- 2.1 The Council's comprehensive, Medium Term Financial Plan is a five year financial forecast which complements the Annual Revenue Budget process and should be considered in conjunction with the Council's Business Plan, its capital investment plans and the Asset Management Plan. It provides detailed proposals for corporately managing the Council's resources in the years ahead.
- 2.2 Without a resilient Business Plan, priorities can be championed that have little or no reference in relation to the needs of local communities, which can lead to a lack of value for money, direction and public satisfaction.
- 2.3 The Council continues to face many significant challenges ahead and will have to manage a wide and diverse range of services with decreasing resources and heightened customer expectations.
- 2.4 The Council recognises and welcomes the resources that are made available through contributions from other public and private partner organisations, as well as the voluntary sector. These form a key part of the Council's application of resources, duly reflected in its key documents, which are shared with those bodies to achieve the most effective mix of contributions to achieve shared aims and objectives.

3. Links to Corporate Priorities

- 3.1 Obviously, the Council cannot do everything it would like to do, or indeed, everything its customers and partners would like it to do. The Council, in the same way as other organisations, is restricted by the amount of money (revenue and capital) it has to spend. As such, it has to set priorities. These priorities, which are reflected in the Business Plan, are based on clear evidence of community needs and aspirations determined through prior research and local consultation. The 2018 Business Plan update was also influenced by the Local Government Association's Peer Review undertaken in Wyre in March 2017 and reported on in May 2017.
- 3.2 In order to respond effectively to the diverse needs of the community the Council needs to be using resources effectively, delivering the best outcomes for local people and actively seeking new ways to improve the wellbeing of the community.
- 3.3 This process will be achieved through the following mechanisms:

Engagement with Residents using existing mechanisms and groups – The Council is keen to ensure that the aspirations and needs of local people are met and continues to use the Together We Make a Difference Network to ensure better and more effective methods of achieving two-way communication.

The Council's Business Plan - outlines our vision, objectives and actions for the period 2015 to 2019 and demonstrates our commitment to make a positive difference to the lives of people living in Wyre.

Medium Term Financial Plan (MTFP) – reflects the budgetary requirements of the Business Plan and is communicated to staff and stakeholders.

Annual Service Plans – contain detailed action plans for the forthcoming year for each service including performance targets.

Team and Individual Objectives – ensures that each member of staff knows how their job helps to deliver a better Wyre. A staff appraisal system helps to assess everyone’s contribution.

Performance Management Framework – a tool that underpins all of the above and allows everyone to track performance.

3.4 New schemes requiring funding are referred to Corporate Management Team (CMT) for detailed consideration against corporate priorities. (The Detailed Business Case template for Revenue and Capital projects can be seen at Appendix 1.) Once scrutinised by CMT, successful business cases are then submitted to the relevant Portfolio Holder for approval. Further scrutiny takes place when Cabinet consider the Capital Programme as part of the Council’s Estimates Process. In addition, every year, Overview and Scrutiny review the schedule showing planned investment in our assets. This ensures that, often difficult, decisions are taken in consideration of the Council’s duty to promote the wellbeing of the community, as well as service specific needs.

3.5 Before detailed business cases are submitted for consideration however, there must be:

- A clear rationale for the project and identification of the corporate priority to which the request relates;
- Identification of stakeholders;
- An options appraisal which also considers the impact on the organisation, staffing, technology etc.;
- Consideration of the benefits, both tangible and intangible that the project could achieve and how these will be measured;
- Consideration of the financial impact of the expenditure e.g. one off and recurring financial consequences
- Awareness of the risks attached to the project and how these could be mitigated and/or managed.

3.6 Ordinarily, capital receipts can only be used to fund capital expenditure or be set aside to repay debt. However, as part of the multi-year 2016/17 local government finance settlement, greater flexibility to allow council’s to use these receipts to generate ongoing revenue efficiencies was announced although published guidance must be followed.

3.7 This guidance advises that: “The Secretary of State believes that individual authorities and groups of authorities are best placed to decide which projects will be most effective for their areas. The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authorities’, or several authorities, and/or to another public sector body’s net service expenditure.”

3.8 The Guidance also recommends that the Strategy setting out details of projects to be funded through flexible use of capital receipts be prepared prior to the start of each financial year and/or should be presented to full Council or the equivalent at the earliest possible opportunity.

3.9 At the present time, there is no intention to make use of this flexibility owing to the

significant schedule of works required to maintain and invest in our assets and as such no Strategy has been approved by Council.

- 3.10** The Council is keen to strengthen the link between investment and return by encouraging the development and reporting of indicators that can demonstrate how individual schemes have contributed to the achievement of its priorities, i.e. what the community can expect the investment to achieve in terms of outputs and outcomes.

4. Budget Management and Monitoring

- 4.1** In order to ensure that the Council is able to demonstrate an effective approach to managing its financial performance, monitoring reports, highlighting any significant deviations from the plan, are submitted to the Executive on a regular basis in respect of both revenue and capital expenditure. This information is informed by regular budgetary reviews undertaken by Spending Officers and the Financial Services Team. Any changes to the phasing of capital schemes and any significant variations to scheme costs are formally reported to Cabinet throughout the year and Members can refer to the Ten Performance Management System for details of each capital scheme. This process balances the need for a consistent and corporate approach to programme management generally with the responsiveness and flexibility required to manage, often complex, schemes.

- 4.2** The release of funds from the Capital Budget, following a scheme's inclusion in the Capital Programme, is subject to a comprehensive report to the appropriate Portfolio Holder, by the relevant Service Director who is responsible for managing the scheme from development through to implementation and review. (This requirement may be relaxed for those schemes where the delay between the date of inclusion in the capital programme and the project start date is less than 9 months and the exact nature of the capital investment requires no further Member approval). The Members' role in performance management and monitoring is supported by the Council's Financial Regulations and Financial Procedure Rules which state the key controls surrounding the capital programme as follows:

- a) a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the executive
- b) specific approval by the full council for the programme of capital expenditure
- c) expenditure on capital schemes is subject to the approval of the relevant Portfolio Holder prior to scheme commencement
- d) proposals for improvements and alterations to buildings must be approved by the Corporate Property Officer
- e) schedules for individual schemes within the overall budget approved by the full council must be submitted to the relevant Portfolio Holder for approval (for example, Refurbishment of Playgrounds)
- f) the development and implementation of asset management plans
- g) accountability for each proposal is accepted by a named manager
- h) monitoring of progress in conjunction with expenditure and comparison with approved budget.

- 4.3** Capital costs must be within approved budgets, the tender process being conducted in accordance with Financial Regulations and Financial Procedure Rules which state that all contracts where the final expenditure exceeds the approved budget and/or contract sum by either 10% or £20,000 whichever is the

lesser must be reported to the Executive.

- 4.4** The Prudential Code for Capital Finance aims to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. The Code sets out indicators that must be used and requires local authorities to set relevant limits and ratios. These include a three year forward looking estimate of financing costs to the net revenue stream ratio as well as a backward looking prior year actual financing costs to the net revenue stream ratio. Responsibility for setting and agreeing the prudential indicators rests with the full Council further reinforcing the Members' role in the management of the Capital Programme.

