Agenda Item No:	9
Report To:	Cabinet
Date of Meeting:	8 November 2018
Report Title:	The Medium Term Financial Plan 2019-24
Report Author & Job Title:	Maria Stevens Head of Finance
Portfolio Holder	Cllr. Shorter
Portfolio Holder for:	Finance & IT

ASHFORD
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Summary:

This report presents the Medium Term Financial Plan, a budget forecast including underlying assumptions, covering a five year period from 2019 to 2024 for the General Fund (the Business Plan for the Housing Revenue Account will be covered separately in a report to the December Cabinet along with the Draft Budget for 2019/20.

The plan highlights some minor pressures that need to be managed over the next four years with a more significant budget gap from 2023/24.

The plan is based on the Council's current activities and resources for new priorities and projects will need to be fully planned and the impact on the budget understood before approval.

Key Decision:	YES
Significantly Affected Wards:	All
Recommendations:	**The Cabinet is recommended to:-**

I. Note the forecast and accept the underlying assumptions
II. Endorse the Inflation Management Strategy
III. Note that this is the final year of the four year settlement
IV. Delegate authority to the Director of Finance and Economy in consultation with the Leader and Portfolio Holder for Finance and IT to agree the Council's continued participation in the Kent Business Rates pool

Policy Overview: In line with the Council's commitment to agree an annual budget and financially plan for the next 5 years

Financial Implications:	The Medium Term Financial Plan is built based on the Corporate Plan 2015-2020, this ensures that financial resources are used to deliver the Council's priorities.
Equalities Impact Assessment	As part of the Budget Setting process presented to Cabinet in February each year.
Other Material Implications:	None
Exempt from Publication:	**NO**
Contact:	Maria.stevens@ashford.gov.uk – Tel: (01233) 330547

Report Title: The Medium Term Financial Plan 2019-24

Purpose of the Report

1. The Corporate five year plan was approved by Cabinet in October 2015 which outlines the following priorities:
    a. Enterprising Ashford
    b. Living Ashford
    c. Active and Creative Ashford
    d. Attractive Ashford
2. Underpinning these priorities are the Ashford principles that strive for the council to be well resourced, with effective governance, delivering high quality services with good communication in a safe environment – all of which should demonstrate good compliance and standards.
3. To ensure the services continues to be delivered the Council has been developing an alternative to formula grant (the Council will need to pay a tariff/reduced amount from Business Rates) from 2019/20. These alternatives include generating income through investment in residential and commercial property.
4. An integral part of that Plan is the resource planning to ensure that resources are available and targeted to priorities. This report presents the Council's Medium Term Financial Plan (MTFP).
5. Members are reminded that this report covers the General Fund budget; the Council also has a Housing Revenue Account (HRA) and this has its own separate 30 year business plan and this will be covered in detail in a report to the December Cabinet along with the draft budget.

Background & Context

The Economy

6. The UK economic outlook remains relatively soft despite relatively strong labour market data and it is still facing a challenging outlook as the Country exits the European Union and the Eurozone economic growth softens.
7. Inflationary cost pressures which were expected to ease have risen recently, most notably due to rises in oil prices due to tensions over the Middle Eastern supply, a weak pound and tightening labour market. This is expected to keep inflation above the 2% target as set by the Monetary Policy Committee (MPC) for the medium term.
8. To control inflation it is likely that the MPC will look to increase interest rates and several increases have been factored into the MTFP. However, the MPC is reluctant to push interest rate expectations too strongly to avoid weakening growth and household spending.
9. The global economy appears to be slowing, particularly the Eurozone and China where effects of a trade war are being felt. The US economy is continuing to expand but recent expected rate rises are likely to slow the economic growth.

10. The Chancellor delivered the Budget on the 29th October, the following paragraphs highlight some of the key announcements that will affect local government. The government has announced a number of changes to business rate, including:

    a. Providing upfront support to the business rates system through reducing bills by one-third for retail properties with a rateable value below £51,000, benefiting up to 90% of retail properties, for 2 years from April 2019, subject to state aid limits;

    b. The introduction of 100% business rates relief for all public lavatories with the aim of helping keep these amenities open; and

    c. Continuing with the £1,500 business rates discount for office space occupied by local newspapers in 2019/20.

