

Policy Committee – 13 September 2016

Longer Term Financial Strategy (LTFS) 2017/18 To 2023/24



Report of the Strategic Manager – Financial Services (s151 Officer)

Lead Member Finance – Councillor Mulligan

Ward(s) affected: All

1. Purpose of Report

1.1 The purpose of the report is to provide members with an update on the forecast financial position for the 7 year period to 2023/24.

2. Recommendations

2.1 That the long term financial strategy 2017/18 to 2023/24 as set out in this report be submitted to Council for approval.

3. Background Information (Optional)

Scope of the Report

3.1 This is the Council's fourth Long Term Financial Strategy (LTFS). Its purpose is to provide a framework for the Council to assess ideally its financial sustainability over a ten year period. However, given the continuing volatility and uncertainty around Government funding it is proposed that once again the LTFS covers a seven year period to 2023/24. The strategy is attached as Appendix A.

3.2 The current LTFS took a cautious view of the Council's finances given the uncertainty within the wider economy and the Government's ongoing resource review. This update continues with that view, as the impact of Brexit and the changes in Central Government remain unclear. It is hoped that the Autumn Statement announcements may provide some clarity

3.3 The continuing public sector pressures, the impact of the Council Tax Support Scheme, changes to specific grants, confirmation of the business rates retention scheme, and announcements from Central government means that ongoing cuts to public spending are inevitable. The 4 year settlement offer whilst providing some certainty does not offer complete protection from further adjustments.

- 3.4 The LTFS indications are that whilst the Council has approved a balanced revenue budget for 2016/17 the challenges for 2017/18 and beyond are significant. Revenue Support Grant will reduce to nil by April 2019 and the Council will need to find additional income streams or savings to bring the gap if it is to continue to deliver services at the current levels.
- 3.5 The previous Chancellors autumn statement and the subsequent local government settlement indicated that the cuts experienced in the last 6 years would continue. The appointment of a new Prime Minister, Chancellor and other Senior Ministers following the Brexit vote adds to the uncertainty, and the information in the LTFS has been based on known announcements and there may be further changes as more details become available.
- 3.6 As a District Council delivering 'Unprotected Services' it is expected that the cuts will continue. With this uncertainty an estimate has had to be made based on existing Government announcements and commitments. This uncertainty means that the Council could face additional pressures over and above those contained within the LTFS.
- 3.7 The estimates within the LTFS show that the Council will need to continue with its savings plan and achieve savings ranging at least £626k in 2017/18, rising by at least £268k in 2018/19 and up to £1,029k in 2019/20. This does not allow for any one off items of revenue expenditure, and a further £75-£100k should be allowed for this. Two options for Council Tax increases have been used within the LTFS, continuing with the £5 increase and the impact of 1.99%.
- 3.8 The LTFS includes a number issues and proposals that the Council will need to consider whilst it confirms its plans to achieve the level of savings required to maintain the financial resilience of the Authority for the future.

4. Implications

4.1 Financial and Value for Money Implications

All financial implications are contained within the report and its appendices.

4.2 Legal implications

None as a direct result of this report – a balanced budget was set for 2016/17, and going forward it is a further requirement that the budget is balanced.

4.3 Contribution to Council Priorities

The revenue budget is developed in support of the Council Plan. The LTFS provides the framework for the Council's financial sustainability and resilience which are crucial to delivering its priorities.

4.4 Risk Management

All risks are clearly identified throughout the report. To remain viable and to

be able to deliver the services that it requires the Council must achieve the levels of savings required.

4.5 **Equality Impact Assessment**

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

5. **Consultations with Others**

None

6. **Access to Information : Background Documents**

None

7. **Author of the Report**

Nicola Chick – Strategic Manager – Financial Services (s151 officer)
Telephone: 01756 706418
E-mail: NChick@cravenc.gov.uk

8. **Appendices**

Appendix A – Long Term Financial Strategy

CRAVEN DISTRICT COUNCIL**Long Term Financial Strategy 2017/18 – 2023/24****1. Introduction and Background**

- 1.1 The Long Term Financial Strategy (LTFS) provides a financial framework for the council's strategic planning and decision making over the next ten years. This enables a longer term strategic view to be taken when decisions are made that have a financial impact beyond the annual budget. The LTFS is updated on an annual basis to provide a rolling ten year financial strategy and forecast. However, given the continuing volatility and uncertainty around Government funding as a consequence of Brexit and the subsequent changes to the Governments leadership – a new Prime Minister, Chancellor of the Exchequer and Cabinet, 4 Year Settlement Offer, Devolution and Business Rates Retention, Revaluation and Reset, this update of the LTFS covers a seven year period.
- 1.2 The current LTFS was approved by Full Council in September 2015 as part of the budget setting process. It took a cautious view of the Council's finances given the uncertainty within the wider economy and the Government's on-going resource review. This paper presents the annual update taking into account changes to the key assumptions within the strategy as a consequence of external factors including the 4 Year Settlement Offer and the impact of 2016/17 budget decisions.
- 1.3 The LTFS sets out the latest estimated funding resources that will be available to the Council over the period 2017/18 to 2023/24, the demands on those resources, and the level of savings or additional income that is likely to be needed to keep a balanced budget and to keep Council Tax affordable. Anticipating financial pressures now, enables the Council to plan ahead to meet the significant challenges that local government continues to face over the medium term. In this way we can ensure that financial resources are targeted to the Council's highest priorities within the 2017 - 2021 Council Plan.
- 1.4 The LTFS covers all revenue and capital spending plans of the Council.
- 1.5 The LTFS seeks to achieve the following objectives.
- a) Budgets are prudent and sustainable in the long term.
 - b) Financial plans recognise corporate priorities and objectives.
 - c) The capital programme and its resource requirements are factored into forecasts.
 - d) Constraints on revenue and capital resources are recognised and taken into account.
 - e) Significant risks are identified.
 - f) Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council.