5. Basis of Budgetary Forecast

- 5.1** The projections incorporate the final position in respect of the 2017/18 financial year with the Statement of Accounts formally certified by the council's External Auditors in July. The Accounts and Audit Regulations 2015 require the Council's responsible financial officer to certify that the accounts 'present a true and fair view of the financial position' for the 2017/18 financial year by 31 May 2018. The Council is then formally required to approve and publish the Statement of Accounts no later than 31 July 2018. It is the role of the Audit Committee, independent from the Executive and Overview and Scrutiny functions, to 'review the annual Statement of Accounts considering whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council'. The Audit Committee approved the Statement of Accounts at their meeting on 24 July 2018 and at the same meeting also considered the report from the External Auditor, referred to as the ISA260 Report.
- 5.2** The Local Government Association (LGA) has confirmed that the Pay Award for the National Joint Council for Local Government Services has now been agreed for 2018/19 and 2019/20. The agreement means relevant staff will receive a pay increase of 2 per cent from 1 April 2018 and a further 2 per cent from the 1 April 2019, with those on the lowest spinal column points receiving a higher than 2 per cent salary increase. (Higher percentages were offered to those on lower pay points owing to the introduction of the National Living Wage from 1 April 2016). A 3% provision has been included for public sector pay for the three years from 2020/21 in line with the 2% 2019/20 pay award and allowing for the impact of National Living Wage increases.
- 5.3** Provision for inflation has been included where it is considered to be a contractual obligation and where known inflationary pressures exist. In preparing a prudent budget, the Council should also reflect the current economic climate and its potential impact; this has been considered as part of the Risk Assessment at Appendix 5.
- 5.4** Although the income projected from fees and charges should follow the principles of the Audit Commission publication "The Price is Right", the objective being to maximise support to the Revenue Budget, it has been assumed that additional income generated during 2018/19 will be offset by similar increases in other costs. Where a specific policy decision has already been taken, however, in relation to future levels of charging this has been reflected in the plan. The Council's Charging Policy is attached at Appendix 2.

- 5.5** The financial projections reflect all known implications arising from published strategies and plans across the Council and joint plans agreed with partners and other stakeholders which include the following:
- Business Plan 2015-2019;
 - Waste Management Strategy 2008-2020;
 - Digital Transformation Strategy - #DigitalWyre 2017 – 2020
 - Disabled Facilities Grants Policy; and
 - Local Plan
- 5.6** As part of the annual budget cycle, and in determining the MTFP, the Council continues to identify actions that will improve efficiency, quantifying the expected gains that assist the Council in effectively prioritising its finite resources. These efficiency targets, detailed within the Council's 'Annual Efficiency Programme' which is published along with the Revenue Budget papers considered by Cabinet, will assist the delivery of the Council's corporate priorities supporting the continued improvement of services for our residents. Savings and efficiency gains identified for the year are monitored throughout the period by the Executive to ensure their achievement. Target efficiency savings will only be reflected in the MTFP, however, as they are realised.
- 5.7** The Government, as part of the 2016/17 settlement, offered local authorities a four-year funding settlement to 2019/20 and 97% of local authorities accepted the deal. The offer was subject to the publication of an efficiency plan and was formally accepted by Wyre in October 2016. Allocations could still be subject to additional reductions, dependent on the fiscal climate and the need to make further savings to reduce the deficit. Following the outcome of the Referendum in June 2016, to leave the European Union, there remains uncertainty around the government's commitment to adhering to the original values in the four-year deal. However the final values for 2018/19, published in February 2018, confirmed no significant changes and as such these latest values have been used for the purposes of forecasting.
- 5.8** From 1 April 2014 the accounting arrangements for pensions changed and rather than a single percentage contribution rate being calculated to determine the employers' payment into the scheme, the charges are split with a future service contribution rate being set and charged to services together with a cash deficit recovery contribution being charged to Non Distributed Costs. The employers' equated superannuation rate, effective for the financial year commencing 1 April 2017, is 26.1% and reflects a future service contribution rate of 15.8% and an average deficit recovery contribution of £702,930 each year. The past service deficit contribution was originally meant to increase by 4.1% per annum. However, the outcome of the latest triennial review for 2017/18 to 2019/20 and the decision to pre-pay our pension contribution has resulted in an overall estimated reduction of £183,500. This option to pre-pay the council's pension contribution for the next three years, and thereby pay a reduced amount, was accepted following a Cabinet report on 15 February 2017 and is estimated to save over £342,000 including the £183,500 reduced deficit recovery payment. The next triennial review by the Actuary will be based on data at 31 March 2019 and will be effective for the 3 years commencing 1 April 2020. Whilst the new employer rates are not expected to be available until October 2019, the plan assumes a future service rate of 17% and that deficit recovery contributions will increase by 3.7%, an equated rate of 27.7%.
- 5.9** The Government introduced a new single tier flat rate pension from 1 April 2016.

Previously, employers who contracted out employees from the State Second Pension paid a lower National Insurance rate to reflect contributions being made into the scheme. The introduction of the flat-rate state pension, however, results in both the State Second Pension and contracting out being abolished, with employers losing their 3.4% National Insurance rebate, estimated to be £153,000 for Wyre.

- 5.10** With effect from the 2007/08 financial year, the Council once again become reliant on borrowing to support capital expenditure. The Council has borrowed £3.552m to date and this value is used to calculate the minimum revenue provision which must be reflected in the accounts. The borrowing to date is made up as follows:

Date	Loan Ref	Value (£)	Period	Rate (%)	Maturing
05.03.08	494403	1,000,000	3	4.18	Sept' 2010
05.03.08	494404	552,000	30	4.48	Sept' 2037
05.03.08	494405	1,000,000	50	4.41	Sept' 2057
09.03.09	495360	1,000,000	4	2.05	Sept' 2012

Whilst there is no interest paid on the two loans that have matured, the charge to the revenue account reflecting the principal element of the repayment is calculated based on the number of years that the asset will be in operation. Interest paid on long term borrowing in 2017/18 is £68,830 and principal repayments are £95,559 – a total cost of £164,389. This cost will not reduce until 2024/25 when assets with a 15 year life span fall out of the MRP calculation.

- 5.11** In an effort to reduce the Council's reliance on borrowing and following concerns about the sustainability of continuing to borrow in the current economic climate, a Capital Investment Reserve was created as part of the 2009/10 closure of accounts. The balance remaining on this reserve at 31 March 2017 is substantially committed.
- 5.12** The anticipated capital receipt from the sale of Garstang Business Centre is not yet finalised and is not therefore included in the forecast.