11. The government has stated that local authorities will be fully compensated for the loss of income as a result of these business rates measures.

12. The Chancellor also announced the creation of a Future High Streets Fund to invest £675m in England to support local areas fund plans to redevelop their high streets and town centres.

13. In relation to Housing the government announced:

    a. Confirmation that the Housing Revenue Account cap that controls local authority borrowing for house building will be abolished from 29 October 2018 in England;

    b. That the Housing Infrastructure Fund, funded by the NPIF, will be increased by £500m to a total £5.5bn; and

    c. A new five-year strategic business plan for Homes England will be published on 30 October 2018.

14. The government had indicated at the 2018 Spring Statement that it would outline control totals for the Spending Review to be carried out in 2019 (SR2019). This is assumed to be for the four year period 2020/21 to 2023/24. The data released so far suggests that after excluding the increases for NHS England, resources across the rest of government Departments will increase in cash terms by just 8.4% over the period 2019/20 to 2023/24 which is roughly in line with the increases in CPI for the period set out by the OBR. Therefore, this would suggest that outside of NHS England, all other Departments combined will not see any real terms increase in their funding for the period 2019/20 to 2023/24 and therefore we need to plan for a relatively flat settlement for the period of the next spending round.

BREXIT

15. The UK is leaving the EU on 29 March 2019 and at the time of writing this report there was not an agreed deal to take forward for Parliament to approve.

16. The Government are working on a number strategies should there be no deal including ensuring the stability of the Country which includes financial as well as infrastructure. With the final terms of the departure of the UK from Europe yet to be settled, the Chancellor has already signalled that a further Budget may be required should this departure be made without a formal deal.

17. To ensure a smooth transition it has been agreed that EU laws will become UK law on the day of exiting the EU.

18. Ashford Borough Council along with other Kent authorities are working on strategies to minimise the impact of a no deal Brexit on Ashford and wider Kent. Some of these include:

- Road infrastructure, manage congestion at Ports
- Examining the impact of labour supply on key services
- Risk of economy downturn, fall in £, rising costs
- Promoting Ashford and Kent as a UK headquarters for European businesses that what to trade in the UK
- Supporting UK business to business trade rather than EU to UK
- Promotion of tourism

19. There is dedicated work happening in Ashford through Management Team which includes working with local business. Covered by 4 themes:

- Identifying and speaking to key suppliers ensuring they have plans in place so services will not be disrupted
- Identifying specific service risks and developing mitigation strategies
- Reviewing business continuity arrangements.
- Extending business support and mentoring with the Business of Commerce.
- Participating in County wide Business Continuity and Emergency Planning exercises

Government Agenda

20. Currently we are part of a 100% Business rate retention pilot, Government have now changed this into a 75% Business rate retention system and they have asked all schemes to apply for a pilot for 2019/20. The budgets are being built based on Ashford not participating in a Pool.

21. 2019/20 is the final year of the 4 year settlement, so all estimates of funding beyond 2019/20 are our forecasts based upon maintaining current funding levels. This represents a risk to the MTFP with Government working on the fair funding review and a comprehensive spending review imminent. Both of these have the ability to fundamentally affect the funding position of Local Government. There is a strong policy driver to divert funding to Social Care which has a potential to transfer resources away from District Councils to County Councils. This needs to be balanced against the impact on District Councils of such a move and the need to get Parliamentary support for such a level of change. Consequently on the balance of risk the MTFP has been prepared on a cash neutral settlement and Management Team will develop contingency plans for managing further reductions in resources. Further consultations are expected before implementation.

22. Negative RSG, this is where the funding mechanism calculates that an Authority has too much resource and places a negative figure for formula grant. This is effectively the redistribution of Council Tax resources around the country with the poorer areas receiving funding which will be financed by other authorities. There are serious issues of the fairness of this, as Local Councils make decisions on Council Tax Levels based on local needs and this can now be moved elsewhere. Ashford will move into negative RSG in 2019/20 paying government around £240,000. The Council will continue to raise its objection to this approach at every opportunity.