2. Update on Financial Assumptions

Inflation

- 2.1 CPI was 0.3% at the start of the financial year in April and had risen to 0.6% in July. Forecasters are predicting that CPI will continue to rise to the 2% Bank of England and Treasury Target by mid 2017 as a consequence of the decline in sterling. This is almost a year earlier than pre Brexit forecasts were indicating. RPI was by contrast 1.6% at the start of the financial year in April and had risen to 1.9% in July. Due to the uncertainties inflation at 2% for general price increases is continued for this LTFS for 2017/18 to 2019/20 and beyond. This should give enough flexibility for above average increases in relation to items such as utility costs. An allowance of 1% for pay increases to 2020/21 has been included as per the announcements in the July 8 2015 Chancellors budget.
- 2.2 Fees and charges where appropriate were increased by at least RPI for 2016/17 which, was in line with the policy. The LTFS assumes that this will continue. However with the need to ensure a sustainable Council the policy will need to be reviewed to ensure that it is fit for purpose going forward. Expectations for RPI are for it to remain at around 2.0% for the life of this strategy and an increase of at least 2% has been applied to relevant income budgets where appropriate. Any exceptions to this will require an adjustment to the LTFS.

Interest Rates

- 2.3 The bank base rate was reduced to 0.25% in August and forecasts expect that there may be a further rate cut which could last throughout 2017. A rise in interest rates is not forecast until mid 2018 at the earliest. This will have an impact on the investment income that the Council can earn on its available balances. The Council is currently generating an average return of marginally above the bank rate this is expected to continue for the rest of this financial year albeit at lower levels than in previous years.
- 2.4 The beneficial impact of low interest rates is that the cost of borrowing is at an historically low level. The Council currently has no plans to take any additional external borrowing. Currently MRP is being utilised to fund projects within the capital programme for the life of this LTFS without the need for new external borrowing. Should any new projects currently unplanned require financing via borrowing in the next few years then they should be evaluated to ascertain the optimum time-frame for securing any new borrowing.
- 2.5 If the Council decides to borrow to fund the Capital programme then the estimated additional cost of borrowing to the Revenue Budget from 2017/18 onwards would be £19k per annum (based on borrowing £1.0m @ 1.9%. PWLB rates currently range from about 1.73% to 2.1% for loans of 10 to 50 years).

Expenditure Assumptions

- 2.6 Budgets are cash limited – the LTFS reflects this policy, making no provision for service growth. A corporate contingency of £75k has been provided to manage unexpected service pressures during the year.
- 2.7 Borrowing – the council's external borrowing of £5.988m will remain static. Any additional borrowing will have an impact on the revenue account.
- 2.8 Support to Parishes – the Council will continue to provide a modest level of support to parishes to assist them with the impact of the Council Tax Support Scheme. That this support will reduce to nil by April 2019 in line with the reduction in RSG.
- 2.9 Pensions – The current triennial valuation of Council's contribution rate for the North Yorkshire Pension Fund came into effect from April 2014. The contribution is set based upon the returns to the fund and the recovery period for the fund. These are affected by economic fluctuations and with the economic downturn there has been an increase in contributions and it would be prudent to expect further increases for the next valuation in 2017. The latest triennial valuation is currently in progress and the results will be available later this calendar year. The 2013 triennial valuation added an additional £85k to current service costs. A similar increase has been included within current projections for 2017. As part of the employer costs the council also pays a fixed sum to the pension fund. The Pension fund offered a discount of 2% for this to be paid up front each April to 2016. The Council has taken advantage of this and realised savings of at least £12k each year. It is not known if this will continue from 2017/18.
- 2.10 Pensions 'auto enrolment' – for the local government pension scheme came into operation in April 2014. The Council has opted to implement this for existing staff at the latest possible date in October 2017. There will be a cost implication associated with this if individuals that were previously not part of the pension scheme decide to join. Based on current estimates the cost implication could be as much as £65k per annum, although not all may elect to remain in the scheme. It is prudent to factor in this estimate of the implications.
- 2.11 Pay awards & National Minimum Wage – the 2016/17 budget allowed for a pay rise based on the Chancellors July 8 budget announcement of a 1% increase for four years from 2016/17. A 1% increase has been allowed in the LTFS up to 2020/21 thereafter a 2% increase is included. Members' allowances are also increased in line with pay awards. Adjustments have also been made to allow for the impact of the national minimum and national living wages.
- 2.12 Election Costs – the Council currently elects 1/3 of its members for 3 years out of 4. There are no district elections in 2017/18; the allowance of £35k would be removed for 2017/18 and reinstated from 2018/19. It is proposed that an elections reserve is created so that the costs may be spread over four years rather than three. The LTFS reflects this proposal.