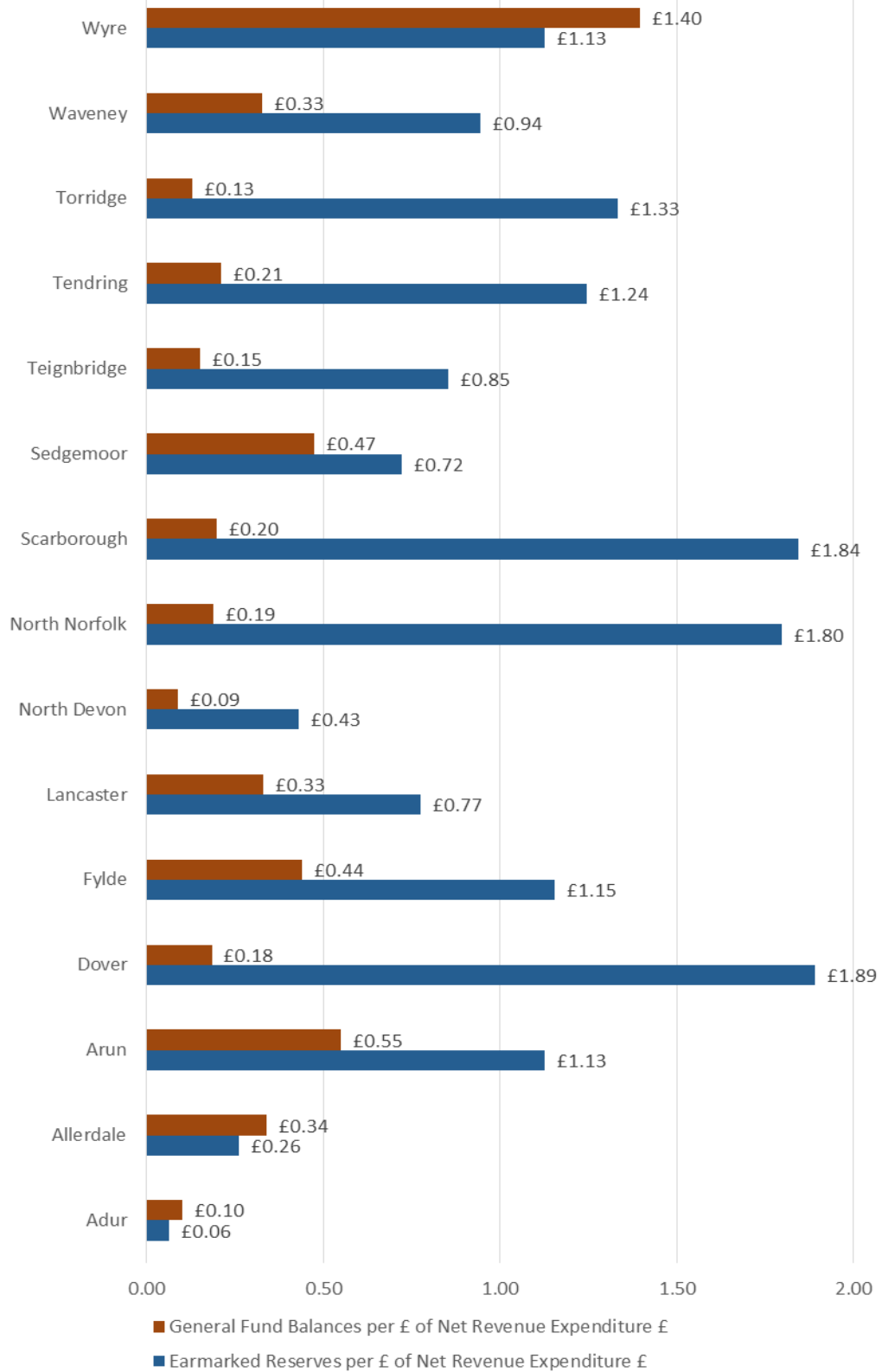
6. Basis of Resources Forecast

- 6.1** The extent of the growth in the tax base of the authority obviously has an impact on the projections of future Council Tax income. An increase of 1.36% has been anticipated in 2018/19 and 1.2% for each subsequent year.
- 6.2** New provisions for council tax referendums were introduced by the Localism Act with effect from 2012/13 to replace capping. The Council increased its share of the council tax in 2018/19 by £5.63 or 2.99%. As part of the Local Government Finance Settlement, the Government announced a 3% trigger for local referenda on council tax increases but also allowed any shire district council to charge a de-minimis £5 more in council tax without triggering the referendum. An annual 2.99% increase in council tax has therefore been assumed in 2019/20 and beyond.
- 6.3** The current Business Rates Retention Scheme was introduced in 2013/14 and essentially allows councils to keep a share of the business rate growth. A baseline level of funding has been set which, in effect, replaces the grant support that would otherwise have been awarded. The Council is allowed to keep 40% of any additional funds that it generates (with 50% being paid to the Government, 9% to Lancashire County Council and 1% to the Fire Authority) but this is normally

regulated by the payment of a levy at 50%. With effect from 1 April 2016, however, the Council was designated as belonging to the Business Rates Pool of Lancashire. This will result in the County Council being paid 10% of the retained levy (prior to the cost of administering the pool) with Wyre retaining 90% of the levy previously payable. A consequence of being part of the Business Rates Pool is that the Council will no longer be eligible to receive a safety net payment should the business rate base in the area decline and fall below 92.5% of the baseline funding level. The Council continues to receive revenue support grant in addition to an element of retained business rates and the plan reflects an expected reduction in government grant support (RSG and NDR) for 2018/19 of 8.7%. The multi-year settlement indicates a further reduction of 10.5% for 2019/20 (prior to the adjustment to the tariff reflecting negative RSG of £33,229). Beyond this, the forecast assumes that the funding level will increase by a modest 2% pending further information on the replacement scheme for RSG and developments in relation to the 100% Business Rates Retention scheme.

- 6.4 The requirement for financial reserves is acknowledged in statute. The Local Government Finance Act 1992 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. The Council's minimum prudent level of balances, calculating the requirement at 5% of net expenditure before other government grants (£640,885) together with the element of the reduction in business rates that authorities must meet before the Government would consider any safety net payment (£245,959 in 2018/19), is now £886,844. Balancing the annual budget by drawing on general reserves may be viewed as a convenient short-term option but where reserves are deployed to finance recurrent expenditure this should be made explicit by the Section 151 officer. **Members must note that the continued use of balances is not sustainable and a significant re-prioritisation exercise, whereby all services are subject to a critical evaluation, must be undertaken to alleviate serious financial problems in future years. A high level review of statutory and non-statutory services has been carried out. The financial projections indicate that further annual savings will be required in future years.** It is important that the Council considers its future budgets and continues to monitor closely the MTFP. The value of reserves and balances at the end of March 2018, and projected for the future, can be seen at Appendix 3. The identification of earmarked reserves often takes account of risk assessments and contingency planning with funding being provided for known events such as the Borough Election and the rolling replacement of IT equipment and vehicles. The level of general balances also supports contingency planning and recognises anticipated future financial pressures on revenue resources and the difficulties of securing immediate savings. The Council's Policy on the Level of Reserves and Balances is included at Appendix 4.
- 6.5 A comparison has been undertaken of our earmarked and general balances as at 31 March 2018 (latest provisional data available) with those of our CIPFA family group nearest neighbours (excluding Shepway whose results were unavailable). This is a group of authorities that best compare to our own borough in respect of a number of indices. The table shows that Wyre's Usable Reserves are currently above average for our family group.