23. There was an announcement in the Prime Ministers speech in regards to the removal of the Housing Revenue Account's debt cap. This would enable the Council to accelerate the social housing build out plans.

CIPFA Resilience Index

24. The Chartered Institute of Public Finance Accountants (CIPFA) has developed its resilience index. This is a single metric that can summarise a Council's financial resilience and provide an early warning for councils who may be slipping into financial difficulty.

25. The Mid Kent Audit have done some work looking at the authorities in the partnership and where we would score on the matrix.

26. A snapshot view of the Council's position is attached at **Appendix A** and it is a relatively strong position with the council ranked well above median and in the top 50 nationally for district councils. The strengths are that there is a low reliance on Revenue Support Grant and a strong business rates base. However the report suggests that the council has a relatively low level of un-allocated reserves. This is partly driven by the Councils practice of earmarking reserves for specific purposes, for example the creation of a [Economic Downturn reserve] which could be considered to be an un-earmarked reserve.

27. Whilst the CIPFA methodology produces a backward looking snapshot it does allow us to understand our funding strengths and weaknesses and inform the development of tools to monitor those areas and strategies to improve resilience. For example understanding the factors that grow and sustain Council Tax and Business Rates revenues and how the Council can influence them.

Local impact of Government Policy

28. Within the Borough Universal Credit went live in June 2018 and to date seems to be working well. The Council have not yet seen any adverse effects and the Housing Benefit case load is slowly reducing, and estimated to be a reduction of 1,000 claim per annum. The Department of Work and Pensions (DWP) offered to fund to Local Authorities in 2018/19 to deal with client queries including completing the paperwork to claim. Ashford refused the funding due to it being insufficient to fund the work and detracting from Council priorities, recently the DWP announced that they are working with the Citizen Advice Bureau from 2019/20, it is understood this will be done centrally. The Revenues and Benefits team

29. The Homelessness Reduction Act came into force during 2018 and Ashford have invested in staff and strategies to strengthen the prevention and the Council is already seeing some positive movements in the homelessness numbers.

30. The Council is looking to review, along with other local authorities, the county wide Council Tax Support scheme. The purpose of this is to simplify the scheme rather than make saving however there will be a reduction in the administration when is goes live in April 2020. Officers will work alongside the Council tax and Welfare Reform Task Group to bring a proposal to Cabinet in the latter part of 2019.

The Four Year Settlement and Efficiency Statement 2015

31. The previous Chancellor presented the four year settlement at the end of 2015 and Councils could choose whether to accept the settlement and produced an efficiency plan as part of the agreement.

32. The settlement is detailed in the table below and shows that the Council's Revenue Support Grant will be removed over the four year period, there is also a 'Negative RSG' being applied to the council's tariff to further reduce funding in the final year, as well as information regarding redistribution of council tax across the UK, so in 2019/20 council tax will effectively be taxed. This has not been reflected in the MTFP however the Council will notify members once details are made clearer.

33. In 2015 the Government did suggest that authorities who accepted the four year settlement would not have their tariffs amended with 'Negative RSG' to date this has been the case and it is likely government will continue the transition for 2019/20, removing the need for the Council to pay £240,000.

Table 1: 4 year settlement

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Settlement Funding Assessment	3.90	3.30	2.98	2.85
of which:				
Revenue Support Grant	1.27	0.62	0.21	
Baseline Funding Level	2.63	2.69	2.76	2.85
Tariff/Top-Up	-15.62	-15.93	-16.40	-16.93
Tariff/Top-Up adjustment				-0.24

* The amounts in the table are totals rounded to 2 decimal places

34. It must be remembered that this only covers formula grant (which is due to reduce to £0) and there are major changes to government funding for local authorities including New Homes Bonus and business rates reform, that could reduce the Council's funding in future years.

35. This settlement only remains for 2019/20 and the Council entered into a 100% retention Business Rate pilot and looking to enter another pilot for 2019/20. It is still not clear how retention of business rates will affect funding in future years. The pilot has enabled the Council retain more funding during 2018/19 however this is a one off.

Key Assumptions

36. As part of the Budget Scrutiny process the Overview and Scrutiny Committee received a presentation of the MTFP assumptions and was broadly supportive.

