

# Medium Term Financial Strategy and Efficiency Plan

2017/18 – 2021/22



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# Introduction, Financial and Corporate Planning

This document provides details of the Council's medium term financial plans, efficiency plans and projected financial position to 2022.

The document includes the Council's strategy to address the challenge of financial sustainability that is to be provided in the medium term including reductions in Revenue Support Grant, proposed changes to the New Homes Bonus funding and the imminent move to full business rates retention within local government by the end of the current parliament.

It sets out how the Council spends the money it receives from the residents and businesses of Newcastle-under-Lyme and Central Government, to provide services and to meet the priorities identified in the Council Plan.

The formulation of this medium term strategy is part of the wider financial strategy and framework at the Council. Financial planning is an on-going process and this strategy is reviewed and updated annually.

In the 2016/17 provisional local government finance settlement, the government stated that it would offer any Council that wishes to take it up, a four-year funding settlement up to and including 2019/20 covering Revenue Support Grant, transitional funding and Rural Service Delivery Grant.

This, the Secretary of State said, should increase local authority certainty and confidence and would be a key step towards supporting councils to strengthen financial management and work collaboratively with local partners when considering the way local services are provided in the future.

To take advantage of this offer, the Council needs to submit an efficiency plan, the cornerstone of which, for the Council, is the Medium Term Financial Strategy setting out what the Council intends to do to address the challenge of financial sustainability and where it hopes to be at the end of the period.

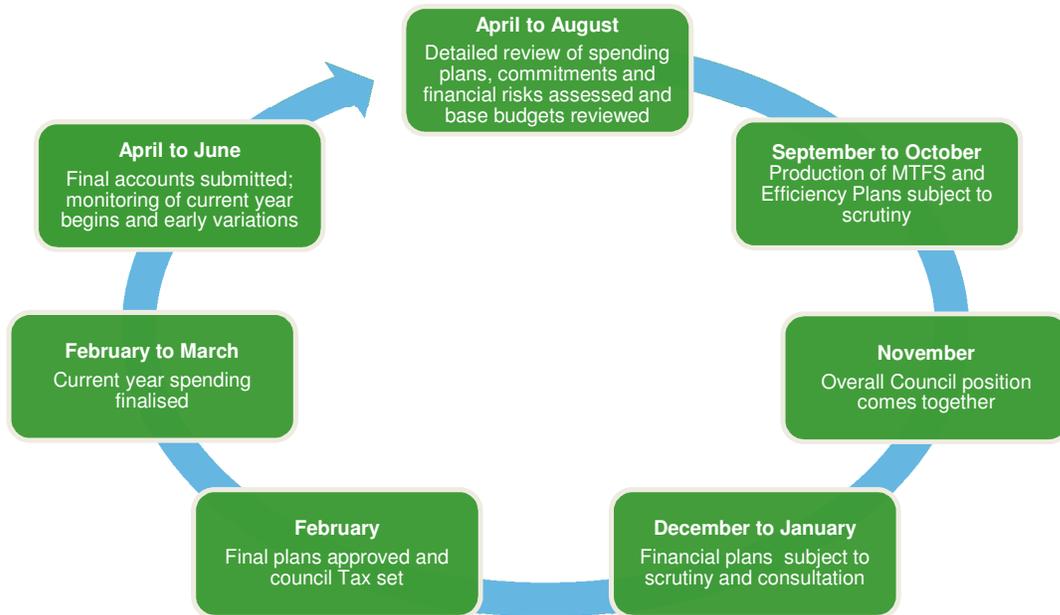
It follows that the Council's efficiency plan, as part of its Medium Term Financial Strategy, has clear links to the Council Plan and where the authority is involved in key partnerships, it also references ongoing and planned transformation projects and programmes that will enable the Council to reduce its costs or generate additional income locally.

## A Longer-Term View

The Council plans its finances over a 5-year rolling programme. This longer-term view is designed to highlight at an early stage where the Council may have financial challenges and the level of resources it is likely to have available beyond the current financial year.

This helps to identify future issues in order that a timely and planned approach can be taken to address a shortfall in resources, a reprioritisation of spending or indeed where additional resources are available, where they should be invested.

## The Annual Financial Cycle



## The Budget Review Group

The Budget Review Group ensures that the budget setting process consults all interested parties in a transparent manner. The Council Leader and the Cabinet Portfolio Holder for Finance IT and Customer are members of the group, together with the Chief Executive, Executive Director of Resources and Support Services, Executive Director of Regeneration and Development and the Executive Director of Operational Services.

The remit of the group is to oversee all aspects of the budget process, including service review and challenge, longer term planning, development of budget options, agreeing consultation arrangements and consideration of feedback and seeking to deliver service models that drive improvements to front line services whilst offering value for money.

## The Council Plan

The Council Plan describes the key actions that the Council will take in order to create a borough that is prosperous, clean, healthy and safe. It sets out the Council's priorities and focuses on delivering these and ensuring that we continue to deliver high quality services for the Council's customers and bring real improvements in services for all in the Borough.

The Plan is updated annually to ensure that the Council's corporate objectives and priorities for action are helping to achieve the Council's Vision and reflect community priorities in the services that it provides.



In these very challenging times, the Council continues to have its funding reduced by Central Government and legislative changes to the responsibilities of local councils means there will be some tough decisions ahead. For these reasons alone it is important that resources are used prudently and effectively and to review the way in which we do things and consider what is important for the borough. There is thus a clear and direct link to the Medium Term Financial Strategy (MTFS) from the Council Plan.