Income Assumptions

- 2.13 External Income – the model assumes that approximately 60% of external income will be subject to inflationary increases. An average rate of 2% has been applied to these income streams. Increases in fees and charges are based on the RPI from August to August.
- 2.14 Interest on Surplus Funds – The forecast is for the bank rate to start to rise from 2018. The model assumes that interest rates will remain at their low levels for at least the next twelve months before a gradual rise in rates to 2.0% towards the end of this LTFS and a cautious approach has been taken to the calculation of income from surplus funds included in the model
- 2.15 Recycling income & waste management – recycling contracts were renewed for 2016/17. Recycling income provided a valuable funding source for the council but it was dependent on both market prices and volumes. The 2016/17 budget was set on the assumption the recycling income ceased from 2016/17 and that there would also be an additional cost. The LTFS does not currently forecast any changes to this assumption going forward. Officers are currently looking at the options available for waste collection as a whole.
- 2.16 Green waste – charges are now levied annually. The LTFS has assumed that take up of the service will remain at current levels and that income will increase by at least RPI each year.

3. Government Grants & Business Rates

- 3.1 2013/14 saw a fundamental change in the Local Government Finance System. Central Government Support for local authorities in the main came from Revenue Support Grant (RSG) and retention of a proportion of business rates (Business Rates Retention). Changes to the funding for Local Government is continuing to evolve with less and less support being made available from central funds.

Revenue Support Grant

- 3.2 The Council currently receives external support from Central Government through the distribution of resources within the Local Government Finance Settlement.
- 3.3 The 2016/17 Settlement Announcement set out the RSG reductions to reach nil by April 2019. The LTFS assumes that the reduction will follow the indications from the 4 year Settlement which the Council has in lien with all other Local Authorities an option to accept by 14 October 2016.
- 3.4 The Council as part of the settlement received an increased allocation of Rural Services Delivery Grant. The LTFS has assumed that this will continue for the life of the strategy at the 2019/20 level.
- 3.5 The actual amount of the Council's RSG and other grant settlements will not

be known until the announcement of the Autumn Statement which is expected in December.

Business Rates

- 3.6 Under the Retention of Business Rates Scheme the Council retains a portion of business rates collected based on an assumed business rates income and the balance it pays to central government in the form of a tariff subject to RPI uplift.
- 3.7 The impact of rating appeals and other movements continues to be a volatile area of the rating system over which the Council has little influence. As a consequence the council has had to repay approximately £1.77m from its' "on account" rating income.
- 3.8 The Council has been part of the North Yorkshire Business Rates Pool since April 2014. The position of the Pool is closely monitored on a monthly basis, due to the element of risk and reward. Membership has been of benefit with the Council securing £138k of additional income and the North Yorkshire LEP £390k.
- 3.9 The LTFS takes the estimated business rates income for 2016/17 and assumes no growth in business rates over the life of the plan. This will be reviewed now that the outturn for 2015/16 is confirmed and data from membership of the North Yorkshire Rates Pool is available and as further data for 2016/17 becomes available. The year on year increase in business rates within the LTFS reflects indexation of the retained element and tariff.
- 3.10 The Government as part of the settlement gives a baseline of rates income that it thinks the Council needs for funding services. Since localisation of Business rates the actual income that the Council has collected as its share has exceeded this level. However the shared liability for appeals and other valuation fluctuations has meant that all of this additional income has been required to be set aside to pay for this share.
- 3.11 The indications are that the Council will continue to generate rateable income above its baseline funding need and under the business rates retention is able to keep its share of this. The rewards associated with business rates are volatile and therefore present a risk to the Council and as a consequence a business rates contingency reserve was created in 2013/14. This is assisting the Council to mitigate for unforeseen reductions in the business rates base. Contributions will need to continue into this reserve until at least 2019/20. The LTFS assumes that modest contributions will continue.
- 3.12 Businesses are currently being revalued for rating purposes and these valuations will be implemented for April 2017 bills. The impact of this revaluation will not be known for some time and therefore a cautious estimate of the Council's share of business rates at baseline level from 2017/18 to 2020/21 has been included within the LTFS. The preparation of the Business Rates Return for 2017/18 in January 2017 will give a more

certain picture, and it is this information that will be used for the 2017/18 budget.

- 3.13 The Government are currently consulting on the proposals for Self-sufficient local government: 100% Business Rates Retention for local government by the end of this Parliament and Fair Funding Review: Call for evidence on Needs and Redistribution. The closing date for comments is 26 September.