37. *Revenue Support Grant* (the 'staple' of local authority funding) has been decreasing since the Comprehensive Spending Review in 2010 and the four year settlement sees the level dropping to zero in 2019/20 with a tariff of £240,000, this tariff will be wrapped up in the Business Rate tariff if the Business Rate pilot continues.

38. Assumptions have been made that key grants supporting the administration of the revenues and benefits team will see further reductions for 2019/20

expected to be 44% from 2018/19 levels as a result of the introduction of Universal Credit. To manage this Finance has reduced staffing levels over the last few years and increase reliance on Customer Services.

39. *Inflation* is a factor that needs to be managed carefully within any financial planning regime. The council benefitted from the low levels of inflation over the last few years, however, nearing the end of 2017/18 inflation started to rise and has continued to do so the MTFP reflects a higher inflation level for 2019/20 and falls back to the 2% target by 2020/21.

40. *Interest rates* have been forecast in line with the Arlingclose (Treasury Management Advisors) forecasts. As a net investor the General Fund is more affected by its ability to generate returns on its cash balances rather than borrowing cheaply. Savings have been made in recent years by not borrowing to fund projects and using cash balances, however as interest rates rise the council will want to lock into low long term rates.

41. *Pay* – during 2018/19 a two year pay settlement was approved for 2018/19 and 2019/20 of 1.5% or £400 whichever was the higher for the individual employee. After 2019/20 pay increases have followed inflation in the plan.

42. *New properties* – Assumptions for new properties have been based on information from the planning and visiting officer teams, looking at the number of properties under construction and taking a view on the delivery of sites with planning permission and allocated sites. It should be noted that the figures may differ from those in the emerging local plan but for prudence a lower figure is taken. These assumptions drive figures for growth in tax base, and new homes bonus receipts.

43. *Business Rates* – Increases in business rates are set by the RPI level in the preceding September. However in the past government has capped increases in business rates at 2% where RPI was higher than this figure and the model assumes that this will continue for the life of the plan.

44. *Council Tax* – Government has so far capped the level that council tax can be increased by without a local referendum at 3% or £5 whichever is the greater. A 3% increase would result in a £4.72 increase in Council Tax for a band D property. For planning purposes the MTFP has assumed the maximum increase available to the Council a £5.00 (3.17%) increase for 2019/20, a £5 (3%) increase in 2020/21 continuing for the remainder of the plan. The decision on the level of Council Tax is taken each year by Council in February.

45. A table of assumptions is included in **Appendix B**

Reserves

46. The Council's general fund reserves - as at 31 March 2018 - are shown in **Table 3** below, with a forecast for movements within the current financial year. This shows that the Council's reserves are robust and adequate. The Council has a policy of maintaining the general fund balance of at least 15% of net budget requirement which is currently around £2.3m. Reserves have been earmarked to fund a number of Corporate Projects; the corporate project plans are monitored and updated regularly.

47. As part of the closure of accounts members requested a further reserve to be created that provides additional funding to support the Council's revenue budget in the event of an economic downturn. This reserve has been created using additional Business Rate income generated by using the Kent Pool.

48. During 2016/17 a single pot approach was adopted to fund corporate plan projects. This effectively allows reserves that are not earmarked for a specific purpose to be made available for projects. This strategy enables the Council to allocate funding to future income generating projects, as well as projects that will regenerate and support the Borough.

49. The current project plan is fully funded with a number of other projects being developed, funding will be approved based on projects meeting criteria set out in the plan.

Table 2: Summary of Earmarked Reserves

	Balance as at 31 March 2018	**2018/19 Transfers**	**Estimated Balance as at 31 March 2019**	**2019/20 Transfers**	**Estimated Balance as at 31 March 2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Earmarked reserves					
Corporate Plan	6,201	(1,225)	4,976	(512)	4,464
Fund Future expenditure	3,823	(33)	3,790	(185)	3,605
Maintenance of assets	1,374	55	1,429	(245)	1,184
Reserves requires (statute)	196	0	196	0	196
Developer Contributions	7319	(880)	6,439	(880)	5,559
Total Earmarked	**18,913**	**(2,083)**	**16,830**	**(1,822)**	**15,008**
General Fund Balance	2,552	94	2,646	(155)	2,491
Total General Reserves	**21,465**	**(1,989)**	**19,476**	**(1,977)**	**17,499**

50. The reserves are based on known information, with the potential to grow reserves though future Community Infrastructure Levy and future corporate projects not yet defined. There is an assumption that Planning reserves will be fully allocated to appeals and Section 106 reserves will decrease as projects are completed.