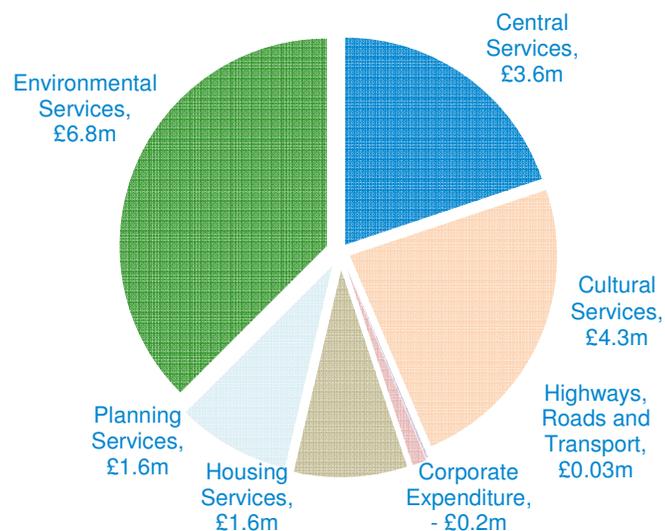
## The Council's Role

The Council wants Newcastle-under-Lyme to be a borough in which people are proud to live, work, visit and do business. Moreover, it is important that the council is an open and transparent organisation which is accountable to local people and which, through co-operation with partners, will work together to improve the Borough. By trying to deliver better services and focus on the needs of local people, the council's aim is to create an organisation which is responsive and in touch with the people it serves. Consequently, the Council's Vision is:



## Links with the Medium Term Financial Strategy

The financial planning framework is integrated with the corporate planning process. The Council Plan aims to identify the specific services and issues as to where the Council should prioritise its resources and the Council's budgetary plans reflect this. The net operating expenditure budget for 2016/17 has been allocated across services provided as shown in the chart alongside.



## Priorities and Outcomes

In order to deliver this vision, the Council has developed 4 priorities under which there are a series of outcomes and activities. These priorities and outcomes are reviewed and monitored on an annual basis. Progress against targets is reported to Cabinet and the Finance Resources and Partnerships Scrutiny Committee.

- *Becoming a co-operative council delivering high quality, community-driven, services* – Newcastle-under-Lyme Borough Council is committed to becoming a co-operative council which means working together with residents, partners and local organisations to collectively deliver the best using the resources we have.
- *A clean, safe and sustainable borough* – To improve the environment so that everyone can enjoy our safe, sustainable and healthy borough.
- *A borough of opportunity* – To work with our partners to maximise investment and encourage enterprise and employment – generating activities that will create opportunities for improving the wealth, prosperity and housing choices of our residents.
- *A healthy and active community* – To work with partners to make sure residents and visitors are able to access a range of facilities and support activities that will enable them to improve their health and quality of life.

Our priorities state 'what' work we will focus on, and our values describe 'how' we will go about delivering them.

*... work co-operatively  
with our partners and  
communities*

*... put residents at  
the centre of everything  
we do*

*... be open and transparent  
in all our  
decision making*

*... be open to new  
ideas and new ways of  
doing things*

The full Council Plan with targets for 2016/17 can be accessed on the Council's web site ([www.newcastle-staffs.gov.uk](http://www.newcastle-staffs.gov.uk)).

## Links to other strategies and plans

The MTFs has links to a number of other Council and wider community strategies and plans. Where these have financial consequences for the Council, these are reflected in the MTFs.

The Council has three main strategies linked to its priorities:

- [Economic Development Strategy](#)
- [Health and Wellbeing Strategy](#)
- [Stronger and Safer Communities Strategy](#)

Others which have a particularly significant input are:

## Capital Strategy and Capital Programme

The [Capital Strategy](#) sets out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. It also takes into account the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. The Council's detailed capital investment plan is contained in its approved [Capital Programme](#). The current programme was approved by Full Council on 24 February 2016. This programme provides for £14.2 million of investment during 2016/17 in projects across all of the Council's priority areas.

The Capital Strategy has been prepared against a background of unprecedented reductions in funding provided to local authorities by central government and its agencies, arising from the need to restrain public expenditure owing to the ongoing economic situation and to rebalance public finances. At the same time, the Council's own resources available to finance capital projects are running out and will need replenishing before any substantial further capital investments can be made. Whilst the Council has benefited from an ability to recycle income derived from the disposal of land and property over many years, a more focused programme of asset disposals has been agreed via the Asset Management Strategy to counteract the effects of reduced external finance.

The Council is presently debt free, having no long term loans outstanding. However, if further capital receipts do not materialise, borrowing may be the only option to finance proposed capital expenditure in future years. This will have an effect on the general fund revenue account through financing charges and reduced investment income.

## Asset Management Strategy

The [Asset Management Strategy](#) encapsulates the Council's response to national policies and guidelines; it sets out the processes for the strategic management of the Council's property assets in order to ensure the best use of assets to meet corporate objectives in an efficient and effective manner. These processes resonate with the Capital Strategy and in turn may result in projects being included in the Capital Programme.

Through a planned and ongoing review of the asset register, against current and anticipated usage, disposal of assets provide investment into the Council's Capital Programme. In parallel the Council will seek partner contributions (for example through external grants, partner organisation use of Council assets to contribute to revenue streams and joint venture opportunities).