New Homes Bonus (NHB)

- 3.14 This funding started in 2011/12 and provided Authorities funding based on the number of new properties completed and long –term empty properties brought back into use. It is based on the amount of extra Council Tax revenue raised. There is also an additional payment for providing affordable homes. Payments for each eligible property are paid for six years which covers the span of this LTFS. An assumption has been made that NHB will continue albeit at a much reduced level.
- 3.15 NHB is an unringfenced grant, which means local authorities are free to decide how to spend it, as they are in the best position to make decisions about local priorities. As unringfenced grant, NHB funds can be spent on either revenue or capital, strategic projects, or placed in a local authority's reserves.
- 3.16 The estimates were that the Authority's share of NHB would increase each year until 2017/18 and then level out. However the increase from 2014/15 to 2015/16 was only marginal. NHB for 2016/17 was nearer expected levels and 2017/18 is forecast to be the same. The majority of NHB that the Council has received has been placed in an earmarked reserve and then it being used on specific regeneration projects.
- 3.17 The LTFS includes the impact of projects approved to commence with funding from the NHB reserve and continuation of the Member Grants for their wards until 2021/22. Going forward some NHB will need to be used to assist with balancing the budget whilst income generation projects and other savings are implemented.
- 3.18 It is important to recognise that the NHB is not "new money" from Central Government but rather a top slice of the total financial support available to local government. As such it reflects the move to directly reward planning authorities and stimulate the domestic market. The Council can in the short term continue with its existing plans for NHB.
- 3.19 The Government undertook consultation on the future of New Homes Bonus in March 2016. This consultation was proposing a number of changes to the scheme. The outcome of this consultation has not been announced and therefore based on the proposals within the consultation a modest value for NHB has been included within the LTFS from 2020/2021 onwards.

4. Council Tax

- 4.1 The Council accepted the Governments offer of the council tax freeze grants from 2011/12 to 2015/16. This equated to £273k. The Autumn Statement on 25 November 2015 confirmed that the grant for 2011/12 and 2013/14 to 2015/16 had been rolled into RSG and is now reducing to nil by April 2019. The grant for 2012/13 was one year only.
- 4.2 The government confirmed the level of increase in council tax above which a public referendum for 2016/17 is required at 2%. However a dispensation was allowed for rural authorities such as Craven to let them put up Council Tax by a maximum of £5. The LTFS has two scenarios one assumes that this situation will continue and increases in council tax are set £5 and the other that the referendum limit will be reinstated and an increase of 1.99% set.
- 4.3 The Council tax base for Craven District has only seen a modest growth in recent years. As a result of the introduction of the Local Council Tax Support Scheme and its impact on the council tax base. The forecast in the LTFS is that the base will only modestly increase.
- 4.4 In addition within the collection fund (the council tax account) any surplus or deficit is shared amongst the major preceptors and billing authority. When setting the council tax any anticipated surplus or deficit is taken into account at that time. The LTFS assumes a surplus of £70k for 2017/18 and then a modest estimate for future year's surplus of £50k reducing to £30k.

Localisation of Council Tax Support Scheme

- 4.5 Support provided under the Local Council Tax Support Scheme acts as a discount on the tax base. The Council is currently providing 90% support to working age claimants through the scheme. With claimants paying 10% of their bill in 2016/17. There are options within the scheme to review this discount which can be reduced to require claimants to pay a larger proportion. The nationally accepted maximum is an average of 25%. The LTFS assumes that the support remains at 90%.
- 4.6 In 2013/14 the Council received £364k of grant to help fund the new scheme, which included £89k of grant to assist parishes with the impact on them which it passed on. From 2014/15 this grant was rolled into the total RSG.
- 4.7 There is an expectation from the Government that the Council will continue to assist parishes. An estimate of the availability of this support is included within the LTFS. In 2016/17 the Council is contributing £18k. The expectation is that the funds available for the support will reduce in line with the reductions in RSG to nil by April 2019.

5. Capital Programme

- 5.1 The detailed capital programme for 2016/17 also included an indicative programme for 2017/18 to 2019/20. Beyond this an estimate of £1,000k has been allowed for the Capital programme. Investment in projects outweighs the current forecast of the Council's own resources. Alternative options need to be considered for the Capital Programme to remain sustainable. These options will include use of external borrowing, leasing, in year revenue budget support or earmarked reserves. All of these options have implications for the Revenue Budget.

Table 1: Summary Capital Programme

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<u>Expenditure</u>				
Projects	1,219	2,420	1,600	430
Grants	312	312	312	312
Total Programme	1,531	2,732	1,912	742
<u>Resources</u>				
Grants	309	1,876	239	239
Capital Resources	73	396	423	273
Revenue Resources	667	360	250	230
Balance to Fund	482	100	1,000	150

- 5.2 Contributions to specific reserves for IT, Vehicles and Building Maintenance are included as part of the LTFS forecasts. An estimate has been included within the LTFS for future year's programmes and that funding will come from within the Revenue Budget.

6. Revenue Budget

- 6.1 Taking 2016/17 as the base year, the impact of the assumptions in the section 2 to 5 on the revenue budget for the provision of services are detailed at Annex 1 and summarised in Table 2. Two scenarios are given, one showing continuing with the 2016/17 government offer of a £5 Ctax rise and the other at 1.99%.
- 6.2 The information in Annex 1 shows that whilst the 2016/17 budget has been funded the challenge going forward from 2017/18 estimates that additional income or savings of at least £626k is required rising by a further £268k in 2018/19 and a further £641k to £1,535k by 2023/24. The Council is clearly facing financial challenges which will require robust plans to deliver these savings.