Inflation Management Strategy

51. Within the MTFP model the cost of inflation outweighs the increases in revenue generated by inflationary increases in fees and charges, on average this cost pressure equates to £361,000 per annum including pay.

52. To manage this pressure, over a number of years, the Council made the decision to manage the inflationary impact from absorbing the pressure through savings elsewhere within services. With continued pressure from

inflation it is important to review regularly and understand how inflationary pressures will be managed for the life of the MTFP.

53. The MTFP includes projects to generate more income streams, maximise treasury management returns, whilst safeguarding capital and considering council tax setting polices, Ashford continues to be the lowest council tax in Kent.

54. The Inflation Management Strategy is attached in **Appendix C,** and Cabinet is asked to support the principles of the strategy.

New Homes Bonus

55. The Council receives a New Homes Bonus (NHB) payment for four years for every property built or brought back into use in the borough. This non ring-fenced grant can be used for both revenue and capital purposes at the Council's discretion.

56. The amount the Council receives is also top sliced to divert funding to Adult Social Care and this has been modelled in the MTFP.

57. Assumptions on future levels of NHB are based upon the forecast numbers of new properties, however there is an element of delay built in based on historical information and information received from the investigation team, that monitor properties completion for Council Tax charging.

58. £1.4m of NHB is being used to fund the Base Budget (£200k less than 2018/19 year) in addition to this a number of revenue corporate projects are also funded. The remaining amount of the NHB is set aside to fund other Corporate Projects and is allocated to reserves within the MTFP.

59. NHB is an important element of the Council's funding, the Council will try to maintain a 50% base budget funding and 50% Corporate Projects for the life of NHB however should an emerging pressure be identified during the planning process NHB could be used to fund this pressure, this will however be reported to Cabinet.

Business Rates Growth

60. Business rates is a major part of local government funding, retaining 40% of business rates collected, although this is subject to a tariff of £15.8m leaving baseline funding of £3.1m. The current scheme also allows a retention of 50% of any growth over the set baseline position. The current general fund budget is £4.7m this suggests that the Council has already achieved £1.6m of growth.

61. In forecasting business rates there are essentially four issues:

    a. Was our opening forecast for business rates yield for 2018/19 reasonably accurate?
    b. Is the appeals provision prudent?
    c. What is the performance of the pool?
    d. How should we look at future business rate growth as funding for the budget?

a. The 2018/19 Yield Forecast

62. The rateable value of business properties is revalued every five years, the most recent revaluation came into effect at 1 April 2017.

63. The first quarter data has been analysed and it's expected that the annual yield projection will be higher than the anticipated yield. This is largely due to the multiplier (the amount paid for every £ of rateable value) being higher than budgeted.

64. In the event of a sudden and large drop in business rate yield a 'risk provision reserve' was set up on commencement of the new business rate system.

b. The Business Rate Appeals Provision

65. For 2017/18 a new appeals system was introduced 'Check. Challenge. Appeal'. It was hoped that a large majority of cases will be resolved at the 'check' stage, and during 2018/19 there has been less appeals coming through so it looks to be working at this stage.

66. In calculating the appeals provision there are two lists, the 2017 list, where there is little experience to calculate the provision based on actual data the provision is based on 4.7% which is a Government assumption when calculating Local Government Funding. The 2010 list is a detailed analysis based on historical success rates, the percentage calculated based on these.

67. Outstanding appeals on the 2010 list are currently 157, with a rateable value of £42m, these are expected to be cleared over the next 1/2 years. The 2017 list has seen very few appeals with only 16 outstanding at check stage, with a rateable value of £926K.