## Treasury Management Strategy

The [Treasury Management Strategy](#) is approved annually and sets out the Council's strategy for investment of its funds. The investment strategy, together with the prevailing market conditions in relation to interest rates and counterparty security will be the major factor in determining the return which is obtained on investments. Interest on investments is a source of income in the revenue budget.



## Charging Policy

The [Charging Policy](#) sets out the Council's intentions regarding the charges it makes and the criteria which it will use to determine the level of charge for individual services. The annually approved scale of fees and charges is compiled in line with the principles set out in the policy. Income from fees and charges comprises a significant proportion of the income included in the revenue budget.

## Reserves and Balances Strategy

The Council's [Reserves and Balances Strategy](#) indicates that, following a risk assessment, the minimum prudent level of general fund balance to hold is £1.2 million and that there should also be a contingency reserve of £100,000. Current indicators are that this strategy will be delivered.

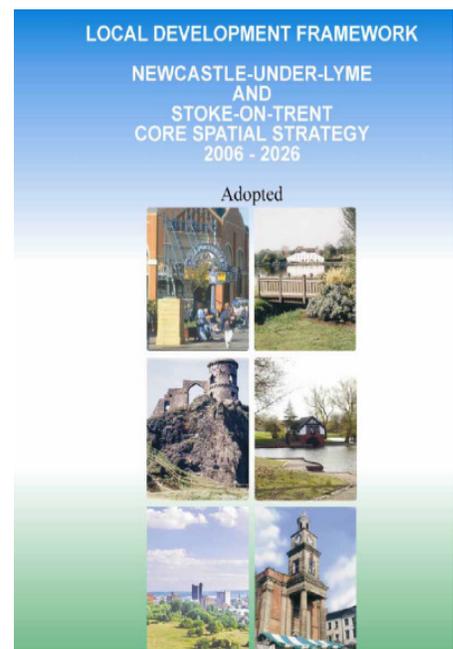
## Departmental Service Delivery Plans

Service Plans are an integral part of the Council's planning process and demonstrate the actions and targets of each directorate in order to achieve the Council's corporate objectives and priorities.

## Other strategies which may influence the MTFS

There are a number of other Council strategies whose contents may have implications for the MTFS:

- [North Staffs Green Spaces Strategy](#)
- [Housing Strategy](#)
- [North Staffs Core Spatial Strategy](#)
- [Saved Local Plan Policies](#)



## The Council's Overall Financial Position

The Council's overall financial position and its response to financial challenges has been strong over recent years, during the previous five year period (i.e. 2012/13 to 2016/17) efficiency savings in excess of £10.5 million have been generated.

This has arisen from prudent financial management, together with a programme of efficiency savings from transformation, procurement, service delivery and the generation of additional income. These savings have helped to sustain the Council's financial position against a background of reducing resources.

### The National Context

#### *Revenue Support Grant*

Similar to other areas of the Public Sector, local authorities have had to lower costs as their main source of funding has reduced. This is a result of the Government's Policy to address the national budget deficit and this is expected to be on-going over the life of this Medium Term Financial Strategy.

Due to certain services receiving protection (Education and Social Services) the largest impact of the reductions falls on district councils. Central government support for local authorities revenue budgets is provided in the form of Revenue Support Grant (RSG) plus a Baseline Funding amount relating to Business Rates.

The amounts to be paid to local authorities as a whole and to individual authorities are announced via the annual local government finance settlement, provisional figures being announced usually in December and final ones in January. In the 2016/17 provisional local government finance settlement, the government stated that it would offer any Council that wishes to take it up, a four-year funding settlement up to and including 2019/20 covering Revenue Support Grant, transitional funding and Rural Service Delivery Grant.

Revenue Support Grant was reduced by 32 per cent (£868,000) for the Council in 2016/17. If the four-year settlement is accepted by the Council further reductions in Revenue Support Grant of 42 per cent (£754,000) in 2017/18, 44 per cent (£471,000) in 2018/19 and 89 per cent (£526,000) in 2019/20 will be received.

#### *Business Rates Retention*

The Local Government Finance Act 2012 introduced business rate retention for local authorities and for the localisation of council tax benefit, i.e. for local authorities to assume responsibility for devising schemes for making payments to claimants, instead of acting as agents for the Department of Work and Pensions.

The revised arrangements took effect from 1st April 2013. The Council still bill and collect business rates, but instead of contributing all business rates into the central pool and receiving formula grant plus a baseline funding amount, a proportion of the business rates is retained by the Council.

A baseline level of funding was set so that at the start of the system, the amount received is equivalent to what it would have been under the previous system, less the reductions arising from the Local Government Resources Review. From then on the Council's funding may grow if the business rates base in Newcastle-under-Lyme grows, but could also fall if the business rates base declines.

Revaluations of the rateable value of properties liable to business rates are undertaken by the Valuation Office every 5 years, the next revaluations will be undertaken during 2017. It has been assumed for the purposes of the Medium Term Financial Strategy that the Council will be in a cost neutral position following the revaluations, however this cannot be guaranteed.

The Spending Review and Autumn Statement 2015 announced that by the end of the current Parliament, local government will retain 100% of business rate revenues; this will be a significant reform of local government finance and will come with additional responsibilities for local authorities (these have not yet been announced).

It may further empower local authorities to deliver services in a way that is right for their area, whilst also significantly increasing the risks associated with the levels of business rates collected (i.e. the less collected due to non-payment or appeals against revaluations by businesses, the less business rates the Council will retain).