Usable Reserves per £ of Net Revenue Expenditure as at 31 March 2018



6.6 The Council’s capital spending is constrained by the availability of appropriate resources including capital receipts, capital grants, borrowing and revenue funding. The Council has previously adopted a policy of ensuring that assets with the shortest charge life are financed from capital receipts rather than borrowing to minimise the revenue impact. The Council submits a variety of external funding bids, many of which are coordinated by the Economic Development Team and all funding bids are agreed with Financial Services prior to submission. The Council has a good track record of securing external grants and continues to seek funding to facilitate investment in the borough.

7. Risk Assessment

7.1 An assessment of the risks associated with the MTFP has been carried out. This includes the likelihood, severity and level of risk together with the risk management procedures in place to control and monitor them. The guidance framework for Corporate Governance in local authorities highlights the need to have these risk management procedures in place.

The table below explains the scoring matrix that is used to calculate the level of risk.

Likelihood	Severity	Risk = Likelihood x Severity
Low (1)	Low (1)	1 – 2 = Low
Medium (2)	Medium (2)	3 – 4 = Medium
High (3)	High (3)	6 – 9 = High

Action to be taken after scoring is as follows:

- High = Review existing practices/proposed recommendations and act.
- Medium = Review control mechanisms.
- Low = Limited immediate action; continue to monitor.

7.2 Appendix 5 lists the major risks associated with the MTFP and the controls in place to alleviate the risks.

8. Executive Summary

8.1 Aims

- To improve the quality of services through the strategic planning process and the targeting and prioritising of investment to meet local and national objectives.
- To provide a clear and consistent framework for financial decision-making and management at both the corporate and service level, subject to continuous monitoring to ensure its effectiveness.

8.2 Delivery

The Council strives to ensure that its resources:

- Continue to be guided by the key principles underpinning our corporate objectives and contribute effectively to their achievement, through Corporate

- Service and Financial Planning.
- Are robustly reviewed on a regular basis identifying potential efficiency savings.
 - Add value to those provided by partners and other agencies in the Borough to provide joined up solutions.
 - Optimise opportunities for corporate working across services and operational strategies, to achieve wider, defined objectives.
 - Are not accepted as the only source of funding for services and continues to explore the possibility of attracting funding from external sources.
 - Are supported by the achievement of maximum income levels in relation to fees and charges levied for services provided.
 - Maximise and make best use of the Council's assets.

List of Appendices:

Appendix 1 – Detailed Business Case Template

Appendix 2 – Charging Policy

Appendix 3 – Summary Financial Forecast (including Reserves and Balances)

Appendix 4 – Policy on the Level of Reserves and Balances

Appendix 5 – Risk Assessment



Detailed Business Case

Topic Name: <Insert Topic Name Here>

Prepared by: <Insert Name>

Date: <Insert Date>

Version Control

Version	Date	Author	Change Description
0.1	<Date>	<Name>	<First Draft – Not yet for publication>

Distribution List

Name	Role
<Insert Name 1>	<Insert involvement in this work, not necessarily job title>

Executive Summary

[Insert a summary of the contents of this document – usually this section is completed last]

Background

[Insert the background of the project, aimed at readers who may not know much about the topic]

Reasons for Project

[Insert information on why the project is needed]

Stakeholders

[Use the table below to list the internal and external stakeholders of this project]

Stakeholder	Interest and Involvement

Options Appraisal

[Typically, there will be a number of options available. Insert details, including an economic appraisal, of the different options available. Often doing nothing is included as the first option to show remaining as-is will NOT be a good way forward. One option will then be selected and used in the rest of the business case. In some cases, the benefits, saving, risks and costs will vary depending on the option chosen. In which case, these can be incorporated into each option, rather than included in the separate sections below. If there are not multiple options, this section can be deleted and the information can be incorporated within the Reasons for Project section above.]

Equipment and Technology Considerations

[This section should explain any considerations with regards to technology. Many new initiatives rely on technology to manage or monitor various business functions. Key features of any contract should be included, such as contract terms, payment mechanism and procurement.]

Organisation and Staffing

[With many new products or services there may be a need for additional staffing or for a restructure in order to accommodate the change.]

Benefits Realisation

[Insert the project benefits. These can be tangible and intangible. Where possible, include details of suitable measures, so the reader is clear on how you will know when you have achieved the objective. Typically, many of the benefits will not be realized until long after the project has closed. For example, if the project was to build a children’s play area, user numbers could not be measured until it has been open for a number of months.]

The benefits the project will bring are:

No.	Benefit Description	Measure
1	<Insert>	<Insert>
2	<Insert>	<Insert>
3	<Insert>	<Insert>

Financial Assessment

[Insert details of the cashable and efficiency saving which can be made (if applicable). Please remove sections and rows which are not required. Work out the savings over one year and then over many years. The number of years chosen will differ depending on your project, but will typically be between 3-10 years. You may wish to include a representative from Finance at this point to help you financially model a number of scenarios.]



A summary of the potential savings are shown in the tables below.

Cashable Savings - Item	Savings P.A. £	Savings over <X> years £
TOTAL	<Total>	<Total>
Efficiency Savings - Item	Savings P.A. £	Savings over <X> years £
TOTAL	<Total>	<Total>
OVERALL TOTAL	<Total>	<Total>

Cost

The main costs for this project are summarised below:

ITEM	Costs in year 1 £	Costs over <X> years £
TOTAL COST	<Total>	<Total>

Anticipated savings less costs =	<Savings - Costs>
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Risks

The risks associated with delivering the business case are as follows. These will be transferred to the project issues and risks log for ongoing management purposes.

Risk	Potential Impact	Mitigation
<Insert the nature of the risk>	<Explain the potential impact>	<Explain the steps taken to reduce the risk>

Recommendations

[Insert the business case recommendations, including the recommended option from those stated above]

Timescales

[Insert a brief project timetable, or alternatively use the document '[2 Project Plan](#)' or the 'Project In a Box' software to draw a timeline which can then be attached as a link to this document]