68. The Council had an appeals provision of £3.8m at the start of the year, this position is monitored throughout the year and reported to Cabinet.

c. Performance of the Pool

69. From 2018 the Council alongside all other Kent Business Rate Authorities entered into the 100% Business Rate Retention Pool. Previously to this the Council was part of the Kent Business Rates Pool, which contains most of the Kent Authorities. Both of these Pools provided a mechanism to reduce the levy payable by local authorities on growth and to promote economic development.

70. Membership of the pool has resulted in the levy payable on growth being paid into the pool rather than paid to Government. In 2017/18 the Council's share of this saving was £370,000, with a further £370,000 allocated to Economic Development whose use will be determined jointly between Kent County Council and Ashford Borough Council. As the expenditure would not be in the budget framework, any scheme would need to be approved by Cabinet and Council.

71. For 2019/20 Government have announced that it is seeking bids from existing pools to pilot the 75% Business Rates Retention scheme. This Council along with other Kent authorities have made a bid. The pilot is only guaranteed for 1 year.

d. Future Year's Business Rate Growth

72. There are several prospective large commercial developments happening in Ashford and many proposed for the future, with added focus from the Council, development are expected to continue to come forward over the next five years, and this should be a primary focus, as the additional rates yield is an important aspect of the MTFP.

Developing Future Income Streams

73. The Commercial Investment Strategy, comprises of three elements, Real Estate Investment, Loans to the Property Company and Strategic Investment.

74. The Medium Term Financial Plan includes income from projects that have been confirmed, such as investment in the Property Company, £50m included within the plan (£10m per annum) and the Elwick Place development is also included within the plan. Future projects that have not yet been approved or started have not been included.

MTFP Forecast

75. The forecast detailed in the table below takes into account the items discussed above. The forecast, which is not cumulative, shows that the budget gap is manageable for the life of the plan, however Members and Management Team need to manage any pressures coming through to ensure the gap does not widen. Income streams that have or are set to be achieved are mitigating the impact of inflation in the medium term as planned.

76. Attached at **Appendix D** are the pressures and saving coming through into the financial plan from services.

77. It should be noted that the plan is based on what we currently do and growth in the population could put more pressure on services than is currently recognised. There is a savings target of £130,000 per annum (cumulative) to be achieved through services.

Table 3 - GENERAL FUND REVENUE FORECAST 2019/20 to 2023/24

	2019/20 £'000's	*2020/21* £'000's	2021/22 £'000's	2022/23 £'000's	2023/24 £'000's
S31 Grant NNDR reliefs	*(1,578)*	*0*	*0*	*0*	*0*
Retained Business Rates	*(3,143)*	*(4,646)*	*(4,740)*	*(4,744)*	*(4,669)*
New Homes Bonus (50% allocated to support base budget)	*(2,820)*	*(2,936)*	*(2,678)*	*(2,852)*	*(2,228)*
Government Funding	(7,541)	(7,582)	(7,418)	(7,596)	(6,897)
Council Tax	(7,556)	(7,925)	(8,305)	(8,703)	(9,120)
Total Income Receipts (Including Specific Grants)	(48,640)	(48,382)	(48,230)	(48,080)	(47,950)
Base Budget Gross Expenditure	65,829	66,951	67,284	67,644	68,261
Budget Increases	(2,056)	(3,021)	(3,297)	(3,220)	(3,683)
BUDGET GAP	**36**	**41**	**34**	**45**	**611**

Balancing the budget gap

78. Management Team have discussed the budget gap over the next few years and are comfortable that the first four years can be managed through in year savings and reserves.

79. To manage the long term budget gap Management Team have committed to managing inflation pressures by ensuring they are working in the most efficient way possible and maintaining restraints around budget spend and regularly reviewing budgets. They will also be looking at ways digital transformation and future investment in commercial activities can alleviate future budget pressures.

80. Digital transformation will aspire to manage growth in demand within resources through smarter working.

81. The Investment Strategy has been developed and generating future income to support the underlying budget is being continuously reviewed.

Next Steps

Note the Medium Term Financial Plan and request that Management Team deliver a balanced budget.