Central Government is currently consulting on changes to the local government finance system to pave the way for the implementation of 100% business rates retention. For the purposes of the Medium Term Financial Strategy it has been assumed that the Council will be in a cost neutral position once the new system is implemented, again, this cannot be guaranteed.

### ***New Homes Bonus***

This was introduced in 2011/12 and will continue to be paid in addition to RSG and retained business rates.

Nationally, where authorities gain in NHB due to growth, RSG will be reduced. However, the overall system is designed to benefit those authorities who achieve residential growth (including new affordable housing) together with good management of empty properties.

Similar to RSG and retained business rates, the NHB is a flexible, unringfenced fund and is part of the support package that central government will continue to pay to local councils.

Following the outcome of the 2015 Spending Review Central Government have consulted local authorities on a variety of options for increasing the focus of the New Homes Bonus on delivery of new homes and freeing up resources to be recycled within the local government settlement to support particular pressures, such as adult social care.

The options on which views were sought were:

- Withholding the Bonus from areas where an authority does not have a Local Plan in place
- Abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal;
- Adjusting the Bonus to reflect estimates of deadweight.



The consultation also sets out proposals for reductions in the number of years for which the Bonus is paid from the current 6 years to 4 years. The changes are proposed for 2017-18 onwards so the full impact on the Council cannot be fully quantified at the current time until final details of how the system will operate in the future are received from Central Government.

## ***Brexit***

The vote to leave the European Union has significant structural and financial implications for local government and the wider public sector. While nothing has currently changed in a formal sense, with the UK still retaining the full rights and obligations of a member of the European Union until the Government opts to trigger Article 50, we are nonetheless in a period of market volatility and instability which will present challenges to local government in the delivery of services and other economic development priorities. The financial impacts of Brexit, to the Council, cannot be quantified at the current time.

## **Compilation of the MTFS**

### ***Principles***

The MTFS considers changes to the 2016/17 base budget by breaking this budget down into its subjective cost and income components; pay, pensions, utilities, fuel, supplies and services, investment income, income from fees and charges, etc. An assessment is then made, in respect of each of these components, of the factors which might affect their cost or the amount of income receivable and whether there is likely to be a change in this cost or income, and if so how much it will amount to, in each year over the five year period. Also taken into consideration are any additional pressures which may apply to services over the five year period, plus any savings which have been identified and agreed or approved investments in services over the five years. The MTFS therefore shows the changes from the initial 2016/17 base budget through to 2021/22, demonstrating the variances between each of the years.

### ***Base budget components assessed for cost variances***

These are set out in detail in the MTFS summary (page 20), which shows by how much, in monetary terms, the estimated budget for each of the five years varies in comparison to the previous year on account of these factors alone. Also shown are the assumptions about price changes that have been made in respect of each component. In summary, the components

examined, the factors which were taken into account to assess the changes, and the key assumptions that have been made are:

- Central Government funding via the Revenue Support Grant will reduce as per the four-year funding settlement, with the assumption that all remaining Revenue Support Grant will be cut in 2020/21;
- New Homes Bonus funding will decrease from the current situation of 6 years rolling funding to 4 years (with an interim in 2017/18 of 5 years);
- Business Rates baseline funding retained by the Council is to increase in line with inflation forecasts provided by Central Government as per the four-year funding settlement;
- The impact of both 100% Business Rates Retention and the 2017 Business Rates revaluations will be cost neutral;
- Full provision for known pay increases from incremental progression;
- A 1 per cent pay award each year in line with the announcements made in national budgets;
- National Insurance increases, linked to increased pay;
- Superannuation increases, both to take account of increased pay and changes in contributions to the pension fund;
- Inflationary uplifts in Business Rates, fuel and utilities expenditure (with utilities expenditure only increasing at the cessation of the Council's current fixed rate contract);
- Increase in income from customer receipts in line with inflation forecasts provided by Central Government as per the four-year funding settlement;
- Changes in amounts of investment income receivable, both as a result of changes in forecasted interest rates (supplied by the Council's treasury management advisors) and changes in relation to the capital sums available for investment;
- Contributions from reserves and ongoing effects of previous savings exercises or investments associated with them.



Whilst all of these are important and of some significance, a sensitivity analysis has been undertaken on the following three issues for which the main findings are:

- The level of central government funding which is received

These support a large per cent of the budget so have a major impact. A variation of 1 per cent in the level of funding allocated via Revenue Support Grant and the Business Rates baseline would amount to £52,000.



- How movements in interest rates will affect the Borough Council

The Council has no external debt at the current time but does generate income from its investment portfolio. The Bank of England base rate is currently 0.25 per cent. It is estimated that a change of 0.25 per cent in the interest levels would lead to £41,500 more or less interest.

- How changes in nationally agreed pay awards will impact

There is provision for a 1 per cent pay award in each year. A change of 0.50 per cent would save or cost £75,000.

### Assessment of what the MTFS means

The implications of the MTFS forecast will be taken into consideration in the preparation of detailed budgets for 2017/18 and give guideline figures for the budgets for the following four financial years. Details of the timetable which is being followed are shown later.

The summarised MTFS illustrates that the Council would have the following shortfalls over the next five years which need to be addressed.