Table 2: Estimated Summary Budget Position 2017/18 – 2023/24

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Expenditure Budget	6,752	6,684	6,796	7,705	7,308	7,587	7,797
Government Grants - NHB	(1,096)	(688)	(300)	(100)	(50)	(50)	(50)
Government Grants – RSG & Rural	(599)	(314)	(225)	(150)	(150)	(150)	(150)
NDR Allocation	(1,575)	(1,575)	(1,575)	(1,575)	(1,610)	(1,642)	(1,675)
Collection Fund - NDR	476	0	0	0	0	0	0
Collection Fund - CTax	(70)	(50)	(30)	(30)	(30)	(30)	(30)
Transfers to/ (from) Reserves	265	463	91	(36)	(150)	(258)	(192)
Net Budget Forecast Before CTax	4,153	4,520	4,757	5,184	5,318	5,457	5,700

Impact of Ctax Increase £5

Ctax	3,569	3,708	3,849	3,993	4,138	4,286	4,436
Forecast (Surplus) / Deficit	584	812	908	1,191	1,180	1,171	1,264

Impact of Ctax Increase 1.99%

Ctax	3,527	3,626	3,728	3,833	3,940	4,051	4,165
Forecast (Surplus) / Deficit	626	894	1,029	1,351	1,378	1,406	1,535

- 6.3 In 2013/14 the Council implemented an income savings plan. This plan is updated on annual basis and monitored on a monthly basis by CLT and quarterly at Policy Committee as part of the budget monitoring reporting. Currently projects identified for delivery total £18k in 2016/17 rising by £142k to £160k in 2017/18 and by a further £42k in 2018/19 to £202k. The LTFS includes £12k of projects that have been achieved to the end of the first quarter in 2016/17
- 6.4 Of these projects in 2016/17 currently £6k identified are at amber status, i.e. they have commenced, but savings/income are not realised yet. These projects will only deliver up to £125k by 2019/20 which still leaves an estimated gap of at least £904k. Annex 1 summarises the position. The high level savings plan is attached at Annex 2, as projects are confirmed these are then moved to the more detailed plan which is presented to Policy Committee as part of the quarterly budget monitoring throughout the year.

- 6.5 The LTFS does not allow for any additional Revenue bids for one off projects and a further £75k to £100k may be required for these.
- 6.6 In addition indications are that the delivery of a sustainable capital programme will require contribution from the revenue budget or reserves increasing pressure further.

7. Balances & Reserves

- 7.1 The Council has a General Fund balance of £995k. The budget report for 2016/17 assessed that this was a prudent level in light of risks associated with the continuing financial uncertainties the Council is facing.
- 7.2 As part of the 2016/17 revenue budget consideration was given to other reserves that the Council needs. This will enable it to smooth the year on year fluctuation in investment it needs for expenditure on projects and other commitments.
- 7.3 The LTFS assumes that contributions to specific reserves will continue if possible. The reserves are Building Repairs and Maintenance, IT replacement and development, replacement of the Vehicle Fleet, Insurance and Business Rates contingency.
- 7.4 Details of the Council's reserves and balances are provided at Annex 2. A review of these reserves will be undertaken as part of the budget 2017/18 setting process.

8. Risks

- 8.1 The major risks for the Council continue to be sustaining income levels in the current economic climate, and implementing the savings that are required to enable the Council to operate within available resources in the future.
- 8.2 The income generated for the Council from the Business Rates Retention Scheme carries risk. The Council stands to receive a greater portion from business rates than under the previous grant redistribution process. However the downside is that the Council now has to share the burden of reductions in business rates through appeals, revaluations, and business ceasing trading. This volatility can only be estimated for budgeting purposes and the actual year end position could be different. Therefore to mitigate the impact of this volatility a Business Rates Contingency Reserve was established as part of the 2014/15 Revenue Budget. The LTFS assumes contributions continue until 2019/20.
- 8.3 The Business Rates Revaluation due for implementation in April 2017 adds further risk. Depending on the outcome the results could lead to a fresh round of appeals as businesses assess the impact of any rating changes.

- 8.4 The Council's income and savings plan captures the projects approved to deliver additional savings and income to the Council. These projects are not without risk as delivery of them requires scheduling and can be subject to a number of factors before successful delivery. The LTFS also includes the impact of achieving the projects currently identified as amber within the income and savings plan, but they only give £130k of savings by 2018/19.
- 8.5 It will be necessary to continue to ensure on-going savings and additional income generation in order to maintain the downward trajectory on net expenditure.
- 8.6 The Council will continue to protect front line services wherever possible. However in the context of on-going cuts in Government funding, pressures on income from fees and charges and Government intervention on Council Tax increases, the ability to continue to reduce costs, without impacting on the Council's ability to function effectively, will become increasingly difficult.