Appendix A

MID KENT AUDIT

Financial Resilience Index Analysis

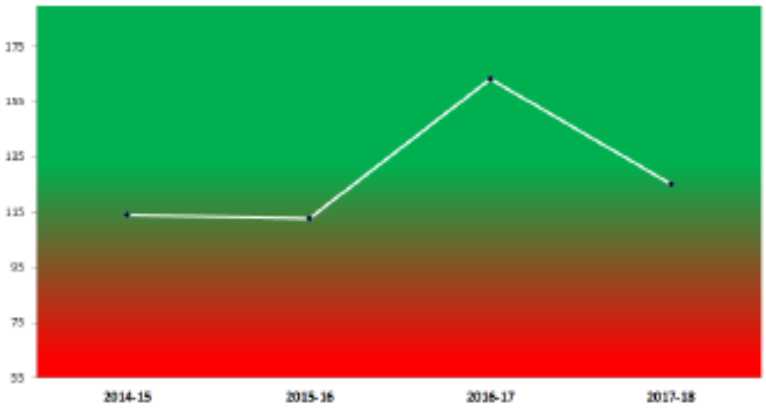
Authority: Ashford **Comparator Group:** Kent, Surrey & Sussex Districts **Year:** 2017-18

	Worst performing / Best performing	Max	Min	Ashford
Days of net spend funded by earmarked reserves		1,635	5	513
Days of net spend funded by unallocated reserves		524	13	69
Days of net spend funded by all useable reserves		2,017	40	583
% of annual net spend **not** funded by RSG		99.6%	86.0%	95.4%
% of annual net spend funded by Council Tax		127.4%	43.0%	61.8%
% of annual net spend funded by rate retention		40.3%	7.1%	29.2%

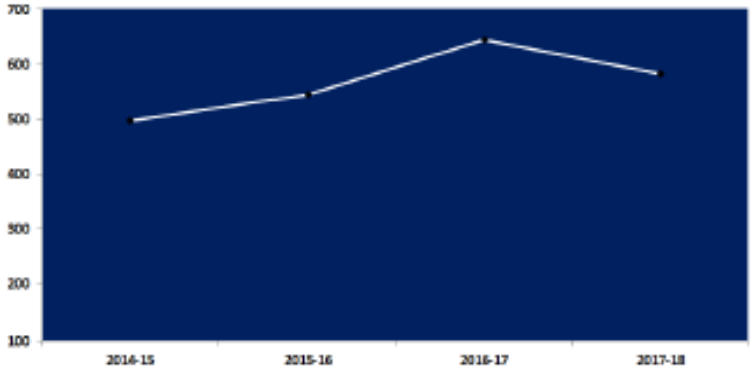
(Bar shows authority position among worst to best performing of all districts)

Auditors VfM Judgement	Unqualified

CIPFA Resilience Index Score: Movement since 2014-15



Days of net spend funded by all useable reserves



Kent, Surrey & Sussex List	
Chichester	190
Reigate and Banstead	178
Dartford	166
Guildford	134
Epsom and Ewell	134
Tandridge	133
Wealden	130
Worthing	129
Surrey Heath	128
Woking	126
Ashford	125
Spelthorne	124
Mole Valley	124
Gravesham	121
Tonbridge and Malling	120
Mid Sussex	120
Rother	119
Canterbury	118
Elmbridge	118
Swale	117
Folkestone and Hythe	115
Tunbridge Wells	113
Sevenoaks	112
Horsham	111
Dover	107
Arun	102
Waverley	99
Maidstone	98
Adur	97
Crawley	92
Lewes	91
Runnymede	90
Thanet	87
Hastings	86
Eastbourne	83

Headlines

> **1. Overall performance relative to comparator group:** Well above median, in national top 50.

> **2. Best performing area(s):** Strong rates base and low reliance on RSG.

> **3. Area(s) for improvement:** Relatively lower level of unallocated reserves

> **4. Year on year performance:** Reduced from 2016/17, but well above median.