- £2.563m in 2017/18
- £1.224m in 2018/19
- £1.353m in 2019/20
- £384,000 in 2020/21
- £274,000 in 2021/22

As a percentage of the net budget, the potential shortfall in 2017/18 represents 18 per cent of the current year's net revenue budget. In recent years, the shortfalls have been met by a combination of efficiency measures, better procurement, increased income generation, council tax increases and freeze grants, support from reserves, etc. The continued severity of Central Government funding reductions together with other pressures outlined will mean that together with a continuation of the above strategies, more radical solutions may need to be formulated e.g. shared resources with other organisations, alternative service delivery models and reduction in services.



## **Newcastle 2020**

In view of the MTFs forecasts a project called Newcastle 2020 was started at the end of 2013. This continues to look at how the Council's ever decreasing resource base can be best used to meet the needs of the population of the Borough.

The project consists of a number of different work streams, all of which provide a perspective on the future role and funding of the council. Some of the work that has already been undertaken includes:-

### ***Financial Modelling***

Heads of Service were asked to model what their services would look like with a 20 per cent, 40 per cent and 60 per cent reduction in resources.

### ***Income***

This has involved an analysis of the Council's future tax resource base. This is essential in the content of the changes in respect of business rates and the incentives created in respect of the New Homes Bonus. (These are outlined elsewhere in the MTFs). In addition, further work is ongoing to maximise income from fees and charges.

### ***Reducing Bureaucracy***

Work has been undertaken to ease the burden of carrying out administration tasks across the Council.

### ***Delivery Models***

A number of options are being looked at which could assist the council to sustain services with significantly reduced resources. Areas being looked at include demand management, self-service delivery, procurement and cost sharing with partners and other organisations.

## **Budget Strategy 2017/18 to 2021/22**

The shortfalls identified for 2017/18 through to 2021/22 need to be managed so that a balanced budget is compiled with spending matched with resources.

The savings, efficiencies and areas of increased income identified, predominately as part of the Newcastle 2020 project, currently include:

- Procurement savings resulting from the negotiation of contracts and annual uplifts incurred, also from determining the actual need for goods, works or services and through ensuring that the Council commissions and procures quality services and supplies as cost effectively as possible;
- Additional areas of income generation including areas where work is being undertaken to ensure that the services are being operated on a commercial basis and to ensure that the subsidy to these services from the Council is minimised;
- Staffing efficiencies including a constant review of vacant posts within the Council and the need to recruit to these posts, a number of service restructures following the departures or reduced hours of senior staff and a number of flexible retirements;
- Good housekeeping efficiencies including a comprehensive review of services' expenditure budgets that are underutilised and reductions in fees that are required to be paid to external bodies;
- Better use of assets including a review of their usage or potential usage and the costs associated with the continued usage or occupation of these assets;
- Alternative sources of funding, e.g. New Homes Bonus contributions, Business Rates Retention Scheme and other grants.

## Timetable and Procedure

As mentioned earlier the remit of the Budget Review Group is to oversee all aspects of the budget process, including service review and challenge, longer term planning, development of budget options, agreeing consultation arrangements and consideration of feedback and seeking to deliver service models that drive improvement to front line services whilst offering value for money.

A service challenge process was conducted by the Budget Review Group in 2012 with the Newcastle 2020 project being established in 2013. Heads of Service have put forward options for improved service delivery and efficiency savings together with suggestions for 'invest to save' proposals whereby continuing increased efficiency can be obtained in return for a proportionally modest initial outlay.

The ongoing results from the Newcastle 2020 project formed the basis of the formulation and preparation of both the current year's budget and the 2017/18 budget.

The Budget Review Group will also consider the capital programme for 2017/18 and beyond and the resources available to finance it. There will be the opportunity for members to review and comment on this during the scrutiny process.

The budget timetable as regards member involvement and the completion of key stages in the process is set out in the table below:

<b>Event</b>	<b>Body Affected</b>	<b>Date</b>
Scrutiny of MTFS and Efficiency Plan	Finance Resources and Partnerships Scrutiny Committee	8 September
Consideration of MTFS and Efficiency Plan and feedback from FRAPSC	Cabinet	14 September
Initial budget strategy and savings options	Finance Resources and Partnerships Scrutiny Committee	2 November
Draft Budget proposals including options approved	Cabinet	18 January
Scrutiny of draft budget	Finance Resources and Partnerships Scrutiny Committee	25 January
Budget proposals recommended for approval by Full Council	Cabinet	8 February
Full Council to approve Budget	Full Council	22 February

## Risk

### Risk Statement

Section 25 of the Local Government Act 2003 places a duty on the Chief Finance Officer to report on the robustness of the budget. The main risks to the budget include: spending in excess of the budget, income falling short of the budget and unforeseen elements, e.g. changes in interest rates and budget strategies and savings that do not have robust plans.

Such risks require regular and careful monitoring and it is essential that the Council has sufficient reserves to call on, if required, e.g. the Council has a general fund balance of £1.2 million. In previous years the Chief Finance Officer has believed that the assurances required under Section 25 can be given and, with careful budget planning, robust monitoring and an adequate level of reserves, there should be no reasons to alter that view.

### Risk Analysis

These risks are managed through a series of mitigation measures included in the financial planning and are monitored on an on-going basis via the Council's risk management process, the Budget Review Group and regular reports to Members.

## The Council's Financial Strategy

The Council is committed to delivering high quality services and considerable progress has been made over the last year with significant improvements in performance indicators and positive feedback from external auditors. Integral to this ambition is the need to effectively target its financial resources in line with the priorities of the Council.

It is the Council's ambition to continue to substantially improve its service delivery over the next five years. Sound and effective financial planning has a vital role to play in ensuring that ambition is realised, through providing sufficient resources to enable the services that matter most to our citizens to be delivered and to respond to the increased demands placed upon the Council.