Craven District Council - Long Term Financial Strategy Model August 2016 @ £5 Increase in Council Tax

	Base 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
KEY ASSUMPTIONS											
Inflation General		2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Inflation Paybill		1.00%	1.00%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Interest Rates		0.10%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.00%
Tax Base Increase		0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%
Government Grant Increase (Decrease)		-50.00%	-60.00%	-100.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%
Business Rates Increase		1.15%	1.50%	1.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Council Tax Increase		£5	£5	£5	£5	£5	£5	£5	£5	£5	£5
COUNCIL TAX											
Tax Base (Number of Band D Equivalents)	21.825	22.000	22.176	22.353	22.532	22.712	22.894	23.077	23.262	23.448	23.635
Council Tax @ Band D (£)	157.21	162.21	167.21	172.21	177.21	182.21	187.21	192.21	197.21	202.21	207.21
Council Tax Income (£000's)	3,431	3,569	3,708	3,849	3,993	4,138	4,286	4,436	4,587	4,741	4,898
Precept (£000's)	3,431	3,569	3,708	3,849	3,993	4,138	4,286	4,436	4,587	4,741	4,898
REVENUE FINANCING											
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Council Tax	3,431	3,569	3,708	3,849	3,993	4,138	4,286	4,436	4,587	4,741	4,898
Business Rates	1,737	1,575	1,575	1,575	1,575	1,610	1,642	1,675	1,709	1,743	1,778
RSG	698	353	141	-	-	-	-	-	-	-	-
Rural Delivery Services Grant	278	225	173	225	150	150	150	150	150	150	150
New Homes Bonus	1,086	1,096	688	300	100	50	50	50	50	50	50
Special and Specific Grants	21	21	-	-	-	-	-	-	-	-	-
Ctax Collection Fund Surplus/Deficit (+/-)	72	70	50	30	30	30	30	30	30	30	30
Rates Collection Fund Surplus/Deficit (+/-)	- 364	- 476	-	-	-	-	-	-	-	-	-
TOTAL EXTERNAL RESOURCES	6,959	6,432	6,335	5,980	5,849	5,978	6,158	6,341	6,526	6,714	6,905
REVENUE BUDGET											
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Operational Budget (Services)	5,796	5,806	5,802	5,859	6,038	6,204	6,374	6,550	6,804	6,989	7,178
Adjustments to budget		- 39	63	124	200	171	210	289	220	189	228
Adjusted Operational Budget	5,796	5,767	5,864	5,983	6,239	6,374	6,585	6,839	7,024	7,178	7,407
Borrowing Costs Net of Income	517	541	491	496	511	509	527	533	551	551	546
Capital Programme RCCO	667	360	250	230	250	350	400	350	350	350	350
Contingency	75	75	75	75	75	75	75	75	75	75	75
Parish Grant Payment re Localisation Ctax	18	9	4	-	-	-	-	-	-	-	-
Revenue Bids	136	-	-	-	-	-	-	-	-	-	-
NHB Projects & Commitments	687	-	-	-	-	-	-	-	-	-	-
Net Revenue Budget	7,896	6,752	6,684	6,784	7,075	7,308	7,587	7,797	8,000	8,154	8,378
Contributions to Reserves:											
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Enabling Efficiencies	20	42	42	42	22	22	-	-	-	-	-
New Homes Bonus	901	1,096	688	300	100	50	50	50	50	50	50
Business Rates Contingency	107	-	-	-	-	-	-	-	-	-	-
Insurance	10	10	10	-	-	-	-	-	-	-	-
Planning	-	-	-	-	-	-	-	-	-	-	-
IT	30	30	30	30	60	60	60	60	60	60	60
Vehicles	30	30	30	30	100	100	100	100	100	100	100

Buildings	30	30	30	30	40	40	40	40	40	40	40
Future Year Budget Support	-	-	-	-	-	-	-	-	-	-	-
Elections	-	35	35	28	27	28	27	28	27	28	27
General Fund Unallocated											
Contributions from Reserves:											
Enabling Efficiencies	- 103	- 48	-								
New Homes Bonus	- 875	- 124	- 117	- 104	- 100	- 100	- 100	- 85	- 85	- 85	- 85
Business Rates	- 364	- 476									
Insurance											
Planning											
IT	- 105	- 100	- 110	- 140	- 100	- 100	- 100	- 100	- 100	- 100	- 100
Vehicles	- 311	- 170	- 50	-	- 150	- 150	- 200	- 150	- 150	- 150	- 150
Buildings	- 135	- 90	- 90	- 90		- 100	- 100	- 100	- 100	- 100	- 100
Future Year Budget Support	- 172	-									
Elections		-	- 35	- 35	- 35	-	- 35	- 35	- 35	-	- 35
General Fund Unallocated											
Forecast Net Revenue Budget	6,959	7,017	7,147	6,875	7,039	7,158	7,329	7,605	7,807	7,997	8,185
Difference between resources and forecast budget surplus / (deficit)	0	(584)	(812)	(896)	(1,191)	(1,180)	(1,171)	(1,264)	(1,281)	(1,283)	(1,279)
Amber Savings Latest Projection	5	83	125	125	125	125	125	125	125	125	125
Current Net Surplus/(Deficit) within MTFP (+/-)	5	(501)	(687)	(771)	(1,066)	(1,055)	(1,046)	(1,139)	(1,156)	(1,158)	(1,154)

Capital Programme											
Estimated Programme Costs	1,531	2,732	1,912	742	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Resources											
Capital Receipts	-73	-396	-423	-123	-121	-121					
Grant	-309	-1,876	-239	-239	-191	-191	-191	-191	-191	-191	-191
Borrowing	-482	-100	-1000	-150	-188	-288	-300	-300	-300	-300	-300
Reserves	-667	-360	-250	-230	-250	-150	-350	-400	-350	-350	-350
Capital Programme Shortfall - call on revenue?	-	-	-	-	250	250	159	109	159	159	159