Charging Policy 2019/20

Wyre Council
Civic Centre
Breck Road
Poulton-le-Fylde

October 2018

Charging Policy 2019/20

1. Background

- 1.1 The Cabinet last formally considered its charging policy at its meeting on the 18 October 2017.
- 1.2 In September 1999 the Audit Commission published “The Price is Right” which advised Councils to focus attention on charges and addresses the following issues:
 - Establish clear principles for charging;
 - Integrate charging into service management and forge links with corporate objectives;
 - Set clear objectives and targets to qualify success in charging;
 - Build an understanding of users and markets;
 - Improve decision making by taking into account the likely impact of changes to charges; and
 - Innovate via imaginative use of charging structures.
- 1.3 In January 2008, the Audit Commission published a further report entitled “Positively Charged”, which identified how different councils' use their powers to charge for services and draws conclusions that support their earlier publication in that:
 - Charging for local services makes a significant contribution to council finances and for district councils charges make the greatest contribution to service delivery;
 - Councils use charges to influence individuals' choices and to bring benefits to local communities. Charges can be set to encourage or discourage people to use services and through concessions to pursue local objectives; and
 - Councils need to understand better the likely impact of charges on users and on patterns of service use.
- 1.4 The report recommends, amongst other things, that where there is a subsidy to provide a service, this is transparent as part of the decision making process; that service managers should be aware of both users and non-users of the service being charged for; to engage service users and taxpayers more in decisions about charging levels and that there should be regular debate on charges and charging policy.
- 1.5 A new briefing entitled ‘Income from Charging’ was issued by the Audit Commission in September 2013 which uses data from the value for money profiles and presented a high level analysis of councils' income from charging and the contribution it makes to service spending and allowed comparisons to other councils of the same type and changes over time. The data was the subject of a value for money review undertaken as part of the Overview and Scrutiny work programme and was considered at the meeting 15 December 2014. Having fully explored and investigated the variances, it was felt that the value of the research was limited with the additional benefit not being sufficient to justify the exercise being repeated.
- 1.6 The level of income generated by fees and charges, and in particular projected increases which the Council can influence, forms a key part of the Council's financial planning and is therefore reflected in the Medium Term Financial Plan.

2. The Council's Policy

- 2.1 The Council needs to maximise its income whilst ensuring that its services are not compromised, taking into account competition from other providers. Indeed, if services are subsidised purely to maintain a competitive price then a fundamental review of the service

should be carried out resulting in the justification of the approach or recommending alternative action.

- 2.2 The Council is keen to encourage a shared responsibility for improving neighbourhoods and wherever possible will consult local people and communities on charging policies. Information obtained from satisfaction surveys can also help to monitor performance.
- 2.3 The reasoning behind both service provision and the charge levied should be justified each time that charges are re-assessed. For example, there may well be a desire to use a charging policy to meet other objectives such as increasing usage of recreational assets.
- 2.4 Decisions regarding pricing should be taken in the full knowledge of the pricing policies of alternative providers and information should be provided to ensure that Members are sufficiently briefed.
- 2.5 Clear targets should be set for income levels in advance of any review of pricing and achievement of these targets should be monitored using the Council's established performance management arrangements.
- 2.6 When considering pricing policies Service Managers should be encouraged to be innovative and flexible in determining the basis for the charge.

3. Impact

- 3.1 The table attached identifies the range of services for which the Council currently levies a charge and the value of the income estimated for the current year. The table also details those areas where the fee is externally set, as is currently the case with Planning Fees, or where we must ensure a break-even position, with the charge being set at a level sufficient to recover associated costs.

APPENDIX 2 - Charging Policy

Service Area	Determined by WBC √ or X	Estimated Value 2018/19 £	Able to Influence £	Unable to Influence £
<u>Chief Executive</u>				
Planning	X	560,140		560,140
Development Control	√	13,160	13,160	
Wyred Up	√	1,200	1,200	
	Sub Total	574,500	14,360	560,140
<u>Health and Wellbeing</u>				
Renovation Grants (Fee Income)	√	228,590	228,590	
Houses in Multiple Occupation	√	4,770	4,770	
Care and Repair Service	√	4,130	4,130	
Handyperson (Fee Income)	√	14,200	14,200	
Animal Licensing	√	9,500	9,500	
Taxi Licensing	√	84,910	84,910	
Licensing Act	X	86,930		86,930
Gambling Act Licensing	X	26,970		26,970
Other Licensing *	√	3,820	3,820	
Pest Control	√	38,090	38,090	
Private Water Supplies	√	850	850	
Food Safety	√	4,690	4,690	
Contaminated Land	√	400	400	
Pollution Prevention Control	X	7,370		7,370
	Sub Total	515,220	393,950	121,270
<u>Performance and Innovation</u>				
Marine Hall	√	115,480	115,480	
Thornton Little Theatre	√	45,240	45,240	
Marsh Mill	√	500	500	
Poulton Market**	√	31,010	31,010	
Fleetwood Market**	√	522,690	522,690	
Fleetwood Market - Public Convenience Charges (Non-Danfo)	√	5,140	5,140	
Cleveleys Market (currently a trial market)**	√	4,370	4,370	
Building Control	√/X	174,450	700	173,750
Land Charges	X	77,440		77,440
Street Nameplates and Numbering	√	5,000	5,000	
Estates use of land for commercial events	√	1,000	1,000	
Electoral Services	√	1,800	1,800	
Other Legal Fees	√	20,600	20,600	
	Sub Total	1,004,720	753,530	251,190
<u>People and Places</u>				
Cemeteries	√	256,820	256,820	
Countryside	√	3,000	3,000	
Wyre Estuary Country Park	√	1,350	1,350	
Car Parking	√/X	514,860	514,860	
Residents Parking Permits	√	8,500	8,500	
Penalty Charge Notices (Off street parking)	X	63,710		63,710
National Non-Domestic Rates (Court Costs)	√	18,000	18,000	
Photocopying	√	500	500	

Service Area	Determined by WBC √ or X	Estimated Value 2018/19 £	Able to Influence £	Unable to Influence £
Council Tax (Court Costs)	√	281,750	281,750	
Hire of Committee Rooms	√	8,100	8,100	
Dog Warden Service	√	5,000	5,000	
Street Cleansing	X	2,500		2,500
Public Conveniences	√	40,200	40,200	
Outdoor Leisure	√	12,590	12,590	
Bulky Household Waste	√	48,000	48,000	
Green Waste Removal	√	704,800	704,800	
Bin Delivery Administration Costs	√	40,800	40,800	
MOT Test Centre	√	38,880	38,880	
	Sub Total	2,049,360	1,983,150	66,210
	Total	4,143,800	3,144,990	998,810

* WBC is able to influence ear piercing, performance of plays, public entertainment, second hand goods dealers, scrap metal operators' and street trading licences.

** Fleetwood, Cleveleys and Poulton Market Rents are set under Officer Delegated Powers.

NOTE: Leisure Centres (including pools) – Wyre Council is involved in agreeing charges but income is retained by the contractor.