The current economic climate and the reductions in central government support to local authorities, particularly for second tier district councils such as Newcastle-under-Lyme, reinforces the need for sound financial planning, not just for the year immediately ahead (2017/18) but over the medium term as well.

To meet this need, the Medium Term Financial Strategy (MTFS) has been developed for a period spanning five years, from 2017/18 to 2021/22. The MTFS demonstrates alignment with the Council Plan and will be the main vehicle in assessing the Council's financial position, ensuring efficiency in service delivery and targeting resources via a transparent process to agreed priority areas. It illustrates how the Council Plan is driving the medium term financial plans for services over the next five years.

It is a key document informing the 2017/18 budget process. The assumptions about future costs and income together with those relating to investment and efficiency savings will be incorporated in the 2017/18 budget and will account for the majority of the change in net spending between the 2017/18 budget and that for 2016/17. The indications given in the MTFS concerning the gap between future years' expenditure levels and available resources will enable the Council to draw up an informed strategy that reflects the priorities of the Council, to bridge those shortfalls.

The MTFS will be used during 2017/18 as the basis for reviewing the Council's financial position. The assumptions contained in it will be regularly reviewed and amendments made to the plan, where necessary. If any consequences in terms of significant adverse budget variations become apparent, this information will be used to formulate an action plan to deal with the budget shortfall. Conversely, if a significant positive variance is indicated, and likely to persist, this knowledge will enable the Council to decide whether to use this to increase reserves or to reallocate some or all of it to additional investments in line with corporate priorities.

Whilst the MTFS and Efficiency Plan stands on its own as a strategy, it is an integral part of the Council's overall planning process comprising service delivery plans, the Council Plan and the Borough's Sustainable Community Strategy.

## The Financial Framework

Within the overall strategy, a framework is effectively cascaded down and detailed in other plans and policy documents, as set out in the following table:

<b>Medium Term Financial Strategy and Efficiency Plan</b>	This document sets out the medium term financial plans of the Council.
<b>Treasury Management Strategy</b>	Setting out how cash and investments are managed. This is designed to ensure the security and liquidity of any council money invested.
<b>Financial Regulations</b>	Setting out the procedures to ensure that the use of finance is legal, properly authorised, reported and provides value for money. These are the detailed rules which are used by Council officers on a daily basis to govern their operations.
<b>Internal Audit Plan</b>	Setting out when fundamental financial and other systems will be reviewed over time to test the effectiveness of internal control. This Plan is approved and monitored by the Council's Audit and Risk Committee.
<b>Capital Strategy and Capital Programme</b>	Setting out how major investment is planned and managed and helps to deliver the Council's priorities.
<b>Asset Management Strategy</b>	Setting out the management of land and property and identifying assets for disposal.

## Council Tax Base and Collection Fund

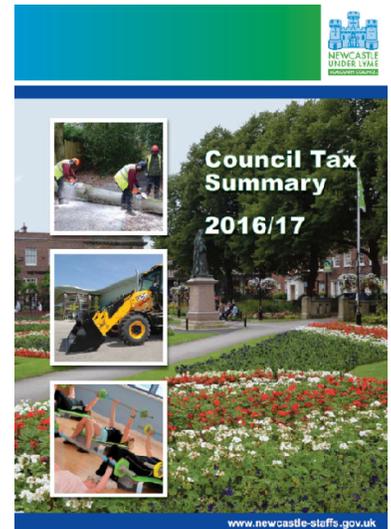
The Council's tax base represents the average "value" of the properties in its area as set against a standard band D property. For example a band D property is expressed as one whilst a lower value band A property is calculated as 6/9 of the band D. On the other hand, the highest value property is band H which is calculated at 18/9 of band D.

The calculation of the tax base has an important effect on the level of council tax in that an increase in the tax base (say, from new building) will mean that the amount to be raised is spread over more properties whilst a reduction (say, from demolitions) will mean that it has to be spread over fewer properties. For 2016/17 the tax base was calculated at 36,078 properties.

The collection fund is the vehicle through which all council tax is collected. The Council makes an assumption as to the percentage of council tax which will be ultimately collected, if that target is not met then there will be a deficit which will have to be accounted for in the next financial year whilst if there is a surplus then this can be used to offset whatever council tax is levied in the next financial year.

Only a certain proportion of the overall council tax bill is attributable to the Council's services. The Council also collects the proportions due to other public bodies that provide services within Staffordshire. These are;

- Staffordshire County Council (Education, Social Services, Highways, Libraries, Waste Disposal and Trading Services)
- Office of the Police and Crime Commissioner Staffordshire (Policing and Crime Prevention)
- Staffordshire Fire and Rescue Service (Fire Fighting and Accident Prevention)
- Local Parishes (Community Facilities)



The split of the overall bill for 2016/17 at Band D level is;

<b>Overall Band D Council Tax</b>	<b>£:p</b>
Newcastle-under-Lyme Borough Council	180.45
Staffordshire County Council	1,088.65
Office of the Police and Crime Commissioner Staffordshire	177.61
Staffordshire Fire and Rescue Service	70.33
<b>Sub-total</b>	<b>1,517.04</b>
Parish Council (Average)	24.20
<b>Total</b>	<b>1,541.24</b>

Local Parish Councils set various rates that are additional to the Band D levels above for residents in those areas. There are 10 parish areas in the District and the Parish levy for 2016/17 at Band D ranges from £11.98 to £43.62.