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Appendix B

Key Assumptions

	2019/20	2020/21	2021/22	2022/23	2023/24
Pay inflation and increments	2.20%	2.20%	2.20%	2.20%	2.20%
Contract inflation	3.25%	3.00%	3.00%	3.00%	3.00%
Income inflation	3.00%	2.75%	2.50%	2.50%	2.50%
General inflation	2.25%	2.20%	2.00%	2.00%	2.00%
Utilities inflation	3.75%	3.50%	3.50%	3.50%	3.50%
Business rate growth	2.00%	2.00%	2.00%	2.00%	2.00%
Benefits Inflation	1.00%	1.00%	1.00%	1.00%	1.00%
Pension	4.00%	4.00%	4.00%	4.00%	4.00%
Base rate	1.13%	1.25%	1.25%	1.25%	1.25%
Council Tax Increase	3.17%	3.08%	2.99%	2.99%	2.99%

Appendix

Inflation Management Strategy

The role of council tax and council tax increases.

1. All the while council tax increases are low, they are effectively doing no more than combating inflation. This Council has a desire to stay the lowest Council Tax in Kent, however even with a £5 increase Ashford will stay the lowest unless another authority reduces its Council Tax level which is unlikely in the current climant.

Managing inflation cost pressures

a) Pay

2. The largest single inflationary impact at £334k. During 2017/18 an agreement was made for a two year settlement of 1.5% or £400 whichever is the greatest. This has helped to control the pay bill this year and will contribute towards the effective management of inflationary pressures.

b) Non-pay budgets

3. Exercising constraint requiring services to consume inflationary impacts, by reducing the budget uplifts, this places more onus on budget managers to manage demands through greater efficiency, stronger procurement or negotiations with contractors. It would be unwise to adopt this practice for a number of years without periodic review. In line with this policy, for 2019/20 an increase of 3.25% has been assumed for non-pay (service) budgets. This is in line with the OBR forecasts

4. Those services linked to contracts are uplifted by the index used in deciding the annual contract review price.

c) Efficiency and new sources of income

5. We should use efficiency and a new income sources programme, as clear counter-inflation measures. The Council is in the process of transforming the way in which it communicates with clients, although there will be an initial cost it is expected that efficiencies will come through in later years, even though no actual savings targets are attached to the project.

6. The Council is updating its investment strategy looking at other ways to diversify investments, helping to manage risk along with achieving higher returns.

d) The role of service fees and charges

7. The MTFP forecast assumes fees and charges will increase by 0.5% above the rate of the Consumer Prices Index (taken at the November preceding the financial year). This assumption relates only to charges where the council has the discretion to decide increases. Car park charges, however, are more sensitive and so need more judgment and therefore fee levels are considered separately. The MTFP, over its lifetime, does not make any assumptions about car park charges changing.

8. As a counter inflation measure fees and charges must keep pace with rising costs of service provision, particularly for services where fees and charges do not cover full costs.

e) The treasury management role and interest on investments

9. Day-to-day treasury management plays an important role in contributing an income source to the council. Core cash for treasury management purposes varies between £20m and £40m. Interest rates and investment yields are, among other things, a reflection of financial markets' view of the path of inflation over the longer term. For this reason treasury management returns should be viewed as part of the council's counter inflation strategy.

MTFP movements in services **Appendix D**

Service	2019/20	2020/21	2021/22	2022/23	2023/24	Description
Planning	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	Remove Consultancy budget from Planning Policy as Local Plan costs are funded from the Planning Reserve.
Planning	250,000	200,000	100,000	0	0	Growth to support the capacity issues in planning and develop a change management programme to resolve issues going forward.
Property	134,000	94,000	94000	94000	94000	New Asset Manager, Contract Officer and Admin post (to be funded from the HRA) to strengthen asset and contract management.
Corporate	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	Contract Management Savings which should be generated from the new Contract Officer Work.
Housing GF	100,000	75,000	50,000	25,000	0	Landlord Incentives to encourage Private landlord sector landlords to provide permanent solutions to customers in temporary accommodation.
Housing GF	70,000	70,000	70,000	70,000	70,000	Additional staff to support homelessness following reforms to the homelessness act.
Personnel	70,000	30,000	0	0	0	National Management Graduate Trainee Post and extension of temporary HR Officer post to support corporate change.
Policy	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	Reduction in budget as £95k was originally built into the budget for the Ashford for You magazine.
Leisure centres	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	Anticipated savings from new operator following leisure centre tender exercise.
Corporate	180,000	180,000	180,000	180,000	180,000	Corporate Growth – provision to manage service pressures as they emerge.