MEDIUM TERM FINANCIAL PLAN - SUMMARY FINANCIAL FORECAST

Appendix 3

<u>Revenue Budgets</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Base Borough Requirements, increased for prior year inflation, but excluding Use/Top-up of Balances (shown below).	13,473	13,473	13,983	14,485	14,994
<u>Inflationary Assumptions on the above Base.</u>					
Pay Officers - 2% 19/20 plus adjustment for National Living Wage, 3% from 20/21.		350	310	320	329
Member Allowances 2% from 19/20.					
Prices, Specific Contracts and Other costs (Variable)/Energy.		160	192	189	197
<u>Expected Future Changes on the above Base.</u>					
Revenue changes and 17/18 slippage met by improved Balances.	1,261	0	0	0	0
Capital Programme revenue implications.	-50	29	120	80	144
Employee (incl. Member Allowances) and related cost - NI changes; Pension contributions; Protection; FTCs; long service awards and restructures.	-109	-70	34	52	87
External Grant and Grant Aided schemes - Council Tax Support; Other Local Authorities; S106: Public Realm LCC; Arts; DCLG and DWP.	-134	-9	17	-23	-24
Other Services including - Borough Elections; Citizens Advice Bureau; Leisure Centres; Marine Lake; Commuted Sums; Cemeteries; Licensing; Community Development; Domestic Abuse Service; Marsh Mill; Civic Centre; VAT Notice and Life in Wyre Survey.	-74	242	-56	-60	-110
Regeneration/Economic situation changes - Building Control; Local Development Framework; Depots; Fleetwood Market; Parking; Fleetwood Ferry; MOT Test Centre and Hillhouse Enterprise Zone.	-10	-24	-23	-15	-23
Waste Management - Waste Collection Contract and Green Waste.	-45	5	-285	-285	-285
Capital Programme, cost of Borrowing and Investment Interest.	0	-12	-23	-23	-23
Capital Programme, Revenue funding contributions.	725	2,713	56	-146	-310
Reserve Contribution Changes.	-687	-4,524	-835	-632	-426
Revenue Support Grant - External Government Grant (all per final Local Government Finance Settlement).	-466	0	0	0	0
Baseline Funding - External Government Grant (all per final Local Government Finance Settlement).	-3,279	-3,352	-3,419	-3,488	-3,557
NDR income in excess of Baseline retained by Wyre.	-76	0	0	0	0
New Homes Bonus - Government Grant.	-1,673	-1,052	-570	-344	0
Non-Domestic Rates - Government Grant.	-1,408	-16	-2	0	0
Non-Domestic Rates - Levy.	520	0	0	0	0
Non-Domestic Rates - Retained Levy (Lancashire Pool).	-468	0	0	0	0
Collection Fund Adjustment - Council Tax re prior year.	-158	0	0	0	0
Collection Fund Adjustment - Non-domestic Rates re prior year.	347	0	0	0	0
Net Wyre Requirement met by Council Tax and Balances.	7,689	7,913	9,499	10,110	10,993
Base 18/19 and Forecast Cost met by Council Tax.	<u>7,034</u>	<u>7,332</u>	<u>7,641</u>	<u>7,964</u>	<u>8,301</u>
Net Spending change i.e. need to Use/ Top Up (-) Balances.	655	581	1,858	2,146	2,692

	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Balances as at 1 April.	11,792,380	11,137,198	10,556,300	8,698,533	6,552,681
Add Top Up of Balances in Base.	0	0	0	0	0
Less Use of Balances.	-655,182	-580,898	-1,857,767	-2,145,852	-2,691,913
Balances estimated Surplus / Deficit (-) at 31 March.	<u>11,137,198</u>	<u>10,556,300</u>	<u>8,698,533</u>	<u>6,552,681</u>	<u>3,860,768</u>
NB Prudent level of Balances £886,844.					

Tax Base, assumed circa 1.2% annual increase.	36,270	36,706	37,146	37,592	38,043
Forecast Council Tax £ p.	£193.94	£199.74	£205.71	£211.86	£218.19
Annual Council Tax Increase %.	2.99%	2.99%	2.99%	2.99%	2.99%
Additional Council Tax income = £		£297,303	£309,741	£322,885	£336,381

RESERVES AND BALANCES STATEMENT

Appendix 3 continued

	Estimated Balance at 01/04/2018 £	' Top-up ' £	Less to Fund Expenditure £	Estimated Balance at 31/03/2019 £
<u>2018/19 LATEST ESTIMATE* INCLUDING OUTTURN 2017/18 AND SLIPPAGE</u>				
Reserves				
Building Control	12,037	0	-6,360	5,677
Capital Investment	1,071,259	99,590	-251,243	919,606
Elections	71,276	41,217	0	112,493
Insurance	60,688	40,000	-140	100,548
Investment - I.T. Strategy	299,271	39,104	-136,000	202,375
Land Charges	31,924	0	-7,480	24,444
Leisure Management	209,277	0	0	209,277
New Homes Bonus	2,843,745	0	-568,749	2,274,996
Non-Domestic Rates Equalisation	1,673,515	1,349,764	-346,550	2,676,729
Performance Reward Initiatives	32,949	0	-5,077	27,872
Value for Money	718,948	95,130	-468,315	345,763
Vehicle Replacement/Street Cleansing Maintenance	2,488,990	250,545	-429,309	2,310,226
	9,513,879	1,915,350	-2,219,223	9,210,006
Balances				
General	11,792,380	0	-655,182	11,137,198
TOTAL	21,306,259	1,915,350	-2,874,405	20,347,204

* Includes changes since Council 08/03/18

	Estimated Balance at 01/04/2019 £	' Top-up ' £	Less to Fund Expenditure £	Estimated Balance at 31/03/2020 £
<u>2019/20 LATEST ESTIMATE*</u>				
Reserves				
Building Control	5,677	0	0	5,677
Capital Investment	919,606	642,990	-825,000	737,596
Elections	112,493	41,217	-153,710	0
Insurance	100,548	40,000	0	140,548
Investment - I.T. Strategy	202,375	243,490	-177,020	268,845
Land Charges	24,444	0	0	24,444
Leisure Management	209,277	0	0	209,277
New Homes Bonus	2,274,996	0	-568,749	1,706,247
Non-Domestic Rates Equalisation	2,676,729	16,430	-1,326,965	1,366,194
Performance Reward Initiatives	27,872	0	-2,120	25,752
Value for Money	345,763	0	-73,140	272,623
Vehicle Replacement/Street Cleansing Maintenance	2,310,226	260,623	-2,259,500	311,349
	9,210,006	1,244,750	-5,386,204	5,068,552
Balances				
General	11,137,198	0	-580,898	10,556,300
TOTAL	20,347,204	1,244,750	-5,967,102	15,624,852

* Includes changes since Council 08/03/18

RESERVES AND BALANCES STATEMENT

Appendix 3 continued

	Estimated Balance at 01/04/2020 £	' Top-up ' £	Less to Fund Expenditure £	Estimated Balance at 31/03/2021 £
<u>2020/21 LATEST ESTIMATE*</u>				
Reserves				
Building Control	5,677	0	0	5,677
Capital Investment	737,596	0	0	737,596
Elections	0	41,217	0	41,217
Insurance	140,548	40,000	0	180,548
Investment - I.T. Strategy	268,845	63,475	-89,000	243,320
Land Charges	24,444	0	0	24,444
Leisure Management	209,277	0	0	209,277
New Homes Bonus	1,706,247	0	-568,749	1,137,498
Non-Domestic Rates Equalisation	1,366,194	2,350	0	1,368,544
Performance Reward Initiatives	25,752	0	-2,030	23,722
Value for Money	272,623	0	-18,840	253,783
Vehicle Replacement/Street Cleansing Maintenance	311,349	505,937	-426,700	390,586
	5,068,552	652,979	-1,105,319	4,616,212
Balances				
General	10,556,300	0	-1,857,767	8,698,533
TOTAL	15,624,852	652,979	-2,963,086	13,314,745