## MTFS Summary

	2017/18	2018/19	2019/20	2020/21	2021/22	Notes
<b><u>Changes to Base Budget</u></b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Employee Incremental Increases	33	27	13	4	0	As per Salaries Estimates
Pay Awards	114	116	117	118	119	1% increase per year
Superannuation Increases	434	295	301	20	20	Includes lump sum increases in 2017/18 to 2019/20 following the triennial review
National Insurance	16	16	16	16	16	Per incremental increases & pay awards
Premises (e.g. Business Rates)	17	26	29	30	31	Increases as per settlement inflation and Freight Transport Association forecasts
Transport (e.g. Fuel)	8	12	13	14	14	Increases as per settlement inflation forecasts
Other Costs (e.g. Inflation, Uplifts)	0	0	39	0	0	General inflation on energy contracts
One Off Budget Items Removed	58	36	0	0	0	Expenditure taken from/income added to budget
Public Sector Hub	300	(100)	0	0	0	Transitional holding costs and potential borrowing costs
Investment Income	34	(6)	0	0	0	Based on forecast interest rates and amounts available for investment
New Homes Bonus	777	518	519	347	308	Proposed move from 6 years of funding to 4 years
Government Grants	754	471	526	62	0	Per 4 year settlement (RSG)
Business Rates Baseline Funding	(67)	(103)	(115)	(115)	(115)	Per 4 year settlement (Business Rates Baseline)
New Pressures	196	100	100	100	100	2017/18 relates to Kidsgrove Sports Centre (cessation of joint operating agreement with School), Revenue funding from reserves, Apprenticeship levy, Microsoft Licensing
Fees & Charges & other Income	(111)	(184)	(205)	(212)	(219)	Increases as per settlement inflation forecasts
<b>TOTAL MTFS SHORTFALLS</b>	<b>2,563</b>	<b>1,224</b>	<b>1,353</b>	<b>384</b>	<b>274</b>	

## Efficiency Plan

The Council's overall financial position and its response to financial challenges has been strong over recent years, during the previous five year period (i.e. 2012/13 to 2016/17) efficiency savings in excess of £10.5 million have been generated.

This has arisen both from prudent financial management, together with a programme of efficiency savings from transformation, procurement, service delivery, shared resources and the generation of additional income. These savings have helped to sustain the Council's financial position against a background of reducing resources. Examples of efficiency savings achieved and increased income generated during recent years that have clear links to the Council's priorities include:

*The opening of Jubilee 2 Health and Wellbeing Centre, replacing two ageing leisure facilities, increasing income by 40%, creating savings of £350,000 and contributing to a healthy and active community*

*Working co-operatively with our partners by renting out space and sharing building costs to public sector organisations generating income to the Council of £480,000*

*Implementing new ideas by modernising the Revenues and Benefits service including implementing Citizens Access (an online portal for Council Tax payers to manage their own account) and achieving savings of over £100,000*

*Creating a borough of opportunity by significantly increasing the number of properties within the borough generating £2.1 million of New Homes Bonus funding for 2016/17*

*Continuing to create a clean, safe and sustainable borough through the transformation of the waste service, including bringing in house external contracts creating savings and extra income of £500,000*

*Sharing resources with other local authorities and organisations which has generated savings of £200,000 over the last few years*

*Procurement savings of £800,000 in 2015/16 alone including savings relating to numerous contracts including, grounds maintenance, recycling, the Council's bank account, utilities, housing advice, computer software, printing and publicity*

*Creating £100,000 additional and new income sources through undertaking a full review of income in collaboration with other local authorities and the private sector.*



The shortfalls identified for 2017/18 through to 2021/22 need to be managed so that a balanced budget is compiled with spending matched with resources.

The savings, efficiencies and areas of increased income identified, predominately as part of the Newcastle 2020 project, have been considered alongside the Council's vision for a borough that is prosperous, clean, healthy and safe; priorities in determining what savings will be focused on; and, values in deciding how we to go about delivering them, currently include:

- Open and Transparent procurement savings resulting from the negotiation of contracts, from determining the actual need for goods, works or services and through ensuring that the Council commissions and procures quality services and supplies, as cost effectively as possible including joint procuring from working co-operatively with our partners;
- Being open to new ideas and new areas of income generation including areas where work is being undertaken to particularly ensure that the services are being operated on a commercial basis and to ensure that the subsidy to these services from the Council is minimised;
- Staffing efficiencies including maximising the potential for the sharing of resources with other public sector organisations, a constant review of vacant posts within the Council and the need to recruit to these posts, a number of service restructures following the departures or reduced hours of senior staff and a number of flexible retirements;
- Ensuring that the public purse is at the centre of everything that we do by ensuring good housekeeping efficiencies including a comprehensive review of services' expenditure budgets that are underutilised and reductions in fees that are required to be paid to external bodies;
- Better use of assets including sharing resources and assets with partners and local organisations, a review of assets usage or potential usage and the costs associated with the continued usage or occupation of these assets;
- Use of alternative sources of funding and reserves, e.g. New Homes Bonus contributions, Business Rates Retention Scheme, Revenue Investment Fund.

Significant projects that are included in these savings, efficiencies and areas of increased income include the **Waste and Recycling Review**, this review and subsequent transformation of the service will generate ongoing savings of £500,000 over the current and 2017/18 financial years and ensures achievement of the Council priority of a clean, safe and sustainable borough.