Balances & Reserves	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Fund Unallocated	995	995	995	995	995	995	995	995	995	995	995
Earmarked Reserves											
Enabling Efficiencies	335	329	371	413	435	457	457	457	457	457	457
New Homes Bonus	1,284	2,256	2,827	3,023	3,023	2,973	2,923	2,888	2,853	2,818	2,783
Business Rates Contingency	993	517	517	517	517	517	517	517	517	517	517
Insurance	60	70	80	80	80	80	80	80	80	80	80
Planning	370	370	370	370	370	370	370	370	370	370	370
IT	655	585	505	395	355	315	275	235	195	155	115
Vehicles	299	159	139	169	119	69	-31	-81	-131	-181	-231
Buildings	360	300	240	180	220	160	100	40	-20	-80	-140
Future Year Budget Support	192	192	192	192	192	192	192	192	192	192	192
Elections	0	35	35	28	20	48	40	33	25	53	45
Other	106	106	106	106	106	106	106	106	106	106	106
Total Earmarked Reserves	4,654	4,919	5,382	5,473	5,437	5,287	5,029	4,837	4,644	4,487	4,294
Total Reserves	5,649	5,914	6,377	6,468	6,432	6,282	6,024	5,832	5,639	5,482	5,289

CRAVEN DISTRICT COUNCIL - LONG TERM FINANCIAL STRATEGY MODEL AUGUST 2016 @ 1.99% INCREASE IN COUNCIL TAX

	Base 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
KEY ASSUMPTIONS											
Inflation General		2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Inflation Paybill		1.00%	1.00%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Interest Rates		0.10%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.00%
Tax Base Increase		0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%
Government Grant Increase (Decrease)		-50.00%	-60.00%	-100.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%
Business Rates Increase		1.15%	1.50%	1.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Council Tax Increase		1.99%	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%

COUNCIL TAX

Tax Base (Number of Band D Equivalents)	21.825	22.000	22.176	22.353	22.532	22.712	22.894	23.077	23.262	23.448	23.635
Council Tax @ Band D (£)	157.21	160.34	163.53	166.78	170.10	173.49	176.94	180.46	184.05	187.71	191.45
Council Tax Income (£000's)	3,431	3,527	3,626	3,728	3,833	3,940	4,051	4,165	4,281	4,402	4,525
Precept (£000's)	3,431	3,527	3,626	3,728	3,833	3,940	4,051	4,165	4,281	4,402	4,525

REVENUE FINANCING

	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Council Tax	3,431	3,527	3,626	3,728	3,833	3,940	4,051	4,165	4,281	4,402	4,525
Business Rates	1,737	1,575	1,575	1,575	1,575	1,610	1,642	1,675	1,709	1,743	1,778
RSG	698	353	141	-	-	-	-	-	-	-	-
Rural Delivery Services Grant	278	225	173	225	150	150	150	150	150	150	150
New Homes Bonus	1,086	1,096	688	300	100	50	50	50	50	50	50
Special and Specific Grants	21	21	-	-	-	-	-	-	-	-	-
Ctax Collection Fund Surplus/Deficit (+/-)	72	70	50	30	30	30	30	30	30	30	30
Rates Collection Fund Surplus/Deficit (+/-)	- 364	- 476	-	-	-	-	-	-	-	-	-
TOTAL EXTERNAL RESOURCES	6,959	6,391	6,253	5,858	5,688	5,780	5,923	6,070	6,220	6,374	6,533

REVENUE BUDGET

	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Operational Budget (Services)	5,796	5,806	5,802	5,859	6,038	6,204	6,374	6,550	6,804	6,989	7,178
Adjustments to budget		- 39	63	124	200	171	210	289	220	189	228
Adjusted Operational Budget	5,796	5,767	5,864	5,983	6,239	6,374	6,585	6,839	7,024	7,178	7,407
Borrowing Costs Net of Income	517	541	491	496	511	509	527	533	551	551	546
Capital Programme RCCO	667	360	250	230	250	350	400	350	350	350	350
Contingency	75	75	75	75	75	75	75	75	75	75	75
Parish Grant Payment re Localisation Ctax	18	9	4	-	-	-	-	-	-	-	-
Revenue Bids	136	-	-	-	-	-	-	-	-	-	-
NHB Projects & Commitments	687	-	-	-	-	-	-	-	-	-	-
Net Revenue Budget	7,896	6,752	6,684	6,784	7,075	7,308	7,587	7,797	8,000	8,154	8,378

Contributions to Reserves:

	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Enabling Efficiencies	20	42	42	42	22	22	-	-	-	-	-
New Homes Bonus	901	1,096	688	300	100	50	50	50	50	50	50
Business Rates Contingency	107	-	-	-	-	-	-	-	-	-	-
Insurance	10	10	10	-	-	-	-	-	-	-	-
Planning	-	-	-	-	-	-	-	-	-	-	-
IT	30	30	30	30	60	60	60	60	60	60	60
Vehicles	30	30	30	30	100	100	100	100	100	100	100