* Includes changes since Council 08/03/18

	Estimated Balance at 01/04/2021 £	' Top-up ' £	Less to Fund Expenditure £	Estimated Balance at 31/03/2022 £
<u>2021/22 LATEST ESTIMATE*</u>				
Reserves				
Building Control	5,677	0	0	5,677
Capital Investment	737,596	0	0	737,596
Elections	41,217	41,217	0	82,434
Insurance	180,548	40,000	0	220,548
Investment - I.T. Strategy	243,320	45,680	-89,000	200,000
Land Charges	24,444	0	0	24,444
Leisure Management	209,277	0	0	209,277
New Homes Bonus	1,137,498	0	-568,749	568,749
Non-Domestic Rates Equalisation	1,368,544	0	0	1,368,544
Performance Reward Initiatives	23,722	0	0	23,722
Value for Money	253,783	0	0	253,783
Vehicle Replacement/Street Cleansing Maintenance	390,586	506,509	-224,495	672,600
	4,616,212	633,406	-882,244	4,367,374
Balances				
General	8,698,533	0	-2,145,852	6,552,681
TOTAL	13,314,745	633,406	-3,028,096	10,920,055

* Includes changes since Council 08/03/18

RESERVES AND BALANCES STATEMENT

Appendix 3 continued

	Estimated Balance at 01/04/2022 £	' Top-up ' £	Less to Fund Expenditure £	Estimated Balance at 31/03/2023 £
<u>2022/23 LATEST ESTIMATE*</u>				
Reserves				
Building Control	5,677	0	0	5,677
Capital Investment	737,596	0	0	737,596
Elections	82,434	41,217	0	123,651
Insurance	220,548	40,000	0	260,548
Investment - I.T. Strategy	200,000	0	0	200,000
Land Charges	24,444	0	0	24,444
Leisure Management	209,277	0	0	209,277
New Homes Bonus	568,749	0	-568,749	0
Non-Domestic Rates Equalisation	1,368,544	0	0	1,368,544
Performance Reward Initiatives	23,722	0	0	23,722
Value for Money	253,783	0	0	253,783
Vehicle Replacement/Street Cleansing Maintenance	672,600	505,039	-61,000	1,116,639
	4,367,374	586,256	-629,749	4,323,881
Balances				
General	6,552,681	0	-2,691,913	3,860,768
TOTAL	10,920,055	586,256	-3,321,662	8,184,649

* Includes changes since Council 08/03/18



Policy on the Level of Reserves and Balances

Wyre Council
Civic Centre
Breck Road
Poulton-le-Fylde

October 2018

Policy on the Level of Reserves and Balances

1. Legislative/Regulatory Framework

- 1.1 The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 1.2 There is also a requirement reinforced by section 114 of the Local Government Finance Act 1988 which requires the chief financial officer to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.

2. Role of the Finance Director

- 2.1 Within the existing statutory and regulatory framework, it is the responsibility of the finance director (Head of Finance) to advise the local authority about the level of reserves that should be held and to ensure that there are clear protocols for their establishment and use.
- 2.2 There are no statutory minimum levels imposed and it is not considered appropriate or practical for the Chartered Institute of Public Finance and Accountancy (CIPFA), or other external agencies, to give prescriptive guidance on the minimum, or maximum, level of reserves required either as an absolute amount or a percentage of the budget.

3. Types of Reserves

- 3.1 Reserves can be held for three main purposes:
 - A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves and is commonly referred to as 'balances';
 - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves or 'balances';
 - A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements – earmarked reserves are accounted for separately but remain legally part of the General Fund.
- 3.2 For each reserve held by a local authority there should be a clear protocol setting out:
 - The reason for/purpose of the reserve;
 - How and when the reserve can be used;
 - Procedures for the reserve's management and control; and
 - A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

4. Principles to Assess Adequacy

- 4.1 In order to assess the adequacy of unallocated general reserves when setting the budget or the MTFP chief finance officers should take account of the strategic, operational and financial risks facing the authority. The assessment of risks should include external risks, such as flooding, as well as internal risks, for example, the ability to deliver planned efficiency savings. The following factors should be considered:

Budget Assumptions	Financial Standing and Management Assessment/Impact
The treatment of inflation and interest rates	The overall financial standing of the authority (level of borrowing, debt outstanding, council tax and business rate collection rates, etc.), commodity prices e.g. fuel, the cost of borrowing and anticipated investment returns
Estimates of the level and timing of capital receipts	The authority's track record in budget and financial management including the robustness of the medium term financial plans
The treatment of demand led pressures	The authority's capacity to manage in-year budget pressures
The treatment of planned efficiency savings/gains	The strength of the financial information and reporting arrangements
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments	The authority's virement and end of year procedures in relation to budget under/over spends at authority and directorate level and any contract provisions, designed to safeguard the authority's position
The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the authority's insurance arrangements to cover major unforeseen risks
The general financial climate to which the authority is subject.	External factors such as future funding levels, referenda principles/limits and the authority's ability to replenish reserves once used

- 4.2 The Council's minimum prudent level of balances, calculating the requirement at approximately 5% of net expenditure before other government grants (£640,885) together with the element of the reduction in business rates that authorities must meet before the Government would consider any safety net payment (£245,959 in 2018/19), is now £886,844. This is reviewed annually as part of the budget process.

4.3 A review of the level of earmarked reserves is also undertaken as part of the annual budget preparation and as part of the closure of accounts process. The Council does not regularly monitor the opportunity costs of maintaining its levels of earmarked reserves as these are generally not held as a form of investment but to meet a recognised need.

5. Reporting Framework

5.1 The level and utilisation of general and earmarked reserves is determined formally by Cabinet in October, with the approval of the MTFP, and in February, at the annual budget setting meeting, informed by the advice and judgement of the finance director.

5.2 Both reports include a statement showing the estimated opening general and reserve fund balances for the year ahead, the additions/withdrawals, and the estimated end of year balances. A statement is also included commenting on the adequacy of the general and earmarked reserves in respect of the forthcoming financial years.

6. Reserves Protocol

Reserve as at 31.03.18	Purpose	How and When Used	Procedures for management and control	Timescale for review
Building Control	Fundamental principle of the Building Regs. Scheme introduced 1 April 1999, subsequently amended by the 2010 Regulations.	3 to 5 year rolling accounting period over which costs should equate with charge income.	Managed by the Head of Finance	Undertaken as part of the annual budget preparation, the updating of the MTFP and as part of the closure of accounts process.
Business Growth Incentive	Incentive scheme both rewarding and facilitating growth.	Used to raise the prosperity of all communities and release the economic potential of every area.	Managed by the Head of Finance	Annually and subject to individual reports on proposals for usage.
Capital Investment	To fund capital investment avoiding the need to borrow.	Used to finance the council's capital investment needs.	Managed by the Head of Finance	Undertaken as part of the annual budget preparation, the updating of the MTFP and as part of the closure of accounts process.
Elections	To meet the cost of the Borough Election.	Used to smooth the impact of the Borough Election which occurs every four years and is next due in May 2019.	Managed by the Head of Finance	Undertaken as part of the annual budget preparation, the updating of the MTFP and as part of the closure of accounts process.
Insurance	To meet the cost of insurance claims.	Used to fund the cost of insurance excess and any associated costs not covered by any premium.	Managed by the Head of Finance	Undertaken as part of the annual budget preparation, the updating of the MTFP and as part of the closure of accounts process.
Investment – ICT Strategy	Established to renew ICT equipment on a rolling replacement in accordance with the ICT Plan.	Used to smooth the revenue impact of ensuring that the ICT infrastructure and equipment remains 'fit for purpose'.	Managed by the Head of Finance	Undertaken as part of the annual budget preparation, the updating of the MTFP and as part of the closure of accounts process.