Savings have and will continue to be generated through the bringing in house of external recycling contracts; the Council can operate these at much lower costs via operating from a single depot, reducing the numbers of senior managers and increasing the flexibility of the workforce.



By focusing on transforming the service from a waste service to a recycling service and rescheduling recycling collections from fortnightly to weekly it is forecast that savings will be made from reductions in disposal payments and increases in income will be generated from additional recycling credits and sales of recyclable materials.



The Council will be moving premises to a **new public sector hub** based within the town centre during 2017/18 in order to generate efficiency savings to the public sector of £39 million over the next 60 years (a quarter of a million pounds per annum solely to the Council) and to continue being a co-operative Council delivering high quality services including joint working, agile working and collaboration with public sector organisations including Staffordshire County Council, the Police and the NHS.

The public sector hub is being jointly developed by the Council and Staffordshire County Council and is considered to be a prime example of how public sector bodies, along with other partners, can work together to meet the needs of communities and provide locally relevant solutions.

The move to the public sector hub will enable the development of a multi-million pound regeneration project to be undertaken on the site of the current Civic Offices and the surrounding area. The regeneration of the site will include the creation of a major shopping development, including large units of a format not currently available in the town, and accommodation for hundreds of undergraduates, supporting the growth of both Keele and Staffordshire Universities.

The joint developments will bring the biggest investment in the town centre this generation, create hundreds of new operational jobs and hundreds of temporary construction jobs, boost retail turnover in the Borough by an estimated £29 million, boost student spending in the town by around £500,000 per annum and save taxpayers vast sums through public sector organisations working together in a modern building.



Officers and Members of the Council are continually open to new ideas and new ways of doing things and as such **a review of electoral arrangements** has been undertaken. The Council currently has 60 elected Councillors representing 24 wards and elections take place by thirds, i.e. elections are held three in every four years with each Councillor being elected for a four year term of office. In the fourth year when County Council elections are held, there is no Borough election.



It is anticipated that the number of elected Members will reduce from 60 to a number in the range between 42 and 48. This will enable cost savings to be delivered in terms of the allowance that is paid to each Member. The savings will range from £40,000 to £60,000 per annum dependent upon the number of elected Members that is recommended by the Local Government Boundary Commission for England.

Moving from the current arrangement of elections taking place by thirds to an all-out cycle of elections, which means that all seats of the Council would be elected at the same time, once every four years, is planned to be implemented in liaison with the Local Government Boundary Commission for England. This will generate savings to the Council of £195,000 over a five year period (£39,000 per annum).

The move to all out elections also brings further non-financial benefits including the enabling of a strong strategic mandate in terms of policy and decision making for the Council for a four year, medium term, period. It also enables the Council's electoral cycle to be linked to that of other local public sector bodies and enabling partnership working to be engaged with.

Following the successful implementation of Citizen Access within the Council's Revenues and Benefits Service enabling thousands of residents to have 24 hour access to managing their own Council Tax account, and the launch of the Council's new website which has content focused on volume service areas such as planning, recycling, waste, Council Tax and Benefits, the Council is to implement a further programme of **digital delivery** which will deliver efficiency savings of £100,000 per annum.



This will include further development of the Council's website enabling enhanced online service delivery giving the public access to more information, the opportunity to request specific actions and the option to complete forms online without the need to speak or interact with employees of the Council.

It will also include implementing innovative technology such as hybrid mail and the introduction of electronic billing for Council Tax and Business Rates where residents can choose to receive their

bills via email generating significant postage and stationery savings. These introductions will also enable the Council to make much more efficient use of its staffing resources.

As part of the digital delivery programme the Council is also changing the way it provides its payment services making it easier and more convenient for its customers by modernising payment facilities in line with customer expectations.

As part of this process, from 1 January 2017, the Council will no longer accept payments at its Customer Services centres but will be increasing the ways in which customers can pay, the Council offers easy payment options including direct debit, online payments via the Council's website and telephone payments via an automated payment line and residents will be further encouraged to use these options.

To enhance the Council's digital delivery programme its ICT infrastructure has been significantly invested in over previous years and will continue to be invested in in the future in order to provide more efficient services and innovative methods of working.

## Summary

The Council has made significant progress in identifying achievable efficiencies for the term of its Medium Term Financial Strategy, these efficiencies have been considered with the Council's priorities, values and vision at the forefront of the process.

In addition to the efficiencies previously highlighted the Council will continue with the highly successful Newcastle 2020 project to both formulate and prepare its medium term budgets and ensure that the Council's resources are best used to meet the needs of the population of the borough (see page 22).

Continuous financial modelling of services will be undertaken in terms of providing alternative delivery models; service restructures; the sharing of resources between service and other organisations; a constant review of every vacant post within the Council; consideration of early and flexible retirements; the potential operation of services with fewer resources; and, the maximisation of Council Tax income.

The Council aims to generate the maximum levels of income possible through the incentives provided by Central Government for the building of new homes and the occupying of empty properties in the New Homes Bonus scheme in order to meet the Housing requirements of the borough's residents and from the financial benefits offered through the Business Rates Retention scheme for the promotion of economic growth within the borough.

The Council's overall financial position and its response to financial challenges has been strong over recent years, during the previous five year period (i.e. 2012/13 to 2016/17) efficiency savings in excess of £10.5 million have been generated.

It is therefore felt that, whilst the financial challenges for the medium term are considerable, the progress made to date and historically puts the Council on a sound financial footing for the years ahead.