Buildings	30	30	30	30	40	40	40	40	40	40	40
Future Year Budget Support		-	-	-	-	-	-	-	-	-	-
Elections	-	35	35	28	27	28	27	28	27	28	27
General Fund Unallocated											
Contributions from Reserves:											
Enabling Efficiencies	- 103	- 48	-								
New Homes Bonus	- 875	- 124	- 117	- 104	- 100	- 100	- 100	- 85	- 85	- 85	- 85
Business Rates	- 364	- 476									
Insurance											
Planning											
IT	- 105	- 100	- 110	- 140	- 100	- 100	- 100	- 100	- 100	- 100	- 100
Vehicles	- 311	- 170	- 50	-	- 150	- 150	- 200	- 150	- 150	- 150	- 150
Buildings	- 135	- 90	- 90	- 90		- 100	- 100	- 100	- 100	- 100	- 100
Future Year Budget Support	- 172	-									
Elections		-	- 35	- 35	- 35	-	- 35	- 35	- 35	-	- 35
General Fund Unallocated											
Forecast Net Revenue Budget	6,959	7,017	7,147	6,875	7,039	7,158	7,329	7,605	7,807	7,997	8,185
Difference between resources and forecast budget surplus / (deficit)	0	(626)	(894)	(1,017)	(1,351)	(1,378)	(1,406)	(1,535)	(1,587)	(1,623)	(1,652)
Amber Savings Latest Projection	5	83	125	125	125	125	125	125	125	125	125
Current Net Surplus/(Deficit) within MTFP (+/-)	5	(543)	(769)	(892)	(1,226)	(1,253)	(1,281)	(1,410)	(1,462)	(1,498)	(1,527)

Capital Programme											
Estimated Programme Costs	1,531	2,732	1,912	742	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Resources											
Capital Receipts	-73	-396	-423	-123	-121	-121					
Grant	-309	-1,876	-239	-239	-191	-191	-191	-191	-191	-191	-191
Borrowing	-482	-100	-1000	-150	-188	-288	-300	-300	-300	-300	-300
Reserves	-667	-360	-250	-230	-250	-150	-350	-400	-350	-350	-350
Capital Programme Shortfall - call on revenue?	-	-	-	-	250	250	159	109	159	159	159

Balances & Reserves	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Fund Unallocated	995	995	995	995	995	995	995	995	995	995	995
Earmarked Reserves											
Enabling Efficiencies	335	329	371	413	435	457	457	457	457	457	457
New Homes Bonus	1,284	2,256	2,827	3,023	3,023	2,973	2,923	2,888	2,853	2,818	2,783
Business Rates Contingency	993	517	517	517	517	517	517	517	517	517	517
Insurance	60	70	80	80	80	80	80	80	80	80	80
Planning	370	370	370	370	370	370	370	370	370	370	370
IT	655	585	505	395	355	315	275	235	195	155	115
Vehicles	299	159	139	169	119	69	-31	-81	-131	-181	-231
Buildings	360	300	240	180	220	160	100	40	-20	-80	-140
Future Year Budget Support	192	192	192	192	192	192	192	192	192	192	192
Elections	0	35	35	28	20	48	40	33	25	53	45
Other	106	106	106	106	106	106	106	106	106	106	106
Total Earmarked Reserves	4,654	4,919	5,382	5,473	5,437	5,287	5,029	4,837	4,644	4,487	4,294
Total Reserves	5,649	5,914	6,377	6,468	6,432	6,282	6,024	5,832	5,639	5,482	5,289

Council Priority			Indicative Years	Target £'000	Included in 2016/17 Budget £'000	To Achieve £'000	Projects in hand and proposals
Enterprising Craven - facilitating economic growth across Craven							
Aims	(a) to enable the provision of 290 homes across Craven to meet the needs of our current and future communities. (b) to stimulate business growth. (c) to improve the economic vitality of Craven's market towns and villages	Efficiencies	2016/17 - 2019/20	116	6	110	Balance to be delivered 2017 - 2020. Risk of underachievement based on previous history 25%
		Income Generation	2016/17 - 2019/20	151		151	Balance to be delivered 2017 - 2020. Risk of underachievement based on previous history 25%
		Procurement	2019/20	5		5	
		Savings to be identified	2019/20	78		78	
Resilient Communities -creating sustainable communities across Craven							
Aims	(a) to enable active communities and improve quality of life. (b) to create greener communities	Efficiencies	2016/17 - 2019/20	37		37	Balance to be delivered 2017 - 2020. Risk of underachievement based on previous history 25%
		Income Generation	2017/18 - 2019/20	82	17	65	Balance to be delivered 2017 - 2020. Risk of underachievement based on previous history 25%
		Procurement	2016/17 - 2019/20	0		0	
		Savings to be identified	2016/17 - 2019/20	201		201	
Financial Sustainability - ensuring a self-sustainable Council							
Aims	(a) to eliminate reliance on Government Revenue Support Grant by 2020	Efficiencies	2016/17 - 2019/20	194	31	163	Balance to be delivered 2017 - 2020. Risk of underachievement based on previous history 25%
		Income Generation	2016/17 - 2019/20	159	69	90	£6k in progress, with further £36k to be delivered 16/17 to give total £42k. Balance to be delivered 2017 - 2020. Risk of underachievement based on previous history 25%
		Procurement	2016/17 - 2019/20	50	31	19	
		Savings to be Identified	2016/17 - 2019/20	427		427	
Total				1,500	154	1,346	Target will need increase of £154k to allow for underachievement risk