Reserve as at 31.03.18	Purpose	How and When Used	Procedures for management and control	Timescale for review
Land Charges	Compliance with guidance issued by the Lord Chancellor (Section 13A, LLCA 1975).	Councils are required to assess the cost of providing a service, the projected take-up of that service and thus the charge that should be made over a period of between one and three years.	Managed by the Head of Finance	Undertaken as part of the annual budget preparation, the updating of the MTFP and as part of the closure of accounts process.
Leisure Management	To meet the Council's share of the cost of Leisure Management in excess of the agreed target cost/ fund reinvestment.	Partnering arrangement whereby the partners share financial risk and reward – See Legal Agreement.	Managed by the Head of Finance	Undertaken as part of the annual budget preparation, the updating of the MTFP and as part of the closure of accounts process.
New Homes Bonus (2011/12, 2012/13 and 2013/14 Awards only, plus 2016/17 top-up from general underspends)	To encourage local authorities to facilitate housing growth.	Supports the shortfall in income, resulting from the decision to freeze the level of council tax, through to the end of 2022/23.	Managed by the Head of Finance	Undertaken as part of the annual budget preparation, the updating of the MTFP and as part of the closure of accounts process.
Non-Domestic Rates Equalisation	To protect against volatility associated with the new Business Rate Retention Scheme.	Section 31 grant receipts, net of NDR levy, used to cushion the Council against future reductions in business rate income, including the financial impact of successful appeals as notified by the Valuation Office.	Managed by the Head of Finance	Undertaken as part of the annual budget preparation, the updating of the MTFP and as part of the closure of accounts process.
Performance Reward Initiatives	To assist the delivery of Shaping Your Neighbourhood projects.	Used to support the delivery of the local projects developed as part of the Shaping Your Neighbourhood Initiative.	Managed by the Head of Finance	Annually and subject to individual reports on proposals for usage.
Value For Money	Invest to save projects	Originally created to fund VFM initiatives, which may incur up-front costs and now incorporates supplementary grants awarded for the administration of council tax, NDR, housing benefit and LCTS.	Managed by the Head of Finance	Undertaken as part of the annual budget preparation, the updating of the MTFP and as part of the closure of accounts process.
Vehicle Replacement/ Street Cleansing Maintenance	Replacement of the Council's vehicle fleet and smoothing the maintenance cost for the street cleaning vehicles.	Funding to meet current and anticipated vehicle/ plant requirements - ultimately charging the cost to revenue over the life of the asset. Also includes maintenance of street cleansing vehicles and set-up costs for MOT station.	Managed by the Head of Finance	Undertaken as part of the annual budget preparation, the updating of the MTFP and as part of the closure of accounts process as well as subject to individual reports on proposals for usage.

Appendix 5

Type of Risk	Likelihood	Severity	Level of Risk	Control	Review	Responsible	Reports To
Financial Forecast is wrong.	Low (1)	High (3)	Medium (3)	Review the base budget and adjust for known and likely variations impacting on the forecast.	Ongoing	Head of Finance	Management Board; Cabinet.
Expenditure greater than budget.	Low (1)	High (3)	Medium (3)	Budget monitoring of revenue spend. Budget monitoring of capital spend. 5-Year Financial Forecast.	Monthly Quarterly 6 Monthly	Cost Centre Managers; Financial Services Spending Officers and Head of Finance Head of Finance	Management Board Cabinet Management Board
Unforeseen expenditure, new schemes/initiatives.	Low (1)	High (3)	Medium (3)	Maintenance of a general contingency and review of priorities.	Ongoing	Head of Finance	Management Board
Over dependence on use of reserves and balances.	Medium (2)	Medium (2)	Medium (4)	Compliance with CIPFA guidance on local authority reserves and balances. Adequacy assessed as part of budget process, MTFP and closure of accounts.	Ongoing	Head of Finance	Cabinet; Council.
Income targets not achieved owing to economic climate impacting on demand.	Low (1)	Medium (2)	Low (2)	Risk assessment of major income generators during budget preparation – realistic targets built into budget. Regular monitoring of income as part of budget monitoring.	Annually Monthly	Financial Services	Management Board; Cabinet.
Efficiency savings not achieved.	Medium (2)	High (3)	High (6)	Regular review as part of budget monitoring.	Monthly	Management Team	Management Board
Income from investments is lower than expected.	Low (1)	Low (1)	Low (1)	Budget monitoring.	Monthly	Head of Finance	Management Board; Cabinet.
Changes in Government Funding e.g. cessation of Revenue Support Grant and reduction in New Homes Bonus.	Medium (2)	High (3)	High (6)	Limit reliance on this type of funding and review other options, highlighting sensitivities in the MTFP.	Ongoing	Head of Finance	Management Board
Changes to Local Government Finance resulting from Business Rates Retention Scheme e.g. unfavourable variations in reliefs, decline in RVs, growth, collection rates, beneficial impact of pooling is not realised, etc.	Medium (2)	High (3)	High (6)	Close monitoring of current and any new arrangements and establishment of an earmarked reserve to cushion against volatility.	Ongoing	Head of Finance	Management Board

Type of Risk (Cont'd)	Likelihood	Severity	Level of Risk	Control	Review	Responsible	Reports To
Potential volatility of the fuel market adding further increases to fuel, heating and lighting.	Low (1)	Medium (2)	Low (2)	Close monitoring of revenue spend. Re-negotiation of energy contracts when they fall due.	Monthly	Head of Finance	Management Team
Capital receipts are not realised from asset disposals.	Medium (2)	High (3)	High (6)	Prioritisation of disposals and effective marketing of sites.	Ongoing	Service Director Performance and Innovation and Head of Built Environment	Management Team
Potential volatility concerning aspects of the new Localised Council Tax Support Scheme in conjunction with the Universal Credit rollout e.g. caseload, collection rates, etc.	Medium (2)	Medium (2)	Medium (4)	Close monitoring of new arrangements.	Monthly	Head of Finance and Service Director People and Places	Management Board
New cost pressures are devolved by Central Government as part of the 75% or 100% Business Rates Retention Scheme without the necessary funding.	Medium (2)	Medium (2)	Medium (4)	Early monitoring of situation allowing the development of plans to mitigate financial impact.	Ongoing	Head of Finance	Management Board